WR- Mainstream Forum

Mainstream Forum Welfare Reform Working Group

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I. Time-Limited Transitional Support System

Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. Time-limited assistance will transform a system based on the right to income maintenance into a system based on the obligation to work. It will also provide a structure for case workers to operate within and encourage a quick return to the workforce for the client. Time limits though, without other reforms, will only worsen the situation of those 14 million persons receiving welfare.

A gradual and flexible phase-in of time limits and the additional provisions in this proposal is essential to properly expand the system and control costs. In considering costs, the phase-in might begin only with the neediest group — teen mothers -- and/or with first time entrants.

• Exceptions to the Two Year Time Limit:
-- Clients under age 20 completing high school or GED certification
-- Seriously disabled, seriously ill, and those caring for a seriously ill or disabled relative
-- Pregnant women will be given an extension equal to that in the Family Medical Leave Act

-- Custodial parent with child under 1 year of age (Note: costs associated with infant care are much higher than costs associated with the care of children over one. Costs of child care were considered in making this exemption decision.)
-- We do not support an extension for higher education although we do encourage and fund education and training in conjunction with work during the two year period

/good

• Job Search: We believe that job search must begin immediately. Each client will be individually assessed when he or she enters the system. Education and/or training should not be a substitute for work but should rather complement and reinforce a revamped system that puts work first.

• Credits for Transitional Assistance:

-- The HHS draft grants "credits for additional assistance" which would essentially allow clients to gain back part of the two year limit by working.
We believe that this point may in fact continue the cyclical nature of welfare.

-- Instead of a "work one month/receive a one month credit on the tally" approach, we propose other options:

1. We could lengthen the ratio, grant only partial benefits after the two year limit such as food stamps and housing.
2. We could make benefits dependent on the skill of the job and availability of similar replacement work.
3. We could extend the grant to a maximum of 6 additional months.

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• Other Transitional Benefits Associated With Time-Limits

While we do not believe that open-ended time-extensions are a sound method, we do propose additional transitional benefits to aide in the transition into the workforce.

-- Other transitional child care benefits as covered in current law.

-- Extend transitional medicaid benefits to two years as needed to bridge the gap between introduction and passage of the health care legislation. ?

-- When in transition to full-time work, allow for two months of transitional housing benefits for those who are already receiving subsidized housing benefits. ?

-- Allow for transitional transportation benefits as stipulated under the "Make Work Pay" section.

II. Make Work Pay

We must make work pay. Low wage jobs can't compete with the package of benefits available in the welfare economy. For example, the average AFDC grant combined with food stamps equals $652 a month or $7824 a year. Medicaid and child care benefits alone add thousands of dollars more to the amount of the grant. On the other hand, a full-time minimum wage job yields only $8,840 a year, about $3,000 below the poverty line. The following six options combined can make full-time work pay more than welfare benefits, thus creating an incentive to move off welfare into the work force.

Health Care -- The prospect of losing medicaid coverage deters many from taking low-wage jobs that don't offer health coverage. This is why universal health coverage for all Americans is necessary. (If health care is delayed for any reason, extension of transitional medicaid benefits temporarily to two years can bridge the gap between introduction and passage of the health care reform.)

EITC -- As passed in the Presidents budget, the new EITC makes a $4.25 minimum wage job worth $6 an hour for a family with two or more children. Together with food stamps, the EITC is sufficient to lift most families out of poverty.

Child Care-- Comprehensive, affordable day care is an integral part of making work pay. It must be addressed in any legitimate legislation.

The Administration has suggested the following child care provisions. We agree with their proposed solution to the child care problem and present their following options:

- Maintain IV-A Child Care -- Continue the current IV-A entitlement programs for cash assistance recipients. Expand the programs to accommodate the increased demand created by full-participation in our Work First program.

- Expand Child Care For Low-Income Working Families -- We also propose significant new funding for low-income, working families. The At-Risk Child Care Program, a capped entitlement which is available to serve the working poor, should be expanded and barriers to states' use (inability to meet the state match) should be reduced.

- Maintain Child Care Development Block Grant -- We would maintain and gradually increase the Block Grant, allowing States greater flexibility in the use of their funds to strengthen child care quality and increase supply.

- Coordinate Rules Across All Child Care Programs -- Require States to ensure seamless coverage for persons who leave welfare for work. States will be required to establish sliding fee scales.

Transportation Grants-- Transportation is a real impediment to participation, particularly in the rural areas. Without transportation money (which can amount to as high as $300 a month in some states), a recipient's ability to get to work can be severely inhibited. Some advocate eliminating "lack of transportation" as an exemption from participation in the program. If we are going to eliminate transportation as an exemption, we must increase funding to provide recipients access to transportation.

The Federal government should make available to states block grants for transportation for use in moving welfare recipients into work. States might use the block grant to develop a variety of transportation stipends (i.e., gas vouchers, mass transit vouchers, direct payment, etc.).

Encourage Savings by Increasing the Asset Threshold for Welfare Recipients -- Currently, individuals with assets of over $1,000 are ineligible for government assistance. This threshold should be increased to $10,000, to encourage savings, which is absolutely necessary for self-sufficiency. Such assets might go to purchase of a car, payment of higher education, purchase of a first home, start-up of a small business or microenterprise, or retirement.

Further Encourage Economic Independece and Decrease the Disparity in Accumulated Wealth with Federally Funded Individual Development Accounts (IDA's) -- The Administration should spend up to $1 billion to leverage community-based efforts to encourage low-income Americans to save through Individual Development Accounts. Community development corporations and other nonprofit groups would compete for federal grants and raise revenue from other sources in order too match IDA deposits of up to $2,000 a year. The matches would be on a sliding scale correlated with income of up to 150% of the poverty line. Such assets could only go to purchase a car, pay for higher education, purchase a first home, start-up a small business or microenterprise, or retirement. IDA's are the IRA's for America's working poor.

Increase Income Disregard Levels for AFDC -- Currently, AFDC benefits are decreased dollar for dollar after four months of employment. This cliff should be eliminated and a more gradual curve established whereby benefits for those who are working are phased out on a more progressive basis. The necessity here is for this to be budget neutral; any additional funding must come from an existing source or appropriation.

III. Putting Work First

The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections and self-esteem necessary to become self-reliant members of the community.

The current system, however, is oriented more around education and training and other services, not work. Education and training are important; however, they should not be seen as a substitute for work. The 1988 Family Support Act (FSA) with the JOBS program as its main component was designed to make people job-ready by requiring them to take part in education, training and other activities. Yet Judy Gueron, President of the Manpower Demonstration Research Corporation (which evalutes welfare programs) stated recently that "JOBS has not fundamentally changed the message and character of AFDC." Only a small percentage of JOBS participants are engaged in work-related activities.

While studies show that education and training programs can raise a recipient's earnings and reduce welfare costs, those gains are typically marginal. Moreover, they do not raise earnings enough to lift people out of poverty -- the ultimate test for welfare programs.

On the other hand, there is growing evidence that programs that put work first produce better results. Studies of California's GAIN (JOBS) program show that the Riverside site, which stresses job placement, does dramatically better than other sites that emphasize education and training. Private and nonprofit organizations such as America Works and Project Match also have proven successful in placing even long-term welfare recipients into decent private sector jobs. Their experience confirms the common sense notion that most people learn their jobs on the job -- not in classrooms. Education and training are important, but getting a real job is even more important. Once someone is working, education and training can help them upgrade their career skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of the burgeoning welfare architecture. The danger in this approach is that we will end up with a vast education and training bureaucracy, not a real job placement system for welfare recipients. Welfare reform should shift the emphasis of JOBS toward work-based programs such as Riverside. But it should also enlarge the role of non-governmental organizations in moving people from welfare to work. That would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work.

In addition to changing the focus of JOBS and encouraging private job placement efforts, a third way to put work first is to allow for temporary subsidized job creation through a cash out of AFDC benefits and food stamps into a grant given to an employer as a subsidy for a job. This provision is the nucleas of Oregon's JOBS Plus program. All three of these options should be available as soon as a recipient is assessed and has worked out an individualized self-sufficiency contract. There is no reason to wait two years before serious efforts begin to move people in to private jobs.

In the model outlined below and on the following pages, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation at the **beginning** of two years, rather than the end of two years as the Administration has proposed.

Options To Give States the Flexibility They Need:

1. States develop their own programs which would require a federal waiver much like what is done today.

2. States follow our newly developed Federal model.

Federal Model:

-- emphasis on private sector (over public sector) job placement and moving to self-sufficiency
-- requires recipients to work for wages
-- all individuals placed in a job as soon as they are able
-- time frames vary from individual to individual but do not exceed two years
-- requires each recipient to sign an individualized employment contract with the state social services or welfare office, binding with the recipient's immediate family, indicating current skills, goals, expectations, time period to reach self-sufficiency as well as a pledge of responsibility **not** to have any additional children while still enrolled in this program

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- Within 30 days each applicant must meet with his/her individual case management team. The case management team would develop an individual employment contract which is specifically catered to each applicant and incorporates the above mentioned aspects.

- Participation: Every able-bodied individual will be required to work and/or participate in education and training to earn their benefits and/or wages. Benefits will be paid based on the number of hours recipients work or spend in training/education. Recipients will be guaranteed minimum wage for hours worked. Wages will be subsidized by the benefits (AFDC and Food Stamps) paid to the recipient.

  If after 12 months a recipient still requires additional education/training, recipients involved will be required to work at least 20 hours a week. (In such cases, the recipients obligations may exceed 40 hours a week)

- Special Needs: Substance abuse treatment will be required in addition to work/education/training as appropriate. Teen parents will be given a choice ? of remaining enrolled in school full-time or entering the work first program. In addition, teen parents will be required to take parenting classes. (To remain consistent with the desire to emphasize individual responsibility, both parents will be required to take parenting classes)

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- Sanctions: If recipients fall short of work requirements in the individualized employment plan, they will only receive benefits commensurate with those earned. If a recipient refuses to work then only the needs of the child will be considered in determining benefits.

- Increased Funding: The Federal/State match will have to be revised. Another possibility is to change the funding responsibility, ie, federal responsible for employment, training and education.

- One-Stop Shops: Every effort must be made to consolidate the job placement, training and education services under one roof to facilitate access and control expenditures for transportation.

A case manager will present the "Work First" options to each welfare recipient. The options are as follows:

1. **Hired Placement Companies**

For-profit and nonprofit placement companies will be awarded performance-based contracts to place recipients in full-time, preferably private sector jobs. Private for-profit and nonprofit entities will bid for the chance to place welfare recipients in private sector jobs and will keep part of the money a state saves when someone leaves the rolls. The placement company would receive a fee of about one third of what it costs the state to support an average family on welfare for about a year only after the recipient has successfully remained in the job at least six months. The state will 'pocket' the remaining savings. Ideally the fee would be phased-in to help ensure the employee stays in the job.

Upon entering the placement agency and at least three months into the private sector job placment, the placement agency should provide intensive, personalized support and job readiness to the welfare recipients to prepare them for the job and to ensure their continued success in the job.

Considerations:

Placement companies might cream (take only the easiest to place recipients) or might have little interest in the long-term employment of welfare recipients (since the placement company would get some, if not all, of their money once the welfare recipients are placed in jobs. Payments over time may alleviate this complaint. Private placement organizations may be required to take a certain percentage of long-term recipients to counteract the criticism of creaming.

2. **Temporary Subsidized Job Creation**

There are several options for public and private sector job creation: Wage supplementation; tax credits to firms; training grants; and a combination of proposals. These would funded by cashing out AFDC and Food Stamp benefits to provide the employer with a short-term (time to be determined) subsidy to go to the employee in the form of a wage, to be paid at minimum wage. States should be allowed to use federal grant money to supplement wages weekly, biweekly, or monthly.

grant diversion in 1st 2 yrs.

Wage Supplementation: This approach would give companies a greater incentive to hire welfare recipients by offsetting the wages paid to employees with federal dollars:

Considerations:

a. GAO reports have shown that subsidies could stigmatize welfare recipients seeking jobs and "hurt their long-term employment prospects."

b. These reports have also shown that subsidies "could be a windfall to employers who hire the same people they were going to hire anyway."

c. Additionally, subsidies "could simply result in the displacement of equally disadvantaged persons."

Tax Credits to Firms: Tax credits to firms for hiring disadvantaged workers. Currently, employers can receive a TJTC of up to $2,400 for one year for an employee who meets the qualifications. The tax credit should be phased-in over a length of time to maximize the time an employee stays in the job.

Considerations:

a. A DOL study concluded that the Targeted Jobs Tax Credit made it more difficult to hire welfare recipients because as one employer said "the feeling is that if you are giving me an incentive to hire this person, then you are probably giving me a problem."

b. A Department of Labor assistant inspector general found in a study of Alabama employers who participated in the program that they would have hired 95 percent of the TJTC-eligible workers even without the tax credits. The inspector general is now conducting a nationwide study.

Possible Combinations of the Above Proposals

1. Hiring Placement Companies/Wage Supplementation: The theory is to hire placement companies to place welfare recipients with a company then supplement the workers wages.

2. Hiring Placement Companies/Tax Credit: The theory is to hire placement companies to place welfare recipients with a company and then give the company a phased-in tax credit for hiring the worker.

3. Wage Supplementation (On the Job Training)/Tax Credit: The theory is to supplement the employers wages for training, then give the company a phased-in tax credit to keep the employee after training.

3. **Microenterprise**

The Administration should permit states to use federal community and rural development and job training funds to make direct loans to nonprofit groups that lend to microbusinesses and poor entrepreneurs.

4. **Referral to JOBS**

JOBS should be one of the many of the choices listed above to help move a welfare recipient into work. Education, training job placement and social services will still be available through JOBS but these services will also be available through the private and public avenues mentioned above as well as through community-based organizations and other nonprofits that vie to offer these services.

IV. Family Responsibility and Improved Child Support Enforcement

Dramatic improvements in the child support system will ensure that children can count on support from both parents -- that fathers take responsibility for their children -- and that the cost of public benefits is reduced while raising a working mother's real income. The goal of these proposals is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

Proposals

- Improve Non-custodial Parent Location and Identification:

-- Expand the functions of the federal parent locator (in HHS). Allow federal parent locator access to federal income tax returns filed by individuals with the IRS to identify non-custodial parents.

-- Require states to maintain registries of child support orders.

-- Create a computerized national network for location of parents for interstate use.

-- Require secretary of treasury to modify W-4 form for new employees to include a statement about child support responsibilities.

-- Secure state and federal access to financial records of non-custodial parents for the purpose of child support enforcement.

- Child Support Establishment:

-- Improve interstate reporting of child support through various means.

-- Allow state child support agencies to access and use credit reports for obtaining information in setting or modifying a child support order.

-- Create a national child support guidelines commission to oversee the child support process.

-- Requires states to develop uniform duration of support limits.

-- Require the inclusion of social security numbers on: marriage certificates and divorce decrees.

• Establishing Paternity:

-- Require states to establish hospital-based paternity at birth. Require states to develop a simple civil consent procedure for paternity establishment. Assume rebuttable presumption of paternity with six months to challenge.

-- Make available on-site hospital social service available for pregnancies resulting rape or incest and allow social services for other situations (such as domestic violence) that may arise as a result of an unwanted pregnancy. Where necessary, rape and incest victims should be exempt from paternity requirement.

-- Require states to offer positive paternity establishment/parenting social services for new fathers.

-- Benefits contingent on paternity establishment except for exemptions.

• Child Support Enforcement: Reinforce child support enforcement through:

-- Implementing direct income withholding process for child support (both present obligation and those past arrearage) and garnishment of federal pay.

-- Allowing workers' compensation to be subject to income withholding of child support.

-- Requiring states to place a hold on occupational, professional, and business licenses for non-custodial parents who refuse to pay child support. Driver's licenses and vehicle registration denied to non-custodial parents who fail to appear in child support cases.

-- Placing liens on vehicle titles for child support arrearage.

-- Requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards.

-- Mandating reports to credit bureaus of all child support obligations and arrearages.

-- Denying passports to non-custodial parents who have state arrest warrants in cases of nonpayment for child support.

V. Teen Pregnancy Prevention and Family Stability

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The provisions discussed below address this horrific problem.

Teen Pregnancy

• Education: Family life and sexuality education, including: responsible decision-making regarding sexual activity; parenting responsibilities; the means for delaying becoming pregnant, including abstinence, natural family planning, and contraception; and, the means for prevention of sexually transmitted diseases.

Note: Our goal is for States to have control over this area based upon "community standards". but we feel the need for education is absolutely crucial. We are trying to make this area more palatable to all people, conservative or not. One strategy is to change the area in which sex education is taught, from Health to biology. Another strategy is to call it "family life education" instead of sex education.

• National Campaign: President should be in charge of a national ad campaign to disseminate the statistics on teen pregnancy, including the adverse effects on all aspects of the children's lives. A "war on teen pregnancy." The emphasis must be placed on teaching young people that "children who have children face tremendous obstacles to self-sufficiency."

• Incentives

Follow Ohio's model LEAP program. Require teenage mothers receiving AFDC and other public assistance to attend school, offering a $62 per month incentive for those teens who can prove school attendance and a $62 penalty for those who cannot prove attendance. Child care should be provided at the site of the school if possible.

• Deterrent Strategies (States to have options):

1. Unwed mothers on welfare will not be compensated for having additional children. Any welfare mother will receive only half the benefit increase for a first child born while on welfare and no additional benefits for children thereafter. States must ensure that parents have access to family planning services.

2. Minor mothers will not be able to receive AFDC benefits if they don't live in a household with a responsible adult, preferably a parent (with certain exceptions when deemed necessary).

3. On site-school-based child care, when possible, should be made available. This acts as a discentive to pregnancy for students who witness how hard it is for

single teen parents to manage all the inherant responsibilities parenthood brings with it.

Family Stability

• Federal Block Grant Program: Allocation formula grants to be administered by the Department of Health and Human Services to use already-existing, effective, and comprehensive family stability programs which offer families access to all services in order to meet their obligations and to get off of welfare. Similar to the Administration's infusion of grant monies into education through Goals 2000.

Note: We envision a program that allocates monies to both state and local entities, so that rural areas, for example, do not get left out. Also, there should be strict guidelines to hold grantees accountable.

• Incorporating Family-friendly Stabilization Strategies: Unwed mothers will be allowed to marry without losing their benefits.

• Develop a Strategy that Provides Better Support and Eliminates Current Disparities for Two-Parent Families in the Welfare System: Eliminate disincentive to marry by removing the 100 hour rule (two-parent families are ineligible for assistance if the primary wage-earner works more than 100 hours per month or has not been employed in six of the previous 13 quarters).

VI. Community Service

At the end of two years, if a welfare recipient has not found full-time employment, he or she will be out of the AFDC system but will have the option (voluntarily) to work at a minimum wage community service job. Federal funds for community service would be reduced after a designated amount of time, but states would have the option of continuing funding. As David Ellwood says, "The best time limit is one in which no one reaches the limit." Community service jobs would act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort. Federal funds for community service would be reduced after an amount of time "to be determined," giving states the option to continue to support participants with state funds.

• State Participation: State governments should be allowed the greatest amount of flexibility possible, but with a few key provisions from the federal government, and should not be too financially burdened.

• Participant Requirements: If a client is offered employment and does not accept (other than for good cause), he/she will not be eligible for the same benefits as if he/she was participating in AFDC program. Children whose parents refuse to accept employment will not suffer reductions in their benefits.

• Community Service Guidelines:
-- States need to set a minimum level of community service positions available and establish a waiting list for clients not able to immediately participate due to program overload. However, such clients must do volunteer service and

participate in an active job search on a full time basis to receive benefits.
-- States must include organized labor groups, private sector companies, and community groups in the administrative process.
-- Recipients should work for wages instead of benefits to foster increased self-sufficiency.
-- Current public sector employees shall not be displaced due to job creations for welfare recipients.
-- States must provide supportive assistance to program participants, such as child care and transportation.
-- States should determine length of period a client can be in the community service program, however decreased federal funding will be available after a set time limit.
-- Community Service participants must seek full-time employment while engaged in community service.
-- Community Service participants will be paid minimum wage.

• CWEP: We do not support the community work experience program.

VII. Program Simplification

The perceived failure of our welfare system can be attributed to a number of factors, chief among them the burdensome bureaucratic framework of the current system. Program simplification will consolidate and centrally administer public assistance programs. The measure, combined with private sector involvement in reform, will significantly reduce administrative costs, fraud and waste, as well as promote greater efficiency and effectiveness.

Three federal agencies are responsible for administering the current welfare program: the Dept. of Agriculture (Food Stamp program); and Dept. of Health and Human Services (the JOBS program, Medicaid, and AFDC); the Dept. of Housing and Urban Development (Energy Assistance, Section Eight and other Public Housing Programs). Clearly, the first step towards redesigning our country's welfare system should be to streamline and simplify the current system. While this measure will inevitably lead to displaced workers, the long-term benefit of reforming a system that is out of control and ineffective certainly outweighs the short-term difficulties that will occur. The existing paradigm simply has not worked and must be changed to one that stresses economic empowerment.

• Public assistance programs should be consolidated and centrally administered to reduce administrative costs, fraud and waste, as well as promote greater uniformity and control.

- Recent statistics indicate that the following programs have the following annual administrative/operating expenditures:
  - AFDC Program - $2.1 billion (since FY83)
  - Food Stamp Program - $1 billion (since FY83)
  - Medicaid Program - State and Federal government share in cost. In 1992, states and Federal govt. spent $4.28 billion on administrative costs.

• Consolidate all welfare programs administered by HHS into a new Bureau of Family Development and Employee Assistance.

BAD IDEA

- HHS is the best equipped agency to administer welfare programs especially in view of the agency's role in funding economic empowerment partnerships to help AFDC recipients become independent and its role in granting waivers to states for welfare demonstration projects.

- Recommend that AFDC and public housing benefits be combined into a single monthly cash benefit and that there remains an option to either receive Food Stamp benefits through an electric benefit transfer program or cash out food stamps for the purpose of transferring cash to employers to subsidize jobs.

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- Benefits would be based on more liberal Food Stamp asset and income limit rules which would increase recipients and costs in the short-term. These would be offset by the savings incurred from streamlining the welfare system, spending less on food stamp benefits (higher asset limits would make fewer people eligible for Food Stamps), less paper work and the two year limit on assistance.

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- Note: family budget planning assistance would be addressed in the case management process.

• Medicaid would remain under the administration of HCFA pending the implementation of health care reform initiatives.

• State Social Services offices would be converted into Family Development Centers that would be housed in Employment Security Commission Offices or work in conjunction with these offices. These Family Development Centers would also be responsible for coordinating with other agencies and community organizations on behalf of their clients.

- Congress should take appropriate action to simplify oversight of the new system.

• A single application packet should be used to determine eligibility under the new consolidated program.

• HHS should establish a national automated database that contain information about recipient history and other useful data that will assist workers in assessing assistance applications.

• Recommend consideration of establishing uniform rules and definitions to be used by all need-based programs in making their eligibility determinations.

- NOTE: one option of consideration would be to allow for implementation of successful demonstration project guidelines.

• Recommend consideration of modifing audit and evaluation procedures to focus primarily on the success of individuals and families in reaching self-sufficiency as the standard for accountability to determine the success of programs.

Phase-in Date and Funding Possibilities

• Proposals for phase-in:

- One proposal for phase-in would recommend that a total consolidation of welfare programs take place over a three to five year period beginning in FY96, allowing for completion of current state welfare demonstration projects.

- Another option would be to allow states with proven success in their demonstration projects to be incorporated into the new welfare system. (Funding for this has not yet been addressed)

• Funding

- Recommend consideration of establishing a global budget for assistance outlays under the new consolidated program, adjusted annually for inflation. Eligibility guidelines should be nationally uniform.

- For total consolidation of all welfare programs, a three to five year phase-in period will be needed to transfer complete funding responsibility to the Federal government. Under the OBRA 93 an estimated total of $15 million in FY 94 and $205 million over five years in spending reductions were passed as a result of a provision which would limit the share of federal funding for state administrative expenses. We propose that these savings be used to fund the new consolidated system. Under the new system federal funding for administrative expenses would be limited to 50%.

- We recommend consideration of using federal funds to help states in developing services specifically directed towards children (E.g. foster care placement, parenting skills workshops, youth development training) for the first five years.

NOTE: One proposal recommends that a new consolidated program be a capped entitlement program

Alien Status

While the Working Group has not fully addressed the issue of alien status, one option would be to allow the Food Stamp program to adopt the AFDC PRUCOL provision which allow participation by aliens admitted for permanent residence or permanently residing under color of law.

-Note: Current Food Stamp program limits alien participation to those admitted under specified sections of the Immigration and Nationality Act.

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WR - M. Forum

Recent Proposal as of 3/25/94
Draft - Subject to change

The Mainstream Forum, a group of over 90 House moderate and conservative Democrats, is nearing completion of a welfare reform plan that puts work first. The legislation, expected in its final form by later this Spring, will culminate a six-month effort by the group to produce a plan based on the principles set out in a letter to the President dated October 19, 1993 and signed by 77 Mainstream Forum members.

Generally, these members support welfare reform that includes the following elements:
- establishing a two year lifetime transitional period of benefits;
- making work pay more than welfare;
- putting work first;
- ensuring access to job opportunities;
- reshaping job training and education;
- child care assistance;
- child support enforcement;
- teenage pregnancy prevention;
- program simplification.

Review
1. Sanctions w/JOBS (and activities)
2. LEAP
3. State option for placement ceiling
4. AFDC/FS cashout - Oregon Tolls Plus
5. State option to phase in faster
6. Waiver process
7. State option to limit Community Service program to 3 yrs.

Members of the Mainstream Forum Welfare Reform Working Group are continuing work on some components of their legislation. The following pages contain information which the Mainstream Forum supports and intends to include in its Welfare Reform plan.

The group has been led by its founder, Rep. Dave McCurdy, (OK) Chairman of the Democratic Leadership Council; Rep. Jim Slattery (KS), Chairman of the Working Group; and co-chairs Rep. Karen Shepherd (UT), Rep. Alan Wheat (MO) and Rep. Eric Fingerhut (OH).

I. Time-Limited Transitional Support System

Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. Two year lifetime, time-limited assistance will transform a system based on the right to income maintenance into a system based on the obligation to work. It will also provide a structure for case workers to operate within and encourage a quick return to the workforce for the client. However, to lessen the implementation burden to states and to make the initial costs more manageable, we support a phase-in of the limit over time. Time limits though, without other reforms, will only worsen the situation of the over 14 million persons receiving welfare.

The phase-in of the time-limit should begin with all those who are 25 or younger by 1997. States will have the option to raise the age limit. (Note: The 25 years and younger and older at state option will be subject to the time limit, but volunteers of any age will be allowed to enter the work program.)

Exceptions to the Two Year Lifetime Time Limit:

-- Clients under age 20 completing high school or GED certification
-- Clients participating part-time in technical/vocational education in combination with work
-- Seriously disabled, seriously ill, and those caring for a seriously ill or disabled relative
-- Pregnant women, custodial parents, and guardians will be given an extension equal to that in the Family Medical Leave Act (12 weeks)

Job Search: We believe that job search must begin immediately. Each client will be individually assessed when he or she enters the system. Education and/or training should not be a substitute for work but should rather complement and reinforce a revamped system that puts work first.

Other Transitional Benefits Associated With Time-Limits

We propose additional transitional benefits to aide in the transition into the workforce. These include:
-- Other transitional child care benefits as covered in current law
-- Extended transitional medicaid benefits to two years as needed to bridge the gap between introduction and passage of the health care legislation

II. Making Work Pay

Employment is the centerpiece of our reform initiative. We must ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare. To do this we must eliminate the current disincentives within the system that make welfare more attractive than work. There are five vital components in this regard:

Health Care Reform: Reform of the welfare system is inextricably linked to reform of the health care system. The prospect of losing medicaid coverage deters many from taking low-wage jobs that don't offer health coverage. Welfare recipients desire and need comprehensive health care and our national policy must guarantee access to health care for America's poor families and their children.

EITC: We strongly support the recent five-year, $21 billion expansion of the Earned Income Tax Credit (EITC), enacted by Congress under the Omnibus Budget Reconciliation Act of 1993. Together, with food stamps, the EITC is sufficient to lift most families out of poverty. However, we need to improve outreach efforts to both recipients and employers to ensure that they make use of EITC. The Internal Revenue Code requires that if an eligible worker provides the appropriate tax form (known as the W-5 form) to his or her employer, the employer must add the family's credit to its paycheck. Yet, fewer than 1% of recipients take advantage of this "advance payment" option. We therefore recommend:

-- Requiring that all AFDC, food stamp, and Medicaid recipients be notified in writing of the availability of the EITC upon application for and termination from the programs.

-- Requiring that employers inform new employees earning less than $30,000 annually, of the option of having advance EITC payments available through their payroll.

-- EITC payments be exempt from counting against food stamp and AFDC assets limits for 12 months.

Child Care: Safe, affordable, quality child care is a vital factor in the success of any work-based welfare proposal. Ninety percent of all women receiving AFDC in 1992 were single mothers: without child care, these women cannot work. Child care support is also critical to the ability of the working poor to remain in the workforce. We commend the direction of the administration's FY'95 budget request which takes steps in this direction. Individuals should not be faced with the difficult decision of applying for welfare in order to receive adequate, safe child care. We recommend the following:

-- Expand the IV-A entitlement programs for cash assistance recipients to accommodate the increased demand created by expanded participation in the Work First program.

-- Easing the state matching requirements for drawing down federal Title IV-A child care funding.

-- Allowing states to use Title IV-A child care funds to subsidize 30 days of child care for low income working parents who lose a job, and need time to search for new employment.

-- Expand child care for low-income working families. The At-Risk Child Care Program, a capped entitlement which is available to serve the working poor should be expanded and barriers to states' use (inability to meet the state match) should be reduced.

-- Maintain and gradually increase the Child Care Development Block Grant, allowing states greater flexibility in the use of their funds to strengthen child care quality and increase supply.

-- Coordinate rules across all child care programs including requiring states to guarantee seamless coverage for persons who leave welfare for work.

-- Making the Dependent Care Tax Credit refundable and eliminating the credit for those households with incomes over $100,000.

-- Requiring automatic notification of eligibility for Transitional Child Care to AFDC recipients preparing to leave welfare for a job.

-- Support expansion of Head Start.

-- Consideration that some of the additional funding to expand child care can be used to create jobs in the child care field (following standard licensing requirements) for welfare recipients as part of the effort to move welfare recipients off the rolls and into work. good

AFDC Work Disregards: The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. After the first four months of employment virtually every net additional dollar results in a dollar reduction in AFDC benefits. In fact, a two-parent family automatically becomes ineligible for benefits when the family's primary wage earner is employed 100 hours or more in a month. As a result, welfare recipients who try to work are little better off than just remaining on welfare. To change this system we recommend:

-- Eliminating the 100 rule and the maximum six month benefit receipt maximum for two parent families thereby removing the disincentive to marry by allowing two-parent families to receive the same benefits single parent families receive.

-- States must liberalize the earned-income disregard, but states have the discretion to determine the extent of the liberalization but must move it to a level that encourages work over welfare. ?

Asset Limitation: While work is a first step out of poverty, asset accumulation is the step that keeps a person permanently out of poverty. Both AFDC and food stamps allow a certain amount of asset accumulation when calculating benefits. However, these asset levels are too low to encourage independence and the rules for each are substantially different. This is a constant source of difficulty for both staff and recipients. We therefore support:

-- Adaptation of changes contained in OBRA '93 for food stamps, to apply to both food stamps and AFDC, that provide for an increase in the allowable value of vehicles that is not counted toward the food stamp resource limit. The current limit of $4,500 is raised slightly over the next two years and is then indexed for inflation beginning with a base of $5,000 on October 1, 1996.

-- A uniform non-vehicle asset threshold be established between both AFDC as well as food stamps, capped at a level of $5,000, raising the combined allowable asset level to $10,000.

III. Putting Work First

The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections and self-esteem necessary

to become self-reliant members of the community.

The 1988 Family Support Act (FSA) with the JOBS program as its main component, was designed to combat these problems by making people job ready through education, training and other activities. Yet Judy Gueron, president of the Manpower Demonstration Research Corporation (which has evaluated many of the JOBS programs around the country) stated recently that "JOBS has not fundamentally changed the message and character of AFDC." Only a small percentage of JOBS participants are engaged in work-related activities.

There is growing evidence that programs that put work first produce better results. These programs confirm the common sense notion that most people learn their jobs on the job -- not in the classroom. Private and nonprofit work-based organizations such as America Works, Cleveland Works and Chicago's Project Match have proven that placing even long-term welfare recipients into decent private sector jobs is possible. Education and training are important, but getting a real job is even more important. Once someone is working, education and training can help them upgrade their career skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of the burgeoning welfare architecture. The danger in this approach is that we will end up with a vast education and training bureaucracy, not a real job placement system for welfare recipients. While some JOBS programs have been successful -- such as California's GAIN program, especially the Riverside site, and Florida's Project Independence -- these successes arise from an emphasis on work and job placement over education and training. This is an approach that other JOBS programs have not followed. Welfare reform should shift the emphasis of JOBS toward work-based programs. But it should also enlarge the role of non-governmental organizations in moving people from welfare to work. That would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work.

In addition to changing the focus of JOBS and encouraging private job placement efforts, a third way to put work first is to allow for temporary subsidized job creation through a cash out of AFDC benefits and food stamps into a grant given to an employer as a subsidy for a job. This provision is the nucleus of Oregon's JOBS Plus program. All three of these options should be available as soon as a recipient is assessed and has worked out an individualized self-sufficiency contract. There is no reason to wait two years before serious efforts begin to move people into private jobs.

In the model outlined below and on the following pages, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation as soon as a recipient enters the system rather than at the end of two years.

The states will also have a great deal of flexibility in designing their own programs which would require federal waiver much like what is done today. Or, states will have the option to

follow our newly developed Federal model.

Federal Model:

-- Emphasis on private sector (over public sector) employment and moving to self-sufficiency.
-- Offers option for private nonprofit and for-profit placement agencies to begin work with a recipient as soon as he or she enters AFDC.
-- Offers option for subsidized jobs.
-- Where applicable (placement agencies, subsidized jobs, etc.), recipients will be paid wages, not benefits.
-- Allows each state to create a structured week of a minimum of 20 hours for clients, and part of that 20 hour minimum must include job search and/or work (except for those under 20, who are encouraged to participate in high school or GED course full-time).
-- All individuals placed in a job as soon as possible.
-- Time frames vary from individual to individual but do not exceed two years. ?
-- Requires each recipient to sign an individualized employment agreement (called the Work First agreement) with the state social services or welfare office, binding with the recipient's immediate family, indicating current skills, goals including work goals, expectations, time period to reach self-sufficiency as well as a pledge of responsibility not to have any additional children while still enrolled in this program.
-- Non-compliant recipients except for good cause will have their benefits reduced by 25% with further reductions at state option for additional instances of non-compliance ?
-- Funding for all provisions except administrative, will be based on a split between the federal government --70%-- and the state --30%-- except in cases whereby the state has a better match following the current regulations. Administrative costs would be split between the federal government and state on a 50-50 basis. (Note: more detail is needed for this provision.)

- Within 30 days each applicant must meet with his/her individual case management team and begin a preliminary job search. The case management team would develop an individual Work First Agreement (WFA) which is specifically catered to each applicant and incorporates the above mentioned aspects.

- Participation: Every able-bodied individual will be required to work and/or participate in education and training in combination with work to earn their benefits and/or wages. A minimum of 20 hours of activity will be required and must include some work and/or job search.

  Recipients will be required to spend 20 hours per week of state determined structured time that must include some work and may also include education, training or social services as needed. Benefits and/or wages are contingent upon compliance with the WFA.

- Special Needs: Substance abuse treatment will be required in addition to

work/education/training as appropriate. Teen parents under the age of 20 who do not have a high school diploma or GED will be required to remain enrolled in school full-time and receive a bonus of $70 a month if school attendance requirements are met or a penalty of $70 per month if those requirements are not met. Federal reimbursement mandated to the states for this provision. ?

- One-Stop Shops: Follow Secretary Reich's model for one-stop employment shops including JTPA. Include education services under one roof with other employment and training services where possible as well as access to transportation where possible.

A case manager will present the "Work First" options to each welfare recipient. The options are as follows:

Hire Placement Companies: For-profit and nonprofit placement companies will be awarded performance-based contracts to place recipients in full-time, preferably private sector jobs. Private for-profit and nonprofit entities will bid for the chance to place welfare recipients in private sector jobs and will keep part of the money a state saves when someone leaves the rolls. The placement company would receive a fee as negotiated with the state to move welfare recipients into work. Contracts should be performance based with a larger portion of the payment to be paid upon successful placement in a job for a sustained period of time of at least five months. The state will 'pocket' the remaining savings. Ideally the fee would be phased-in to help ensure the employee stays in the job. The states and federal government would share the cost of this provision, 70% born by the federal government, 30% by the states. STATE OPTION?

Upon entering the placement agency and at least three months into the private sector job placement, the placement agency should provide intensive, personalized support and job readiness to the welfare recipients to prepare them for the job and to ensure their continued success in the job.

Temporary Subsidized Job Creation: There are several options for public and private sector job creation: Wage supplementation; tax credits to firms; training grants; and a combination of proposals. States should be allowed to use AFDC and food stamp grant money to supplement wages weekly, biweekly, or monthly.

Wage Supplementation: This approach follows the model development by the state of Oregon and is called JOBS Plus. The provision allows for on-the-job training by allowing private and public sector jobs each to be subsidized for up to six months. The jobs would be subsidized at minimum wage and would allow AFDC and food stamps to be cashed out into a pool of money that would reimburse the employer for the minimum wage he or she pays out. In addition, the employee (welfare recipient) would be entitled to the EITC. If the minimum wage and the EITC do not bring the AFDC/FS CASHOUT

recipient up to the poverty line, the employer should make up the differential by paying up to $1 dollar an hour over the reimbursed minimum wage. This allows real work experience preferably in the private sector and also gives companies a greater incentive to hire welfare recipients at the end of the six month training period. Once a person is hired in a job full time without a subsidy, she will then be eligible to receive her wage and food stamps and the EITC in compliance with income standards.

good

Tax Credits to Firms: Tax credits to firms for hiring disadvantaged workers should be an option available to states. Currently, employers can receive a TJTC of up to $2,400 for one year for an employee who meets the qualifications. The tax credit should be phased-in over a length of time to maximize employment.

Microenterprise: Permit states to use federal community and rural development and job training funds to make direct loans to nonprofit groups that lend to mircrobusinesses and poor entrepreneurs.

Referral to JOBS: A revamped JOBS following the California GAIN model/Riverside County should be one of the choices to help move a welfare recipient into work and can be one avenue for referral to education and training.

IV. Family Responsibility and Improved Child Support Enforcement

The Mainstream Forum believes that improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while a working mother's real income is raised. The goal of the Mainstream Forum proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

As part of the broader welfare reform plan, the Mainstream Forum takes a very tough stance on non-payment of child support. The Mainstream proposal has four distinct sections.

Enhance non-custodial parent location and identification by:

-- Expand the functions of the parent locator in the Department of Health and Human Services.
-- Require states to maintain registries of child support orders.
-- As stated in OBRA 1993, require Secretary of Treasury to modify W-4 forms for new employees to include a statement about child support responsibilities.

Improve the process by which child support orders are established through:

-- Allowing state agencies to access and use credit reports for obtaining information in setting or modifying a child support order.

-- Creating a National Child Support Guidelines Commission to oversee the child support process.
-- Requiring states to develop uniform duration limits for child support.
-- Increasing child support pass through from $50 to $100 per month to encourage paternity establishment and help women leave the welfare rolls.

Establish hospital-based paternity by:

-- Follow OBRA 1993 recommendations for paternity establishment and require hospital-based paternity establishment for all single mothers.
-- Follow OBRA 1993 recommendation requiring states to develop a simple civil consent procedure for paternity establishment outside of the hospital setting.
-- Make available on-site hospital social service for pregnancies resulting from rape or incest.
-- Require states to offer positive paternity/parenting social services for new fathers.
-- Making benefits contingent on paternity establishment except for limited exemptions.
-- Review incentives for paternity establishment and child support payments for poor mothers by increasing the per month pass through of child support benefits to those mothers receiving AFDC.

Enforce child support through demanding and uncompromising punitive measures for dead-beat parents including:

-- Strongly reinforcing direct income withholding measures for child support orders.
-- Allowing workers' compensation to be subject to income withholding of child support.
-- Requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards.
--Require non-compliant fathers delinquent in their child support payments to enter a work program in which they work to pay off benefits going to support their child. Follow Wisconsin model, "The Children First Program."

V. Teen Pregnancy and Family Stability

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The provisions discussed below address this horrific problem. To combat this problem, we propose the following:

-- Promote the stability of two-parent families by eliminating the 100 hour rule that currently rewards single parents but penalizes those who choose to marry. (The 100 hour rule prevents two-parent families from receiving AFDC if the primary wage-earner works more than 100

per month or has not been employed in six of the previous 13 quarters while allowing single parents full benefits). Eliminating the maximum six month benefit receipt for two parent families thereby removing the disincentive to marry by allowing two-parent families to receive the same benefits single parent families receive.

--Promote individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits (also known as the Family Cap).

-- Prevent minor mothers from receiving AFDC benefits if they do not live in a household with a responsible adult, preferably a parent (with certain exceptions when deemed necessary).
-- Fund a national educational campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency.

State Goals

-- Educate our children about the risks involved when choosing parenthood at an early age.

-- Ensure that every potential parent is given the opportunity to avoid unintended births through reproductive family planning and education.

-- Provide comprehensive services to youth in high-risk neighborhoods through community organizations, churches, and schools which could help change the environment.

-- Work with schools for early identification and referral of children at risk.

VI. Community Service

At the end of two years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but will have the option be able to volunteer for a community service job for a paid minimum wage job, (States have the option to pay higher wages if they choose). Community service jobs would act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort.

• State Participation: State governments should be allowed the greatest amount of flexibility possible, but should follow the guidelines below. States should not be too financially burdened.

• Community Service Guidelines:
-- States are encouraged to include organized labor groups, private sector companies, and community groups in the administrative process.
-- Recipients should work for wages instead of benefits to foster increased self-sufficiency.
-- Current public sector employees shall not be displaced due to job creations for welfare

recipients.
-- Community Service participants must seek full-time employment while engaged in community service.
-- Recipients will be paid at least a minimum wage.
-- Community service should be time-limited to three years with state option to extend the time-limit. States will receive federal funds to recycle a maximum of 10% of the caseload back into the transition program as deemed necessary by caseworkers. Only true hardship cases should be considered for by the states to cycle back in -- people truly not ready to work.

STATE OPTION TO LIMIT WORK TO 3 YRS.

--While recipients will receive minimum wage and food stamps, they will not be eligible for the EITC while enrolled in community service.

VII. Program Simplification

Simplify the Federal waiver process for states: Many states are moving forward with demonstration projects to test program changes that might increase the efficiency of a program. However, the waiver process is currently a lengthy, complex and costly procedure for the state to complete. The federal waiver of legislative and regulatory requirements and future state experimentation should be encouraged. When state demonstration projects are proven to be successful and the state wishes to continue them, quick and accessible procedures should be put in place for state and federal officials to pursue to continue successful projects on a permanent basis.

ARE WE DOING THIS?

Simplify the application process for AFDC and Food Stamps: Some of the most time consuming and difficult tasks in administering these programs are the initial procedures now required to take and process applications. Many believe that the current requirements can be simplified and streamlined. We should move toward more conformity between these two programs.

Encourage and increase federal commitment to automation: Automation will improve interface between agencies, on both a federal and state level, who are administering these programs. Increased automation will improve and expedite verification, reduce caseworker paperwork and will help address the issue of fraud and abuse.

Establish a uniform time-frame for implementing an Electronic Benefit Transfer system framework for state systems: In implementing an EBT system, coordination with AFDC and child care benefits should be stressed. There is growing concern among many, including food stamp administrators, regarding the abusive use of food stamp vouchers by recipients and non-recipients. Automated system benefits will help reduce the likelihood of food stamp fraud and abuse and improve program accountability.

TIME LIMIT ISSUES

DRAFT

Length of the Limit

24 Months. Cash assistance would be available for a maximum of two years, after which (adult) recipients might be required to participate in a work program to receive benefits. Two or three months of job search would have to be included before the end of the transitional support period or at the very beginning of the post-transitional period.

OPTIONS:

— APPLICANT JOB SEARCH —

24 Months, Beginning with a 3 to 4 Month Grace Period. The 24-month cash assistance period would be divided into two parts. For the first 3 to 4 months, transitional services (education, training, supervised job search) might be available but participation would not be mandated. Participation would be required during the next 20 to 21 months.

24 Months, Preceded by a 3 to 4 Month Grace Period. Same as above, except the total cash assistance period would be 27 or 28 months, beginning with a 3 to 4 month grace period.

24 Months, with a Separate Diversion Program. The goal of the diversion program would be to keep at-risk families out of the welfare system by providing them with short-term assistance. A family would only be eligible for assistance under the diversion program if its financial difficulties were temporary and short-term help would get it back on its feet (degree of labor force attachment might be one of the eligibility criteria for the diversion program). The income and asset limits for the diversion program could be set higher than the level for cash assistance; i.e., the program might be open to all low-income families.

Starting the Clock

Start Date: Clock for time limits could begin from the time the individual or family enters the welfare system (but tolled for certain reasons) or delayed until family is ready to participate on a meaningful basis in education and training.

OPTIONS:

Date of Application for Cash Assistance.

Point of Job Readiness. The clock would not begin to run until a recipient had ~~received education and training services and/or~~ was judged job ready (establishing uniform standards for job readiness would be difficult; perhaps a standardized basic skills test?).

Michigan — work in churches, etc.; define your own experience

* → TURN AFDC INTO AN EITC

Stopping the Clock or Extending the Time Limit

Extensions or suspensions of the time limit could be granted to individuals in case of illness or other obstacles to employment or participation in transitional services. Other circumstances apart from illness that might qualify an individual for an extension or suspension include the following:

OPTIONS:

- **illness of a family member**
- **participation in a substance abuse treatment or other rehabilitation program**
- **a severe lack of basic skills**
- **pregnancy**
- **caring for a very young child**

NOTE: Treatment of pregnant women and of recipients with young children are tricky questions, given the potential for incentive problems.

- **high level of participation (perhaps on a one-time only basis to encourage effort without unduly prolonging the time limit)**

- **for completion of approved education or training activities.**

Sanctions

OPTIONS:

Family sanctions, with a stopped clock

Partial sanctions, with clock continuing unabated

Partial sanctions, with adjustments to clock

Renewability

OPTIONS:

Lifetime Limit. An individual would be eligible for a total of two years of cash assistance as an adult (AFDC receipt during childhood would not be counted toward the two-year limit).

Renewable Limit. Ex-recipients could earn additional months of assistance for time spent working and/or not on AFDC. Granting further time for employment would increase the incentive for former recipients to enter the labor force, but would present record-keeping issues (Unemployment Insurance records might be employed).

Recurring Limit. Like the Wisconsin proposal, recipients

would be entitled to a maximum of two years in the first four or five years after they come on the rolls, but then would not be eligible for a few years. Then, they could start their eligibility all over again.

Applicability

If the lifetime limit worked like the lump sum provisions in the AFDC program, the clock would be running for everyone in the assistance unit. However, under a lifetime limit situation, such a rule would definitely "visit the sins of the parents on the children." Individuals whose parents had been on AFDC would lose the opportunity to receive support if they went through their own crisis as adults.

OPTIONS:

- **The lifetime limit would follow only adults and teen parents in the unit.**
- **To prevent/discourage shifts in family structure and teen pregnancies, the clock would run for everyone in the assistance unit.**
- **To discourage additional births to welfare recipients, subsequent births would not get treated as new cases.**

Nationwide Limit

Subject to logistical constraints, months of assistance in one State would be counted toward the limit in any other state in case of a move. (NOTE: This option suggests the possibility of a national data base.)

Cash Limit Option

Overview. The limit on cash assistance could be expressed as a cash rather than as a time limit. For example, a resident of a State with a $400 maximum benefit would not be able to receive more than $9600 ($400 * 24) in cash benefits. The cash limit need not be thought of as a bank account; an individual would not necessarily be more entitled to the $9600 than to the full 24 months under a time limit system.

However, the system could provide incentives for early entry into jobs by converting a certain percentage of the unused assistance into a savings account (or an education and training account) for those who go off and stay off assistance.

Rather than earning additional time for years spent working or off cash assistance, cash limits could be increased. Extensions would be handled in the same way. Payments to families in suspended status would not be counted toward the cash limit.

A fairly simple formula could be used to determine how much assistance would be available to an individual who changes State residence. For example, consider an individual who has received $3000 in benefits from State A, which has a 2-year cash limit of $12,000 (maximum monthly benefit of $500), and moves to State B, which has a 2-year cash limit of $7200. The recipient has received 1/4 of the cash limit in State A. The recipient is therefore eligible for a total of $5400 in benefits from State B (3/4 of the total $7200 benefit).

[A time-equivalent system could also be employed to reduce the disparity in benefit levels among States by creating a benefit floor. If the floor were set at, for example, $7200, individuals in low-benefit States would receive assistance for longer periods, possibly weakening the incentive for States to set benefits at very low levels.]

Possible Advantages.

Easy adjustments, clear incentives for part-time employment

Easier tracking of residual benefits, particularly if existing systems are geared to monitoring disbursements

Easy implementation of a credit system

Easier for recipient to understand, monitor her situation

Full vs Part-Time Work

April 26, 1994

Mr. Bruce Reed
Deputy Assistant to the President
For Domestic Policy
Old Executive Building
Room 216
Washington, D.C.

Dear Bruce:

Attached is a copy of the most recent Mainstream Forum welfare reform proposal. The Mainstream Forum gave me the ok to share the attached draft with you. It is considered the final draft, although it is of course possible that small changes will be made. Additionally, some provisions mentioned are not fully fleshed out but will be, according to staffers, when the proposal is finished being drafted into legislative language. I am told leg. counsel should have the bill ready by May 5th and we will let you know if that date is pushed back.

Please note that everything in bold within the draft represents changes made from the previous draft.

I hope all is well. Feel free to call me if you have any questions.

Sincerely,

Lyn

Lyn A. Hogan
Social Policy Analyst

518 C Street, NE, Washington, D.C. 20002 202/547-0001 Fax 202/544-5014

WR - ~~Network~~ Mainstream Forum

Draft, April 26, 1994

The Mainstream Forum, a group of over 90 House moderate and conservative Democrats, has developed a comprehensive plan for welfare reform that puts work first. The basic principles of our approach in the Forum are simple. First is an emphasis on work--on making it possible, and in most cases necessary for those on welfare to find a job. Second, an effective time limit helps create an incentive to join the workforce. Third, we ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare by providing assurances such as work based job training and education, health care and child care. Fourth, federal welfare reform should install broad principles and disseminate information on successful programs but support state and local initiatives. Fifth and finally, welfare reform must promote stable two-parent families.

Our proposal will radically change a system that currently discourages work and families and perpetuates the cycle of poverty. We have provided incentives to get people into real jobs, allowed for the reinforcement of the American family, and taken steps to control our borders. We believe that not only, will this plan positively restructure a broken program, but it will ensure that the investment made by American taxpayers will be a reciprocal investment.

Generally, the Mainstream Forum members support welfare reform that includes the following elements:
- establishing a two year lifetime transitional period of benefits;
- making work pay more than welfare;
- putting work first;
- ensuring access to job opportunities;
- reshaping job training and education;
- child care assistance;
- child support enforcement;
- teenage pregnancy prevention;
- program simplification.

I. Time-Limited Transitional Support System

Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. Two year lifetime, time-limited assistance will transform a system based on the right to income maintenance into a system based on the obligation to work. It will also provide a structure for case workers to operate within and encourage a quick return to the workforce for the client. However, to lessen the

implementation burden to states and to make the initial costs more manageable, we support a phase-in of the limit over time. Time limits though, without other reforms, will only worsen the situation of the over 14 million persons receiving welfare.

The phase-in of the time limit and all other provisions included in this bill will begin **January 1, 1997.** The phase-in should begin with **all new, current and returning welfare recipients born after January 1, 1972. States will have the option to immediately raise the age limit. Every calendar year forward, the birth date for participation will fall back by one year, i.e. By Jan. 1, 1997 all those born after 1/1/72 will be required to participate. By Jan. 1, 1998, all those born after 1/1/71 will be required to participate, and so on. Those born before 1972 who are currently enrolled in JOBS will remain in the restructured system and be subject to the time limit. Every year thereafter as this initial group of recipients born before 1972 leave the system, states are required to include up to 20 percent of the caseload of those born before 1972, with an emphasis on those at-risk defined as those who have been on AFDC 36 months or more and those with the youngest child 16 or older. The intent of this provision is to offer services to a portion of the population over 25 as well as to those under 25 as of 1997.**

Exemptions to the Two Year Lifetime Time Limit:

-- Clients under age 20 completing high school or GED certification
-- Clients who are employed and participating part-time in technical/vocational education
-- Seriously disabled, seriously ill, and those caring for a seriously ill or disabled relative
-- Pregnant women, custodial parents, and guardians will be given an extension equal to that in the Family Medical Leave Act (12 weeks)

Job Search: **Job search must begin immediately upon eligibility for AFDC and continue for the duration of enrollment in AFDC, the "Work First" program, community service, and for those non-working males deemed delinquent in their child support payments.** Each client will be individually assessed when he or she enters the AFDC system. Education and/or training should not be a substitute for work but should rather complement and reinforce a revamped system that puts work first.

Other

The federal government with the assistance of the states must develop a federal data base to track AFDC receipt and enrollment in the Work First program to ensure that the two year lifetime limit is administered fairly and properly. and deter fraud and abuse

II. Making Work Pay

Employment is the centerpiece of our reform initiative. We must ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare. To do this we must eliminate the current disincentives within the system that make welfare more attractive than work. There are five vital components in this regard:

Health Care Reform: Reform of the welfare system is inextricably linked to reform of the health care system. The prospect of losing medicaid coverage deters many from taking low-wage jobs that don't offer health coverage. Welfare recipients desire and need comprehensive health care and our national policy must guarantee access to health care for America's poor families and their children.

-- Extend Transitional Medical Assistance (TAM) from one to two years or longer as needed until federal health care legislation provides health care assistance for all working poor.

-- Change the definition of who is eligible for Transitional Medical Assistance to count only earned income and extend eligibility to those who go off of assistance due to earned income.

-- Enact a quarterly income verification by the IRS for recipients during the two years of Transitional Medical benefits.

-- Change the eligibility criteria from three months of the last six months to one month of the last 24 months.

EITC: We strongly support the recent five-year, $21 billion expansion of the Earned Income Tax Credit (EITC), enacted by Congress under the Omnibus Budget Reconciliation Act of 1993. Together, with food stamps, the EITC is sufficient to lift most families out of poverty. However, we need to improve outreach efforts to both recipients and employers to ensure that they make use of EITC. The Internal Revenue Code requires that if an eligible worker provides the appropriate tax form (known as the W-5 form) to his or her employer, the employer must add the family's credit to its paycheck. Yet, fewer than 1% of recipients take advantage of this "advance payment" option. We therefore recommend:

-- Requiring that all AFDC, food stamp, and Medicaid recipients be notified in writing of the availability of the EITC upon application for and termination from the programs.

-- Requiring that employers inform new employees earning less than $30,000 annually, of the option of having advance EITC payments available through their payroll.

-- EITC payments be exempt from counting against food stamp and AFDC assets limits for 12 months.

Child Care: Safe, affordable, quality child care is a vital factor in the success of any work-based welfare proposal. Ninety percent of all women receiving AFDC in 1992 were single mothers: without child care, these women cannot work. Child care support is also critical to

the ability of the working poor to remain in the workforce. We commend the administration's FY'95 budget request which takes steps in this direction. Individuals should not be faced with the difficult decision of applying for welfare in order to receive adequate, safe child care. We recommend changes in Title IV-A child care programs including the At-Risk child care program, AFDC child care and Transitional Child Care. We recommend the following:

-- Expand the IV-A entitlement programs for cash assistance recipients to accommodate the increased demand created by expanded participation in the Work First program. **States are required to continue funding for Title IV-A programs at a level equal to the average of 1994, 1995 and 1996 levels.**

-- Eliminate the current Medicaid state matching requirements for drawing down federal Title IV-A child care funding and replace it with an 80/20 federal state match.

-- Apply the same child care standards to the Title IV-A programs as required under the Child Care Development Block grant Program.

-- Eliminate the cap from AFDC child care.

-- Expand child care for low-income working families. The At-Risk Child Care Program, a capped entitlement which is available to serve the working poor should be expanded and barriers to states' use (inability to meet the state match) should be reduced. **Increase the FY '98 authorization for the "At Risk" child care program to $500 million; FY 1999 to $1 billion; FY 2000 to $1.5 billion; and FY 2001 to $2 billion. In addition, eliminate the Medicaid match rate and in its place institute a fixed federal to state matching rate of 80 percent to 20 percent, respectively including administrative costs.**

-- States shall be permitted to use Transitional Child Care and "At-Risk" child care for training as well as employment. Currently, TCC and "At-Risk" child care cannot be used to pay for child care for a recipient who is enrolled in a training program.

-- Extend eligibility for Transitional Child Care from 1 to 2 years and change the AFDC requirement from three months of the last six, to one month of the last twenty-four.

-- Eliminate the marriage penalty by permitting Transitional Child Care for two parent families if the other parent is not available to provide child care because of employment or training and if at least one of the parents is working.

-- Require automatic notification of eligibility for Transitional Child Care to AFDC recipients preparing to leave welfare for a job.

-- Maintain and gradually increase the Child Care Development Block Grant, allowing states greater flexibility in the use of their funds to strengthen child care quality and increase

supply.

-- Make the Dependent Care Tax Credit fully refundable and eliminate the credit for those households with incomes over **$120,000.**

-- Support expansion of Head Start as included in OBRA 1993.

-- Consideration that some of the additional funding to expand child care be used to create jobs in the child care field (following standard licensing requirements) for welfare recipients as part of the effort to move welfare recipients off the rolls and into work.

-- Coordinate rules across all child care programs including requiring states to guarantee seamless coverage for persons who leave welfare for work.

AFDC Work Disregards: The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. After the first four months of employment virtually every net additional dollar results in a dollar reduction in AFDC benefits. As a result, welfare recipients who try to work are little better off than just remaining on welfare. To change this system we recommend:

--- States must liberalize the earned-income disregard. **States have the discretion to determine the extent of the liberalization providing it is moved to a level that encourages work over welfare. However, states must stay within the following guideline of enacting AFDC countable income tests up to a ceiling whereby the maximum monthly disregard is $225 in addition to 1/2 of all remaining earned income.**

-- At state option, eliminate the 100 rule for two-parent families **(covered in detail in the Family Stability section).**

-- State flexibility to establish a voluntary AFDC grant diversion program in all or part of the state. Diversion payments are not to be considered an entitlement and eligibility for which is to be determined by the caseworker. Payments may not exceed three times the household's monthly payment level. If a family applies and is eligible for additional AFDC benefits during this three month period, any payment must be prorated against benefits within those three months. The purpose of this program is to prevent families from entering the AFDC rolls by providing them with a one-time grant to cover a short-term financial emergency such as a shortfall on rent or other emergency that could place an otherwise financially stable family on AFDC.

Asset Limitation: While work is a first step out of poverty, asset accumulation is the step that keeps a person permanently out of poverty. Both AFDC and food stamps allow a certain amount of asset accumulation when calculating benefits. However, these asset levels are too low to encourage independence and the rules for each are substantially different. This is a constant source of difficulty for both staff and recipients. We therefore support:

-- Increasing the vehicle asset threshold to $5,000 following the food stamp language contained in OBRA '93 and employ the definitions for what constitutes and automobile and the value thereof, as used in the food stamp program.

-- Increasing the non-vehicle asset threshold **for either AFDC or food stamps, capped at a level of $2,000 or increasing non-vehicle asset level up to $10,000 for specific use in setting up a microenterprise, for purchase of a first car, for purchase of a first home or for higher education. Those who use savings over $2,000 for purposes other than those designated shall have a state-attached lien on any future wages or assets.**

III. Putting Work First

The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections and self-esteem necessary to become self-reliant members of the community.

The 1988 Family Support Act (FSA) with the JOBS program as its main component, was designed to combat these problems by making people job ready through education, training and other activities. Yet Judy Gueron, president of the Manpower Demonstration Research Corporation (which has evaluated many of the JOBS programs around the country) stated recently that "JOBS has not fundamentally changed the message and character of AFDC." Only a small percentage of JOBS participants are engaged in work-related activities.

There is growing evidence that programs that put work first produce better results: These programs confirm the common sense notion that most people learn their jobs on the job -- not in the classroom. Private and nonprofit work-based organizations such as America Works, Cleveland Works and Chicago's Project Match have proven that placing even long-term welfare recipients into decent private sector jobs is possible. Education and training are important, but getting a real job is even more important. Once someone is working, education and training can help them upgrade their career skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of the burgeoning welfare architecture. The danger in this approach is that we will end up with a vast education and training bureaucracy, not a real job placement system for welfare recipients. While some JOBS programs have been successful -- such as California's GAIN

program, especially the Riverside site, and Florida's Project Independence -- these successes arise from an emphasis on work and job placement over education and training. This is an approach that other JOBS programs have not followed. Welfare reform should shift the emphasis of JOBS toward work-based programs. But it should also enlarge the role of non-governmental organizations in moving people from welfare to work. That would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work.

In addition to changing the focus of JOBS and encouraging private job placement and support agency efforts, a third way to put work first is to allow for temporary subsidized job creation through a cash out of AFDC benefits and food stamps into a grant given to an employer as a subsidy for a job. This provision is the nucleus of Oregon's JOBS Plus program. All three of these options should be available as soon as a recipient is assessed and has worked out an individualized self-sufficiency contract. There is no reason to wait two years before serious efforts begin to move people into private jobs.

In the model outlined below and on the following pages, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation as soon as a recipient enters the system rather than at the end of two years.

Federal Guidelines -- all state programs must follow these guidelines

- **Overall objective: Unsubsidized paid employment for all non-exempt welfare recipients achieved in a cost-effective fashion that will show bottom line results.**

- **Work: The focus and intent of the "Work First" program is to connect welfare recipients to the private sector labor market as soon as possible and offer them the support and skills necessary to remain in the labor market. Emphasis on employment shall permeate all components of the program as should an understanding that minimum wage jobs are a stepping stone to other more highly paid employment openings.**

- **Job Search: Immediately upon being deemed eligible for AFDC, each applicant must begin a job search.**

- **Job Development: Job development shall be a mandatory component of the Work First program and shall be a priority for every Work First and JOBS office.**

- **Incentives: States must implement widespread use of internal incentives to change the culture of the welfare office, improve employee performance and shift employee objectives to unsubsidized paid employment for welfare recipients**

10% of the funds for the Work First Program (JOBS and other choices involving government caseworkers and related employees) will be allocated to the states for caseworker training and creation of incentives to caseworkers and related personnel for successful job placements that result in full-time public or private sector employment outside of the AFDC system. Additionally, caseworkers who combine education and/or training with work when negotiating the employability contract will be rewarded. good

- Performance-Based Measures: States are required to set performance-based standards and measures for full-time job placement. The measures must be reported to the Sec. of HHS who will have the option to evaluate and amend the measures if necessary if such measures fall short of expectations to assure a work-based system. Additionally, each Work First site must make monthly statistical reports of job placements and quantity of welfare recipients removed from AFDC as the result of the Work First program. Such reports shall be distributed in a timely manner to the governing body of each state, county and city. good

- Employability Contract: Within 30 days (up to 90 days at state option) after being deemed eligible for AFDC, each recipient must meet with a case management team to develop an individual employability contract, termed the Work First Agreement. This agreement shall lay out an individualized comprehensive plan, developed between the welfare recipient and a case management team, to move that welfare recipient into full-time unsubsidized work. The Employability Contract should include to the greatest extent possible a "ladders to work" approach meaning that recipients should move as quickly as possible into whatever type and amount of work they are capable of handling, increasing both the responsibility and amount of work over time until that person is able to work full-time. Education and/or training should also be included in the employability plan where necessary. The two year time limit shall not begin until the employability contract has been signed by both parties.

- Participation: Every able-bodied individual (as defined by the state) will be required to work and/or participate in education and training in combination with work to earn their benefits and/or wages. A minimum of 20 hours of activity will be required and must include job search and some work or education and training leading to work.

- One-Stop Shops: Make available Secretary Reich's One-Stop Employment Shops to all AFDC recipients and force cooperation between other federal and state government agencies to make available all training and education programs to AFDC recipients. Welfare recipients are currently eligible for most of the programs listed below, however there is no interaction between the caseworkers and those who administer these programs. We must mandate interaction between

caseworkers and the administrators of these programs in the One-Stop-Shops. The programs are as follows:

JTPA --	Adult Training Program Summer Youth Training Program Youth Training Program Economic Dislocated Workers Adjustment Act Job Corps
DOE --	Perkins Act programs (Voc-Ed) Adult Education Act Even-Start Program
McKinney--Act	Adult Education for the Homeless Education for Homeless Children and Youth Job Training for the Homeless

School-To-Work

Empowerment and Enterprise Zones

National Service

National Voluntary Skills Standards.

- Illness or substance abuse: States must develop a sick leave policy. Substance abuse treatment will be required in addition to work/education/training as appropriate. good

- Sanctions: Non-compliant recipients except for good cause will have their AFDC benefits and food stamp benefits reduced for one month by 25% for each act of non-compliance. Each additional act of non-compliance will result in a corresponding one-month 25% cut in AFDC and food stamp benefits. 25% cuts are not cumulative. The state must define acts of non-compliance but must include failure to accept a non-subsidized, full-time private or public sector job without good cause. We're tougher

- Funding: All provisions will be based on a matching rate with the federal government share set at 80% and the state share at 20%. Work First shall be considered an uncapped entitlement.

Federal Model -- states have the option to implement the following or to apply for federal waivers from this model (Note: States currently running programs under federal waiver may complete their waivers after which they must either implement the federal model or apply for waivers from it):

The Federal "Work First" model will include JOBS as one of many choices available to a welfare recipient. While some of the choices, such as work supplementation and the Targeted Jobs Tax Credit, are currently available under JOBS, these are presented as separate choices herein so as to increase the role each plays in moving welfare recipients into work.

A case manager will present the "Work First" options to each welfare recipient required to enroll in the program. States have a choice of these or other options in developing their model. The options are as follows:

Referral to JOBS: A revamped JOBS program following the California GAIN model/Riverside County should be one of the choices to help move a welfare recipient into work and can be one avenue for referral to education and training. **Work supplementation and the Targeted Jobs Tax Credit should be considered choices separate from JOBS. States are required to follow the Federal Guidelines discussed in the preceding pages to restructure their current JOBS programs.**

Hire Placement and Support Agencies: After a recipient has been enrolled in the "Work First" program **for 3 months,** she will have access to private for-profit and nonprofit placement and support agencies. These agencies will be awarded performance-based contracts to place recipients in full-time, preferably private sector jobs. Private for-profit and nonprofit entities will bid for the chance to place welfare recipients in private sector jobs and will keep part of the money a state saves when someone leaves the rolls. The placement company will receive a fee as negotiated with the state to move welfare recipients into work. Contracts shall be performance based with a larger portion of the payment to be paid upon successful placement in a job for a sustained period of time of at least five months. Ideally the fee would be phased-in to help ensure the employee stays in the job. The states and federal government would share the cost of this provision, 80% born by the federal government, 20% by the states.

Private non-profit and for-profit placement and support agencies will receive government funding in accordance with the same matching rate applied to all facets of the Work First program -- an 80/20 federal/state matching rate. However, to receive these funds, placement and support agencies must be recognized as chartered agencies by the state(s) in which they operate by meeting a set of basic guidelines or standards developed by the state(s). These guidelines will be developed by the state(s) but must include the following:

Can we do this?

- **The primary goal of enrollment in these charter agencies shall be placement in a full-time, preferably private sector job that will remove a recipient from welfare.**

- **Agencies may not serve those who have received AFDC for three months or less.**

- **All charter agencies will be paid on performance only and <u>only</u> after a recipient has remained in a full-time job for at least five months.**

- **Upon entering the placement agency and at least three months into the private sector job placement, the placement agency shall provide intensive, personalized support and job readiness to the welfare recipients to prepare them for the job and to ensure their continued success in the job.**

- **The placement and support agency must be willing to work with any and all welfare recipients regardless of the length of time for which they have received AFDC except those who have received AFDC for three months or less.**

Once an agency has met the guidelines and received state approval, it will be designated a chartered agency. All chartered agencies will be represented at One-Stop Shops and will be listed in state published booklets with a description of the services offered. Welfare recipients will be issued vouchers stating that they are eligible for the said services. The recipient will present the voucher to the agency. Upon a successful job placement of at least five months duration, the agency may cash in the voucher and receive payment from the government.

<u>Temporary Subsidized Job Creation</u>: There are several options for public and private sector job creation: Wage supplementation; tax credits to firms; training grants; and a combination of proposals. States shall be allowed to use AFDC and food stamp grant money to supplement wages weekly, biweekly, or monthly.

a) Wage Supplementation: This approach follows the JOBS Plus model development by the state of Oregon. The provision calls for on-the-job training by allowing both private and public sector jobs to be subsidized for up to six months per placement. The jobs would be subsidized at minimum wage and would allow AFDC <u>and</u> food stamps to be cashed out into a pool of money that would reimburse the employer for the minimum wage he or she pays out. In addition, the employee (welfare recipient) would be entitled to the EITC. If the minimum wage and the EITC do not bring the recipient up to the poverty line, the employer shall make up the differential by paying up to $1 dollar an hour over the reimbursed minimum wage. This allows real work experience preferably in the private sector and also gives companies a greater incentive to hire welfare recipients at the end of the six month training period. Once a person is hired in a job full time without a subsidy, she will then be eligible to receive her wage <u>and</u> food stamps and the EITC in compliance with income standards.

b) Tax Credits to Firms: We support reauthorization of tax credits to firms for hiring disadvantaged workers. Currently, employers can receive a TJTC of up to $2,400 for one year for an employee who meets the qualifications. The tax credit should be phased-in over a length of time to maximize employment.

Microenterprise: Permit states to use federal community and rural development and job training funds to **make direct grants and loans to nonprofit groups that provide technical assistance, training and credit to low-income entrepreneurs. Additionally,**

- **Allow low-income self-employed business owners to take depreciation or the cost of a capital purchase as a business expense. All other business owners are allowed to expense these items, so should AFDC recipients.**

- **Allow AFDC recipients who have started up a microenterprise to keep cash in a business bank account for use in paying accounts payable or as a limited cash reserve (up to $1,000). This cash shall not be treated as income as long as it is shown in subsequent months that the funds were used for legitimate business purposes. This will allow AFDC recipients to reinvest some profits in their business without seeing a reduction in their grant award. Note: This is currently included in AFDC laws, but many states misinterpret it, although Connecticut is a pioneer in its use.**

IV. Family Responsibility and Improved Child Support Enforcement

The Mainstream Forum believes that improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while a working mother's real income is raised. The goal of the Mainstream Forum proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

As part of the broader welfare reform plan, the Mainstream Forum takes a very tough stance on non-payment of child support. The Mainstream proposal has four distinct sections.

Enhance non-custodial parent location and identification by:

-- Expand the functions of the parent locator in the Department of Health and Human Services.
-- Require states to maintain registries of child support orders.
The first step of expanding the federal parent locator is fulfilled by requiring states to maintain registries of child support orders. The Interstate locator should be designed to link state-to-state child support order registries into a central system under the guidance of the Secretary of HHS. The system should be fully automated.

-- As stated in OBRA 1993, require Secretary of Treasury to modify W-4 forms for new employees to include a statement about child support responsibilities.
The W-4 form completed by the new employee would include a statement of whether a child support obligation is owed and, if so, to whom it is payable and the amount to be paid, and whether the payment is by income withholding. Employers would immediately withhold the support based on the information provided the obligor on the W-4 until notified differently and would then forward the withheld child support to the designated public entity in the rendering state. This will come into effect two years after enactment.

Improve the process by which child support orders are established through:

-- Creating a National Child Support Guidelines Commission to oversee the child support process.

Establish hospital-based paternity by:

-- Follow OBRA 1993 recommendations for paternity establishment and require hospital-based paternity establishment for all single mothers. **Ensure that states have simple civil consent procedures for paternity establishment that are available at hospitals at the time of birth.**

-- Follow OBRA 1993 recommendation requiring states to develop a simple civil consent procedure for paternity establishment outside of the hospital setting.

-- Encourage states to make available on-site hospital social service for pregnancies resulting from rape or incest.

-- Require states to offer positive paternity/parenting social services for new fathers.
The Secretary of HHS shall develop regulations for programs that provide new fathers positive parenting counseling that stresses the importance of maintaining child support payments.

-- Make benefits contingent on paternity establishment except for limited exemptions --
According to HHS, AFDC benefits are already contingent on the listing of the identity of a non-custodial parent. However, many loopholes remain in enforcing the AFDC parental identification. At this time, there is no reciprocal obligation for welfare recipients to help the government locate an absent parent. Accordingly, it has been proposed that we shift the onus of certain parent locator services of an absent parent to the AFDC applicant. All new AFDC applicants will be required to provide detailed information (i.e. more than just a name) about an absent parent or risk being denied or losing their benefits.. The following information is required:

--Full name
--Telephone number if applicable
--Last known address
--Last known employer
--Closest living relative
--Social Security number
-- One other reference of identity
-- Driver's license ownership

For those who are not able to provide the above stated documentation, they would be required to document and show diligence that they made a serious and ernest attempt to obtain the documentation.

If a mother claims fear of harm to herself or to her child in order to exempt herself from paternity establishment, she should provide documentation to prove such danger exists (i.e. police report or a restraining order or an affidavit by a social service provider). Require HHS and the states to provide information about available social service agencies that will evaluate claims of prior or potential harm if no documentation exists.

Victims of rape and incest should be exempt from providing names of parents. The Secretary of HHS will be required to develop federal guidelines concerning this exemption.

-- States are required to review and expand incentives for paternity establishment and child support payments for poor mothers by increasing child support pass through from $50 to $100 per month. 6-1

--States will be sanctioned for non-compliance in establishing paternity -- the state will lose federal money for funding AFDC benefits to those compliant persons for whom paternity establishment has not been set in a timely manner

--Parents who willfully and fully comply with paternity establishment requirements will not be denied benefits, nor will they be denied benefits if the state has not met its responsibilities and obligations in assisting with paternity establishment

<u>Enforce child support through demanding and uncompromising punitive measures for dead-beat parents including:</u>

-- Strongly reinforcing direct income withholding measures for child support orders.
-- Allowing workers' compensation to be subject to income withholding of child support.
-- Requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards.
--Require non-compliant fathers delinquent in their child support payments to enter a work program in which they work to pay off benefits going to support their child. Follow Wisconsin model, "The Children First Program."

V. Teen Pregnancy and Family Stability

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The provisions discussed below address this horrific problem. To combat this problem, we propose the following:

--Promote individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits (also known as the Family Cap). **States may opt out of this requirement under state plan amendment.**

-- Prevent minor mothers from setting up their own households by disallowing them from receiving separate AFDC benefits. The minor mother shall be required to live with a responsible adult, preferably a parent (with certain exceptions when deemed necessary). AFDC benefits shall be calculated on the household of the parent or responsible adult, not on the situation of the minor mother. Extensive case management for minor parents under 18 is required to screen and assess the individual home situations.

-- Fund a national educational campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency.

-- Teen parents under the age of 20 who do not have a high school diploma or GED will be required to remain enrolled in school full-time and receive a bonus of 25% a month if school attendance requirements are met or a penalty of 25% per month if those requirements are not met. Federal reimbursement mandated to the states for this provision.

-- Allocate 10% of the Work First funds to states to create or expand programs for male non-custodial parents born 1972 or later (25 and under by 1997) to promote responsibility and work in the same way the Work First program does for young single mothers.

-- The parent of a dependent person under the age of 18 shall maintain (financially and otherwise) a child of the dependent person so far as the parent is able and to the extent that the dependent person is able to reside in the household. States may opt out of this provision by state plan amendment.

-- At state option, eliminate the 100 hour rule and the six month benefit receipt maximum for two parent families as well as other provisions that create a disincentive to marry, thereby removing the disincentive to marry by allowing two-parent families to receive the same benefits single parent families receive. Additionally,

*** eliminate the quarters of coverage requirement under AFDC-UP for married individuals if both are under the age of 20, and**

*** a stepparents income shall not be calculated as countable income if the family unit's total income is at or below 130 percent of the Federal poverty line. If the family unit's total income is above 130 percent of the Federal poverty line, that income which is above the limit shall be counted against any potential AFDC benefit.**

***Maintain restrictions in current law for non-married couples.** / good

These provision effectively eliminates the AFDC-UP program for those states who choose to follow this option.

-- $100 million a year over five years will be available to states in a competitive grant program administered by the federal government for those states that wish to initiate demonstration programs to improve services to children of families in crisis as determined by the state.

State Goals

-- Educate our children about the risks involved when choosing parenthood at an early age.

-- Ensure that every potential parent is given the opportunity to avoid unintended births through reproductive family planning and education.

-- **States are encouraged to use Title XX money** for comprehensive services to youth in high-risk neighborhoods through community organizations, churches, and schools which could help change the environment.

-- Work with schools for early identification and referral of children at risk.

VI. Community Service

At the end of **two** years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but will have the option to volunteer for a **full-time (30 hours or more a week) community service job for minimum wage and/or have access to placement and support agencies and/or subsidized jobs as described in the "Work First" section. Also required is an additional five hours per week of job search, bringing the total minimum hours of activity to 35 hours a week.** (States have the option to pay higher wages if they choose.) **Community service will be funded with the same 80/20 federal/state matching rate mentioned above (see exceptions under financing, section VII).** Community service jobs will act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort.

• State Participation: State governments should be allowed the greatest amount of flexibility possible, but should follow the guidelines below. States should not be too financially burdened.

• Community Service Required Guidelines:
-- States are encouraged to include organized labor groups, private sector companies, and community groups in the administrative process.
-- Recipients should work full-time **(30 hours a week or more)** for wages instead of benefits to foster increased self-sufficiency.
-- Current public sector employees shall not be displaced due to job creations for welfare recipients.
-- Community Service participants **must continue an aggressive job search** during hours not working in community service, **bringing their minimum activity requirement to 35 hours a week,** to seek full-time employment while engaged in community service.
-- Recipients will be paid at least a minimum wage.
-- Community service should be time-limited to three years with state option to extend the time-limit. States will have the option to receive federal funds to readmit persons who have not found employment after two years of the Work First program and three years of community service or persons who have used up their two year Work First and three year community service time limits but were successful at finding work or otherwise leaving welfare but need to return because of a change of circumstances. Any person being readmitted must be re-evaluated by a caseworker or case management team and will have a choice to cycle back into the transition program and/or community service. The number of each people a state may readmit will be calculated from taking 10% of the year's total projected number of entrants into the Work First program for the calendar year the said person applies to her caseworker to recycle, as determined by each state. The time period and the number of times each person will be allowed to be readmitted back into either program will be re-negotiated in a new contract between the recipient and the state or social service agency. Only true hardship cases should be considered for by the states to readmit -- people truly not ready to work.
--While recipients will receive minimum wage and food stamps, they will not be eligible for the EITC while enrolled in community service.
-- At state option, those enrolled in "Work First" may have the option to choose community service before the two year limit.
-- Case management and caseworker services must be available for those enrolled in community service and subsidized jobs.
-- A community service enrollee will be given a maximum of three placements during which instances of non-compliance may occur after which the enrollee will no longer be allowed to participate in community service placements. A definition of acts of non-compliance shall be determined by the state and/or employee but must include sanctions for those who are offered a private sector do but do not accept that job without good reason.

VII. Program Simplification and SSI Reform

Increase state flexibility: Many states are moving forward with demonstration projects to test program changes that might increase the effectiveness and efficacy of a program. However, the waiver process is currently a cumbersome process. The current Administration is commended for their expedient consideration of state waivers. However, in order to ensure expedited consideration of state waiver applications in the future, decisions on such applications shall not exceed 120 days, unless mutually agreed upon by the Secretary and the state. Any state currently operating under a Federal waiver may opt out of the new Work First requirements state herein to complete the approved waiver (s) with approval by the Secretary. In addition, states shall be able to apply for waivers of both statute and regulation.

In addition, states are given flexibility in developing their welfare reform plans by choosing among provisions listed as options in the plan or, at their discretion, altering the plan through state plan amendment (by state legislature or a state Dept. of Social Services decree) opt out of certain requirements. Neither options nor state plan amendments require federal waivers. These optional and state plan amendment items -- each of which is noted in this draft -- shall be included solely for one or more of the following purposes: to assist recipients' ability to achieve or sustain self-sufficiency, to promote family unity, to prevent individuals from becoming eligible for income-contingent aid, to promote personal responsibility, to break the cycle of dependence, and to improve the coordination, simplification and efficacy of welfare programs. Such optional or state plan amendment programs include: implementation of electronic benefit transfer systems; providing assistance to individuals who, without such aid, would become eligible for AFDC; increased punitive measures for non-payment of child support such as revocation of professional licenses; increased efforts to improve the ability of noncustodial parents to comply with child support orders such as counseling and job placement assistance; elimination of the 100 hour rule and other provisions separating benefit eligibility for two parent families from single parents families; elimination of the six month benefit receipt maximum; state plan amendment to opt out of implementing a family cap; increased parenting, nutrition or prenatal care reduction; level at which earnings disregards will be set; establishment of education and training grants as a reward for finding and remaining in unsubsidized full-time work; extending the time period in which clients must meet with case management teams to develop the employability contracts; and allowing a maximum of 10% of the number of projected entrants to the Work First program for the year expected to reenter the transition program or community service after completing both the two year transition program and three years of community service without having found full-time, unsubsidized work after good effort as deemed necessary by case workers.

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Simplify the application process for AFDC and Food Stamps: Some of the most time-consuming and difficult tasks in administering these programs are the initial procedures now required to take and process applications. Nineteen specific provisions are included in this bill that will significantly improve this process. These include provisions to unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps. These changes will improve the efficiency of programs for both clients and caseworkers.

Simplify the verification requirements for processing Food Stamps and AFDC applications: One of the most significant challenges faced by state social workers is verifying eligibility information submitted by assistance applicants. States have found it difficult meeting federal quality control guidelines. States should be able to decide what to verify.

Encourage improved automation and technology: Increased use of automation serves to improve the efficiency of programs and reduces the level of fraud and abuse of programs. In addition, a recent study by the Office of Technology Assessment has cited the implementation of Electronic Benefit Transfer Systems for Food Stamps as a potential to significantly reduce fraud and abuse in the system. States are strongly encouraged to implement such programs.

Revise allowable income deductions under the AFDC and Food Stamp programs so that they are consistent with each other. The following revisions are suggested as possible changes in current policy and include, but are not limited to:

(1) Amend Food Stamp Act to allow a state that exempts funds from a complementary program in AFDC to also exempt income from that program for Food Stamps;

(2) Exclude earnings of full or part-time students under 18 for both eligibility and benefit determinations for both programs;

(3) Disregard for both AFDC and Food Stamps any energy assistance payments based on financial need received on behalf of a household to cover the costs of heating or cooling from either public or other general assistance programs.

(4) Amend existing legislation (Food Stamp Act and Social Security Act) to completely disregard all educational assistance, even that portion that is used for current living costs;

(5) Exclude as a resource from both programs income-producing real property, essential to employment or self-employment, that produces income consistent with its fair market value;

(6) Exclude life insurance as a resource from both programs;

(7) Exclude medical expenses as an allowable deduction under both programs.

(8) Exclude as a resource for both programs , real property that the household unit is making a good faith effort to sell. (Under current AFDC law, real property for sale counts as a household resource after 6 to 9 months) Once sold, proceeds will be counted as income and can be taken into account by state social workers reviewing household's benefits.

(9) Amend AFDC law and Food Stamp Act to make lists of excluded income identical. Amend both laws so that the Secretary of HHS and USDA may issue regulations at any time to accomplish this.

A more complete list of suggested changes in allowable income deductions under the AFDC and Food Stamp program is available upon request.

Allow states to have flexibility in handling recertification and redetermination issues: Social workers need more latitude in authorizing benefits and reviewing eligibility for Food Stamps and AFDC recipients. States should be allowed open-ended authorization of benefits. States should also be allowed to decide the certification period that will be assigned for reviewing monthly and non-monthly households. A certification period may range from one to twelve months.

Modify AFDC law to conform with the Food Stamp 12 month limit on restored benefits: Under current AFDC law, there is no time limit for the correction of underpayments. The Food Stamps program on the other hand, imposes a 12 month limit on restoring lost benefits unless there is a special exception. Allow states to develop exceptions to the 12 month limit, subject to approval by HHS.

SSI REFORM

The Mainstream Forum recognizes the need for reform within the Supplemental Security Income system. Currently, the SSI program is suffering from significant fraud and abuse. We support the efforts by the Social Security Administration's Disability Reengineering Team to address these concerns particularly in the area of disability definition.

We support the following abbreviated preliminary proposals by the SSA in its reform efforts to define disability:

SSA must have a structured approach to disability decision making that takes into consideration the large number of claims SSA receives and still provides a basis for consistent, equitable decision making by adjudicators at each level. The approach must

be simple to administer, facilitate consistent application of the rules at each level, and provide accurate results. It must also be perceived by the public as straightforward, understandable and fair. Finally, the approach must facilitate the issuance of timely decisions.

This approach consists of a four step process which includes:

1) Engaging in Substantial Gainful Activity -- SSA will simplify the monetary guidelines for determining whether an individual (except those filing for benefits based on blindness) is engaging in substantial gainful activity;

2) Medically Determinable Impairment -- SSA will consider whether a claimant has a medically determinable impairment, but will no longer impose a threshold severity requirement. The threshold inquiry will be whether the claimant has a medically determinable physical or mental impairment that can be demonstrated by acceptable clinical and laboratory diagnostic techniques;

3) Index of Disabling Impairments -- If an individual has a medically determinable physical or mental impairment documented by medically acceptable clinical and laboratory techniques, and the impairment will meet the duration requirement, SSA will compare the claimant's impairment(s) against an index of disabling impairments. The index will contain fewer impairments and have less detail and complexity. SSA will no longer use the concept of "medical equivalence" in relation to the index, as it now uses in applying the Listing of Impairments;

4) Ability to Engage in Any Substantial Gainful Activity -- SSA will consider whether an individual has the ability to perform substantial gainful activity despite any functional loss caused by a medically determinable physical or mental impairment. SSA will define the physical and mental requirements of substantial gainful activity and will measure as objectively as possible whether an individual meets these requirements. SSA will develop with the assistance of the medical community and other outside experts from disability programs, standardized criteria which can be used to measure an individual's functional ability. SSA will be primarily responsible for documenting functional ability using the standardized measurement criteria. The SSA goal will be to develop functional assessment instruments that are standardized, that accurately measure an individual's functional abilities and that are universally accepted by the public, the advocacy community, and health care professionals. SSA will use the results of the standardized functional measurement in conjunction with a new standard to describe basic physical and mental demands of a baseline of work that represents substantial gainful activity and that exists in significant numbers in the national economy.

In regards to child disabilities, we support the recommendation of a four step process that is based on the statutory definition of disability and that mirrors the adult approach. SSA will evaluate whether the child is engaging in substantial gainful activity; whether the child has a medically determinable physical or mental impairment that will meet the duration requirement; and whether the child has an impairment that

meets the criteria in the index of disabling impairments.

SSA will also develop, with the assistance of the medical community and educational experts, standardized criteria which can be used to measure a child's functional ability to perform a baseline of functions that are comparable to the baseline of occupational demands for an adult. In addition, SSA will conduct research to specifically identify a skill acquisition threshold to measure broad areas required to develop the ability to perform substantial gainful activity.

VII. FINANCING WELFARE

Through our efforts over the past several months, the Mainstream Forum has drafted a plan that will attempt to reform the welfare system in our country.

Our proposal to finance this reform plan is based on a fundamental choice about values. We believe that we must help American citizens trapped in poverty break out of the welfare prison without imposing additional taxes or other hardships on working men and women.

The Mainstream Forum proposes to end welfare for most noncitizens except for emergency medical services. Exemptions will be made for refugees and asylees, provided that they become citizens within five years after they arrive, and noncitizens over age 75 who have been legal residents for at least five years.

This proposal is based on the common-sense idea that only American citizens qualify for benefits from our government. And it does not abandon new immigrants. Rather, it merely transfers responsibility for their welfare from the government to where it truly belongs--their legal sponsors, the American citizens who by law must endorse most immigrants' applications for citizenship based on the promise that immigrants will not become public charges.

We recognize that some states will be adversely affected by this decision and pledge to help these states offset the potential cost shift. We propose to offer states monetary assistance to be used under state discretion to aid their immigrant populations that will be detrimentally affected by this cut. In addition, we propose to give states the authority to sue a sponsor if an immigrant applies for state or local assistance.

Our proposal also authorizes a state or local jurisdiction to require out-of-state companies to collect taxes on mail order purchases delivered into that state or local jurisdiction. Currently the burden of collection is on the states but the majority of states do not have the financial or administrative resources to collect these revenues. This measure would shift the burden of collection off of the states. While we cannot dictate how a state can use this money, we encourage states to use these funds as a means to offset any cost shifts.

We recognize the rich tradition of hard work brought to this country by immigrant ancestors. Our nation's ethnic diversity remains one of its strengths, and studies repeatedly demonstrate that immigration is a net economic boon to this country. We continue to support immigration policies that hold out the promise of citizenship to hundreds of thousands of immigrants every year.

But in this time of unprecedented budgetary pressure, a fundamental sense of fairness demands that the U.S. government place the welfare of its own citizens first. We do not believe that federal or state governments can bear any longer the cost of most public assistance for those immigrants that have not become citizens.

Simple humanity requires that we not deny anyone emergency medical services, and common sense suggests that the children of noncitizens should not be barred from our schools. We must help immigrants look to other sources besides state and federal government for help, such as relatives, sponsors, and nonprofit groups. But the U.S. government cannot, in the end, be responsible for the welfare of those who are not its citizens.

Throughout this process we encountered several tough financing choices and our final decisions were not easily reached. However, we believe that our plan offers real reforms and opportunities for poor Americans without paying for it with a grab bag of additional taxes, fees, and cuts to programs outside the welfare system that adversely affect American citizens.

Funding Formula – Federal/State Matching Rate

1. AFDC benefits will be funded with the formula existing under current law. The federal matching rate for all facets of the Family Support Act and the JOBS program, including administrative costs, will be changed to apply to the full "Work First" program including community service and shall be set at a flat matching rate of 80% of costs born by the federal government and 20% born by the states. Additionally, the "Work First" program shall be an uncapped entitlement.

2. Under Community Service, states with especially low benefit levels might be subject to higher community service costs than other states as they work to pay for the 35 hour a week, minimum wage community service requirement for those recipients who have hit the two year limit. These low benefit states (Mississippi and Texas for example) should have the option to start with a part-time community service work requirement in 1999 (the first year of community service) and phase in the full-time community service work requirement by the year 2001.

Financing Provisions (Including Approximate Dollar Figures)

a) $21.3 billion over five years
Cuts in social service programs to non-citizens including total elimination of SSI benefits, medicaid benefits (excluding emergency medical assistance), food stamp benefits, and AFDC benefits. All legal immigrants residing in the U.S. will be allowed a one year grace period before being subject to these cuts. Deemed permanently exempt are those age 75 and older. Also exempt for a period of five years after arrival are refugees and asylees.

Additionally, affidavits of support shall be made legally enforceable. An affidavit of support requires a sponsor to swear to the ability and willingness to contribute to the prospective immigrant's financial support. Currently, these affidavits have not generally been regarded by state courts as legally binding on U.S. resident sponsors for the benefit of state agencies providing assistance. This provision shall put into statute that affidavits of support used to overcome public charge exclusions obligate the sponsor to repay governmental agencies assistance provided to the sponsored alien.

b) $1.5 billion over five years
Cap the Emergency Assistance Program to stem rapidly rising expenditures on this little known program. Establish a federal matching cap for each state's EA expenditure so that the cap equals three percent of the State's total AFDC benefits incurred during the pervious fiscal year. States that are above that level would be grandfathered at their FY 1993 expenditure level.

c) $260 million a year/$1.3 billion over five years
Eliminate EITC benefits to illegal aliens. Currently, there are no regulations that make legal immigrant status a requirement for receipt of EITC. Through document fraud, over $260 million a year in EITC benefits are going to illegal immigrants. The tax code should be changed to state that illegal aliens are not eligible for the EITC. The Internal Revenue Service should be responsible for implementing this change. (?)

d) $700 million over five years
Eliminate the Dependent Care Tax Credit for those families with incomes over $120,000.

e) $1.6 billion over five years
Savings from increased paternity establishment that will result in new child support awards, thereby reducing the number of families on AFDC and the dollar amount of benefits for those who remain on AFDC.

f) $380 million over five years
Modify the Family Day Care Homes component of the child care food program by improving the operation of the program in low- and moderate-income areas. (Following the proposal as designed by the Center On Budget and Policy Priorities)

State Offsets for additional costs that may occur as a result of this proposal

a) $15 billion over five years available to states through a shift on point of collection of the state mail order tax from the state to catalogue companies. Previously, this state tax has gone uncollected. With this change, states will be encouraged to use these funds to offset costs that might shift from the federal government to the states as social service benefits are cut to legal immigrants.

b) $1 billion from the above financing provisions will be set aside for states to defer additional costs that they may incur as a result of cost shifts from both the cuts to immigrants and other provisions in this proposal.

WR - M. Forum

FAX TRANSMITTAL SHEET

DATE 5/10 # OF PAGES 4
(including cover page)

FAX #
PHONE #

TO: Bruce Reed

FROM: Will Marshall + Lyn Hogan

COMMENTS:
As you are laboring away on the final draft, we thought we'd share some final comments with you. Will will also highlight these points at the Mainstream Forum press conference tomorrow. Lyn H

IF THERE IS A PROBLEM WITH THIS TRANSMISSION
PLEASE CONTACT:

518 C Street, NE, Washington, D.C. 20002 202/547-0001 Fax 202/544-5014

To: Bruce Reed
Mary Jo Bane
David Ellwood

Date: May 10, 1994

From: Will Marshall and Lyn Hogan WM LH

Re: Comments On White House/HHS Working Group On Welfare Reform, Family Support and Independence working draft

As the Working Group puts the final touches on its plan, we'd like to commend you for sticking close to the basic principles of reform throughout this long, arduous process. As a result, the emerging plan appears to go a long way toward redeeming the President's pledge to "end welfare as we know it." Also, thanks for including us and PPI in this endeavor.

We do have some qualms, however, with several provisions in the Working Group's last iteration -- or at least the last one we've seen. This memo discusses these concerns and suggests changes that mirror recommendations we also have made to the Mainstream Forum.

1) *The earn back provision.* It's unclear in the Working Group's draft how quickly people could earn back their two-year eligibility for welfare. If it's too quick, the earn-back would undermine the force of time limits. Rather than an automatic earn-back, the Mainstream Forum allows a set percentage (10 percent of those entering the transitional program) of people to be readmitted to the system each year. Case-workers would determine who is truly in need of continued aid and how long they should be permitted to receive it. This allows for flexibility without guaranteeing a fresh entitlement to two years on welfare.

2) *The part-time work exemption.* This too could undercut time limits and discourage people from taking full-time jobs. We should indeed encourage unsubsidized part-time work during the two years. Exempting part-time workers from the limit, however, would create a "half and half" split between welfare and work that could go on indefinitely. The Mainstream Forum instead encourages those who reach the time limit to keep their part-time jobs and offers them the option to participate in community service at minimum wage to replace lost benefits.

316 Pennsylvania Avenue SE, Suite 555, Washington, D.C. 20003 202/547-0001 Fax 202/547-0099

3) *No time limits on the WORK program.* We think that community service work should be a temporary default system for people seeking private jobs, not a permanent entitlement. Time-limiting community service maintains pressure on people to exit the public system and gives them sufficient time -- three years, on top of the initial two years on welfare -- to develop the capacities to do so. The Mainstream Forum's readmittance provision protects those who have followed the rules but have not been successful at finding full-time employment.

4) *The earned-income disregard.* We hear that the Working Group might prevent or limit an increase in the earned-income disregard. Yet a higher earned-income disregard is crucial both to encourage work and to increase the value of part-time jobs. Illinois, Minnesota and Michigan have successfully encouraged work by allowing welfare mothers to keep more of the money they earn from part-time jobs. The Mainstream Forum also follows suit by proposing that states set their disregards between $120 and $225 a month in addition to 1/3 of all remaining earned income. In effect, a higher earned income disregard has the same effect for welfare recipients as the EITC does for the working poor.

5) *Choice and flexibility in child care.* We need to spend more on child care, but it's also important to encourage flexibility in rules governing how parents use such subsidies. The Mainstream Forum plan encourages the states to convert existing child care subsidies for providers into vouchers. It also urges states to relax strict regulations on informal home care.

6) *Performance measures for case workers.* The Working Group draft calls for performance measures but doesn't spell them out. Will caseworkers' pay and job security depend on how many recipients they actually place and keep in full-time unsubsidized jobs? How can we ensure that new performance measures will be enforced, when existing ones often aren't? The Mainstream Forum earmarks 10 percent of the funding for its Work First program (a revamped JOBS program plus other options) to states for caseworker training and creation of incentives to caseworkers who meet the ultimate performance measure -- job placements that result in unsubsidized full-time public or private sector employment.

7) *Pluralism in job placement.* While there appears to be nothing to prevent welfare recipients from taking advantage of non-profits and businesses like America Works, there is nothing to encourage it either. On the contrary, the first mention of such non-governmental actors comes in the discussion of the WORK program. In contrast, the Mainstream Forum takes a more imaginative approach that doesn't rely primarily on an expanded JOBS program to move people from welfare to work. Its plan encourages placement and support agencies to offer their services to recipients after they have been on the rolls for three months. That plan also proposes a payment system based on vouchers to give recipients choice and create competition between government providers of services and private groups.

Financing and Other Issues

By ruling out any tax increases to pay for reform, the Administration has been forced to scale back important components of welfare reform, especially ending the marriage penalty and expanding child care for the working poor. Our view is that the progressive way to finance welfare reform is through a mixture of cuts in social entitlements as well as cuts in subsidies for particular industries. As you know, PPI economist Rob Shapiro identified over $200 billion in such cuts in his paper, *Cut and Invest*. Given that we will only have one clean shot at a fundamental system change, it would be a shame to low ball spending at the outset of the debate. We believe the public will support new spending as long as people thinks it reinforces the right values: work, marriage, family, self-sufficiency.

Assuming the money is available, we'd recommend the following:

- End the marriage penalty. Married couples with children should receive the same benefits as single-parent families. Thus, the Mainstream Forum gives states the option to eliminate the 100 hour rule and the six-month limit, as well as other penalties on two-parent families. However, the Forum only waives these restrictions for *married* couples, not for couples who are living together. Not only would such a requirement reinforce marriage, it would also reduce the proposal's cost.

- Increase child care for the working poor. In addition to making work pay, increased child care buttresses a key principle that the three of you especially have been associated with: the working poor should never be worse off than the welfare poor. The Mainstream Forum bill earmarks nearly $5 billion over five years for child care for the working poor.

We hope these thoughts are useful. Again, we appreciate your hard political and substantive labors, as well as your willingness to hear us out. Good luck.

TO: Rich Tarplin
Mary Bourdette
Melissa Skolfield
Emily Bromberg

FROM: Jim Hickman

RE: Mainstream Forum Welfare Reform Press Conference

DATE: May 10, 1994

The Mainstream Forum press conference is scheduled for **Wednesday, May 10, 1994, at 10:30 AM in Room 2318 Rayburn HOB.**

According to the media advisory, McCurdy's office is listing the following Representatives as participants in tomorrow's press conference:

Rep. Dave McCurdy (D-OK)
Rep. Alan Wheat (D-MO)
Rep. Eric Fingerhut (D-OH)
Rep. Tim Valentine (D-NC)
Rep. Nathan Deal (D-GA)
Rep. Buddy Darden (D-GA)
Rep. Bob Clement (D-TN)
Rep. John Tanner (D-TN)
Rep. Jill Long (D-IN)
Rep. Dick Swett (D-NH)

NOTE: Absent from this list are two of the three co-chairs of the Mainstream Forum Working Group, **Rep. Jim Slattery (D-KS) and Rep. Karen Shepherd (D-UT)**. The remaining Co-Chair, **Rep. Eric Fingerhut**, is listed as attending but unconfirmed as of 5:00 PM.

It is clear from my discussions with staff close to the process that the absent Co-Chairs are not very supportive of the bill due to three specific issues: 1) overreliance on immigration reforms for financing, 2) inflexible, two-year lifetime limit on receiving AFDC benefits, and 3) the inclusion of a family cap similar to the Republican proposal.

I will be attending the press conference tomorrow and will report back to you promptly.

attachment

THE MAINSTREAM

FOR IMMEDIATE RELEASE: MAY 10, 1994
CONTACT: CINDY CAIN (202)-225-6165

MEDIA ADVISORY * MEDIA ADVISORY * MEDIA ADVISORY

MAINSTREAM FORUM TO HOLD NEWS CONFERENCE
ON WEDNESDAY INTRODUCTION OF WELFARE REFORM LEGISLATION

Wednesday, May 11
10:30 a.m.
Room 2318 Rayburn

The Mainstream Forum will introduce comprehensive welfare reform legislation on Wednesday afternoon, May 11. A Wednesday morning news conference will be conducted by members of the Mainstream Forum's welfare reform task force.

House members expected to attend and speak are Dave McCurdy, Alan Wheat, Jill Long, John Tanner, George Darden, Bob Clement, Nathan Deal, Eric Fingerhut, Dick Swett, and Tim Valentine. Other members may attend.

Also speaking will be:

* Peter Cove, founder of America Works, a for-profit job placement agency founded in Connecticut in 1984;
* Ed Evans, vice president of human resources for the business services group of ARA Services which has hired more than 100 employees through America Works;
* Janet Plummer, of New York City, who was hired through America Works into an ARA job; and,
* Larry Townsend, representing California's Greater Avenues for Independence (GAIN) program, a statewide initiative to increase employment and self-sufficiency of AFDC recipients.

# # #

Draft, April 26, 1994

The Mainstream Forum, a group of over 90 House moderate and conservative Democrats, has developed a comprehensive plan for welfare reform that puts work first. The basic principles of our approach in the Forum are simple. First is an emphasis on work--on making it possible, and in most cases necessary for those on welfare to find a job. Second, an effective time limit helps create an incentive to join the workforce. Third, we ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare by providing assurances such as work based job training and education, health care and child care. Fourth, federal welfare reform should install broad principles and disseminate information on successful programs but support state and local initiatives. Fifth and finally, welfare reform must promote stable two-parent families.

Our proposal will radically change a system that currently discourages work and families and perpetuates the cycle of poverty. We have provided incentives to get people into real jobs, allowed for the reinforcement of the American family, and taken steps to control our borders. We believe that not only, will this plan positively restructure a broken program, but it will ensure that the investment made by American taxpayers will be a reciprocal investment.

Generally, the Mainstream Forum members support welfare reform that includes the following elements:
- establishing a two year lifetime transitional period of benefits;
- making work pay more than welfare;
- putting work first;
- ensuring access to job opportunities;
- reshaping job training and education;
- child care assistance;
- child support enforcement;
- teenage pregnancy prevention;
- program simplification.

I. Time-Limited Transitional Support System

Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. Two year lifetime, time-limited assistance will transform a system based on the right to income maintenance into a system based on the obligation to work. It will also provide a structure for case workers to operate within and encourage a quick return to the workforce for the client. However, to lessen the

implementation burden to states and to make the initial costs more manageable, we support a phase-in of the limit over time. Time limits though, without other reforms, will only worsen the situation of the over 14 million persons receiving welfare.

The phase-in of the time limit and all other provisions included in this bill will begin **January 1, 1997.** The phase-in should begin with **all new, current and returning welfare recipients born after January 1, 1972. States will have the option to immediately raise the age limit. Every calendar year forward, the birth date for participation will fall back by one year, i.e. By Jan. 1, 1997 all those born after 1/1/72 will be required to participate. By Jan. 1, 1998, all those born after 1/1/71 will be required to participate, and so on. Those born before 1972 who are currently enrolled in JOBS will remain in the restructured system and be subject to the time limit. Every year thereafter as this initial group of recipients born before 1972 leave the system, states are required to include up to 20 percent of the caseload of those born before 1972, with an emphasis on those at-risk defined as those who have been on AFDC 36 months or more and those with the youngest child 16 or older. The intent of this provision is to offer services to a portion of the population over 25 as well as to those under 25 as of 1997.**

Exemptions to the Two Year Lifetime Time Limit:

-- Clients under age 20 completing high school or GED certification
-- **Clients who are employed and participating part-time in technical/vocational education**
-- Seriously disabled, seriously ill, and those caring for a seriously ill or disabled relative
-- Pregnant women, custodial parents, and guardians will be given an extension equal to that in the Family Medical Leave Act (12 weeks)

Job Search: **Job search must begin immediately upon eligibility for AFDC and continue for the duration of enrollment in AFDC, the "Work First" program, community service, and for those non-working males deemed delinquent in their child support payments.** Each client will be individually assessed when he or she enters the AFDC system. Education and/or training should not be a substitute for work but should rather complement and reinforce a revamped system that puts work first.

Other

The federal government with the assistance of the states must develop a federal data base to track AFDC receipt and enrollment in the Work First program to ensure that the two year lifetime limit is administered fairly and properly, and deter fraud and abuse

II. Making Work Pay

Employment is the centerpiece of our reform initiative. We must ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare. To do this we must eliminate the current disincentives within the system that make welfare more attractive than work. There are five vital components in this regard:

Health Care Reform: Reform of the welfare system is inextricably linked to reform of the health care system. The prospect of losing medicaid coverage deters many from taking low-wage jobs that don't offer health coverage. Welfare recipients desire and need comprehensive health care and our national policy must guarantee access to health care for America's poor families and their children.

-- Extend Transitional Medical Assistance (TAM) from one to two years or longer as needed until federal health care legislation provides health care assistance for all working poor.

-- Change the definition of who is eligible for Transitional Medical Assistance to count only earned income and extend eligibility to those who go off of assistance due to earned income.

-- Enact a quarterly income verification by the IRS for recipients during the two years of Transitional Medical benefits.

-- Change the eligibility criteria from three months of the last six months to one month of the last 24 months.

EITC: We strongly support the recent five-year, $21 billion expansion of the Earned Income Tax Credit (EITC), enacted by Congress under the Omnibus Budget Reconciliation Act of 1993. Together, with food stamps, the EITC is sufficient to lift most families out of poverty. However, we need to improve outreach efforts to both recipients and employers to ensure that they make use of EITC. The Internal Revenue Code requires that if an eligible worker provides the appropriate tax form (known as the W-5 form) to his or her employer, the employer must add the family's credit to its paycheck. Yet, fewer than 1% of recipients take advantage of this "advance payment" option. We therefore recommend:

-- Requiring that all AFDC, food stamp, and Medicaid recipients be notified in writing of the availability of the EITC upon application for and termination from the programs.

-- Requiring that employers inform new employees earning less than $30,000 annually, of the option of having advance EITC payments available through their payroll.

-- EITC payments be exempt from counting against food stamp and AFDC assets limits for 12 months.

Child Care: Safe, affordable, quality child care is a vital factor in the success of any work-based welfare proposal. Ninety percent of all women receiving AFDC in 1992 were single mothers: without child care, these women cannot work. Child care support is also critical to

the ability of the working poor to remain in the workforce. We commend the administration's FY'95 budget request which takes steps in this direction. Individuals should not be faced with the difficult decision of applying for welfare in order to receive adequate, safe child care. We recommend changes in Title IV-A child care programs including the At-Risk child care program, AFDC child care and Transitional Child Care. We recommend the following:

-- Expand the IV-A entitlement programs for cash assistance recipients to accommodate the increased demand created by expanded participation in the Work First program. **States are required to continue funding for Title IV-A programs at a level equal to the average of 1994, 1995 and 1996 levels.**

-- Eliminate the current Medicaid state matching requirements for drawing down federal Title IV-A child care funding and replace it with an 80/20 federal state match.

-- Apply the same child care standards to the Title IV-A programs as required under the Child Care Development Block grant Program.

-- Eliminate the cap from AFDC child care.

-- Expand child care for low-income working families. The At-Risk Child Care Program, a capped entitlement which is available to serve the working poor should be expanded and barriers to states' use (inability to meet the state match) should be reduced. **Increase the FY '98 authorization for the "At Risk" child care program to $500 million; FY 1999 to $1 billion; FY 2000 to $1.5 billion; and FY 2001 to $2 billion. In addition, eliminate the Medicaid match rate and in its place institute a fixed federal to state matching rate of 80 percent to 20 percent, respectively including administrative costs.**

-- States shall be permitted to use Transitional Child Care and "At-Risk" child care for training as well as employment. Currently, TCC and "At-Risk" child care cannot be used to pay for child care for a recipient who is enrolled in a training program.

-- Extend eligibility for Transitional Child Care from 1 to 2 years and change the AFDC requirement from three months of the last six, to one month of the last twenty-four.

-- Eliminate the marriage penalty by permitting Transitional Child Care for two parent families if the other parent is not available to provide child care because of employment or training and if at least one of the parents is working.

-- Require automatic notification of eligibility for Transitional Child Care to AFDC recipients preparing to leave welfare for a job.

-- Maintain and gradually increase the Child Care Development Block Grant, allowing states greater flexibility in the use of their funds to strengthen child care quality and increase

supply.

-- Make the Dependent Care Tax Credit fully refundable and eliminate the credit for those households with incomes over **$120,000.**

-- Support expansion of Head Start as included in OBRA 1993.

-- Consideration that some of the additional funding to expand child care be used to create jobs in the child care field (following standard licensing requirements) for welfare recipients as part of the effort to move welfare recipients off the rolls and into work.

-- Coordinate rules across all child care programs including requiring states to guarantee seamless coverage for persons who leave welfare for work.

AFDC Work Disregards: The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. After the first four months of employment virtually every net additional dollar results in a dollar reduction in AFDC benefits. As a result, welfare recipients who try to work are little better off than just remaining on welfare. To change this system we recommend:

--- States must liberalize the earned-income disregard. **States have the discretion to determine the extent of the liberalization providing it is moved to a level that encourages work over welfare. However, states must stay within the following guideline of enacting AFDC countable income tests up to a ceiling whereby the maximum monthly disregard is $225 in addition to 1/2 of all remaining earned income.**

-- At state option, eliminate the 100 rule for two-parent families **(covered in detail in the Family Stability section).**

-- State flexibility to establish a voluntary AFDC grant diversion program in all or part of the state. Diversion payments are not to be considered an entitlement and eligibility for which is to be determined by the caseworker. Payments may not exceed three times the household's monthly payment level. If a family applies and is eligible for additional AFDC benefits during this three month period, any payment must be prorated against benefits within those three months. The purpose of this program is to prevent families from entering the AFDC rolls by providing them with a one-time grant to cover a short-term financial emergency such as a shortfall on rent or other emergency that could place an otherwise financially stable family on AFDC.

Asset Limitation: While work is a first step out of poverty, asset accumulation is the step that keeps a person permanently out of poverty. Both AFDC and food stamps allow a certain amount of asset accumulation when calculating benefits. However, these asset levels are too low to encourage independence and the rules for each are substantially different. This is a constant source of difficulty for both staff and recipients. We therefore support:

-- Increasing the vehicle asset threshold to $5,000 following the food stamp language contained in OBRA '93 and employ the definitions for what constitutes and automobile and the value thereof, as used in the food stamp program.

-- Increasing the non-vehicle asset threshold **for either AFDC or food stamps, capped at a level of $2,000 or increasing non-vehicle asset level up to $10,000 for specific use in setting up a microenterprise, for purchase of a first car, for purchase of a first home or for higher education. Those who use savings over $2,000 for purposes other than those designated shall have a state-attached lien on any future wages or assets.**

III. Putting Work First

The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections and self-esteem necessary to become self-reliant members of the community.

The 1988 Family Support Act (FSA) with the JOBS program as its main component, was designed to combat these problems by making people job ready through education, training and other activities. Yet Judy Gueron, president of the Manpower Demonstration Research Corporation (which has evaluated many of the JOBS programs around the country) stated recently that "JOBS has not fundamentally changed the message and character of AFDC." Only a small percentage of JOBS participants are engaged in work-related activities.

There is growing evidence that programs that put work first produce better results. These programs confirm the common sense notion that most people learn their jobs on the job -- not in the classroom. Private and nonprofit work-based organizations such as America Works, Cleveland Works and Chicago's Project Match have proven that placing even long-term welfare recipients into decent private sector jobs is possible. Education and training are important, but getting a real job is even more important. Once someone is working, education and training can help them upgrade their career skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of the burgeoning welfare architecture. The danger in this approach is that we will end up with a vast education and training bureaucracy, not a real job placement system for welfare recipients. While some JOBS programs have been successful -- such as California's GAIN

program, especially the Riverside site, and Florida's Project Independence -- these successes arise from an emphasis on work and job placement over education and training. This is an approach that other JOBS programs have not followed. Welfare reform should shift the emphasis of JOBS toward work-based programs. But it should also enlarge the role of non-governmental organizations in moving people from welfare to work. That would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work.

In addition to changing the focus of JOBS and encouraging private job placement and support agency efforts, a third way to put work first is to allow for temporary subsidized job creation through a cash out of AFDC benefits and food stamps into a grant given to an employer as a subsidy for a job. This provision is the nucleus of Oregon's JOBS Plus program. All three of these options should be available as soon as a recipient is assessed and has worked out an individualized self-sufficiency contract. There is no reason to wait two years before serious efforts begin to move people into private jobs.

In the model outlined below and on the following pages, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation as soon as a recipient enters the system rather than at the end of two years.

Federal Guidelines -- all state programs must follow these guidelines

- **Overall objective: Unsubsidized paid employment for all non-exempt welfare recipients achieved in a cost-effective fashion that will show bottom line results.**

- **Work: The focus and intent of the "Work First" program is to connect welfare recipients to the private sector labor market as soon as possible and offer them the support and skills necessary to remain in the labor market. Emphasis on employment shall permeate all components of the program as should an understanding that minimum wage jobs are a stepping stone to other more highly paid employment openings.**

- **Job Search: Immediately upon being deemed eligible for AFDC, each applicant must begin a job search.**

- **Job Development: Job development shall be a mandatory component of the Work First program and shall be a priority for every Work First and JOBS office.**

- **Incentives: States must implement widespread use of internal incentives to change the culture of the welfare office, improve employee performance and shift employee objectives to unsubsidized paid employment for welfare recipients**

10% of the funds for the Work First Program (JOBS and other choices involving government caseworkers and related employees) will be allocated to the states for caseworker training and creation of incentives to caseworkers and related personnel for successful job placements that result in full-time public or private sector employment outside of the AFDC system. Additionally, caseworkers who combine education and/or training with work when negotiating the employability contract will be rewarded.

- **Performance-Based Measures: States are required to set performance-based standards and measures for full-time job placement. The measures must be reported to the Sec. of HHS who will have the option to evaluate and amend the measures if necessary if such measures fall short of expectations to assure a work-based system. Additionally, each Work First site must make monthly statistical reports of job placements and quantity of welfare recipients removed from AFDC as the result of the Work First program. Such reports shall be distributed in a timely manner to the governing body of each state, county and city.**

- **Employability Contract: Within 30 days (up to 90 days at state option) after being deemed eligible for AFDC, each recipient must meet with a case management team to develop an individual employability contract, termed the Work First Agreement. This agreement shall lay out an individualized comprehensive plan, developed between the welfare recipient and a case management team, to move that welfare recipient into full-time unsubsidized work. The Employability Contract should include to the greatest extent possible a "ladders to work" approach meaning that recipients should move as quickly as possible into whatever type and amount of work they are capable of handling, increasing both the responsibility and amount of work over time until that person is able to work full-time. Education and/or training should also be included in the employability plan where necessary. The two year time limit shall not begin until the employability contract has been signed by both parties.**

- **Participation:** Every able-bodied individual **(as defined by the state)** will be required to work and/or participate in education and training in combination with work to earn their benefits and/or wages. A minimum of 20 hours of activity will be required and must include job search and some work or education and training leading to work.

- **One-Stop Shops: Make available Secretary Reich's One-Stop Employment Shops to all AFDC recipients and <u>force</u> cooperation between other federal and state government agencies to make available all training and education programs to AFDC recipients. Welfare recipients are currently eligible for most of the programs listed below, however there is no interaction between the caseworkers and those who administer these programs. We must mandate interaction between**

caseworkers and the administrators of these programs in the One-Stop-Shops. The programs are as follows:

JTPA --	Adult Training Program Summer Youth Training Program Youth Training Program Economic Dislocated Workers Adjustment Act Job Corps
DOE --	Perkins Act programs (Voc-Ed) Adult Education Act Even-Start Program
McKinney--Act	Adult Education for the Homeless Education for Homeless Children and Youth Job Training for the Homeless

School-To-Work

Empowerment and Enterprise Zones

National Service

National Voluntary Skills Standards.

- Illness or substance abuse: States must develop a sick leave policy. Substance abuse treatment will be required in addition to work/education/training as appropriate.

- Sanctions: Non-compliant recipients except for good cause will have their AFDC benefits and food stamp benefits reduced for one month by 25% for each act of non-compliance. Each additional act of non-compliance will result in a corresponding one-month 25% cut in AFDC and food stamp benefits. 25% cuts are not cumulative. The state must define acts of non-compliance but must include failure to accept a non-subsidized, full-time private or public sector job without good cause.

- Funding: All provisions will be based on a matching rate with the federal government share set at 80% and the state share at 20%. Work First shall be considered an uncapped entitlement.

Federal Model -- states have the option to implement the following or to apply for federal waivers from this model (Note: States currently running programs under federal waiver may complete their waivers after which they must either implement the federal model or apply for waivers from it):

The Federal "Work First" model will include JOBS as one of many choices available to a welfare recipient. While some of the choices, such as work supplementation and the Targeted Jobs Tax Credit, are currently available under JOBS, these are presented as separate choices herein so as to increase the role each plays in moving welfare recipients into work.

A case manager will present the "Work First" options to each welfare recipient required to enroll in the program. States have a choice of these or other options in developing their model. The options are as follows:

Referral to JOBS: A revamped JOBS program following the California GAIN model/Riverside County should be one of the choices to help move a welfare recipient into work and can be one avenue for referral to education and training. **Work supplementation and the Targeted Jobs Tax Credit should be considered choices separate from JOBS. States are required to follow the Federal Guidelines discussed in the preceding pages to restructure their current JOBS programs.**

Hire Placement and Support Agencies: After a recipient has been enrolled in the "Work First" program **for 3 months**, she will have access to private for-profit and nonprofit placement and support agencies. These agencies will be awarded performance-based contracts to place recipients in full-time, preferably private sector jobs. Private for-profit and nonprofit entities will bid for the chance to place welfare recipients in private sector jobs and will keep part of the money a state saves when someone leaves the rolls. The placement company will receive a fee as negotiated with the state to move welfare recipients into work. Contracts shall be performance based with a larger portion of the payment to be paid upon successful placement in a job for a sustained period of time of at least five months. Ideally the fee would be phased-in to help ensure the employee stays in the job. The states and federal government would share the cost of this provision, 80% born by the federal government, 20% by the states.

Private non-profit and for-profit placement and support agencies will receive government funding in accordance with the same matching rate applied to all facets of the Work First program -- an 80/20 federal/state matching rate. However, to receive these funds, placement and support agencies must be recognized as chartered agencies by the state(s) in which they operate by meeting a set of basic guidelines or standards developed by the state(s). These guidelines will be developed by the state(s) but must include the following:

- **The primary goal of enrollment in these charter agencies shall be placement in a full-time, preferably private sector job that will remove a recipient from welfare.**

- **Agencies may not serve those who have received AFDC for three months or less.**

- **All charter agencies will be paid on performance only and only after a recipient has remained in a full-time job for at least five months.**

- **Upon entering the placement agency and at least three months into the private sector job placement, the placement agency shall provide intensive, personalized support and job readiness to the welfare recipients to prepare them for the job and to ensure their continued success in the job.**

- **The placement and support agency must be willing to work with any and all welfare recipients regardless of the length of time for which they have received AFDC except those who have received AFDC for three months or less.**

Once an agency has met the guidelines and received state approval, it will be designated a chartered agency. All chartered agencies will be represented at One-Stop Shops and will be listed in state published booklets with a description of the services offered. Welfare recipients will be issued vouchers stating that they are eligible for the said services. The recipient will present the voucher to the agency. Upon a successful job placement of at least five months duration, the agency may cash in the voucher and receive payment from the government.

Temporary Subsidized Job Creation: There are several options for public and private sector job creation: Wage supplementation; tax credits to firms; training grants; and a combination of proposals. States shall be allowed to use AFDC and food stamp grant money to supplement wages weekly, biweekly, or monthly.

a) Wage Supplementation: This approach follows the JOBS Plus model development by the state of Oregon. The provision calls for on-the-job training by allowing both private and public sector jobs to be subsidized for up to six months per placement. The jobs would be subsidized at minimum wage and would allow AFDC and food stamps to be cashed out into a pool of money that would reimburse the employer for the minimum wage he or she pays out. In addition, the employee (welfare recipient) would be entitled to the EITC. If the minimum wage and the EITC do not bring the recipient up to the poverty line, the employer shall make up the differential by paying up to $1 dollar an hour over the reimbursed minimum wage. This allows real work experience preferably in the private sector and also gives companies a greater incentive to hire welfare recipients at the end of the six month training period. Once a person is hired in a job full time without a subsidy, she will then be eligible to receive her wage and food stamps and the EITC in compliance with income standards.

b) Tax Credits to Firms: We support reauthorization of tax credits to firms for hiring disadvantaged workers. Currently, employers can receive a TJTC of up to $2,400 for one year for an employee who meets the qualifications. The tax credit should be phased-in over a length of time to maximize employment.

Microenterprise: Permit states to use federal community and rural development and job training funds to **make direct grants and loans to nonprofit groups that provide technical assistance, training and credit to low-income entrepreneurs. Additionally,**

- **Allow low-income self-employed business owners to take depreciation or the cost of a capital purchase as a business expense. All other business owners are allowed to expense these items, so should AFDC recipients.**

- **Allow AFDC recipients who have started up a microenterprise to keep cash in a business bank account for use in paying accounts payable or as a limited cash reserve (up to $1,000). This cash shall not be treated as income as long as it is shown in subsequent months that the funds were used for legitimate business purposes. This will allow AFDC recipients to reinvest some profits in their business without seeing a reduction in their grant award. Note: This is currently included in AFDC laws, but many states misinterpret it, although Connecticut is a pioneer in its use.**

IV. Family Responsibility and Improved Child Support Enforcement

The Mainstream Forum believes that improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while a working mother's real income is raised. The goal of the Mainstream Forum proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

As part of the broader welfare reform plan, the Mainstream Forum takes a very tough stance on non-payment of child support. The Mainstream proposal has four distinct sections.

Enhance non-custodial parent location and identification by:

-- Expand the functions of the parent locator in the Department of Health and Human Services.
-- Require states to maintain registries of child support orders.
The first step of expanding the federal parent locator is fulfilled by requiring states to maintain registries of child support orders. The Interstate locator should be designed to link state-to-state child support order registries into a central system under the guidance of the Secretary of HHS. The system should be fully automated.

-- As stated in OBRA 1993, require Secretary of Treasury to modify W-4 forms for new employees to include a statement about child support responsibilities.
The W-4 form completed by the new employee would include a statement of whether a child support obligation is owed and, if so, to whom it is payable and the amount to be paid, and whether the payment is by income withholding. Employers would immediately withhold the support based on the information provided the obligor on the W-4 until notified differently and would then forward the withheld child support to the designated public entity in the rendering state. This will come into effect two years after enactment.

Improve the process by which child support orders are established through:

-- Creating a National Child Support Guidelines Commission to oversee the child support process.

Establish hospital-based paternity by:

-- Follow OBRA 1993 recommendations for paternity establishment and require hospital-based paternity establishment for all single mothers. **Ensure that states have simple civil consent procedures for paternity establishment that are available at hospitals at the time of birth.**

-- Follow OBRA 1993 recommendation requiring states to develop a simple civil consent procedure for paternity establishment outside of the hospital setting.

-- Encourage states to make available on-site hospital social service for pregnancies resulting from rape or incest.

-- Require states to offer positive paternity/parenting social services for new fathers.
The Secretary of HHS shall develop regulations for programs that provide new fathers positive parenting counseling that stresses the importance of maintaining child support payments.

-- Make benefits contingent on paternity establishment except for limited exemptions --
According to HHS, AFDC benefits are already contingent on the listing of the identity of a non-custodial parent. However, many loopholes remain in enforcing the AFDC parental identification. At this time, there is no reciprocal obligation for welfare recipients to help the government locate an absent parent. Accordingly, it has been proposed that we shift the onus of certain parent locator services of an absent parent to the AFDC applicant. All new AFDC applicants will be required to provide detailed information (i.e. more than just a name) about an absent parent or risk being denied or losing their benefits. The following information is required:

--Full name
--Telephone number if applicable
--Last known address
--Last known employer
--Closest living relative
--Social Security number
-- One other reference of identity
-- Driver's license ownership

For those who are not able to provide the above stated documentation, they would be required to document and show diligence that they made a serious and ernest attempt to obtain the documentation.

If a mother claims fear of harm to herself or to her child in order to exempt herself from paternity establishment, she should provide documentation to prove such danger exists (i.e. police report or a restraining order or an affidavit by a social service provider). Require HHS and the states to provide information about available social service agencies that will evaluate claims of prior or potential harm if no documentation exists.

Victims of rape and incest should be exempt from providing names of parents. The Secretary of HHS will be required to develop federal guidelines concerning this exemption.

-- States are required to review and expand incentives for paternity establishment and child support payments for poor mothers by increasing child support pass through from $50 to $100 per month.

--States will be sanctioned for non-compliance in establishing paternity -- the state will lose federal money for funding AFDC benefits to those compliant persons for whom paternity establishment has not been set in a timely manner

--Parents who willfully and fully comply with paternity establishment requirements will not be denied benefits, nor will they be denied benefits if the state has not met its responsibilities and obligations in assisting with paternity establishment

<u>Enforce child support through demanding and uncompromising punitive measures for dead-beat parents including:</u>

-- Strongly reinforcing direct income withholding measures for child support orders.
-- Allowing workers' compensation to be subject to income withholding of child support.
-- Requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards.
--Require non-compliant fathers delinquent in their child support payments to enter a work program in which they work to pay off benefits going to support their child. Follow Wisconsin model, "The Children First Program."

V. Teen Pregnancy and Family Stability

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The provisions discussed below address this horrific problem. To combat this problem, we propose the following:

--Promote individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits (also known as the Family Cap). **States may opt out of this requirement under state plan amendment.**

-- Prevent minor mothers from setting up their own households by disallowing them from receiving separate AFDC benefits. The minor mother shall be required to live with a responsible adult, preferably a parent (with certain exceptions when deemed necessary). AFDC benefits shall be calculated on the household of the parent or responsible adult, not on the situation of the minor mother. Extensive case management for minor parents under 18 is required to screen and assess the individual home situations.

-- Fund a national educational campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency.

-- Teen parents under the age of 20 who do not have a high school diploma or GED will be required to remain enrolled in school full-time and receive a bonus of 25% a month if school attendance requirements are met or a penalty of 25% per month if those requirements are not met. Federal reimbursement mandated to the states for this provision.

-- Allocate 10% of the Work First funds to states to create or expand programs for male non-custodial parents born 1972 or later (25 and under by 1997) to promote responsibility and work in the same way the Work First program does for young single mothers.

-- The parent of a dependent person under the age of 18 shall maintain (financially and otherwise) a child of the dependent person so far as the parent is able and to the extent that the dependent person is able to reside in the household. States may opt out of this provision by state plan amendment.

-- At state option, eliminate the 100 hour rule and the six month benefit receipt maximum for two parent families as well as other provisions that create a disincentive to marry, thereby removing the disincentive to marry by allowing two-parent families to receive the same benefits single parent families receive. Additionally,

*** eliminate the quarters of coverage requirement under AFDC-UP for married individuals if both are under the age of 20, and**

*** a stepparents income shall not be calculated as countable income if the family unit's total income is at or below 130 percent of the Federal poverty line. If the family unit's total income is above 130 percent of the Federal poverty line, that income which is above the limit shall be counted against any potential AFDC benefit.**

***Maintain restrictions in current law for non-married couples.**

These provision effectively eliminates the AFDC-UP program for those states who choose to follow this option.

-- $100 million a year over five years will be available to states in a competitive grant program administered by the federal government for those states that wish to initiate demonstration programs to improve services to children of families in crisis as determined by the state.

State Goals

-- Educate our children about the risks involved when choosing parenthood at an early age.

-- Ensure that every potential parent is given the opportunity to avoid unintended births through reproductive family planning and education.

-- **States are encouraged to use Title XX money** for comprehensive services to youth in high-risk neighborhoods through community organizations, churches, and schools which could help change the environment.

-- Work with schools for early identification and referral of children at risk.

VI. Community Service

At the end of **two** years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but will have the option to volunteer for a **full-time (30 hours or more a week) community service job for minimum wage and/or have access to placement and support agencies and/or subsidized jobs as described in the "Work First" section. Also required is an additional five hours per week of job search, bringing the total minimum hours of activity to 35 hours a week.** (States have the option to pay higher wages if they choose.) **Community service will be funded with the same 80/20 federal/state matching rate mentioned above (see exceptions under financing, section VII).** Community service jobs will act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort.

• State Participation: State governments should be allowed the greatest amount of flexibility possible, but should follow the guidelines below. States should not be too financially burdened.

• Community Service **Required** Guidelines:
-- States are encouraged to include organized labor groups, private sector companies, and community groups in the administrative process.
-- Recipients should work full-time **(30 hours a week or more)** for wages instead of benefits to foster increased self-sufficiency.
-- Current public sector employees shall not be displaced due to job creations for welfare recipients.
-- Community Service participants **must continue an aggressive job search** during hours not working in community service, **bringing their minimum activity requirement to 35 hours a week,** to seek full-time employment while engaged in community service.
-- Recipients will be paid at least a minimum wage.
-- Community service should be time-limited to three years with state option to extend the time-limit. States will have the option to receive federal funds to readmit persons who have not found employment after two years of the Work First program and three years of community service or persons who have used up their two year Work First and three year community service time limits but were successful at finding work or otherwise leaving welfare but need to return because of a change of circumstances. Any person being readmitted must be re-evaluated by a caseworker or case management team and will have a choice to cycle back into the transition program and/or community service. The number of each people a state may readmit will be calculated from taking 10% of the year's total projected number of entrants into the Work First program for the calendar year the said person applies to her caseworker to recycle, as determined by each state. The time period and the number of times each person will be allowed to be readmitted back into either program will be re-negotiated in a new contract between the recipient and the state or social service agency. Only true hardship cases should be considered for by the states to readmit -- people truly not ready to work.
--While recipients will receive minimum wage and food stamps, they will not be eligible for the EITC while enrolled in community service.
-- At state option, those enrolled in "Work First" may have the option to choose community service before the two year limit.
-- Case management and caseworker services must be available for those enrolled in community service and subsidized jobs.
-- A community service enrollee will be given a maximum of three placements during which instances of non-compliance may occur after which the enrollee will no longer be allowed to participate in community service placements. A definition of acts of non-compliance shall be determined by the state and/or employee but must include sanctions for those who are offered a private sector do but do not accept that job without good reason.

VII. Program Simplification and SSI Reform

Increase state flexibility: Many states are moving forward with demonstration projects to test program changes that might increase the effectiveness and efficacy of a program. However, the waiver process is currently a cumbersome process. The current Administration is commended for their expedient consideration of state waivers. However, in order to ensure expedited consideration of state waiver applications in the future, decisions on such applications shall not exceed 120 days, unless mutually agreed upon by the Secretary and the state. Any state currently operating under a Federal waiver may opt out of the new Work First requirements state herein to complete the approved waiver (s) with approval by the Secretary. In addition, states shall be able to apply for waivers of both statute and regulation.

In addition, states are given flexibility in developing their welfare reform plans by choosing among provisions listed as options in the plan or, at their discretion, altering the plan through state plan amendment (by state legislature or a state Dept. of Social Services decree) opt out of certain requirements. Neither options nor state plan amendments require federal waivers. These optional and state plan amendment items -- each of which is noted in this draft -- shall be included solely for one or more of the following purposes: to assist recipients' ability to achieve or sustain self-sufficiency, to promote family unity, to prevent individuals from becoming eligible for income-contingent aid, to promote personal responsibility, to break the cycle of dependence, and to improve the coordination, simplification and efficacy of welfare programs. Such optional or state plan amendment programs include: implementation of electronic benefit transfer systems; providing assistance to individuals who, without such aid, would become eligible for AFDC; increased punitive measures for non-payment of child support such as revocation of professional licenses; increased efforts to improve the ability of noncustodial parents to comply with child support orders such as counseling and job placement assistance; elimination of the 100 hour rule and other provisions separating benefit eligibility for two parent families from single parents families; elimination of the six month benefit receipt maximum; state plan amendment to opt out of implementing a family cap; increased parenting, nutrition or prenatal care reduction; level at which earnings disregards will be set; establishment of education and training grants as a reward for finding and remaining in unsubsidized full-time work; extending the time period in which clients must meet with case management teams to develop the employability contracts; and allowing a maximum of 10% of the number of projected entrants to the Work First program for the year expected to reenter the transition program or community service after completing both the two year transition program and three years of community service without having found full-time, unsubsidized work after good effort as deemed necessary by case workers.

Simplify the application process for AFDC and Food Stamps: Some of the most time-consuming and difficult tasks in administering these programs are the initial procedures now required to take and process applications. Nineteen specific provisions are included in this bill that will significantly improve this process. These include provisions to unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps. These changes will improve the efficiency of programs for both clients and caseworkers.

Simplify the verification requirements for processing Food Stamps and AFDC applications: One of the most significant challenges faced by state social workers is verifying eligibility information submitted by assistance applicants. States have found it difficult meeting federal quality control guidelines. States should be able to decide what to verify.

Encourage improved automation and technology: Increased use of automation serves to improve the efficiency of programs and reduces the level of fraud and abuse of programs. In addition, a recent study by the Office of Technology Assessment has cited the implementation of Electronic Benefit Transfer Systems for Food Stamps as a potential to significantly reduce fraud and abuse in the system. States are strongly encouraged to implement such programs.

Revise allowable income deductions under the AFDC and Food Stamp programs so that they are consistent with each other. The following revisions are suggested as possible changes in current policy and include, but are not limited to:

(1) Amend Food Stamp Act to allow a state that exempts funds from a complementary program in AFDC to also exempt income from that program for Food Stamps;

(2) Exclude earnings of full or part-time students under 18 for both eligibility and benefit determinations for both programs;

(3) Disregard for both AFDC and Food Stamps any energy assistance payments based on financial need received on behalf of a household to cover the costs of heating or cooling from either public or other general assistance programs.

(4) Amend existing legislation (Food Stamp Act and Social Security Act) to completely disregard all educational assistance, even that portion that is used for current living costs;

(5) Exclude as a resource from both programs income-producing real property, essential to employment or self-employment, that produces income consistent with its fair market value;

(6) Exclude life insurance as a resource from both programs;

(7) Exclude medical expenses as an allowable deduction under both programs.

(8) Exclude as a resource for both programs , real property that the household unit is making a good faith effort to sell. (Under current AFDC law, real property for sale counts as a household resource after 6 to 9 months) Once sold, proceeds will be counted as income and can be taken into account by state social workers reviewing household's benefits.

(9) Amend AFDC law and Food Stamp Act to make lists of excluded income identical. Amend both laws so that the Secretary of HHS and USDA may issue regulations at any time to accomplish this.

A more complete list of suggested changes in allowable income deductions under the AFDC and Food Stamp program is available upon request.

Allow states to have flexibility in handling recertification and redetermination issues: Social workers need more latitude in authorizing benefits and reviewing eligibility for Food Stamps and AFDC recipients. States should be allowed open-ended authorization of benefits. States should also be allowed to decide the certification period that will be assigned for reviewing monthly and non-monthly households. A certification period may range from one to twelve months.

Modify AFDC law to conform with the Food Stamp 12 month limit on restored benefits: Under current AFDC law, there is no time limit for the correction of underpayments. The Food Stamps program on the other hand, imposes a 12 month limit on restoring lost benefits unless there is a special exception. Allow states to develop exceptions to the 12 month limit, subject to approval by HHS.

SSI REFORM

The Mainstream Forum recognizes the need for reform within the Supplemental Security Income system. Currently, the SSI program is suffering from significant fraud and abuse. We support the efforts by the Social Security Administration's Disability Reengineering Team to address these concerns particularly in the area of disability definition.

We support the following abbreviated preliminary proposals by the SSA in its reform efforts to define disability:

SSA must have a structured approach to disability decision making that takes into consideration the large number of claims SSA receives and still provides a basis for consistent, equitable decision making by adjudicators at each level. The approach must

be simple to administer, facilitate consistent application of the rules at each level, and provide accurate results. It must also be perceived by the public as straightforward, understandable and fair. Finally, the approach must facilitate the issuance of timely decisions.

This approach consists of a four step process which includes:

1) Engaging in Substantial Gainful Activity -- SSA will simplify the monetary guidelines for determining whether an individual (except those filing for benefits based on blindness) is engaging in substantial gainful activity;

2) Medically Determinable Impairment -- SSA will consider whether a claimant has a medically determinable impairment, but will no longer impose a threshold severity requirement. The threshold inquiry will be whether the claimant has a medically determinable physical or mental impairment that can be demonstrated by acceptable clinical and laboratory diagnostic techniques;

3) Index of Disabling Impairments -- If an individual has a medically determinable physical or mental impairment documented by medically acceptable clinical and laboratory techniques, and the impairment will meet the duration requirement, SSA will compare the claimant's impairment(s) against an index of disabling impairments. The index will contain fewer impairments and have less detail and complexity. SSA will no longer use the concept of "medical equivalence" in relation to the index, as it now uses in applying the Listing of Impairments;

4) Ability to Engage in Any Substantial Gainful Activity -- SSA will consider whether an individual has the ability to perform substantial gainful activity despite any functional loss caused by a medically determinable physical or mental impairment. SSA will define the physical and mental requirements of substantial gainful activity and will measure as objectively as possible whether an individual meets these requirements. SSA will develop with the assistance of the medical community and other outside experts from disability programs, standardized criteria which can be used to measure an individual's functional ability. SSA will be primarily responsible for documenting functional ability using the standardized measurement criteria. The SSA goal will be to develop functional assessment instruments that are standardized, that accurately measure an individual's functional abilities and that are universally accepted by the public, the advocacy community, and health care professionals. SSA will use the results of the standardized functional measurement in conjunction with a new standard to describe basic physical and mental demands of a baseline of work that represents substantial gainful activity and that exists in significant numbers in the national economy.

In regards to child disabilities, we support the recommendation of a four step process that is based on the statutory definition of disability and that mirrors the adult approach. SSA will evaluate whether the child is engaging in substantial gainful activity; whether the child has a medically determinable physical or mental impairment that will meet the duration requirement; and whether the child has an impairment that

meets the criteria in the index of disabling impairments.

SSA will also develop, with the assistance of the medical community and educational experts, standardized criteria which can be used to measure a child's functional ability to perform a baseline of functions that are comparable to the baseline of occupational demands for an adult. In addition, SSA will conduct research to specifically identify a skill acquisition threshold to measure broad areas required to develop the ability to perform substantial gainful activity.

VII. FINANCING WELFARE

Through our efforts over the past several months, the Mainstream Forum has drafted a plan that will attempt to reform the welfare system in our country.

Our proposal to finance this reform plan is based on a fundamental choice about values. We believe that we must help American citizens trapped in poverty break out of the welfare prison without imposing additional taxes or other hardships on working men and women.

The Mainstream Forum proposes to end welfare for most noncitizens except for emergency medical services. Exemptions will be made for refugees and asylees, provided that they become citizens within five years after they arrive, and noncitizens over age 75 who have been legal residents for at least five years.

This proposal is based on the common-sense idea that only American citizens qualify for benefits from our government. And it does not abandon new immigrants. Rather, it merely transfers responsibility for their welfare from the government to where it truly belongs--their legal sponsors, the American citizens who by law must endorse most immigrants' applications for citizenship based on the promise that immigrants will not become public charges.

We recognize that some states will be adversely affected by this decision and pledge to help these states offset the potential cost shift. We propose to offer states monetary assistance to be used under state discretion to aid their immigrant populations that will be detrimentally affected by this cut. In addition, we propose to give states the authority to sue a sponsor if an immigrant applies for state or local assistance.

Our proposal also authorizes a state or local jurisdiction to require out-of-state companies to collect taxes on mail order purchases delivered into that state or local jurisdiction. Currently the burden of collection is on the states but the majority of states do not have the financial or administrative resources to collect these revenues. This measure would shift the burden of collection off of the states. While we cannot dictate how a state can use this money, we encourage states to use these funds as a means to offset any cost shifts.

We recognize the rich tradition of hard work brought to this country by immigrant ancestors. Our nation's ethnic diversity remains one of its strengths, and studies repeatedly demonstrate that immigration is a net economic boon to this country. We continue to support immigration policies that hold out the promise of citizenship to hundreds of thousands of immigrants every year.

But in this time of unprecedented budgetary pressure, a fundamental sense of fairness demands that the U.S. government place the welfare of its own citizens first. We do not believe that federal or state governments can bear any longer the cost of most public assistance for those immigrants that have not become citizens.

Simple humanity requires that we not deny anyone emergency medical services, and common sense suggests that the children of noncitizens should not be barred from our schools. We must help immigrants look to other sources besides state and federal government for help, such as relatives, sponsors, and nonprofit groups. But the U.S. government cannot, in the end, be responsible for the welfare of those who are not its citizens.

Throughout this process we encountered several tough financing choices and our final decisions were not easily reached. However, we believe that our plan offers real reforms and opportunities for poor Americans without paying for it with a grab bag of additional taxes, fees, and cuts to programs outside the welfare system that adversely affect American citizens.

Funding Formula -- Federal/State Matching Rate

1. AFDC benefits will be funded with the formula existing under current law. The federal matching rate for all facets of the Family Support Act and the JOBS program, including administrative costs, will be changed to apply to the full "Work First" program including community service and shall be set at a flat matching rate of 80% of costs born by the federal government and 20% born by the states. Additionally, the "Work First" program shall be an uncapped entitlement.

2. Under Community Service, states with especially low benefit levels might be subject to higher community service costs than other states as they work to pay for the 35 hour a week, minimum wage community service requirement for those recipients who have hit the two year limit. These low benefit states (Mississippi and Texas for example) should have the option to start with a part-time community service work requirement in 1999 (the first year of community service) and phase in the full-time community service work requirement by the year 2001.

Financing Provisions (Including Approximate Dollar Figures)

a) $21.3 billion over five years
Cuts in social service programs to non-citizens including total elimination of SSI benefits, medicaid benefits (excluding emergency medical assistance), food stamp benefits, and AFDC benefits. All legal immigrants residing in the U.S. will be allowed a one year grace period before being subject to these cuts. Deemed permanently exempt are those age 75 and older. Also exempt for a period of five years after arrival are refugees and asylees.

Additionally, affidavits of support shall be made legally enforceable. An affidavit of support requires a sponsor to swear to the ability and willingness to contribute to the prospective immigrant's financial support. Currently, these affidavits have not generally been regarded by state courts as legally binding on U.S. resident sponsors for the benefit of state agencies providing assistance. This provision shall put into statute that affidavits of support used to overcome public charge exclusions obligate the sponsor to repay governmental agencies assistance provided to the sponsored alien.

b) $1.5 billion over five years
Cap the Emergency Assistance Program to stem rapidly rising expenditures on this little known program. Establish a federal matching cap for each state's EA expenditure so that the cap equals three percent of the State's total AFDC benefits incurred during the pervious fiscal year. States that are above that level would be grandfathered at their FY 1993 expenditure level.

c) $260 million a year/$1.3 billion over five years
Eliminate EITC benefits to illegal aliens. Currently, there are no regulations that make legal immigrant status a requirement for receipt of EITC. Through document fraud, over $260 million a year in EITC benefits are going to illegal immigrants. The tax code should be changed to state that illegal aliens are not eligible for the EITC. The Internal Revenue Service should be responsible for implementing this change.

d) $700 million over five years
Eliminate the Dependent Care Tax Credit for those families with incomes over $120,000.

e) $1.6 billion over five years
Savings from increased paternity establishment that will result in new child support awards, thereby reducing the number of families on AFDC and the dollar amount of benefits for those who remain on AFDC.

f) $380 million over five years
Modify the Family Day Care Homes component of the child care food program by improving the operation of the program in low- and moderate-income areas.
(Following the proposal as designed by the Center On Budget and Policy Priorities)

State Offsets for additional costs that may occur as a result of this proposal

a) $15 billion over five years available to states through a shift on point of collection of the state mail order tax from the state to catalogue companies. Previously, this state tax has gone uncollected. With this change, states will be encouraged to use these funds to offset costs that might shift from the federal government to the states as social service benefits are cut to legal immigrants.

b) $1 billion from the above financing provisions will be set aside for states to defer additional costs that they may incur as a result of cost shifts from both the cuts to immigrants and other provisions in this proposal.

WR M. Forum

TO: David Ellwood
Bruce Reed

FROM: ASL Staff

DATE: April 7, 1994

SUBJECT: MAINSTREAM FORUM STAFF BRIEFING
April 7, 4:00 p.m., 2243 Rayburn

Attendees:

Michelle Gabert, Legislative Assistant, Representative McCurdy
Suzanne Klinker, Legislative Assistant, Representative Slattery
Other staff

Background:

The meeting will begin with a brief presentation by David Ellwood and Bruce Reed, followed by questions and comments concerning the Administration's initiative and the Mainstream Forum's welfare reform proposal. Approximately 30 staff members are expected to attend the briefing.

The Mainstream Forum has approximately 77 members (see attached list). Representative McCurdy is the Chairman of the Mainstream Forum. The Mainstream Forum also has a Welfare Reform Working Group with 30 members (see attached list). Representatives Slattery, Karen Shepherd and Eric Fingerhut are Co-Chairs of the Working Group.

On October 19, 1993, 77 Mainstream Forum members sent a letter to the President in support of the Administration's welfare reform efforts (see attached letter). The letter also outlined their support of principles similar to those embodied in the Administration's welfare reform plan - two year transitional benefits, education and job training program for recipients, partnership with the business community and child support enforcement. The Mainstream Forum Working Group has been preparing a welfare reform plan based on these principles. Mary Bourdette and Wendell Primus have met with Forum staff to discuss a draft of their plan.

Recently, Representative McCurdy indicated that the Mainstream Forum supports the financing mechanism included in the Republican welfare reform bill. However, during Secretary Shalala's recent trip to Kansas, Representative Slattery mentioned to the Secretary that he did not like the Republicans' financing plan for welfare reform.

There had some indications that certain members of the Mainstream Forum might consider signing the Republican discharge petition. ASL staff has polled Forum members and other key conservative Democrats about the Republican discharge petition (see attached). The results were that some staff were unaware of the discharge petition, others were aware but did not think their bosses would sign the petition, others were unsure, and only a couple of staff said their boss would consider signing the petition (Reps. Penny and Inslee). Only Rep. Stenholm had been approached by the Republicans and had rejected their request and strongly urged them not to file a discharge petition.

On April 13, David Ellwood and Bruce Reed will meet with Representatives McCurdy, Slattery and Wheat.

MEMO
TO: THE MAINSTREAM FORUM
FROM: THE MAINSTREAM FORUM WORKING GROUP ON WELFARE REFORM
DATE: MARCH 4, 1994
RE: WELFARE REFORM

THE FOLLOWING PROPOSAL DISCUSSES BASIC ELEMENTS OF THE MAINSTREAM FORUM'S WELFARE REFORM PROPOSAL. IT IS NOT A COMPLETE SUMMARY AND WILL BE FOLLOWED BY SUPPLEMENTAL INFORMATION.

DRAFT WORKING GROUP:
REP. MCCURDY, REP. SLATTERY,
REP. SHEPHERD, REP. WHEAT,
REP. FINGERHUT, REP. CLEMENT,
REP. COOPER, REP. DARDEN,
REP. DEAL, REP. MORAN,
REP. PALLONE, REP. SLAUGHTER,
REP. STUPAK, REP. SWETT,
REP. TANNER, REP. VALENTINE,
DLC/PPI

FOR FURTHER INFORMATION
PLEASE CONTACT:
SUZANNE KLINKER
REP. JIM SLATTERY
225-6601

The Mainstream Forum, a group of over 90 House moderate and conservative Democrats, is nearing completion of a welfare reform plan that puts work first. The legislation, expected in its final form by later this Spring, will culminate a six-month effort by the group to produce a plan based on the principles set out in a letter to the President dated October 19, 1993 and signed by 77 Mainstream Forum members.

Generally, these members support welfare reform that includes the following elements:
- establishing a two year lifetime transitional period of benefits;
- making work pay more than welfare;
- putting work first;
- ensuring access to job opportunities;
- reshaping job training and education;
- child care assistance;
- child support enforcement;
- teenage pregnancy prevention;
- program simplification.

Members of the Mainstream Forum Welfare Reform Working Group are continuing work on some components of their legislation. The following pages contain information which the Mainstream Forum supports and intends to include in its Welfare Reform plan.

The group has been led by its founder, Rep. Dave McCurdy, (OK) Chairman of the Democratic Leadership Council; Rep. Jim Slattery (KS), Chairman of the Working Group; and co-chairs Rep. Karen Shepherd (UT), Rep. Alan Wheat (MO) and Rep. Eric Fingerhut (OH).

I. Time-Limited Transitional Support System

Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. Two year lifetime, time-limited assistance will transform a system based on the right to income maintenance into a system based on the obligation to work. It will also provide a structure for case workers to operate within and encourage a quick return to the workforce for the client. However, to lessen the implementation burden to states and to make the initial costs more manageable, we support a phase-in of the limit over time. Time limits though, without other reforms, will only worsen the situation of the over 14 million persons receiving welfare.

<u>Exceptions to the Two Year Lifetime Time Limit:</u>

– Clients under age 20 completing high school or GED certification
– Clients participating part-time in technical/vocational education in combination with work
-- Seriously disabled, seriously ill, and those caring for a seriously ill or disabled relative

people you need

maybe have sick leave

-- Pregnant women, custodial parents, and guardians will be given an extension equal to that in the Family Medical Leave Act (12 weeks)

Job Search: We believe that job search must begin immediately. Each client will be individually assessed when he or she enters the system. Education and/or training should not be a substitute for work but should rather complement and reinforce a revamped system that puts work first.

Other Transitional Benefits Associated With Time-Limits

We propose additional transitional benefits to aide in the transition into the workforce. These include:
-- Other transitional child care benefits as covered in current law
-- Extended transitional medicaid benefits to two years as needed to bridge the gap between introduction and passage of the health care legislation

II. Making Work Pay

Employment is the centerpiece of our reform initiative. We must ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare. To do this we must eliminate the current disincentives within the system that make welfare more attractive than work. There are five vital components in this regard:

Health Care Reform: Reform of the welfare system is inextricably linked to reform of the health care system. The prospect of losing medicaid coverage deters many from taking low-wage jobs that don't offer health coverage. Welfare recipients desire and need comprehensive health care and our national policy must guarantee access to health care for America's poor families and their children.

EITC: We strongly support the recent five-year, $21 billion expansion of the Earned Income Tax Credit (EITC), enacted by Congress under the Omnibus Budget Reconciliation Act of 1993. Together, with food stamps, the EITC is sufficient to lift most families out of poverty. However, we need to improve outreach efforts to both recipients and employers to ensure that they make use of EITC. The Internal Revenue Code requires that if an eligible worker provides the appropriate tax form (known as the W-5 form) to his or her employer, the employer must add the family's credit to its paycheck. Yet, fewer than 1% of recipients take advantage of this "advance payment" option. We therefore recommend:

-- Requiring that all AFDC, food stamp, and Medicaid recipients be notified in writing of the availability of the EITC upon application for and termination from the programs.

-- Requiring that employers inform new employees earning less than $30,000 annually, of the option of having advance EITC payments available through their payroll.

current law

-- EITC payments be exempt from counting against food stamp and AFDC assets limits for 12 months.

Child Care: Safe, affordable, quality child care is a vital factor in the success of any work-based welfare proposal. Ninety percent of all women receiving AFDC in 1992 were single mothers: without child care, these women cannot work. Child care support is also critical to the ability of the working poor to remain in the workforce. We commend the direction of the administration's FY'95 budget request which takes steps in this direction. Individuals should not be faced with the difficult decision of applying for welfare in order to receive adequate, safe child care. We recommend the following:

-- Making the Dependent Care Tax Credit refundable and eliminating the credit for those households with incomes over $100,000.

-- Easing the state matching requirements for drawing down federal Title IV-A child care funding.

-- Allowing states to use Title IV-A child care funds to subsidize 30 days of child care for low income working parents who lose a job, and need time to search for new employment.

-- Requiring automatic notification of eligibility for Transitional Child Care to AFDC recipients preparing to leave welfare for a job.

-- Support for expansion of Head Start.

-- Consideration that some of the additional funding to expand child care can be used to create jobs in the child care field (following standard licensing requirements) for welfare recipients as part of the effort to move welfare recipients off the rolls and into work.

AFDC Work Disregards: The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. After the first four months of employment virtually every net additional dollar results in a dollar reduction in AFDC benefits. In fact, a two-parent family automatically becomes ineligible for benefits when the family's primary wage earner is employed 100 hours or more in a month. As a result, welfare recipients who try to work are little better off than just remaining on welfare. To change this system we recommend:

~~-- State flexibility to waive the 100 hour rule for two parent families.~~

-- State flexibility to allow AFDC recipients who marry to keep up to 1/2 of their current benefit for up to one year as long as the combined family income is below 150% of the state poverty line.

= no waiver to allow states to do

-- State flexibility to reduce AFDC benefits less than a dollar for each additional dollar earned so long as a recipient's gross income is within a certain income range established by the state.

Asset Limitation: While work is a first step out of poverty, asset accumulation is the step that keeps a person permanently out of poverty. Both AFDC and food stamps allow a certain amount of asset accumulation when calculating benefits. However, these asset levels are too low to encourage independence and the rules for each are substantially different. This is a constant source of difficulty for both staff and recipients. We therefore support:

-- Adaptation of changes contained in OBRA '93 for food stamps, to apply to both food stamps and AFDC, that provide for an increase in the allowable value of vehicles that is not counted toward the food stamp resource limit. The current limit of $4,500 is raised slightly over the next two years and is then indexed for inflation beginning with a base of $5,000 on October 1, 1996.

-- A uniform non-vehicle asset threshold be established between both AFDC as well as food stamps, capped at a level of $5,000, raising the combined allowable asset level to $10,000.

-- Support for Individual Development Accounts (IDA's) to encourage low-income Americans to save money and build assets for car purchase, higher education, purchase of a first home, start-up of a microenterprise, or retirement. Federal grant money could be used to match IDA deposits of up to $2,000 a year.

III. Putting Work First

The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections and self-esteem necessary to become self-reliant members of the community.

The 1988 Family Support Act (FSA) with the JOBS program as its main component, was designed to combat these problems by making people job ready through education, training and other activities. Yet Judy Gueron, president of the Manpower Demonstration Research Corporation (which has evaluated many of the JOBS programs around the country) stated recently that "JOBS has not fundamentally changed the message and character of AFDC." Only a small percentage of JOBS participants are engaged in work-related activities.

There is growing evidence that programs that put work first produce better results. These programs confirm the common sense notion that most people learn their jobs on the job -- not in the classroom. Private and nonprofit work-based organizations such as America Works, Cleveland Works and Chicago's Project Match have proven that placing even long-term welfare recipients into decent private sector jobs is possible. Education and training are

important, but getting a real job is even more important. Once someone is working, education and training can help them upgrade their career skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of the burgeoning welfare architecture. The danger in this approach is that we will end up with a vast education and training bureaucracy, not a real job placement system for welfare recipients. While some JOBS programs have been successful -- such as California's GAIN program, especially the Riverside site, and Florida's Project Independence -- these successes arise from an emphasis on work and job placement over education and training. This is an approach that other JOBS programs have not followed. Welfare reform should shift the emphasis of JOBS toward work-based programs. But it should also enlarge the role of non-governmental organizations in moving people from welfare to work. That would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work.

In addition to changing the focus of JOBS and encouraging private job placement efforts, a third way to put work first is to allow for temporary subsidized job creation through a cash out of AFDC benefits and food stamps into a grant given to an employer as a subsidy for a job. This provision is the nucleus of Oregon's JOBS Plus program. All three of these options should be available as soon as a recipient is assessed and has worked out an individualized self-sufficiency contract. There is no reason to wait two years before serious efforts begin to move people into private jobs.

In the model outlined below and on the following pages, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation as soon as a recipient enters the system rather than at the end of two years.

The states will also have a great deal of flexibility in designing their own programs which would require federal waiver much like what is done today. Or, states will have the option to follow our newly developed Federal model.

Federal Model:

-- Emphasis on private sector (over public sector) employment and moving to self-sufficiency.
-- Requires recipients to work for wages, not benefits.
-- Offers option for private nonprofit and for-profit placement agencies to begin work with a recipient as soon as he or she enters AFDC.
-- Allows each state to create a structured 40 hour week for those clients needing additional education and training, combining education and training with part-time work (except for those under 20, who are encouraged to participate in high school or GED course full-time).
-- All individuals placed in a job as soon as possible.
-- Time frames vary from individual to individual but do not exceed two years.
-- Requires each recipient to sign an individualized employment contract with the state social

services or welfare office, binding with the recipient's immediate family, indicating current skills, goals, expectations, time period to reach self-sufficiency as well as a pledge of responsibility not to have any additional children while still enrolled in this program.

- Within 30 days each applicant must meet with his/her individual case management team and begin a preliminary job search. The case management team would develop an individual employment contract which is specifically catered to each applicant and incorporates the above mentioned aspects.

- Participation: Every able-bodied individual will be required to work and/or participate in education and training to earn their benefits and/or wages. Benefits will be paid based on the number of hours recipients work or spend in training/education. Recipients will be guaranteed minimum wage for hours worked. Wages will be subsidized by the benefits (AFDC and Food Stamps) paid to the employer who will in turn pay the recipient.

  Recipients will be required to spend 40 hours per week of state determined structured time between work, education, training or social services if needed.

- Special Needs: Substance abuse treatment will be required in addition to work/education/training as appropriate. Teen parents under the age of 20 will be given a choice of remaining enrolled in school full-time or entering the work first program. In addition, teen parents will be required to take parenting classes. (To remain consistent with the desire to emphasize individual responsibility, both parents will be required to take parenting classes).

- One-Stop Shops: Every effort must be made to consolidate the job placement, training, and education services under one roof to facilitate access and control expenditures for transportation.

A case manager will present the "Work First" options to each welfare recipient. The options are as follows:

Hire Placement Companies: For-profit and nonprofit placement companies will be awarded performance-based contracts to place recipients in full-time, preferably private sector jobs. Private for-profit and nonprofit entities will bid for the chance to place welfare recipients in private sector jobs and will keep part of the money a state saves when someone leaves the rolls. The placement company would receive a fee of about one third of what it costs the state to support an average family on welfare for about a year only after the recipient has successfully remained in the job at least six months. The state will 'pocket' the remaining savings. Ideally the fee would be phased-in to help ensure the employee stays in the job.

Upon entering the placement agency and at least three months into the private sector job

placement, the placement agency should provide intensive, personalized support and job readiness to the welfare recipients to prepare them for the job and to ensure their continued success in the job.

Temporary Subsidized Job Creation: There are several options for public and private sector job creation: Wage supplementation; tax credits to firms; training grants; and a combination of proposals. States should be allowed to use AFDC and food stamp grant money to supplement wages weekly, biweekly, or monthly.

> **Wage Supplementation:** This approach would give companies a greater incentive to hire welfare recipients by offsetting the wages paid to employees with AFDC and food stamp grant money.
>
> **Tax Credits to Firms:** Tax credits to firms for hiring disadvantaged workers should be an option available to states. Currently, employers can receive a TJTC of up to $2,400 for one year for an employee who meets the qualifications. The tax credit should be phased-in over a length of time to maximize the time an employee stays in the job.

Microenterprise: Permit states to use federal community and rural development and job training funds to make direct loans to nonprofit groups that lend to mircrobusinesses and poor entrepreneurs.

Referral to JOBS: A revamped JOBS program should be one of the choices to help move a welfare recipient into work and can be one avenue for referral to education and training.

IV. Family Responsibility and Improved Child Support Enforcement

The Mainstream Forum believes that improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while a working mother's real income is raised. The goal of the Mainstream Forum proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

As part of the broader welfare reform plan, the Mainstream Forum takes a very tough stance on non-payment of child support. The Mainstream proposal has four distinct sections.

Enhance non-custodial parent location and identification by:

-- Expanding the functions of the parent locator in the Department of Health and Human Services.
-- Requiring states to maintain registries of child support orders.
-- Requiring Secretary of Treasury to modify W-4 forms for new employees to include a

statement about child support responsibilities.

Improve the process by which child support orders are established through:

-- Allowing state agencies to access and use credit reports for obtaining information in setting or modifying a child support order.
-- Creating a National Child Support Guidelines Commission to oversee the child support process.
-- Requiring states to develop uniform duration limits for child support.

Establish hospital-based paternity by:

-- Requiring rather than suggesting hospital-based paternity establishment for all single mothers.
-- Requiring states to develop a simple civil consent procedure for paternity establishment outside of the hospital setting.
-- Making available on-site hospital social service for pregnancies resulting from rape or incest.
-- Requiring states to offer positive paternity/parenting social services for new fathers.
-- Making benefits contingent on paternity establishment except for limited exemptions.
-- Reviewing incentives for paternity establishment and child support payments for poor mothers by increasing the per month pass through of child support benefits to those mothers receiving AFDC.

Enforce child support through demanding and uncompromising punitive measures for dead-beat parents including:

-- Strongly reinforcing direct income withholding measures for child support orders.
-- Allowing workers' compensation to be subject to income withholding of child support.
-- Requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards.
-- Mandating reports to credit bureaus of all child support obligations and arrearages.

V. Teen Pregnancy and Family Stability

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The provisions discussed below address this horrific problem. To combat this problem, we propose the following:

-- Promote the stability of two-parent families by eliminating the 100 hour rule that currently

rewards single parents but penalizes those who choose to marry. (The 100 hour rule prevents two-parent families from receiving AFDC if the primary wage-earner works more than 100 per month or has not been employed in six of the previous 13 quarters while allowing single parents full benefits).

-- Promote individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits (also known as the Family Cap).

-- Prevent minor mothers from receiving AFDC benefits if they do not live in a household with a responsible adult, preferably a parent (with certain exceptions when deemed necessary).

-- Fund a national educational campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency.

State Goals

-- Educate our children about the risks involved when choosing parenthood at an early age.

-- Ensure that every potential parent is given the opportunity to avoid unintended births through reproductive family planning and education.

-- Provide comprehensive services to youth in high-risk neighborhoods through community organizations, churches, and schools which could help change the environment.

-- Work with schools for early identification and referral of children at risk.

VI. Community Service

At the end of two years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but will have the option be able to volunteer for a community service job for a paid minimum wage job, (States have the option to pay higher wages if they choose). Community service jobs would act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort.

• State Participation: State governments should be allowed the greatest amount of flexibility possible, but should follow the guidelines below. States should not be too financially burdened.

• Community Service Guidelines:
-- States need to set a minimum level of community service positions available and establish a waiting list for clients not able to immediately participate due to program overload. However,

such clients must do volunteer service and participate in an active job search on a full time basis to receive benefits.
– States are encouraged to include organized labor groups, private sector companies, and community groups in the administrative process.
– Recipients should work for wages instead of benefits to foster increased self-sufficiency.
– Current public sector employees shall not be displaced due to job creations for welfare recipients.
– Community Service participants must seek full-time employment while engaged in community service.
– Recipients will be paid at least a minimum wage.
– Community service should be time-limited with state option to extend the time-limit.

VII. Program Simplification

Simplify the Federal waiver process for states: Many states are moving forward with demonstration projects to test program changes that might increase the efficiency of a program. However, the waiver process is currently a lengthy, complex and costly procedure for the state to complete. The federal waiver of legislative and regulatory requirements and future state experimentation should be encouraged. When state demonstration projects are proven to be successful and the state wishes to continue them, quick and accessible procedures should be put in place for state and federal officials to pursue to continue successful projects on a permanent basis.

Simplify the application process for AFDC and Food Stamps: Some of the most time consuming and difficult tasks in administering these programs are the initial procedures now required to take and process applications. Many believe that the current requirements can be simplified and streamlined. We should move toward more conformity between these two programs.

Encourage and increase federal commitment to automation: Automation will improve interface between agencies, on both a federal and state level, who are administering these programs. Increased automation will improve and expedite verification, reduce caseworker paperwork and will help address the issue of fraud and abuse.

Establish a uniform time-frame for implementing an Electronic Benefit Transfer system framework for state systems: In implementing an EBT system, coordination with AFDC and child care benefits should be stressed. There is growing concern among many, including food stamp administrators, regarding the abusive use of food stamp vouchers by recipients and non-recipients. Automated system benefits will help reduce the likelihood of food stamp fraud and abuse and improve program accountability.

THE MAINSTREAM FORUM 103RD CONGRESS

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The Hon. Doug Applegate
The Hon. Jim Bacchus
The Hon. Scotty Baesler
The Hon. Thomas Barlow
The Hon. Tom Bevill
The Hon. Rick Boucher
The Hon. Bill Brewster
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The Hon. Gene Taylor
The Hon. Frank Tejeda
The Hon. Ray Thornton
The Hon. Karen Thurman
The Hon. Tim Valentine
The Hon. Charlie Wilson

THE MAINSTREAM

WELFARE REFORM WORKING GROUP

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* REPRESENTATIVE KAREN SHEPHERD
* REPRESENTATIVE ERIC FINGERHUT
REPRESENTATIVE SCOTTY BAESLER
REPRESENTATIVE BOB CLEMENT
REPRESENTATIVE JERRY COSTELLO
REPRESENTATIVE PAT DANNER
REPRESENTATIVE BUDDY DARDEN
REPRESENTATIVE NATHAN DEAL
REPRESENTATIVE PETE GEREN
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REPRESENTATIVE LOUISE SLAUGHTER
REPRESENTATIVE BART STUPAK
REPRESENTATIVE DICK SWETT
REPRESENTATIVE JOHN TANNER
REPRESENTATIVE FRANK TEJEDA
REPRESENTATIVE KAREN THURMAN
REPRESENTATIVE TIM VALENTINE

* designates chairs of working group

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

October 19, 1993

Dear Mr. President:

We of the Mainstream Forum are writing today to share with you our support for reform of this nation's welfare system. We are encouraged that your Working Group on Welfare Reform, Family Support and Independence is conducting a thorough review of the system and are hopeful that its findings will lead to greater efficiency. We support the key provisions in your campaign promises to "end welfare as we know it": making work pay and establishing a two-year transitional period to move recipients off of welfare into jobs.

We applaud the Administration's effort to reform this country's health care system so that access to affordable health care is available to all. Affordable health care is key to moving welfare recipients off of welfare into jobs. Your work on health care should eliminate the need to choose between staying on welfare and receiving Medicaid benefits or working at a low wage job that does not provide coverage.

Our priority in reforming welfare must be to ensure access to job opportunities that move individuals from dependency to self-sufficiency. In calling for such job access, we strongly endorse prioritization of job placement, and access to adequate education and training. We support the establishment of a two-year transitional period on benefits, during which welfare recipients remain active in either a job search and/or work, or, when necessary, training and education.

The business community should be encouraged to play an active role in reshaping job training, education, and employment factors. Serious consideration must be given to economic incentives for private sector job creation. We also strongly endorse your call for community service employment for those welfare recipients who are not able to find jobs in the private sector.

Enforcement of child support is also essential at the federal level to ensure that, along with the recent increase in the EITC, working parents have the funds available to pay for child care and other costs associated with raising a child while working. Further, child care issues must be addressed in order to allow parents to pursue employment while feeling secure that their children are being cared for in a safe and supportive environment.

Signatories

Representative Jim Bacchus
Representative Scotty Baesler
Representative James Barcia
Representative Thomas Barlow
Representative Sanford Bishop
Representative Rick Boucher
Representative Glenn Browder
Representative Bob Carr
Representative Jim Chapman
Representative Bob Clement
Representative Ron Coleman
Representative Gary Condit
Representative Jim Cooper
Representative Sam Coppersmith
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Representative Bill Orton
Representative Frank Pallone
Representative Lewis F. Payne
Representative Collin Peterson
Representative Pete Peterson
Representative Earl Pomeroy
Representative Glenn Poshard
Representative David Price
Representative J. Roy Rowland
Representative Bill Sarpalius
Representative Phil Sharp
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Representative John Tanner
Representative Gene Taylor
Representative Frank Tejeda
Representative Karen Thurman
Representative Tim Valentine
Representative Charlie Wilson

DISCHARGE PETITION POLL -4/5/94

Member	Staff	Position
Rob Andrews	Tom Downey	Do not know, will let us know if he is considering signing on it. They were concered about when the Administration's bill will be sent to the Hill.
Scott Baesler	Lisa Thomlinson	Would not do it because does not like discharge petitions and he does not support the R's bill. She was not aware of the petition.
Tom Bevill	Stephanie Campbell	Has not had a chance to talk to her boss. She is not sure if he would sign.
Rick Boucher	Ian Larson	He does not sign discharge petitions and he does not support the Republican bill.
Glen Browder	Sonya Clay	Not sure. Will call me back.
Ron Coleman	Jose Dimas	Will not sign. Is waiting for the President's plan. He asked to for information on the plan.440 Canon
Bob Cramer	Wendell Chambliss	Unlikely. Voted against P/K. Wants info. 225-4801/1318 Longworth
Chet Edwards	Brady King	He will not sign on
Bob Filner	Sharon Schultz	LM on voice mail
Gene Green	Mike Hollon	He does not think his boss would sign
Jay Inslee	Reid Franklin	He has not talked to his boss. His boss thinks is necessary this year but does not think the Administration and the Leadership is serious about welfare reform this year. If not serious about moving the bill, may considering signing on to the Republican discharge petition. Much rather support a Democratic bill.

Tim Johnson	Mark Rubin	He has not discussed with his boss but does not think he would sign on.
Greg Laughlin	Sue Suter	She does not know but thinks that we need to do make a strong showing that we will reduce the number of people on welfare.
Paul McHale	Allison Dowd	LM
Martin Meehan	Casey Anderson	LM on voice mail
Bill Orton	Samantha 225-7751	Doesn't think he would sign, but has not discussed with him.
Mike Parker	Teresa Holifield 225-5865	Has not been approached, WCB.
Tim Penny	Laura Sether 225-2472	Hasn't been approached, but does think he would consider it.
Pete Peterson	Jason Altmire 225-5235	Doesn't think he'll sign, although some pressure from consistiuents to act soon. Administration's bill should be sent up ASAP.
Owen Picket	Lisa Brown 225-4215	Hasn't talked to him but probably wouldn't sign, wants to wait for other options to consider.
Roy Rowland	Joy Lee 225-6531	Doesn't think he'd sign; working with Mainstream on bill.
John Spratt	Juanita Toatley 224-5501	From discussions before recess doesn't think he will sign.
Charlie Stenholm	Collen Kepner	The Republicans approached him about 6 weeks ago about signing the discharge petition. He told them that he would not sign on to the petition and strongly urged that they not file a discharge petition.
Dick Swett	Joe Freeman 225-5206	Doesn't think he'll sign; working with Mainstream on bill.
Gene Taylor	Brad Swiggins 225-5772	Hasn't been approached; doesn't know what he would do if asked.
Tim Valentine	Valerie Kennedy 225-4531	Won't sign; working on Mainstream Forum bill.
Charlie Wilson	Laura Miller 225-2401	Won't sign.

HUMAN SERVICES

Welfare Overhaul Forces Ready To Start Without Clinton

Enthusiasm generated by campaign pledge develops into impatience over delay in president's plan

Rep. Alan Wheat's eagerness to overhaul the welfare system prompted him to stop waiting for the Clinton administration and look elsewhere for inspiration.

The Missouri Democrat is working with the Mainstream Forum, a group of moderate Democrats who expect to introduce their own welfare legislation in April. Like Wheat, they have grown restless waiting for President Clinton to follow through on his campaign promise to push welfare recipients into the work force.

As a candidate for the Democratic Senate nomination in Missouri, Wheat is especially attuned these days to issues that will strike a chord with voters. The welfare system provides few incentives to work, he said, which is "a symbol as much as anything else of the problems we have in this country."

Wheat, like Clinton, is determined to reorient the welfare system so that it emphasizes work. This view reflects how well Clinton built public support for imposing a two-year limit on welfare recipients; Democrats and Republicans alike are now trying to appeal to the constituency that Clinton tapped into on the issue. *(Weekly Report, p. 117)*

But Clinton's delay and Wheat's impatience also show how difficult it has become for Democrats to unite behind an aggressive proposal to overhaul welfare. Indeed, they typify the Democratic dilemma on many social policy issues: Some members are intent on putting a new, moderate face on the party's ideology, while others fervently seek to protect the social safety net for the poor.

As the administration inches toward unveiling its proposal — now expected to late April or early May — divisions have already formed within the party. This is especially so in the House, where any welfare proposal will probably originate.

The lack of incentive to get off welfare is "a symbol as much as anything else of the problems we have in this country."

Rep. Alan Wheat, D-Mo.

"I'm concerned about the two-year limit. . . . But those positions hardened long before we ever got to the scene."

Rep. Patsy T. Mink, D-Hawaii

One camp, led by the Mainstream Forum, is so eager to devise a tough approach to welfare that requires and rewards work that members are tempted to start without Clinton.

Another faction, composed of the Congressional Black Caucus, the Congressional Hispanic Caucus and the liberal Progressive Caucus, generally agrees that the welfare system ought to be reformed. But these members are increasingly wary that Congress — encouraged by Clinton — will be overly harsh on the poor.

Consider the views of Rep. John Lewis, D-Ga., who, like Wheat, is a veteran member of the Congressional Black Caucus. Most blacks and liberals, Lewis said, "are going to be very cautious not to be seen as penalizing children or forcing mothers to go out in the work force without support."

For now, however, it appears that the moderates are better organized. And this has created some additional schisms among Democrats, particularly as they look for ways to raise $15 billion to $21 billion over five years to pay for the increased job training, job creation and social services, which Clinton has also called for to help move welfare recipients to work.

An administration official expressed confidence that there is a growing consensus in Congress about how welfare should be restructured.

"The basic elements of the president's call to end welfare as we know it — time limits, increasing child-support enforcement, an emphasis on personal responsibility, child care — are not nearly as contentious as they once might have been," said the official, who did not want to be identified. "The political balancing act will come from how the administration and Congress decide to pay for it."

Even liberals concerned about Clinton's intentions acknowledge that reorienting welfare has a powerful appeal at the polls and, consequently, in Congress.

"This is an election year, and there are certain buttons that are very hot, like crime and welfare," Lewis said. "People want to go home and say we did something."

Experience as Gov. Clinton

Clinton's campaign pledge to overhaul the welfare system was based on his own experience as a governor during a decade when states across the country experimented with different ways to help more beneficiaries off welfare. As an officer of the National Governors' Association, he was an integral player in encouraging Congress to enact the last major national welfare revision, the Family Support Act of 1988 (P.L. 100-485). *(1992 Weekly Report, p. 432; 1988 Almanac, p. 349)*

Although Clinton never set a firm deadline to unveil his own welfare plan, he was expected to release it early this year. Several factors contributed to the delay, including the slow confirmation of key administration aides and the decision to concentrate White House resources on passing a health care plan.

The delay has created something of a policy vacuum among congressional Democrats.

The Mainstream Forum tried to fill the breach announcing that 77 moderate Democrats had signed an Oct. 19 letter to Clinton underscoring their commitment to welfare overhaul. They highlighted a set of principles that seemed to closely follow Clinton's views. The group announced no plans to develop its own bill, suggesting only that its welfare task force would "work closely with the administration as it crafts legislation."

Some congressional Republicans, meanwhile, were miffed that former President George Bush did not campaign more strongly on the welfare issue. Republicans have had success using welfare as a wedge issue in national politics, drawing support from middle-class voters who resented a system that they thought was based on handouts for people unwilling to work.

Last year, House Republicans unified behind a welfare plan of their own. On Nov. 10, 160 of the 176 Republicans in the House signed on to a bill (HR 3500) by Minority Leader Robert H. Michel of Illinois. It would change Aid to Families With Dependent Children (AFDC), the nation's main welfare program, by imposing stiff penalties on recipients who refused to work within two years. It also would impose sanctions on beneficiaries who did not establish paternity for their children and deny welfare to most immigrants.

By Jeffrey L. Katz

House Democrats Divide on Welfare

President Clinton's campaign proposal to force welfare recipients into the work force has created a surge of support among both Democrats and Republicans for overhauling the welfare system. Clinton has not yet proposed a bill. His administration is still figuring out how to finance the plan and is working out details related to imposing a two-year time limit on welfare benefits.

Similar questions exist within Congress, especially among House Democrats, where views on welfare reflect the party's ambivalence on social policy issues: Even while some members want to redirect the party's ideology away from government-run entitlement programs, others want to protect the social safety net for the poor.

Here is a breakdown of the major factions among House Democrats and the key players on welfare:

Mainstream Forum

A caucus of House Democrats that formed in 1990 to advance a moderate agenda.

A group of 77 Democrats signed a letter to Clinton in October demonstrating support for a set of principles that were similar to the president's. Some group members are now trying to draft a bill.

McCurdy

Key Democrats on the welfare issue: Dave McCurdy of Oklahoma, Jim Slattery of Kansas, Karen Shepherd of Utah, Alan Wheat of Missouri and Eric D. Fingerhut of Ohio.

Progressive Caucus

A caucus of about 30 House members that formed in 1991 to advance a liberal agenda.

A group of 39 liberal members signed a letter to Clinton in November that was supportive of more aid to help welfare recipients get jobs but opposed to time limits on welfare benefits.

Key members on the welfare issue: Patsy T. Mink, D-Hawaii, and Bernard Sanders, I-Vt.

Congressional Black Caucus

The caucus includes 40 African-Americans in Congress, 38 of them House Democrats and one a Republican. Thirty-four of the caucus members signed a March letter to Clinton expressing misgivings about his forthcoming welfare plan, particularly the possibility of cuts in anti-poverty programs.

Norton

Key Democrats on the issue: Kweisi Mfume of Maryland and District of Columbia Delegate Eleanor Holmes Norton.

Congressional Hispanic Caucus

The caucus includes 18 Hispanic members and delegates in the House, 16 of them Democrats and two Republicans. Twelve of the caucus members signed a letter to Clinton in February expressing concerns about cutting programs targeted to low-income recipients.

Key Democrats on the welfare issue: José E. Serrano and Nydia M. Velázquez, both of New York.

Democratic Freshman Class

A memo on welfare was drafted by an 18-member working group and approved during a recent meeting of the class, which includes 62 members.

The memo, presented to the Clinton administration, supports investments in education, training and child care, and opposes inflexible time limits on welfare benefits.

Key Democrats on the welfare issue: Bobby L. Rush of Illinois and Eva Clayton of North Carolina.

Ways and Means Human Resources Subcommittee

Likely to be the first stop for any bill to overhaul the welfare system. The seven Democrats are among the most liberal in the House.

Key Democrats on the welfare issue: Chairman Harold E. Ford of Tennessee and Robert T. Matsui of California.

—Jeffrey L. Katz

The last group to organize formally were liberals in the House. With little fanfare on Nov. 24, the Progressive Caucus released a letter to Clinton from Reps. Patsy T. Mink, D-Hawaii, and Bernard Sanders, I-Vt., and signed by 86 other members that called for a broad anti-poverty strategy, more education and job training for welfare recipients, and well-paid jobs. It also denounced time limits on AFDC benefits as "unacceptably arbitrary."

The battle lines on welfare were now formed. But not all House members fit neatly into a category. Alliances are shifting as members make their own political and policy calculations.

Indeed, the various Democratic caucuses seem to have an easier time drawing members' signatures for a general statement of principles than lining up behind a specific bill.

For instance, four Democrats — Anna G. Eshoo and Bob Filner, both of California, William J. Jefferson of Louisiana and Nita M. Lowey of New York — signed both the Mainstream Forum and the Progressive Caucus letters last fall.

"There are elements in both of the letters that make sense," said Lowey, who has since introduced a bill (HR 4126) that would give states aid to develop flexible work plans for welfare recipients.

Members of Congress "are still exploring where they want to go in this area," said Jennifer A. Vasiloff, executive director of the Coalition on Human Needs, a lobbying group for organizations trying to protect low-income families. "They recognize its importance and they want to do something."

As a consequence, Vasiloff said, "The coalitions that are ultimately going to pass a welfare reform bill are still very fluid."

Another sign of Democrats trying to find their way through the welfare debate occurred March 3, when the Budget Committee marked up the fiscal 1995 budget resolution. Four Democrats — Charles W. Stenholm of Texas, Glen Browder of Alabama, Bill Orton of Utah and Mike Parker of Mississippi — crossed party lines and voted to add the GOP welfare reform plan to the budget document. The amendment failed, 11-22. (*Weekly Report*, p. 525)

Stenholm, a leader of conservative Democrats, said he voted for the GOP welfare proposal in committee because Republicans "have a good plan that is worthy of consideration in the regular legislative process, and the budget numbers fit."

Welfare Bills

While President Clinton has yet to introduce his legislative proposal to overhaul welfare, members of Congress have crafted a variety of bills to make major changes in the system. Among them:

- **HR 3500.** To impose a two-year time limit on welfare benefits, cap federal funding on several anti-poverty programs and end welfare for most non-citizens. Sponsor: Minority Leader Robert H. Michel, R-Ill.
- **S 16.** To authorize additional funding for the Job Opportunities and Basic Skills (JOBS) program, created in 1988, which provides recipients with work, remedial education and training. Sponsor: Senate Finance Committee Chairman Daniel Patrick Moynihan, D-N.Y.
- **HR 4084.** To create a child-support insurance program, guaranteeing that the federal government will provide child support if the non-custodial parent does not. Sponsor: Rep. Lynn Woolsey, D-Calif.
- **S 1795.** To establish time limits on welfare, restrict benefits to legal aliens and require states to set up job programs using vouchers. Sponsor: Sen. Hank Brown, R-Colo.
- **S 1891.** To provide for enhanced federal funding of Medicaid in exchange for state takeover of Aid to Families With Dependent Children, food stamps and the special supplemental food program for Women, Infants and Children. Sponsor: Sen. Nancy Landon Kassebaum, R-Kan.

For Democrats preparing for re-election, Stenholm said, acting on welfare is "very important.... We're going to be judged by our ability to get things done."

Support for Moderate Approach

But in the absence of a specific bill from Clinton, the notion of a moderate Democratic approach is attracting attention from members like Missouri's Wheat who want to fend off Republican criticisms that Democrats are unwilling to make tough choices.

"You will have now a second major legislative initiative that bears the stamp of the Clinton plan, as does the architecture of the Republican plan," said Will Marshall, president of the Progressive Policy Institute, a think tank for moderate Democrats.

"That's an invitation: 'Come on in, the water's fine.' It shows there's a solid base of support for fundamental reform, as the president wants."

One hurdle that any welfare overhaul plan must clear is money. Moving welfare beneficiaries into the work force involves massive new expenses for administrative oversight, education and training, child care and any subsidies needed to create jobs for those who exceed a time limit for AFDC.

Most of the Democratic plans assume the costs to be $15 billion to $21 billion over five years. That assumes that the new work requirements would be phased in, focusing first on young, unwed mothers who are new welfare recipients.

But under congressional budget rules, new entitlement programs cannot add to the deficit without corresponding cuts in other entitlements, or new taxes. That's the sticking point for anyone seeking to help welfare recipients get jobs.

The Clinton administration has considered a limited tax on gaming revenues. Hardly anyone in Congress, however, has much stomach for a big tax bill for welfare revisions. "I don't believe the taxpayers are willing to come up with one more dime for a welfare family," Mink said.

A more likely source appears to be cuts in entitlement programs. Benefits for non-citizens have attracted the most attention. The GOP bill took that approach, and the Mainstream Forum proposal seems to follow the lead.

A working draft of the forum's legislation would virtually eliminate AFDC, food stamps, Medicaid and Supplemental Security Income benefits to non-citizens, except for emergency medical services. That would save about $21.3 billion over five years.

Given the limited availability of federal funds, it is more important to help young American mothers get off welfare than to provide income security for immigrants, said Dave McCurdy, D-Okla., who founded the Mainstream Forum.

"I'm not anti-immigration," McCurdy insisted, that "they come here for an opportunity to work. I don't believe they come here for welfare benefits."

A Number of Concerns

Liberal Democrats have a panoply of concerns about the welfare plans, including the imposition of time limits and work requirements, cuts in welfare benefits and the adequacy of social services. But their ability to influence the administration has been marginal.

"I'm concerned about the two-year limit, and they have not backed off that at all," Mink said. But, she said, "those positions hardened long before we ever got to the scene."

All but six of the 40 members of the Congressional Black Caucus signed a March 18 letter to Clinton expressing their "strong concern" about the forthcoming welfare plan, particularly the possibility of cuts in food stamps and AFDC. In addition, caucus members complained, "We have not been directly consulted on the direction and details of the administration's initiative."

Some members of the Democratic freshman class sent a memo to the administration that included their objection to "a fixed, arbitrary time limit" for welfare benefits. It also suggested that a tax increase was preferable to benefit cuts when paying for training, support services and jobs for welfare recipients.

"We wanted to vigorously fight for a bill that is not punitive in nature," said Rep. Bobby L. Rush, D-Ill., who helped organize some of the Democratic freshmen on the issue.

Hispanics, in particular, have objected to reducing benefits to immigrants. "I think you're going to find that the Hispanic caucus will not be supportive of paying for it on the backs of legal immigrants who are here," said Rep. Ed Pastor, D-Ariz.

Clinton apparently is listening to those complaints, indicating at his March 24 news conference that he was unwilling to finance the welfare changes solely through cuts in aid to immigrants.

One way liberals might be able to gain more leverage on welfare issues would be to withhold their support for the administration's health care plan. If Republicans are united against Clinton on health care, he will need every Democratic vote. "We have to use every weapon in our arsenal," Rush said.

On other hand, no other health care plan with a strong chance of passage would guarantee universal coverage, a key demand of liberals. So their threat of withholding support may get few listeners in the White House.

A 'Center-Out' Coalition

Several liberal members said they cannot imagine a Democratic president passing a major bill with a coalition of moderates and Republicans, leaving aside the votes of core supporters, including many liberal, black and Hispanic members.

But moderates do talk of building a "center-out" coalition in favor of a welfare overhaul, starting with the ideological middle of both parties and building from there.

Marshall expects most Democrats to eventually rally around Clinton's plan. "The congressional liberals have been fighting cuts in social programs for a long time," he said. But he said it would be difficult for liberals to resist changes when "we have a Democratic president in office with an impeccable concern for children."

Republicans probably will have to contend with factions of their own, too.

Some conservative GOP members are preparing legislation that could eliminate all welfare benefits to unmarried mothers under 18. They are working on the theory that welfare benefits provide some encouragement for teenagers to have children.

House Republicans also have considered seeking a discharge petition for HR 3500. That would entail obtaining the signatures of a majority of House members to bypass the appropriate committees and consider the bill immediately on the House floor. The introduction of a Mainstream Forum bill might undercut GOP chances of doing so, however, keeping conservative and moderate Democrats focused on a Democratic initiative.

Another wrinkle Republicans face is the possibility that not all their members will want to stick together a bipartisan coalition to overhaul welfare. Some might prefer to deny Clinton a major legislative success and reclaim welfare overhaul as a GOP campaign issue.

Some of these tensions could be evident in what is likely to be the first proving ground for any welfare proposal: the House Ways and Means Subcommittee on Human Resources. Its four Republicans include two members running for statewide offices: Rick Santorum of Pennsylvania, campaigning for the Senate, and Fred Grandy of Iowa, running for governor.

The seven Democrats on the subcommittee, led by Harold E. Ford, D-Tenn., make it among the most liberal in the House. Ford, who was reinstated as subcommittee chairman last year after being acquitted of bank and mail fraud charges, has indicated that he wants to be an important player in helping pass a major welfare initiative.

But in January, while the administration and moderate Democrats sought to reconcile the costs and finances of a welfare plan, Ford began putting forth a completely different approach. He suggested that welfare recipients — and other poor people who do not collect welfare — ought to receive at least $3 an hour for public or private sector jobs, not the $4.25-an-hour minimum wage envisioned by the Clinton administration. (*Weekly Report*, p. 776)

Like many members, Ford has conflicting views on overhauling the welfare system. He would like to be a major player in ushering Clinton's plan through Congress, but he also wants to put his own stamp on the legislation. ■

HEALTH

Minority Programs OK'd by Senate

The Senate passed a bill (S 1602) by voice vote March 25 that would reauthorize programs aimed at improving the health of minority groups. The bill was amended to include a measure (S 1224) that would prohibit adoption agencies that receive federal funding from discriminating against people who want to adopt children of another race.

The larger bill (S Rept 103-300), sponsored by Edward M. Kennedy, D-Mass., and approved by the Labor and Human Resources Committee on Oct. 20, would authorize $20.5 million in fiscal 1994 and unspecified sums through 1998 for the Office of Minority Health. The office coordinates activities aimed at preventing disease and promoting research. (*1993 Weekly Report*, p. 2835)

The adoption agency measure, sponsored by Howard M. Metzenbaum, D-Ohio, stipulates that agencies could consider the race, color or national origin of prospective parents but could not use them as the only criteria in denying adoptions. The Labor and Human Resources Committee approved S 1224 on Oct. 8. (*1993 Weekly Report*, p. 2789) ■

WR - Mainstream Forum cc: K. WAY
SAWHILL
DIMOND
DEANE
J. BEN-AMI

MEMO
TO: THE MAINSTREAM FORUM
FROM: THE MAINSTREAM FORUM WORKING GROUP ON WELFARE REFORM
DATE: MARCH 4, 1994
RE: WELFARE REFORM

THE FOLLOWING PROPOSAL DISCUSSES BASIC ELEMENTS OF THE MAINSTREAM FORUM'S WELFARE REFORM PROPOSAL. IT IS NOT A COMPLETE SUMMARY AND WILL BE FOLLOWED BY SUPPLEMENTAL INFORMATION.

DRAFT WORKING GROUP:
REP. MCCURDY, REP. SLATTERY,
REP. SHEPHERD, REP. WHEAT,
REP. FINGERHUT, REP. CLEMENT,
REP. COOPER, REP. DARDEN,
REP. DEAL, REP. MORAN,
REP. PALLONE, REP. SLAUGHTER,
REP. STUPAK, REP. SWETT,
REP. TANNER, REP. VALENTINE,
DLC/PPI

FOR FURTHER INFORMATION
PLEASE CONTACT:
SUZANNE KLINKER
REP. JIM SLATTERY
225-6601

The Mainstream Forum, a group of over 90 House moderate and conservative Democrats, is nearing completion of a welfare reform plan that puts work first. The legislation, expected in its final form by later this Spring, will culminate a six-month effort by the group to produce a plan based on the principles set out in a letter to the President dated October 19, 1993 and signed by 77 Mainstream Forum members.

Generally, these members support welfare reform that includes the following elements:
- establishing a two year lifetime transitional period of benefits;
- making work pay more than welfare;
- putting work first;
- ensuring access to job opportunities;
- reshaping job training and education;
- child care assistance;
- child support enforcement;
- teenage pregnancy prevention;
- program simplification.

Members of the Mainstream Forum Welfare Reform Working Group are continuing work on some components of their legislation. The following pages contain information which the Mainstream Forum supports and intends to include in its Welfare Reform plan.

The group has been led by its founder, Rep. Dave McCurdy, (OK) Chairman of the Democratic Leadership Council; Rep. Jim Slattery (KS), Chairman of the Working Group; and co-chairs Rep. Karen Shepherd (UT), Rep. Alan Wheat (MO) and Rep. Eric Fingerhut (OH).

I. Time-Limited Transitional Support System

Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. Two year lifetime, time-limited assistance will transform a system based on the right to income maintenance into a system based on the obligation to work. It will also provide a structure for case workers to operate within and encourage a quick return to the workforce for the client. However, to lessen the implementation burden to states and to make the initial costs more manageable, we support a phase-in of the limit over time. Time limits though, without other reforms, will only worsen the situation of the over 14 million persons receiving welfare.

<u>Exceptions to the Two Year Lifetime Time Limit:</u>

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We propose additional transitional benefits to aide in the transition into the workforce. These include:
-- Other transitional child care benefits as covered in current law
-- Extended transitional medicaid benefits to two years as needed to bridge the gap between introduction and passage of the health care legislation

II. Making Work Pay

Employment is the centerpiece of our reform initiative. We must ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare. To do this we must eliminate the current disincentives within the system that make welfare more attractive than work. There are five vital components in this regard:

Health Care Reform: Reform of the welfare system is inextricably linked to reform of the health care system. The prospect of losing medicaid coverage deters many from taking low-wage jobs that don't offer health coverage. Welfare recipients desire and need comprehensive health care and our national policy must guarantee access to health care for America's poor families and their children.

EITC: We strongly support the recent five-year, $21 billion expansion of the Earned Income Tax Credit (EITC), enacted by Congress under the Omnibus Budget Reconciliation Act of 1993. Together, with food stamps, the EITC is sufficient to lift most families out of poverty. However, we need to improve outreach efforts to both recipients and employers to ensure that they make use of EITC. The Internal Revenue Code requires that if an eligible worker provides the appropriate tax form (known as the W-5 form) to his or her employer, the employer must add the family's credit to its paycheck. Yet, fewer than 1% of recipients take advantage of this "advance payment" option. We therefore recommend:

-- Requiring that all AFDC, food stamp, and Medicaid recipients be notified in writing of the availability of the EITC upon application for and termination from the programs.

-- Requiring that employers inform new employees earning less than $30,000 annually, of the option of having advance EITC payments available through their payroll.

-- EITC payments be exempt from counting against food stamp and AFDC assets limits for 12 months.

Child Care: Safe, affordable, quality child care is a vital factor in the success of any work-based welfare proposal. Ninety percent of all women receiving AFDC in 1992 were single mothers: without child care, these women cannot work. Child care support is also critical to the ability of the working poor to remain in the workforce. We commend the direction of the administration's FY'95 budget request which takes steps in this direction. Individuals should not be faced with the difficult decision of applying for welfare in order to receive adequate, safe child care. We recommend the following:

-- Making the Dependent Care Tax Credit refundable and eliminating the credit for those households with incomes over $100,000.

-- Easing the state matching requirements for drawing down federal Title IV-A child care funding.

-- Allowing states to use Title IV-A child care funds to subsidize 30 days of child care for low income working parents who lose a job, and need time to search for new employment.

-- Requiring automatic notification of eligibility for Transitional Child Care to AFDC recipients preparing to leave welfare for a job.

-- Support for expansion of Head Start.

-- Consideration that some of the additional funding to expand child care can be used to create jobs in the child care field (following standard licensing requirements) for welfare recipients as part of the effort to move welfare recipients off the rolls and into work.

AFDC Work Disregards: The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. After the first four months of employment virtually every net additional dollar results in a dollar reduction in AFDC benefits. In fact, a two-parent family automatically becomes ineligible for benefits when the family's primary wage earner is employed 100 hours or more in a month. As a result, welfare recipients who try to work are little better off than just remaining on welfare. To change this system we recommend:

-- State flexibility to waive the 100 hour rule for two parent families.

-- State flexibility to allow AFDC recipients who marry to keep up to 1/2 of their current benefit for up to one year as long as the combined family income is below 150% of the state poverty line.

-- State flexibility to reduce AFDC benefits less than a dollar for each additional dollar earned so long as a recipient's gross income is within a certain income range established by the state.

Asset Limitation: While work is a first step out of poverty, asset accumulation is the step that keeps a person permanently out of poverty. Both AFDC and food stamps allow a certain amount of asset accumulation when calculating benefits. However, these asset levels are too low to encourage independence and the rules for each are substantially different. This is a constant source of difficulty for both staff and recipients. We therefore support:

-- Adaptation of changes contained in OBRA '93 for food stamps, to apply to both food stamps and AFDC, that provide for an increase in the allowable value of vehicles that is not counted toward the food stamp resource limit. The current limit of $4,500 is raised slightly over the next two years and is then indexed for inflation beginning with a base of $5,000 on October 1, 1996.

-- A uniform non-vehicle asset threshold be established between both AFDC as well as food stamps, capped at a level of $5,000, raising the combined allowable asset level to $10,000.

-- Support for Individual Development Accounts (IDA's) to encourage low-income Americans to save money and build assets for car purchase, higher education, purchase of a first home, start-up of a microenterprise, or retirement. Federal grant money could be used to match IDA deposits of up to $2,000 a year.

III. Putting Work First

The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections and self-esteem necessary to become self-reliant members of the community.

The 1988 Family Support Act (FSA) with the JOBS program as its main component, was designed to combat these problems by making people job ready through education, training and other activities. Yet Judy Gueron, president of the Manpower Demonstration Research Corporation (which has evaluated many of the JOBS programs around the country) stated recently that "JOBS has not fundamentally changed the message and character of AFDC." Only a small percentage of JOBS participants are engaged in work-related activities.

There is growing evidence that programs that put work first produce better results. These programs confirm the common sense notion that most people learn their jobs on the job -- not in the classroom. Private and nonprofit work-based organizations such as America Works, Cleveland Works and Chicago's Project Match have proven that placing even long-term welfare recipients into decent private sector jobs is possible. Education and training are

important, but getting a real job is even more important. Once someone is working, education and training can help them upgrade their career skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of the burgeoning welfare architecture. The danger in this approach is that we will end up with a vast education and training bureaucracy, not a real job placement system for welfare recipients. While some JOBS programs have been successful -- such as California's GAIN program, especially the Riverside site, and Florida's Project Independence -- these successes arise from an emphasis on work and job placement over education and training. This is an approach that other JOBS programs have not followed. Welfare reform should shift the emphasis of JOBS toward work-based programs. But it should also enlarge the role of non-governmental organizations in moving people from welfare to work. That would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work.

In addition to changing the focus of JOBS and encouraging private job placement efforts, a third way to put work first is to allow for temporary subsidized job creation through a cash out of AFDC benefits and food stamps into a grant given to an employer as a subsidy for a job. This provision is the nucleus of Oregon's JOBS Plus program. All three of these options should be available as soon as a recipient is assessed and has worked out an individualized self-sufficiency contract. There is no reason to wait two years before serious efforts begin to move people into private jobs.

In the model outlined below and on the following pages, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation as soon as a recipient enters the system rather than at the end of two years.

The states will also have a great deal of flexibility in designing their own programs which would require federal waiver much like what is done today. Or, states will have the option to follow our newly developed Federal model.

Federal Model:

-- Emphasis on private sector (over public sector) employment and moving to self-sufficiency.
-- Requires recipients to work for wages, not benefits.
-- Offers option for private nonprofit and for-profit placement agencies to begin work with a recipient as soon as he or she enters AFDC.
-- Allows each state to create a structured 40 hour week for those clients needing additional education and training, combining education and training with part-time work (except for those under 20, who are encouraged to participate in high school or GED course full-time).
-- All individuals placed in a job as soon as possible.
-- Time frames vary from individual to individual but do not exceed two years.
-- Requires each recipient to sign an individualized employment contract with the state social

services or welfare office, binding with the recipient's immediate family, indicating current skills, goals, expectations, time period to reach self-sufficiency as well as a pledge of responsibility **not** to have any additional children while still enrolled in this program.

- Within 30 days each applicant must meet with his/her individual case management team and begin a preliminary job search. The case management team would develop an individual employment contract which is specifically catered to each applicant and incorporates the above mentioned aspects.

- Participation: Every able-bodied individual will be required to work and/or participate in education and training to earn their benefits and/or wages. Benefits will be paid based on the number of hours recipients work or spend in training/education. Recipients will be guaranteed minimum wage for hours worked. Wages will be subsidized by the benefits (AFDC and Food Stamps) paid to the employer who will in turn pay the recipient.

  Recipients will be required to spend 40 hours per week of state determined structured time between work, education, training or social services if needed.

- Special Needs: Substance abuse treatment will be required in addition to work/education/training as appropriate. Teen parents under the age of 20 will be given a choice of remaining enrolled in school full-time or entering the work first program. In addition, teen parents will be required to take parenting classes. (To remain consistent with the desire to emphasize individual responsibility, both parents will be required to take parenting classes).

- One-Stop Shops: Every effort must be made to consolidate the job placement, training, and education services under one roof to facilitate access and control expenditures for transportation.

A case manager will present the "Work First" options to each welfare recipient. The options are as follows:

Hire Placement Companies: For-profit and nonprofit placement companies will be awarded performance-based contracts to place recipients in full-time, preferably private sector jobs. Private for-profit and nonprofit entities will bid for the chance to place welfare recipients in private sector jobs and will keep part of the money a state saves when someone leaves the rolls. The placement company would receive a fee of about one third of what it costs the state to support an average family on welfare for about a year only after the recipient has successfully remained in the job at least six months. The state will 'pocket' the remaining savings. Ideally the fee would be phased-in to help ensure the employee stays in the job.

Upon entering the placement agency and at least three months into the private sector job

placement, the placement agency should provide intensive, personalized support and job readiness to the welfare recipients to prepare them for the job and to ensure their continued success in the job.

Temporary Subsidized Job Creation: There are several options for public and private sector job creation: Wage supplementation; tax credits to firms; training grants; and a combination of proposals. States should be allowed to use AFDC and food stamp grant money to supplement wages weekly, biweekly, or monthly.

> **Wage Supplementation:** This approach would give companies a greater incentive to hire welfare recipients by offsetting the wages paid to employees with AFDC and food stamp grant money.
>
> **Tax Credits to Firms:** Tax credits to firms for hiring disadvantaged workers should be an option available to states. Currently, employers can receive a TJTC of up to $2,400 for one year for an employee who meets the qualifications. The tax credit should be phased-in over a length of time to maximize the time an employee stays in the job.

Microenterprise: Permit states to use federal community and rural development and job training funds to make direct loans to nonprofit groups that lend to mircrobusinesses and poor entrepreneurs.

Referral to JOBS: A revamped JOBS program should be one of the choices to help move a welfare recipient into work and can be one avenue for referral to education and training.

IV. Family Responsibility and Improved Child Support Enforcement

The Mainstream Forum believes that improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while a working mother's real income is raised. The goal of the Mainstream Forum proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

As part of the broader welfare reform plan, the Mainstream Forum takes a very tough stance on non-payment of child support. The Mainstream proposal has four distinct sections..

Enhance non-custodial parent location and identification by:

-- Expanding the functions of the parent locator in the Department of Health and Human Services.
-- Requiring states to maintain registries of child support orders.
-- Requiring Secretary of Treasury to modify W-4 forms for new employees to include a

statement about child support responsibilities.

Improve the process by which child support orders are established through:

-- Allowing state agencies to access and use credit reports for obtaining information in setting or modifying a child support order.
-- Creating a National Child Support Guidelines Commission to oversee the child support process.
-- Requiring states to develop uniform duration limits for child support.

Establish hospital-based paternity by:

-- Requiring rather than suggesting hospital-based paternity establishment for all single mothers.
-- Requiring states to develop a simple civil consent procedure for paternity establishment outside of the hospital setting.
-- Making available on-site hospital social service for pregnancies resulting from rape or incest.
-- Requiring states to offer positive paternity/parenting social services for new fathers.
-- Making benefits contingent on paternity establishment except for limited exemptions.
-- Reviewing incentives for paternity establishment and child support payments for poor mothers by increasing the per month pass through of child support benefits to those mothers receiving AFDC.

Enforce child support through demanding and uncompromising punitive measures for dead-beat parents including:

-- Strongly reinforcing direct income withholding measures for child support orders.
-- Allowing workers' compensation to be subject to income withholding of child support.
-- Requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards.
-- Mandating reports to credit bureaus of all child support obligations and arrearages.

V. Teen Pregnancy and Family Stability

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The provisions discussed below address this horrific problem. To combat this problem, we propose the following:

-- Promote the stability of two-parent families by eliminating the 100 hour rule that currently

rewards single parents but penalizes those who choose to marry. (The 100 hour rule prevents two-parent families from receiving AFDC if the primary wage-earner works more than 100 per month or has not been employed in six of the previous 13 quarters while allowing single parents full benefits).

-- Promote individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits (also known as the Family Cap).

-- Prevent minor mothers from receiving AFDC benefits if they do not live in a household with a responsible adult, preferably a parent (with certain exceptions when deemed necessary).

-- Fund a national educational campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency.

State Goals

-- Educate our children about the risks involved when choosing parenthood at an early age.

-- Ensure that every potential parent is given the opportunity to avoid unintended births through reproductive family planning and education.

-- Provide comprehensive services to youth in high-risk neighborhoods through community organizations, churches, and schools which could help change the environment.

-- Work with schools for early identification and referral of children at risk.

VI. Community Service

At the end of two years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but will have the option be able to volunteer for a community service job for a paid minimum wage job, (States have the option to pay higher wages if they choose). Community service jobs would act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort.

• State Participation: State governments should be allowed the greatest amount of flexibility possible, but should follow the guidelines below. States should not be too financially burdened.

• Community Service Guidelines:
-- States need to set a minimum level of community service positions available and establish a waiting list for clients not able to immediately participate due to program overload. However,

such clients must do volunteer service and participate in an active job search on a full time basis to receive benefits.
-- States are encouraged to include organized labor groups, private sector companies, and community groups in the administrative process.
-- Recipients should work for wages instead of benefits to foster increased self-sufficiency.
-- Current public sector employees shall not be displaced due to job creations for welfare recipients.
-- Community Service participants must seek full-time employment while engaged in community service.
-- Recipients will be paid at least a minimum wage.
-- Community service should be time-limited with state option to extend the time-limit.

VII. Program Simplification

Simplify the Federal waiver process for states: Many states are moving forward with demonstration projects to test program changes that might increase the efficiency of a program. However, the waiver process is currently a lengthy, complex and costly procedure for the state to complete. The federal waiver of legislative and regulatory requirements and future state experimentation should be encouraged. When state demonstration projects are proven to be successful and the state wishes to continue them, quick and accessible procedures should be put in place for state and federal officials to pursue to continue successful projects on a permanent basis.

Simplify the application process for AFDC and Food Stamps: Some of the most time consuming and difficult tasks in administering these programs are the initial procedures now required to take and process applications. Many believe that the current requirements can be simplified and streamlined. We should move toward more conformity between these two programs.

Encourage and increase federal commitment to automation: Automation will improve interface between agencies, on both a federal and state level, who are administering these programs. Increased automation will improve and expedite verification, reduce caseworker paperwork and will help address the issue of fraud and abuse.

Establish a uniform time-frame for implementing an Electronic Benefit Transfer system framework for state systems: In implementing an EBT system, coordination with AFDC and child care benefits should be stressed. There is growing concern among many, including food stamp administrators, regarding the abusive use of food stamp vouchers by recipients and non-recipients. Automated system benefits will help reduce the likelihood of food stamp fraud and abuse and improve program accountability.

Bruce

WR - M. Forum

DISCHARGE PETITION POLL -4/5/94

Member	Staff	Position
Rob Andrews	Tom Downey	Do not know, will let us know if he is considering signing on it. They were concered about when the Administration's bill will be sent to the Hill.
Scott Baesler	Lisa Thomlinson	Would not do it because does not like discharge petitions and he does not support the R's bill. She was not aware of the petition.
Tom Bevill 225-4876	Stephanie Campbell	LM on voice mail
Rick Boucher 225-3861	Ean Larson	LM on voice mail
Glen Browder 225-3261	Sonya Clay	Not sure. Will call me back.
Ron Coleman	Jose Dimas	Will not sign. Is waiting for the President's plan. He asked to for information on the plan.440 Canon
*Bob Cramer	Wendell Chambliss	Unlikely. Voted against P/K. Wants info. 225-4801/1318 Longworth
Chet Edwards	Brady King	He will not sign on
Bob Filner	Sharon Schultz	LM on voice mail
Gene Green sign	Mike Hollon	He does not think his boss would
Jay Inslee	Reid Franklin	He has not talked to his boss. His boss thinks is necessary this year but does not think the Administration and the Leadership is serious about welfare reform this year. If not serious about moving the bill, may considering signing on to the Republican discharge petition. Much rather support a Democratic bill.
Tim Johnson	Mark Rubin	He has not discussed with his boss

		but does not think he would sign on.
Greg Laughlin	Sue Suter	She does not know but thinks that we need to do make a strong showing that we will reduce the number of people on welfare.
Paul McHale	Allison Dowd	LM
Martin Meehan	Casey Anderson	LM on voice mail
Bill Orton	Samantha 225-7751	Doesn't think he would sign, but has not discussed with him.
Mike Parker	Teresa Holifield	Has not been approached, WCB.
Tim Penny	Laura Sether 225-2472	Hasn't been approached, but does think he would consider it.
Pete Peterson	Jason Altmire 225-5235	Doesn't think he'll sign, although some pressure from consistiuents to act soon. Administration's bill should be sent up ASAP.
Owen Picket	Lisa Brown 225-4215	LM
Roy Rowland	Joy Lee 225-6531	LM
John Spratt	Juanita Toatley 224-5501	LM (out until Weds.)
Charlie Stenholm	Collen Kepner	The Republicans approached him about 6 weeks ago about signing the discharge petition. He told them that he would not sign on to the petition and strongly urged that they not file a discharge petition.
Dick Swett	Jenny Wolkowitz 225-5206	LM, out all week.
Gene Taylor	Brad Swiggins 225-5772	Hasn't been approached; doesn't know what he would do if asked.
Tim Valentine	Valerie Kennedy 225-4531	LM
Charlie Wilson	Laura Miller 225-2401	LM

DAVE McCURDY
4TH DISTRICT, OKLAHOMA

MEMBER
COMMITTEE ON ARMED SERVICES
CHAIRMAN, SUBCOMMITTEE ON MILITARY INSTALLATIONS AND FACILITIES
SUBCOMMITTEE ON READINESS
SUBCOMMITTEE ON RESEARCH AND TECHNOLOGY
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WR - M. Forum

FAX COVER SHEET

DATE: 3/4 TIME: 6:00

TO: Bruce Reed

COMPANY

FAX NO. 456-6515

FROM: Michele Gabert - Rep. Dave McCurdy

NUMBER OF PAGES (including cover) 12

COMMENTS: Summary of basic elements of Mainstream Forum Welfare Reform Plan.

If all pages are not received, please call 202-225-6165.

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Employment is the centerpiece of our reform initiative. We must ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare. To do this we must eliminate the current disincentives within the system that make welfare more attractive than work. There are five vital components in this regard:

Health Care Reform: Reform of the welfare system is inextricably linked to reform of the health care system. The prospect of losing medicaid coverage deters many from taking low-wage jobs that don't offer health coverage. Welfare recipients desire and need comprehensive health care and our national policy must guarantee access to health care for America's poor families and their children.

EITC: We strongly support the recent five-year, $21 billion expansion of the Earned Income Tax Credit (EITC), enacted by Congress under the Omnibus Budget Reconciliation Act of 1993. Together, with food stamps, the EITC is sufficient to lift most families out of poverty. However, we need to improve outreach efforts to both recipients and employers to ensure that they make use of EITC. The Internal Revenue Code requires that if an eligible worker provides the appropriate tax form (known as the W-5 form) to his or her employer, the employer must add the family's credit to its paycheck. Yet, fewer than 1% of recipients take advantage of this "advance payment" option. We therefore recommend:

good ideas

-- Requiring that all AFDC, food stamp, and Medicaid recipients be notified in writing of the availability of the EITC upon application for and termination from the programs.

-- Requiring that employers inform new employees earning less than $30,000 annually, of the option of having advance EITC payments available through their payroll.

-- EITC payments be exempt from counting against food stamp and AFDC assets limits for 12 months.

Child Care: Safe, affordable, quality child care is a vital factor in the success of any work-based welfare proposal. Ninety percent of all women receiving AFDC in 1992 were single mothers: without child care, these women cannot work. Child care support is also critical to the ability of the working poor to remain in the workforce. We commend the direction of the administration's FY'95 budget request which takes steps in this direction. Individuals should not be faced with the difficult decision of applying for welfare in order to receive adequate, safe child care. We recommend the following:

good

-- Making the Dependent Care Tax Credit refundable and eliminating the credit for those households with incomes over $100,000.

-- Easing the state matching requirements for drawing down federal Title IV-A child care funding.

-- Allowing states to use Title IV-A child care funds to subsidize 30 days of child care for low income working parents who lose a job, and need time to search for new employment.

-- Requiring automatic notification of eligibility for Transitional Child Care to AFDC recipients preparing to leave welfare for a job.

-- Support for expansion of Head Start.

-- Consideration that some of the additional funding to expand child care can be used to create jobs in the child care field (following standard licensing requirements) for welfare recipients as part of the effort to move welfare recipients off the rolls and into work.

AFDC Work Disregards: The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. After the first four months of employment virtually every net additional dollar results in a dollar reduction in AFDC benefits. In fact, a two-parent family automatically becomes ineligible for benefits when the family's primary wage earner is employed 100 hours or more in a month. As a result, welfare recipients who try to work are little better off than just remaining on welfare. To change this system we recommend:

good

-- State flexibility to waive the 100 hour rule for two parent families.

-- State flexibility to allow AFDC recipients who marry to keep up to 1/2 of their current benefit for up to one year as long as the combined family income is below 150% of the state poverty line.

-- State flexibility to reduce AFDC benefits less than a dollar for each additional dollar earned so long as a recipient's gross income is within a certain income range established by the state.

Asset Limitation: While work is a first step out of poverty, asset accumulation is the step that keeps a person permanently out of poverty. Both AFDC and food stamps allow a certain amount of asset accumulation when calculating benefits. However, these asset levels are too low to encourage independence and the rules for each are substantially different. This is a constant source of difficulty for both staff and recipients. We therefore support:

-- Adaptation of changes contained in OBRA '93 for food stamps, to apply to both food stamps and AFDC, that provide for an increase in the allowable value of vehicles that is not counted toward the food stamp resource limit. The current limit of $4,500 is raised slightly over the next two years and is then indexed for inflation beginning with a base of $5,000 on October 1, 1996.

-- A uniform non-vehicle asset threshold be established between both AFDC as well as food stamps, capped at a level of $5,000, raising the combined allowable asset level to $10,000.

-- Support for Individual Development Accounts (IDA's) to encourage low-income Americans to save money and build assets for car purchase, higher education, purchase of a first home, start-up of a microenterprise, or retirement. Federal grant money could be used to match IDA deposits of up to $2,000 a year.

good

III. Putting Work First

The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections and self-esteem necessary to become self-reliant members of the community.

The 1988 Family Support Act (FSA) with the JOBS program as its main component, was designed to combat these problems by making people job ready through education, training and other activities. Yet Judy Gueron, president of the Manpower Demonstration Research Corporation (which has evaluated many of the JOBS programs around the country) stated recently that "JOBS has not fundamentally changed the message and character of AFDC." Only a small percentage of JOBS participants are engaged in work-related activities.

There is growing evidence that programs that put work first produce better results. These programs confirm the common sense notion that most people learn their jobs on the job -- not in the classroom. Private and nonprofit work-based organizations such as America Works, Cleveland Works and Chicago's Project Match have proven that placing even long-term welfare recipients into decent private sector jobs is possible. Education and training are

important, but getting a real job is even more important. Once someone is working, education and training can help them upgrade their career skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of the burgeoning welfare architecture. The danger in this approach is that we will end up with a vast education and training bureaucracy, not a real job placement system for welfare recipients. While some JOBS programs have been successful -- such as California's GAIN program, especially the Riverside site, and Florida's Project Independence -- these successes arise from an emphasis on work and job placement over education and training. This is an approach that other JOBS programs have not followed. Welfare reform should shift the emphasis of JOBS toward work-based programs. But it should also enlarge the role of non-governmental organizations in moving people from welfare to work. That would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work.

In addition to changing the focus of JOBS and encouraging private job placement efforts, a third way to put work first is to allow for temporary subsidized job creation through a cash out of AFDC benefits and food stamps into a grant given to an employer as a subsidy for a job. This provision is the nucleus of Oregon's JOBS Plus program. All three of these options should be available as soon as a recipient is assessed and has worked out an individualized self-sufficiency contract. There is no reason to wait two years before serious efforts begin to move people into private jobs.

In the model outlined below and on the following pages, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation as soon as a recipient enters the system rather than at the end of two years.

The states will also have a great deal of flexibility in designing their own programs which would require federal waiver much like what is done today. Or, states will have the option to follow our newly developed Federal model.

Federal Model:

-- Emphasis on private sector (over public sector) employment and moving to self-sufficiency.
-- Requires recipients to work for wages, not benefits.
-- Offers option for private nonprofit and for-profit placement agencies to begin work with a recipient as soon as he or she enters AFDC.
-- Allows each state to create a structured 40 hour week for those clients needing additional education and training, combining education and training with part-time work (except for those under 20, who are encouraged to participate in high school or GED course full-time).
-- All individuals placed in a job as soon as possible.
-- Time frames vary from individual to individual but do not exceed two years.
-- Requires each recipient to sign an individualized employment contract with the state social

services or welfare office, binding with the recipient's immediate family, indicating current skills, goals, expectations, time period to reach self-sufficiency as well as a pledge of responsibility not to have any additional children while still enrolled in this program.

- Within 30 days each applicant must meet with his/her individual case management team and begin a preliminary job search. The case management team would develop an individual employment contract which is specifically catered to each applicant and incorporates the above mentioned aspects.

- Participation: Every able-bodied individual will be required to work and/or participate in education and training to earn their benefits and/or wages. Benefits will be paid based on the number of hours recipients work or spend in training/education. Recipients will be guaranteed minimum wage for hours worked. Wages will be subsidized by the benefits (AFDC and Food Stamps) paid to the employer who will in turn pay the recipient.

  good

  Recipients will be required to spend 40 hours per week of state determined structured time between work, education, training or social services if needed.

- Special Needs: Substance abuse treatment will be required in addition to work/education/training as appropriate. Teen parents under the age of 20 will be given a choice of remaining enrolled in school full-time or entering the work first program. In addition, teen parents will be required to take parenting classes. (To remain consistent with the desire to emphasize individual responsibility, both parents will be required to take parenting classes).

- One-Stop Shops: Every effort must be made to consolidate the job placement, training, and education services under one roof to facilitate access and control expenditures for transportation.

A case manager will present the "Work First" options to each welfare recipient. The options are as follows:

Hire Placement Companies: For-profit and nonprofit placement companies will be awarded performance-based contracts to place recipients in full-time, preferably private sector jobs. Private for-profit and nonprofit entities will bid for the chance to place welfare recipients in private sector jobs and will keep part of the money a state saves when someone leaves the rolls. The placement company would receive a fee of about one third of what it costs the state to support an average family on welfare for about a year only after the recipient has successfully remained in the job at least six months. The state will 'pocket' the remaining savings. Ideally the fee would be phased-in to help ensure the employee stays in the job.

Upon entering the placement agency and at least three months into the private sector job

placement, the placement agency should provide intensive, personalized support and job readiness to the welfare recipients to prepare them for the job and to ensure their continued success in the job.

Temporary Subsidized Job Creation: There are several options for public and private sector job creation: Wage supplementation; tax credits to firms; training grants; and a combination of proposals. States should be allowed to use AFDC and food stamp grant money to supplement wages weekly, biweekly, or monthly.

> **Wage Supplementation:** This approach would give companies a greater incentive to hire welfare recipients by offsetting the wages paid to employees with AFDC and food stamp grant money.
>
> **Tax Credits to Firms:** Tax credits to firms for hiring disadvantaged workers should be an option available to states. Currently, employers can receive a TJTC of up to $2,400 for one year for an employee who meets the qualifications. The tax credit should be phased-in over a length of time to maximize the time an employee stays in the job.

Microenterprise: Permit states to use federal community and rural development and job training funds to make direct loans to nonprofit groups that lend to mircrobusinesses and poor entrepreneurs.

Referral to JOBS: A revamped JOBS program should be one of the choices to help move a welfare recipient into work and can be one avenue for referral to education and training.

IV. Family Responsibility and Improved Child Support Enforcement

The Mainstream Forum believes that improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while a working mother's real income is raised. The goal of the Mainstream Forum proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

As part of the broader welfare reform plan, the Mainstream Forum takes a very tough stance on non-payment of child support. The Mainstream proposal has four distinct sections.

Enhance non-custodial parent location and identification by:

-- Expanding the functions of the parent locator in the Department of Health and Human Services.
-- Requiring states to maintain registries of child support orders.
-- Requiring Secretary of Treasury to modify W-4 forms for new employees to include a

statement about child support responsibilities.

Improve the process by which child support orders are established through:

-- Allowing state agencies to access and use credit reports for obtaining information in setting or modifying a child support order.
-- Creating a National Child Support Guidelines Commission to oversee the child support process.
-- Requiring states to develop uniform duration limits for child support.

Establish hospital-based paternity by:

good

-- Requiring rather than suggesting hospital-based paternity establishment for all single mothers.
-- Requiring states to develop a simple civil consent procedure for paternity establishment outside of the hospital setting.
-- Making available on-site hospital social service for pregnancies resulting from rape or incest.
-- Requiring states to offer positive paternity/parenting social services for new fathers.
-- Making benefits contingent on paternity establishment except for limited exemptions.
-- Reviewing incentives for paternity establishment and child support payments for poor mothers by increasing the per month pass through of child support benefits to those mothers receiving AFDC.

Enforce child support through demanding and uncompromising punitive measures for dead-beat parents including:

-- Strongly reinforcing direct income withholding measures for child support orders.
-- Allowing workers' compensation to be subject to income withholding of child support.
-- Requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards.
-- Mandating reports to credit bureaus of all child support obligations and arrearages.

V. Teen Pregnancy and Family Stability

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The provisions discussed below address this horrific problem. To combat this problem, we propose the following:

-- Promote the stability of two-parent families by eliminating the 100 hour rule that currently

rewards single parents but penalizes those who choose to marry. (The 100 hour rule prevents two-parent families from receiving AFDC if the primary wage-earner works more than 100 per month or has not been employed in six of the previous 13 quarters while allowing single parents full benefits).

good

-- Promote individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits (also known as the Family Cap).

-- Prevent minor mothers from receiving AFDC benefits if they do not live in a household with a responsible adult, preferably a parent (with certain exceptions when deemed necessary).

-- Fund a national educational campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency.

State Goals

-- Educate our children about the risks involved when choosing parenthood at an early age.

-- Ensure that every potential parent is given the opportunity to avoid unintended births through reproductive family planning and education.

-- Provide comprehensive services to youth in high-risk neighborhoods through community organizations, churches, and schools which could help change the environment.

-- Work with schools for early identification and referral of children at risk.

VI. Community Service

At the end of two years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but will have the option be able to volunteer for a community service job for a paid minimum wage job, (States have the option to pay higher wages if they choose). Community service jobs would act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort.

• State Participation: State governments should be allowed the greatest amount of flexibility possible, but should follow the guidelines below. States should not be too financially burdened.

• Community Service Guidelines:
-- States need to set a minimum level of community service positions available and establish a waiting list for clients not able to immediately participate due to program overload. However,

such clients must do volunteer service and participate in an active job search on a full time basis to receive benefits.
-- States are encouraged to include organized labor groups, private sector companies, and community groups in the administrative process.
-- Recipients should work for wages instead of benefits to foster increased self-sufficiency.
-- Current public sector employees shall not be displaced due to job creations for welfare recipients.
-- Community Service participants must seek full-time employment while engaged in community service.
-- Recipients will be paid at least a minimum wage.
-- Community service should be time-limited with state option to extend the time-limit.

VII. Program Simplification

Simplify the Federal waiver process for states: Many states are moving forward with demonstration projects to test program changes that might increase the efficiency of a program. However, the waiver process is currently a lengthy, complex and costly procedure for the state to complete. The federal waiver of legislative and regulatory requirements and future state experimentation should be encouraged. When state demonstration projects are proven to be successful and the state wishes to continue them, quick and accessible procedures should be put in place for state and federal officials to pursue to continue successful projects on a permanent basis.

Simplify the application process for AFDC and Food Stamps: Some of the most time consuming and difficult tasks in administering these programs are the initial procedures now required to take and process applications. Many believe that the current requirements can be simplified and streamlined. We should move toward more conformity between these two programs.

Encourage and increase federal commitment to automation: Automation will improve interface between agencies, on both a federal and state level, who are administering these programs. Increased automation will improve and expedite verification, reduce caseworker paperwork and will help address the issue of fraud and abuse.

Establish a uniform time-frame for implementing an Electronic Benefit Transfer system framework for state systems: In implementing an EBT system, coordination with AFDC and child care benefits should be stressed. There is growing concern among many, including food stamp administrators, regarding the abusive use of food stamp vouchers by recipients and non-recipients. Automated system benefits will help reduce the likelihood of food stamp fraud and abuse and improve program accountability.