

THE WHITE HOUSE

WASHINGTON

November 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Mary Jo Bane
David Ellwood

THROUGH: Carol Rasco

SUBJECT: Welfare Reform and the FY95 Budget

I. The Working Group Draft Options Paper

Later this week, the Welfare Reform Working Group will send you a draft options paper on welfare reform. We will continue to refine the document in early December, but we wanted you to see a draft of our recommendations now, as you begin to make decisions about the FY95 budget.

The Working Group has completed the last of its five regional hearings and site visits, and has met with more than 250 interest groups, hundreds of welfare recipients, and dozens of members of Congress, governors, and state officials in both parties. There seems to be remarkable agreement within the Administration on the basic elements of a welfare reform proposal. The Working Group, which consists of 33 subcabinet officials from eight agencies and the White House, held an all-day retreat last week to review its draft recommendations. At the end of the meeting, everyone burst into applause over the level of consensus that had been reached.

We will submit a draft options paper to you this week, and follow up with more specific decision memos and decision meetings as necessary. In the meantime, we will also need to consult further with states and with key members of Congress to begin building a coalition for welfare reform. We will probably need to share specific sections with a carefully selected small number of key players. Our goal, pending your decisions on key issues, is to have legislation ready early next year.

One important development: The American Public Welfare Association (APWA) will soon release its own consensus reform plan, which will be very similar to our recommendations, and will include a two-year time limit followed by work. The APWA plan was developed by a broad bipartisan group of state welfare directors, ranging from

Jerry Whitburn of Wisconsin to Barbara Sabol of New York. We are optimistic that many governors will go along.

The New York Times reported Sunday that we are looking at subsidies for private employers to hire people off welfare. We are focusing on many ways to move people from welfare to the private sector, and this is one option under consideration, but it is not as central as the Times article suggested.

II. Cost Issues

Although definitive cost estimates for welfare reform will depend on decisions you make about key aspects of the plan, the levels themselves are actually quite flexible -- especially during the first 4-5 years of the program. The plan can be phased in slowly, starting with new applicants coming onto the welfare rolls. (The Republican plan uses a similar, gradual phase-in.) The phase-in can be adjusted to fit the amount of money available for welfare reform in the budget.

Three areas are likely to require increased funding: child care for families who are working or in training; expansion of the JOBS program to give more people access to education and training; and administration of the community service jobs program for those who hit the two-year time limit. We would expect these costs to be in the range of \$1 to 1.5 billion in FY95, rising to \$5 to 6 billion when fully phased in.

Essentially all of these costs are on the entitlement side of the budget. Welfare reform does not require new domestic discretionary spending.

Given the very tight budget and the fact that no money was included in the previous budget for welfare reform, we have been operating on the assumption that any new money spent on this initiative will have to be offset by savings generated by the program and by other entitlement savings.

We have identified several possible sources. Savings could result from increased child support collections and reductions in the caseload. Other entitlement savings could come from a series of initiatives ranging from capping the growth of Emergency Assistance, some tightening of the rules regarding non-citizens seeking to collect public assistance, closer coordination of the tax and transfer system to reduce fraud, potentially making a portion of means-tested benefits taxable the way earnings are for those with incomes above poverty, and a number of other ideas. We are currently working with OMB and Treasury on these and other offsets.

Bruce

THE WHITE HOUSE

WASHINGTON

December 2, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Mary Jo Bane
David Ellwood

THROUGH: Carol Rasco

SUBJECT: Draft Discussion Paper on Welfare Reform

The attached document outlines draft proposals developed by the Welfare Reform Working Group. This draft describes the basic direction and lays out key proposals. We believe it charts a bold new vision focussed on the values of work and responsibility.

We have not included specific budgetary costs and offsets. As we noted in our previous memo, we believe we can find savings and offsets in entitlement programs to fund the proposed changes. Costs, especially over the first five years, can be relatively easily adjusted by varying the speed of phase-in. We are currently working with OMB, Treasury, and HHS to lay out options for offsets in phase-in for your consideration over the next few weeks.

At some point in the near future, we will need to discuss the details of these proposals with key members of Congress and Governors. We have already had numerous exploratory meetings, but ultimately the specifics are what must be discussed. With a select few, we would like to actually share all or parts of the draft discussion paper. With most, we would like to begin orally vetting specific ideas and options.

We would like a signal from you as to whether you're comfortable enough with our basic direction before we begin the more detailed consultation process. You don't have to decide any of the major questions now. We'll make clear that no decisions have been made, and many things are still on the table. But you should know that to get the feedback we need from our likely allies on this issue, we will have to run the risk that some details may leak out.

We would be happy to meet with you at this stage if you desire. In the coming weeks, we will provide you with detailed decision memos on the key unresolved issues alluded to in this document, with a detailed list of pros and cons. We will also provide a detailed memo on costs and phase-in options.

DRAFT DISCUSSION PAPER

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DRAFT DISCUSSION PAPER

HIGHLIGHTS

This paper discusses ideas and options for a plan which fulfills the President's pledge to end welfare as we know it by reinforcing traditional values of work, family, opportunity and responsibility. None of these options has been approved by the President, and the paper is designed to stimulate discussion--not indicate Administration positions. Key features in this plan are:

- *Prevention.* A prevention strategy designed to reduce poverty and welfare use by reducing teen pregnancy, promoting responsible parenting, and encouraging and supporting two-parent families.
- *Support for Working Families with the EITC, Health Reform and Child Care.* Advance payment of the EITC and enactment of health reform to ensure that working families are not poor or medically insecure. Child care both for the working poor and for families in work, education or training as part of public assistance.
- *Promoting Self-Sufficiency Through Access to Education and Training.* Making the JOBS program from the Family Support Act the core of cash assistance. Changing the culture within welfare offices from one of enforcing seemingly endless eligibility and payment rules to one focused on helping people achieve self-support and find jobs in the private sector. Involving able-bodied recipients in the education, training and employment activities they need to move toward independence. Using a social contract which spells out what their responsibilities are and what government will do in return. Greater Federal funding for the JOBS program and a reduced State match rate.
- *Time-limited Welfare Followed By Work.* Converting cash assistance to a system with two-year time limits for those able to work. People still unable to find work after two years would be supported via non-displacing community service jobs--not welfare.
- *Child Support.* Dramatic improvements in the child support enforcement system designed to significantly reduce the \$34 billion annual child support collection gap, to ensure that children can count on support from both parents and to reduce public benefit costs.
- *Noncustodial Parents.* Taking steps to increase economic opportunities for needy noncustodial parents expected to pay child support and to help them become more involved in parenting their children.
- *Simplifying Public Assistance.* Significant simplification and coordination of public assistance programs.
- *Increased State Flexibility Within a Clearer Federal Framework.* Increasing flexibility over key policy and implementation issues and providing the opportunity for States to adjust to local needs and conditions within more clearly defined Federal objectives.
- *Deficit Neutral Funding.* Gradual phase-in of the plan, fully funded by offsets and savings.

INTRODUCTION

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

Americans share powerful values regarding work and responsibility. We believe work is central to the strength, independence and pride of American families. Yet our current welfare system seems at odds with these core values. People who go to work are often worse off than those on welfare. Instead of giving people access to education, training and employment skills, the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination, benefit calculations and writing checks. The very culture of welfare offices often seems to create an expectation of dependence rather than independence. Simultaneously, noncustodial parents often provide little or no economic or social support to the children they parented. And single-parent families sometimes get welfare benefits and other services that are unavailable to equally poor two-parent families. One wonders what messages this system sends to our children about the value of hard work and the importance of personal and family responsibility.

This plan calls for a genuine end to welfare as we know it. It builds from the simple values of work and responsibility. It reshapes the expectations of government and the people it serves. Our goal is to move people from welfare to work and bolster their efforts to support their families and to contribute to the economy. One focus is on making work pay--by ensuring that people who play by the rules get access to the child care, health insurance and tax credits they need to adequately support their families. The plan also seeks to give people access to training for the skills they need to work in an increasingly competitive labor market. But in return, it expects responsibility. Noncustodial parents must support their children. Those on cash assistance cannot collect welfare indefinitely. Families sometimes need temporary cash support while they struggle past personal tragedy, economic dislocation or individual disadvantage. But no one who can work should receive cash aid indefinitely. After a time-limited transitional support period, work--not welfare--must be the way in which families support their children.

These reforms cannot be seen in isolation. The social and economic forces that influence the poor and the non-poor run deeper than the welfare system. The Administration has undertaken many closely linked initiatives to spur economic growth, improve education, expand opportunity, restore public safety and rebuild a sense of community: worker training and retraining, educational reform, Head Start, National Service, health reform, Empowerment Zones, community development banks, community policing, violence prevention and more. Welfare reform is a piece of a larger whole. It is an essential piece.

FROM WELFARE TO WORK

The vision of welfare reform is simple and powerful: we must refocus the system of economic support from welfare to work. However, changing a system that has for decades been focused on calculating eligibility and welfare payments will be a tall challenge. Still, we have already made an important beginning. The Family Support Act of 1988 serves as a blueprint for the future--a

foundation on which to build. It charted a course of mutual and reciprocal responsibility for government and recipients alike.

We recommend five fundamental steps:

1. Prevent the need for welfare in the first place by promoting parental responsibility and preventing teen pregnancy.
2. Reward people who go to work by making work pay. Families with a full-time worker should not be poor, and they ought to have the child care and health insurance they need to provide basic security through work.
3. Promote work and self-support by providing access to education and training, making cash assistance a transitional, time-limited program, and expecting adults to work once the time limit is reached. No one who can work should stay on welfare indefinitely.
4. Strengthen child support enforcement so that noncustodial parents provide support to their children. Parents should take responsibility for supporting and nurturing their children. Governments don't raise children--families do.
5. Reinvent government assistance to reduce administrative bureaucracy, combat fraud and abuse, and give greater State flexibility within a system that has a clear focus on work.

Promote Parental Responsibility and Prevent Teen Pregnancy

If we are going to end long-term welfare dependency, we must start doing everything we can to prevent people from going onto welfare in the first place. Teen pregnancy is an enduring tragedy. And the total number of children born out of wedlock has more than doubled in the last 15 years, to 1.2 million annually. We are approaching the point when one out of every three babies in America will be born to an unwed mother. The poverty rate in families headed by an unmarried mother is currently 63 percent.

We must find ways to send the signal that men and women should not become parents until they are able to nurture and support their children. We need a prevention strategy that provides better support for two-parent families and sends clear signals about the importance of delaying sexual activity and the need for responsible parenting. We must intensify our efforts to reduce teen pregnancy. Families and communities must work to ensure that real opportunities are available for young people and to teach young people that children who have children face tremendous obstacles to self-sufficiency. Men and women who parent children must know they have responsibilities.

Make Work Pay

Work is at the heart of the entire reform effort. That requires supporting working families and ensuring that a welfare recipient is economically better off by taking a job. There are three critical elements: providing tax credits for the working poor, ensuring access to health insurance and making child care available.

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We have already expanded the Earned Income Tax Credit (EITC), which was effectively a pay raise for the working poor. The current EITC makes a \$4.25 per hour job pay the equivalent of \$6.00 per hour for a family with two children. Now, we must also simplify advance payment of the EITC so that people can receive it periodically during the year, rather than as a lump sum at tax time.

We should guarantee health security to all Americans through health reform. Part of the desperate need for health reform is that non-working poor families on welfare often have better coverage than working families. It makes no sense that people who want to work have to fear losing health coverage if they leave welfare.

With tax credits and health reform in place, the final critical element of making work pay is child care. We seek to ensure that working poor families have access to the quality child care they need. We cannot expect single mothers to participate in training or to go to work unless they have child care for their children.

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

The Family Support Act provided a new vision of mutual responsibility and work: government has a responsibility to provide access to the education and training that people need; recipients are expected to take advantage of these opportunities and move into work. The legislation created the Job Opportunities and Basic Skills (JOBS) program to move people from welfare to work. Unfortunately, one of the clearest lessons of the site visits and hearings held by the Working Group is that this vision is largely unrealized at the local level. The current JOBS program serves only a fraction of the caseload. The primary function of the current welfare offices is still meeting administrative rules about eligibility, determining welfare benefits and writing checks. We must transform the culture of the welfare bureaucracy. We don't need a welfare program built around "income maintenance"; we need a program built around work.

We envision a system whereby people will be asked to start on a track toward work and independence immediately. Each recipient will sign a social contract that spells out their obligations and what the government will do in return. We will expand access to education, training and employment opportunities, and insist on higher participation rates in return. At the end of two years, people still on welfare who can work but cannot find a job in the private sector will be offered work in community service. Communities will use funds to provide non-displacing jobs in the private, non-profit, and public sectors. They will form partnerships among business leaders, community groups, organized labor and local government to oversee the work program. The message is simple: everybody is expected to move toward work and independence.

Exemptions and extensions will be limited. The system must be sensitive to those who for good reason cannot work—for example, a parent who is needed in the home to care for a disabled child. But at the same time, we should not exclude anyone from the opportunity for advancement. Everyone has something to contribute.

Enforce Child Support

Our current system of child support enforcement is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and noncustodial parents. It lets many noncustodial parents off the hook, while frustrating those who do pay. It seems neither to offer

security for children, nor to focus on the difficult problems faced by custodial and noncustodial parents alike. It typically excuses the fathers of children born out of wedlock from any obligation to support their children. And the biggest indictment of all is that only a fraction of what could be collected is actually paid.

The child support enforcement system must strongly convey the message that both parents are responsible for supporting their children. Government can assist parents but cannot be a substitute for them in meeting those responsibilities. One parent should not be expected to do the work of two. Through universal paternity establishment and improved child support enforcement, we send an unambiguous signal that both parents share the responsibility of supporting their children. We explore strategies for ensuring that single parents can count on regular child support payments. And we also incorporate policies that acknowledge the struggles of noncustodial parents and the desires of many to help support and nurture their children. Opportunity and responsibility ought to apply to both mothers and fathers.

Reinvent Government Assistance

At the core of these ideas is our commitment to reinventing government. A major problem with the current welfare system is its enormous complexity. It consists of multiple programs with different rules and requirements that confuse and frustrate recipients and caseworkers alike. It is an unnecessarily inefficient system. This plan would simplify and streamline rules and requirements across programs.

Waste, fraud and abuse can more easily arise in a system where tax and income support systems are poorly coordinated, and where cases are not tracked over time or across geographic locations. Technology now allows us to create a Federal clearinghouse to ensure that people are not collecting benefits in multiple programs or locations when they are not entitled to do so. Such a clearinghouse will also allow clearer coordination of the child support enforcement and welfare systems and determination of which people in which areas seem to have longer or shorter stays on welfare.

Ultimately, the real work of encouraging work and responsibility will happen at the State and local levels. Thus, the Federal Government must be clearer about broad goals while giving more flexibility over implementation to States and localities. Basic performance measures regarding work and long-term movements off welfare will be combined with broad participation standards. States will then be expected to design programs which work well for their situation.

A NEW BEGINNING

Transforming the social welfare system to one focused on work and responsibility will not be easy. There will be setbacks. We must guard against unrealistic expectations. A welfare system which evolved over 50 years will not be transformed overnight. We must admit that we do not have all the answers. But we must not be deterred from making the bold and decisive actions needed to create a system that reinforces basic values.

Three features are designed to ensure that this bold plan is only the beginning of an even larger and longer process:

First, we see a major role for evaluation, technical assistance and information sharing. As one State or locality finds strategies that work, the lessons ought to be widely known and offered to others. One of the elements critical to this reform effort has been the lessons learned from the careful evaluations done of earlier programs.

Second, we propose key demonstrations in each of the plan's five areas. In each area, we propose both a set of policies for immediate implementation and a set of demonstrations designed to explore ideas for still bolder innovation in the future. In addition, we would encourage States to develop their own demonstrations, and in some cases we would provide additional Federal resources for these. Lessons from past demonstrations have been central to both the development of the Family Support Act and to this plan. They will guide continuing innovation into the future.

Finally, we intend to propose a realistic phase-in strategy, based in part on the level of resources available. Ideally, high participation requirements and time limits would apply first to people newly entering the system after legislation is enacted, with the rest of the caseload phased in over time. Some States and communities may choose to start sooner than others. This phase-in period will provide ample opportunity to refine the system as lessons from the early cohorts and States inform implementation for others.

In the end, this plan embodies a vision which was contained in the Family Support Act. It represents the next major step. But the journey will not end until work and responsibility enable us to preserve our children's future.

We turn now to the specifics of the plan.

PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

- A. CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS
- B. ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY
- C. ENCOURAGING RESPONSIBLE FAMILY PLANNING

NEED -- The best way to end welfare dependency is to eliminate the need for welfare in the first place. Accomplishing this goal requires not only changing the welfare system, but also involving every sector of our society in this effort.

Poverty, especially long-term poverty, and welfare dependency are often associated with growing up in a one-parent family. Although most single parents do a heroic job of raising their children, the fact remains that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready to assume the responsibility of raising children.

Unfortunately, the majority of children born today will spend some time in a single-parent family. Teenage birth rates have been rising since 1986 because the trend toward earlier sexual activity has exposed more young women to the risk of pregnancy. Teenage childbearing often leads to school drop-out, which results in the failure to acquire skills that are needed for success in the labor market, and this leads to welfare dependency. The majority of teen mothers end up on welfare, and taxpayers paid about \$29 billion in 1991 to assist families begun by a teenager.

STRATEGY -- The ethic of parental responsibility is fundamental. No one should bring a child into the world until he or she is prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it.

To this end, we propose a three-part strategy. First, we suggest a number of changes to the welfare and child support enforcement systems to promote two-parent families and to encourage parental responsibility. Some of these options are quite controversial, but we note that they are already being adopted by a number of States. Second, we seek to send a clear message of responsibility and opportunity and to engage other leaders and institutions in this effort. Government has a role to play, but the massive changes in family life that have occurred over the past few decades cannot be dealt with by government alone. We must not only emphasize responsibility; we must break the cycle of poverty and provide a more hopeful future in low-income communities. Third and finally, we need to encourage responsible family planning.

CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS

Throughout this draft paper we emphasize the responsibility of both parents to support their children. Through an improved child support enforcement system and efforts to achieve universal paternity establishment, noncustodial parents will be held accountable for providing greater support to their children. Mothers receiving cash assistance will become better prepared to enter the labor force

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through required participation in activities intended to increase their employment and earnings capacity. Through time limits on assistance followed by work, parents will have the incentive to move toward self-sufficiency. The details of these measures can be found in subsequent sections of this proposal, but in addition to these steps, we need to change the welfare system to encourage responsible parenting and support two-parent families.

Support Two-Parent Families. First, we propose to eliminate the current bias in the welfare system in which two-parent families are subject to much more stringent eligibility rules than single-parent families. Under current law, 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 thirteen quarters. In addition, States are given the option to provide only six months of benefits per year to two-parent families, whereas single-parent families must be provided benefits continuously. These disparities would be eliminated.

Minor Mothers Live at Home. Second, we propose requiring that minor parents live in a household with a responsible adult, preferably a parent (with certain exceptions—for example, if the minor parent is married or if there is a danger of abuse to the minor parent). Parental support could then be included in determining cash assistance eligibility. Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. States do have the option under current law of requiring minor mothers to reside in their parents' household (with certain exceptions), but only five States have exercised this option. This proposal would make that option a requirement for all States. We believe that having a child does not change the fact that minor mothers need nurturing and supervision themselves and are rarely ready to manage a household or raise children on their own.

Mentoring by Older Welfare Mothers. Third, we propose to allow States to utilize older welfare mothers to mentor at-risk teenagers as part of their community service assignment. This model could be especially effective in reaching younger recipients because of the credibility, relevance and personal experience of older welfare recipients who were once teen mothers themselves. One recent focus-group study of young mothers on welfare found that virtually all of the parents believed it would have been better to postpone the birth of their first child. Training and experience might be offered to the most promising candidates for mentoring who are currently receiving welfare benefits.

Demonstrations. Finally, we propose to conduct demonstrations which condition a portion of the assistance benefit, or provide a bonus, based on actions by parents and dependent children to achieve self-sufficiency. These demonstrations would include comprehensive case management focused on all family members, assisting them to access all services necessary to meet their obligations. The case management services would take a holistic approach to family needs in striving to prevent intergenerational dependency as well as assisting current recipients to get off welfare.

In addition, the following option is under consideration:

Option: Allow States the option to limit benefit increases when additional children are conceived by parents already on AFDC if the State ensures that parents have access to family planning services.

Non-welfare working families do not receive a pay raise when they have an additional child, even though the tax deduction and the EITC may increase. However, families on welfare receive additional support because their AFDC benefits increase automatically to include the

needs of an additional child. This option would reinforce parental responsibility by keeping AFDC benefits constant when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase under current law.

ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY

While it is important to get the message of the welfare system right, solely changing the welfare system is insufficient as a prevention strategy. For the most part, the disturbing social trends that lead to welfare dependency are not caused by the welfare system but reflect a larger shift in societal mores and values. Individuals, community organizations and other governmental and non-governmental institutions must, therefore, all be engaged in sending a balanced message of responsibility and opportunity. Many Administration initiatives already underway are intended to increase opportunity for children and youth, including Head Start increases, implementation of family preservation and support legislation, a major overhaul of Chapter 1, development of School-to-Work and an expansion of Job Corps. In addition to these building blocks, the following could be adopted to focus more on children and youth, especially those in high-risk situations:

Community Support. We should challenge all Americans, especially the most fortunate, to work one-on-one with at-risk children and adults in disadvantaged neighborhoods. We recommend working with the Corporation on National and Community Service to extend a wide variety of prevention-oriented programs employing volunteers--rather than paid employees--at the neighborhood and community level. This effort could include programs such as Big Brothers/Big Sisters for at-risk children and mentoring for adults at risk of welfare dependency.

National Campaign. We propose that the President lead a national campaign against teen pregnancy, which involves the media, community organizations, churches and others in a concerted effort to instill responsibility and shape behavior.

Demonstrations. We also propose to conduct demonstrations for local communities to stimulate neighborhood-based innovation. The purpose of these demonstrations would be to provide comprehensive services to youth in high-risk neighborhoods which could help change the environment as well as provide more direct support services for these youth. Efforts to coordinate existing services and programs would provide greater support for at-risk youth, as well as make the best use of Federal funds. Communities receiving demonstration funds would be expected to bring together a consortium of community organizations, businesses, colleges, religious organizations, schools, and State and local governments.

We further propose to conduct demonstrations that hold schools accountable for early identification of students with attendance and behavioral problems and for referral to and cooperation with comprehensive service programs which address the family as a unit. Early indications of high risk for teenage childbearing and other risky behaviors, such as substance abuse, include school absence, academic failure and school behavioral problems. This option would demonstrate the effects of providing middle schools and high schools with the responsibility and resources necessary to identify

early warning signs and make referrals to comprehensive service providers. Schools would be responsible for appropriate follow-up to ensure that appropriate education or training opportunities are available to these youth.

ENCOURAGING RESPONSIBLE FAMILY PLANNING

About 35 percent of all births result from unintended pregnancies, and the percentage is much higher for teen parents. Yet, funding for family planning services declined by approximately 60 percent in constant dollars over the last decade. This proposal strives to ensure that every potential parent is given the opportunity to avoid unintended births through responsible family planning.

Health Initiatives. In the President's health care reform proposal, family planning, including prescribed contraceptives, is part of the overall benefit package available to all Americans, regardless of income. However, insurance, while crucial, is not enough. Access and education must be improved. To this end, funding for Community Health Centers, a major source of primary care (including family planning and pre-natal care), is expanding. Also, traditional public health efforts through Title X and the Maternal and Child Health Block Grant will continue.

Demonstrations. We would also propose to conduct demonstrations to link family planning and other critical health care prevention approaches to welfare reform efforts. AFDC mothers overwhelmingly state that they do not want to bear more children until they can provide for them. This option would improve knowledge about and access to appropriate family planning services for these recipients and other low-income individuals.

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MAKE WORK PAY

- A. CHILD CARE FOR WORKING FAMILIES
- B. ADVANCE PAYMENT OF THE EITC
- C. OTHER SUPPORT FOR WORKING FAMILIES
 - 1. Work Should Be Better than Welfare
 - 2. Demonstrations

NEED -- Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people who receive assistance but want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents saving for the future with a meager limit on assets. Moreover, working poor families often lack adequate medical protection and face sizable child care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules and to reduce both poverty and welfare use, then work must pay.

STRATEGY -- Three of the major elements that make work pay are working family tax credits, health reform and child care. The President has already launched the first two of these. A dramatic expansion of the Earned Income Tax Credit (EITC) was enacted in the last budget legislation. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. The EITC expansion is a giant step toward ensuring that a family of four with a full-time worker will no longer be poor. However, we still must find better ways to deliver the EITC on a timely basis throughout the year. Ensuring that all Americans can count on health insurance coverage is essential, and we expect the Health Security Act will be passed next year.

With the EITC and health reform in place, another major missing element necessary to ensure that work really does pay is child care.

CHILD CARE FOR WORKING FAMILIES

Child care is critical to the success of welfare reform. It is essential to provide child care support for parents on cash assistance who will be required to participate in education, training and employment activities. Child care support is also pivotal for the working poor to enable them to stay in the workforce. Substantial resources are required to expand the child care supply for both populations and to strengthen the quality of the care.

The Federal Government subsidizes child care for low-income families through the title IV-A entitlement programs (JOBS Child Care, Transitional Child Care, and At-Risk Child Care) and the Child Care and Development Block Grant. Middle- and upper-income people benefit from the

dependent care tax credit and child care deductions using flexible spending accounts. Because the dependent care tax credit is not refundable, is paid at the end of the year and is based on money already spent on child care, it is not now helpful to low-income families.

The welfare reform proposal should have the following goals related to child care: to increase funding so that both those on cash assistance and working families are provided adequate child care support, to ensure children safe and healthy environments that promote child development, and to create a more consolidated and simplified child care system. Our plan includes the following strategies to achieve these goals:

Maintain IV-A Child Care. We propose to continue the current IV-A entitlement programs for cash assistance recipients. These programs would automatically expand to accommodate the increased demand created by required participation in education, training and work.

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, currently a capped entitlement which is available to serve the working poor, is capped at a very low level and States have difficulty using it because of the required State match. We propose to expand this entitlement program and to reduce the barriers which impede States' use of it.

Maintain Child Care Development Block Grant. We would maintain and gradually increase the Block Grant, allowing States greater flexibility in the use of the funds to strengthen child care quality and to build the supply of care. However, no families receiving cash assistance would be eligible for services under this program.

Coordinate Rules Across All Child Care Programs. For all three of the above strategies, we would require States to ensure seamless coverage for persons who leave welfare for work. The requirement for health and safety standards would be made consistent across these programs and would conform to those standards specified in the Block Grant program. States will be required to establish sliding fee scales. Efforts will be made to facilitate linkages between Head Start and child care funding streams to enhance quality and comprehensive services.

Several questions must be answered in order to complete a child care strategy:

1. *How much new investment in child care is reasonable? Significant new investments are essential to ensure that both AFDC families and the working poor can access safe and affordable care. We need to assess how much expansion of child care for the working poor can be afforded.*
2. *Should we reduce further, or eliminate, the State match requirements for child care for the working poor under the IV-A entitlements? The welfare reform initiative will put greater demands on States to ensure child care for those entitled under the Family Support Act. Reducing or eliminating the match rate requirements for providing child care support to the working poor would provide a strong incentive for States to fund child care for families transitioning from welfare or at risk of entering welfare.*

3. *Should we also propose making the Dependent Care Tax Credit refundable? This approach will not help the lowest-income families who still would not have the up-front money to pay for child care; therefore, it should only be considered in tandem with other proposals.*

Demonstrations. We also propose to create two demonstration programs. One would allow a specified number of States to use IV-A funds to provide comprehensive services to children in IV-A child care programs and linkages to Head Start. Since the greatest identified shortage of child care is infant care, the second demonstration would focus on increasing the supply of infant care and enhancing its quality in a variety of settings.

ADVANCE PAYMENT OF THE EITC

For the overwhelming majority of people who receive it, the EITC comes in a lump sum at the end of the year. People who are working for low pay or who are considering leaving welfare for work must wait as long as 18 months to see the rewards of their efforts. Many others either fail to submit tax returns or fail to claim the credit on the return.

An essential part of making work pay is distributing the EITC in regular amounts throughout the year. To reduce the danger of overpayments, the credit could be partially paid on an advance basis with the remainder paid as a bonus at the end of the year after filing a tax return. Advance payment fosters positive work incentives because it provides an additional source of periodic and regular income to workers during the year, and it allows individuals to receive the credit as they earn wages--clearly illustrating the direct link between work effort and income. In addition, it provides greater economic freedom to low-income workers who may experience cash-flow problems and who need the EITC on an ongoing basis to improve their standard of living.

Strategies to expand the effectiveness of the EITC include:

- Expanded use of employer-based advance payments, particularly sending W-5 forms and information to all workers who received an EITC in the past year.
- Automatic calculation of EITC by the Internal Revenue Service (IRS). On the basis of information on individual tax returns, the IRS would automatically calculate the EITC amount and refund the payment to the family.
- Joint administration of food stamps and EITC to working families using existing State food stamp administrations. Electronic Benefit Transfer (EBT) technology would be utilized whenever possible.

OTHER SUPPORT FOR WORKING FAMILIES

One other policy needs to be addressed to adequately encourage work and support the working poor--ensuring that work is always better than welfare. Several options for achieving this goal are listed below. We also suggest demonstrations of innovative ideas.

Work Should Be Better than Welfare

The combination of the EITC, health reform and child care will largely ensure that people with fewer than three children can avoid poverty with a full-time, full-year worker. But full-time work may not always be feasible, especially for single mothers with very young children or children with special needs. However, in combination with support from the noncustodial parent, the EITC, and other government assistance, earnings from half-time to three-quarters-time work should allow most single-parent families to escape poverty.

Nevertheless, for larger families and in high-benefit States, welfare may still pay better than work. In addition, in many instances welfare is reduced by one dollar for each dollar of additional earnings. This results in situations where there is no economic gain from accepting part-time work. Some Working Group members believe that families in which someone is working at least half-time ought to always be better off than families who are receiving welfare in which no one is working. If this goal were accepted, there would be four options for achieving it:

Option 1: Allow (or require) States to supplement the EITC, food stamps or housing benefits for working families when work pays less than welfare.

States could supplement existing EITC, food stamp or housing benefits. Already some States have their own EITC. In most cases, a modest State EITC would make work better than welfare. Alternatively, States could supplement the food stamp program or housing assistance for working families after they have exhausted transitional assistance.

Option 2: Allow (or require) States to continue to provide some AFDC/cash assistance to working families.

One straightforward way to ensure that part-time work is better than welfare is to allow or require States to continue to provide some cash aid to part-time workers. This could be accomplished by simplifying the existing earnings disregards in the AFDC program, by eliminating their time-sensitive nature, and by not counting months towards a time limit if the adults were working at least part time.

Option 3: Use advance child support payments or child support assurance (See the child support enforcement section for more details).

Ensuring that women with child support awards in place get some child support through advance payments or child support assurance could effectively guarantee that even single parents who work at least half time can do better than welfare with a combination of EITC and child support.

Option 4: Allow States to match some portion of the earnings of recipients and place the money in Individual Development Accounts (IDAs) to be used to finance investments such as education, training, or purchase of a car or home.

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Demonstrations

In addition, a series of demonstrations could be adopted to test ways to further support low-income working families. We propose the following demonstrations:

- Worker Support Offices. A separate local office could be set up offering support specifically for working families. At these offices, working families could get access to food stamps, child care, advance payment of the EITC and possibly health insurance subsidies. In addition, employment-related services such as career counseling and assistance with updating resumes and filling out job applications would also be available.
- Temporary Unemployment Support. There would be demonstrations of alternative ways to provide support to low-income families who experience unemployment. Low-paying jobs are often short-lived, and low-income families often do not qualify for Unemployment Insurance (UI). They may come onto welfare when they need only very short-term economic aid.
- Front-End Emergency Assistance. One example is a component of the AFDC program in Utah which provides diversion grants upon application to some recipients who have lost a job. Based on a caseworker's assessment of the individual's family situation, a one-time payment is provided to prevent the family from becoming part of the long-term caseload.

PROVIDE ACCESS TO EDUCATION AND TRAINING, IMPOSE TIME LIMITS, AND EXPECT WORK

- A. **ENHANCING THE JOBS PROGRAM**
 - 1. Immediate Focus on Work and Participation in JOBS
 - 2. Expanding the JOBS Program
 - 3. Integrating JOBS and Mainstream Education and Training Initiatives
- B. **MAKING WELFARE TRANSITIONAL**
- C. **WORK**
 - 1. Administrative Structure of the WORK Program
 - 2. Characteristics of the WORK Assignments
 - 3. Economic Development

NEED -- AFDC currently serves as temporary assistance for many of its recipients, supporting them until they regain their footing. Two out of every three persons who enter the welfare system leave it, at least temporarily, within two years. Fewer than one in five remains on welfare for more than five consecutive years.

However, a significant number of recipients do remain on welfare for a prolonged period of time. While long-term recipients represent only a modest percentage of all people who enter the system, they represent a high percentage of those on welfare at any given time. While a significant number of these persons face very serious barriers to employment, including physical disabilities, others are able to work but are not moving in the direction of self-sufficiency. Most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

STRATEGY -- Changing the focus of the welfare system from determining eligibility and writing checks to helping recipients achieve self-sufficiency through access to education and training and, ultimately, through work demands a major restructuring effort. Our plan for revamping the welfare system has three elements:

- (1) Enhancing the JOBS program to make it the centerpiece of a welfare system focused on promoting independence and self-sufficiency.
- (2) Making welfare transitional so that those who seek assistance get the services they need to become self-sufficient within two years.
- (3) Providing work to those who reach the time limit for transitional assistance without finding a job in the private sector, despite having done everything required of them.

Each applicant would, within 90 days of entry, work out a plan to attain independence through work and would immediately thereafter begin taking the steps toward self-sufficiency laid out in the plan. Through expanded access to education and training, recipients would obtain the skills needed to find and retain private sector employment. Making work pay, dramatically improving child support

enforcement and providing education, training and job placement services should maximize the number of recipients who leave welfare for work within two years. Persons who follow their case plans in good faith but are nonetheless unable to find private sector jobs within two years would be offered paid work assignments in the public, private or non-profit sectors to enable them to support their families.

ENHANCING THE JOBS PROGRAM

Fundamentally changing the way individuals receive assistance from the government requires an equally fundamental change in the program delivering that assistance. The Family Support Act of 1988 set forth a bold new vision for the social welfare system: AFDC was to become a transitional support program whose mission would be helping people move toward independence. The JOBS program was established to deliver the education, training and other services needed to enable recipients to leave welfare.

Unfortunately, the current reality is far from that vision. Part of the problem is resources. Another part is the absence of effective coordination among the myriad of programs run by both State and Federal departments of education, labor and human services. The culture of the welfare bureaucracy, however, represents perhaps the greatest challenge to true welfare reform. From a system focused on check-writing and eligibility determination, we must create one with a new mandate: to fulfill the promise of the Family Support Act by providing both the services and the incentives to help recipients move toward self-sufficiency through work.

Strong Federal leadership in steering the welfare system in this new direction will be critical. To this end, we propose to:

- (1) Structure the welfare system so that applicants, from the moment they enter the system, are focused on moving from welfare to work through participation in programs and services designed to enhance employability.
- (2) Dramatically expand the JOBS program through increased Federal funding, an enhanced Federal match rate and higher participation standards.
- (3) Improve the coordination of JOBS and other education and training initiatives.

Immediate Focus on Work and Participation in JOBS

The structure of the welfare system would be changed to clearly communicate to recipients the emphasis on achieving self-sufficiency through work.

Social Contract. Each applicant for assistance would be required to enter into a social contract in which the applicant agrees to cooperate in good faith with the State in developing and following an employability plan leading to self-sufficiency, and the State agrees to provide the services called for in the employability plan.

Up-Front Job Search. At State option, most new applicants would be required to engage in supervised job search from the date of application for benefits.

Employability Plan. Within 90 days of application, each person, in conjunction with his or her caseworker, would design an individualized employability plan, which would specify the services to be provided by the State and the time frame for achieving self-sufficiency.

We recognize that welfare recipients are a very diverse population. Participants in the JOBS program do and will continue to have very different levels of work experience, education and skills. Accordingly, their needs would be met through a variety of activities: job search, classroom learning, on-the-job training and work experience. States and localities would, therefore, have great flexibility in designing the exact mix of JOBS program services. The time frames required would vary depending on the individual but would not exceed two years for those who could work. Employability plans would be adjusted in response to changes in a family's situation.

Narrower Exemption Criteria. We recognize that some who seek transitional assistance will, for good reason, be unable to work. Persons in this category could include individuals who are disabled or seriously ill or who are caring for a disabled or seriously ill relative. The current criteria for exemption from the JOBS program would, however, be narrowed. Parents of young children, for example, would be expected to participate. The question of participation requirements for grandparents and other relatives caring for dependent children is under study.

Expanded Definition of "Participation." As soon as the employability plan is developed, the recipient would be expected to enroll in the JOBS program and to engage in the activities called for in the employability plan. Enhanced Federal funding would be provided to accommodate this dramatic expansion of the JOBS program. The definition of satisfactory participation in the JOBS program would be broadened to include substance abuse treatment and possibly other activities such as parenting/life skills classes or domestic violence counseling if they are determined to be important preconditions for pursuing employment successfully.

Sanctions. Sanctions for failure to follow the employability plan would be at least as strong as the sanctions under current law.

Expanding the JOBS Program

Increased Funding. This plan envisions a dramatic expansion in the overall level of participation in JOBS, which would clearly require additional funding. States currently receive Federal matching funds for JOBS up to an amount allocated to them under a national capped entitlement. The cap needs to be increased.

Enhanced Match. States are currently required to share the cost of the JOBS program with the Federal Government. States have, however, been suffering under fiscal constraints which were not anticipated at the time the Family Support Act was enacted. This shortage of State dollars has been a major obstacle to delivery of services through the JOBS program. Most States have been unable to draw down their entire allocation for JOBS because they cannot provide the State match. In 1992, States drew down only 62 percent of the \$1 billion in available Federal funds. Fiscal problems have limited the number of individuals served under JOBS and, in many cases, limited the services States offer their JOBS participants. Nationwide, about 15 percent of the non-exempt AFDC caseload is participating in the JOBS program. To address the scarcity of State JOBS dollars, the Federal match

rate would be increased. The match rate could be further increased for a particular State if its unemployment rate exceeded a specified level.

Dramatically Increased Participation. With increased Federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Current law requires that States enroll 20 percent of the non-exempt AFDC caseload in the JOBS program during fiscal year 1995. Under the proposal, higher participation standards would be phased in, and the program would move toward a full-participation model. As discussed above, participation would be defined more broadly and most exemptions eliminated.

Federal Leadership. The Federal role in the JOBS program would be to provide training and technical assistance to help States make the program changes called for in this plan. Federal funds would be used to train eligibility workers to become more effective caseworkers. Through technical assistance, the Federal Government would encourage evaluations of State JOBS programs, help promote state-of-the-art practices, and assist States in redesigning their intake processes to emphasize employment rather than eligibility. These activities would be funded by setting aside one percent of Federal JOBS funds specifically for this purpose.

Federal oversight of the welfare bureaucracy would change to reflect this new mission as well. Quality control and audits would emphasize performance standards which measure outcomes such as long-term job placements, rather than just process standards.

Integrating JOBS and Mainstream Education and Training Initiatives

The role of the JOBS program is not to create a separate education and training system for welfare recipients, but rather to ensure that they have access to and information about the broad array of existing training and education programs.

Among the many Administration initiatives which should be coordinated with the JOBS program are:

- National Service. HHS would work with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of national service as a road to independence.
- School-to-Work. HHS would work to make participation requirements for School-to-Work and for the JOBS program compatible, in order to give JOBS participants the opportunity to access this new initiative.
- One-Stop Shopping. The Department of Labor would consider making some JOBS offices sites for the one-stop shopping demonstration.

The plan would also include pursuing ways to ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans and Job Corps. In particular, HHS would work with the Department of Labor to improve coordination between State JOBS and Job Training Partnership Act (JTPA) programs. We would also encourage the development of training programs to prepare people to take advantage of the many jobs that would be available in the expanded child care system.

The plan would make it easier for States to integrate other employment and training programs (e.g., the Food Stamp Employment and Training Program) with the JOBS program and to implement "one-stop shopping" education and training models. Specifically, we would create, perhaps under the aegis of the Community Enterprise Board, a training and education waiver board, consisting of the Secretaries of Labor, HHS, Education and other interested Departments, with the authority to waive key eligibility rules and procedures for demonstrations of a more coordinated education and training system.

MAKING WELFARE TRANSITIONAL

People seeking help from the new transitional assistance program would find that the expectations, opportunities and responsibilities have dramatically changed from those in the present welfare system. The focus of the entire program would be on providing them with the services they need to find employment and achieve self-sufficiency.

Placing a time limit on cash assistance is part of the overall effort to shift the focus of the welfare system from issuing checks to promoting work and self-sufficiency. The time limit gives both recipient and case manager a structure that necessitates continuous movement toward fulfilling the objectives of the employability plan and, ultimately, finding a job.

Two-Year Limit. A recipient who is able to work would be limited to a cumulative total of two years of transitional assistance. Those unable to find private sector employment after two years of transitional assistance would be required to participate in the WORK program (described below) for further government support. Job search would be required for those in their final 45-90 days of transitional assistance.

Any period during which a State failed to substantially provide the services specified in a participant's employability plan would not be counted against the time limit.

At State option, months in which a recipient worked an average of 20 hours or more per week or reported over \$400 in earnings would also not be counted against the time limit.

Extensions. States would have flexibility to provide extensions in the following circumstances, up to a fixed percentage of the caseload:

- For completion of high school, a GED or other training program expected to lead directly to employment. These extensions would be contingent on satisfactory progress toward attaining a diploma or completing the program.
- For post-secondary education, provided participants were working at least part-time (i.e., in a work/study program).
- For those who are seriously ill, disabled, taking care of a seriously ill or disabled child or relative, or otherwise demonstrably unable to work.

Credits for Additional Assistance. Under the plan, the time limit would be renewable; persons who had left welfare for work would earn months of eligibility for future assistance for months spent working and not on assistance.

WORK

The redesigned welfare system would be designed to maximize the number of recipients who leave welfare for employment before reaching the time limit for transitional assistance. There will, however, be people who reach the time limit without having found a job, and we are committed to providing these people with the opportunity to work to support their families.

Each State would be required to operate a WORK program which would make paid work assignments (hereafter WORK assignments or WORK positions) available to recipients who had reached the time limit for cash assistance.

The overriding goal of the WORK program would be to help participants find lasting employment outside the program. States would have wide discretion in the operation of the WORK program in order to achieve this end. For example, a State could provide short-term subsidized private sector jobs, in the expectation that many of these positions would become permanent, or positions in public sector agencies, or a combination of the two.

Administrative Structure of the WORK Program

Eligibility. Recipients who reach the time limit for transitional assistance would be permitted to enroll in the WORK program. However, an individual who refuses an offer of full- or part-time employment outside the WORK program without good cause would not be eligible for the WORK program for six months, and any cash benefits would be calculated as if the job had been taken. The sanction would end upon acceptance of a job outside the WORK program.

Funding. Federal matching funds for the WORK program would be allocated by a method similar to the JOBS funding mechanism. A State's allocation could be increased if its unemployment rate rose above a specified level.

Flexibility. States would have considerable flexibility in operating the WORK program. For example, they would be permitted to:

- Subsidize not-for-profit or private sector jobs (for example, through expanded use of on-the-job training vouchers).
- Give employers other financial incentives to hire JOBS graduates.
- Provide positions in public sector agencies.
- Encourage microenterprise and other economic development activities.

- Execute performance-based contracts with private firms such as America Works or not-for-profit organizations to place JOBS graduates.
- Set up community service projects employing welfare recipients as, for example, health aides in clinics located in underserved communities.

Capacity. Each State would be required to create a minimum number of WORK assignments, with the number to be based on the level of Federal funding received. If the number of people needing WORK positions exceeded the supply, WORK assignments, as they became available, would be allocated on a first-come, first-served basis.

Waiting List. Recipients on the waiting list for a WORK position would be expected to find volunteer work in the community at, for example, a child care center or community development corporation, for at least 20 hours per week in order to receive benefits (distinct from wages). States might be required to absorb a greater share of the cost of cash assistance to persons on the waiting list.

Administration. States and localities would be required to involve the private sector, community organizations and organized labor in the WORK program. For example, joint public/private governing boards or local Private Industry Councils might be given roles overseeing WORK programs.

Anti-Displacement. States would be required to operate their WORK programs such that public sector employees would not be displaced. Anti-displacement language is currently under development.

Supportive Services. States would be required to provide child care, transportation and other supportive services if needed to enable individuals to participate in the WORK program.

Job Search. Persons in the WORK program would be required to engage in job search.

An important question remains as to whether States should be allowed to place limits on the total length of time persons would be permitted to remain in the WORK program.

One option would be to allow States to reduce cash benefits, by up to a certain percentage, to persons who had been in the WORK program for a set period of time and were on the waiting list for a new WORK position. States would only be permitted to reduce cash assistance to the extent that the combined value of cash and in-kind benefits did not fall below a minimum level (a fixed percentage of the poverty line).

Characteristics of the WORK Assignments

Wage. Participants would be paid the minimum wage (or higher at State option).

Hours. Each WORK assignment would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (150 hours per month). The number of hours for each position would be determined by the State.

Not Working. Wages would be paid for hours worked. Not working the set number of hours for the position would result in a corresponding reduction in wages.

Type of Work. Most of the jobs, whether private or public sector, are expected to be entry-level but should nonetheless be substantive work that enhances the participant's employability. Programs would be encouraged to focus their efforts on developing WORK positions in occupations which are currently in demand and/or which are expected to be in demand in the near future.

Treatment of Wages. Wages from WORK positions would be treated as earned income with respect to Worker's Compensation, FICA and public assistance programs. Earnings from public sector WORK positions would not count as earned income for the purpose of the Earned Income Tax Credit (EITC), in order to encourage movement into jobs outside the WORK program.

WORK positions in the private and not-for-profit sectors would be required to meet the minimum standards described above with respect to hours and wages, but States would otherwise be granted considerable flexibility concerning the form of these WORK assignments.

Under the WORK program as described above, participants would work for wages. Described below is a different type of WORK program, under which persons who had reached the two-year time limit for cash assistance would work for benefits.

Option: Permit a State to enroll all or a limited number of the recipients who had reached the two-year time limit in community work experience program (CWEP) positions, as opposed to paid WORK assignments. These CWEP positions would take the following form:

Benefits. Participants would be required to work in order to continue to receive cash assistance. The check received by the participant would be treated as benefits rather than earnings for any and all purposes.

Hours. The required hours of work for participants would be calculated by dividing the amount of cash assistance by the minimum wage, up to a maximum of 35 hours a week.

Child Support. At State option, the amount of the child support order could be deducted from the cash benefit for the purpose of calculating hours. A delinquent non-custodial parent could be required to work off the child support arrearage in a CWEP position.

Sanctions. Failure to work the required number of hours would be accompanied by sanctions similar to those for non-participation in the JOBS program--a reduction in cash assistance.

Economic Development

Emphasizing movement into private sector employment requires that serious attention be paid to investment and economic development in distressed communities to expand job opportunities and stimulate economic growth. Increasing capital investment could expand the sustainable private employment opportunities for graduates of the JOBS program. Strategies to promote savings and accumulation of assets are also key to helping recipients escape poverty through work.

Community Development. Initiatives that are under consideration to ensure that JOBS graduates are able to take full advantage of the Administration's community development initiatives include:

- Providing enhanced funding through the Community Development Bank and Financial Institutions proposal to support the development of projects that create work and self-employment for JOBS graduates.
- Increasing the number of microenterprises by allocating additional funds to the Small Business Administration's Microloan and other programs for set-asides for JOBS participants.
- Enhancing HHS job development programs which provide grants to community-based economic development projects to provide work for JOBS graduates.
- Ensuring that JOBS graduates are able to take advantage of the opportunities which would be created through the Administration's commitment to enterprise communities and Empowerment Zones.

Individual Economic Development. We would also propose the following steps to encourage people receiving transitional assistance to save money and accumulate assets, in order to help them escape poverty permanently:

- Raising both the asset limit for eligibility for cash assistance and the limit on the value of an automobile. Consideration would be given to exempting, up to a certain amount, savings put aside specifically for education, purchasing a home or starting a business.
- Supporting demonstrations of the concept of Individual Development Accounts, through which participants would receive subsidies to encourage savings for education, training, purchasing a home or car or starting a business. The IDA demonstration would be linked to participation in the WORK program or taking jobs outside the work program.

ENFORCE CHILD SUPPORT

- A. CHILD SUPPORT ENFORCEMENT
 - 1. A Universal and Simplified Paternity Establishment Process
 - 2. Appropriate Payment Levels
 - 3. Collection and Enforcement
 - 4. Providing Some Minimum Level of Child Support
- B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

NEED — The typical child born in the U.S. today will spend time in a single-parent home. Yet, the evidence is clear that children benefit from interaction with two supportive parents. Single parents cannot be expected to do the entire job of two parents. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children.

In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses suggest that the potential for child support collections exceeds \$47 billion. Yet only \$20 billion in awards are currently in place, and only \$13 billion is actually paid. Thus, we have a potential collection gap of over \$34 billion a year.

The problem is threefold: First, for many children a child support order is never established. Roughly 37 percent of the potential collection gap of \$34 billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, fully 42 percent of the potential gap can be traced to awards that were either set low initially or never adjusted as incomes changed. Third, of awards that are established, government fails to collect any child support in the majority of cases, accounting for the remaining 21 percent of the potential collection gap.

STRATEGY — There are two key elements within this section. The first major element involves numerous changes to improve the existing child support enforcement system. For children to obtain more support from their noncustodial parents, paternity establishment must be made more universal and should be completed as soon as possible following the birth of the child. A National Guidelines Commission will be formed to address variability among State levels of awards, and awards will be updated periodically through an administrative process. States must also develop central registries for collections and disbursements which can be coordinated with other States; enhanced tools will be available for Federal and State enforcement. A major question remains regarding the possibility of providing some minimum level of child support. The second major element is demanding responsibility and enhancing opportunity for noncustodial parents. They should be required to pay child support and in some cases, should be offered increased economic opportunities to help them do so.

CHILD SUPPORT ENFORCEMENT

Components of the improved child support enforcement system are:

A Universal and Simplified Paternity Establishment Process

- Require States to immediately seek paternity establishment for as many children born out of wedlock as possible, regardless of the welfare or income status of the mother or father.
- Establish performance standards with incentive payments and penalties. State performance would be based on all cases where children are born to an unmarried mother.
- Conduct outreach efforts at the State and Federal levels to promote the importance of paternity establishment both as a parental responsibility and a right of the child.
- Provide expanded and simplified voluntary acknowledgment procedures.
- Streamline the process for contested cases.
- Impose clearer, stricter cooperation requirements on mothers to provide both the name of the putative father and verifiable information so that the father can be located and served the papers necessary to commence the paternity action. Good cause exceptions would be granted.

The major options in this area relate to the role that government programs should play in encouraging or requiring mothers and fathers to cooperate and in encouraging States to establish paternity:

Option: Provide a bonus of \$50 per month in additional AFDC payments to mothers if paternity for the child has been established (instead of the \$50 passthrough under current law).

Option: Deny certain government benefits to persons who have not met cooperation requirements. Good cause exceptions would be granted.

Option: Reduce Federal match on benefits paid to States which fail to establish paternity in a reasonable period of time in cases where the mother has cooperated fully.

Appropriate Payment Levels

- Establish a National Guidelines Commission to explore the variation in State guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across States.
- Establish universal and periodic updating of awards for all cases through administrative procedures. Either parent would have the option to ask for an updated award when there is a significant change in circumstance.
- Revise payment and distribution rules designed to strengthen families.

Collection and Enforcement

- Create a central registry and clearinghouse in all States. All States would maintain a central registry and centralized collection and disbursement capability. States would monitor support payments to ensure that child support is being paid and would be able to impose certain enforcement remedies at the State level administratively. A higher Federal match rate would be provided to implement new technologies.
- Create a Federal child support enforcement clearinghouse. This clearinghouse would provide for enhanced location and enforcement coordination, particularly in interstate cases. There

- would be frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance. The IRS role in full collections, tax refund offset, and providing access to IRS income and asset information would be expanded.
- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
 - Eliminate most welfare/non-welfare distinctions to achieve broader, more universal provision of services.
 - Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
 - Enhance administrative power to take many enforcement actions.
 - Simplify procedures for interstate collection.
 - Create a new funding formula and place an emphasis on performance-based incentives.
 - Reinvest State incentive payments in the child support program.

Providing Some Minimum Level of Child Support

Even with the provisions above, enforcement of child support is likely to be uneven for some time to come. Some States will be more effective at collecting than others. Moreover, there will be many cases where the noncustodial parent cannot be expected to contribute much because of low pay or unemployment. An important question is whether children in single-parent families should be provided some minimum level of child support even when the State fails to collect it. The problem is especially acute for custodial parents who are not on AFDC and are trying to make ends meet with a combination of work and child support. The President has not endorsed Child Support Assurance, and there is considerable division within the Working Group about its merits.

Options under consideration include the following:

Option 1: Advance payment to custodial parents not on welfare of up to \$50 (or \$100) per child per month in child support owed by the noncustodial parent, even when the money has not yet been collected.

Advance payments could not exceed the amount actually owed by the noncustodial parent. States would have the option of creating work programs so that noncustodial parents could work off the support due if they had no income.

Option 2: A system of Child Support Assurance which insures minimum payments for all custodial parents with awards in place.

Minimum payments might exceed the actual award, with government paying the difference between collections and the minimum assured benefit. States might experiment with tying guaranteed payments to work or participation in a training program by the noncustodial parent. For those on AFDC, Child Support Assurance benefits would be deducted entirely or in part from AFDC payments.

The national system would be phased in slowly with State participation conditioned on progress and improvements in their child support enforcement system. Cost projections would also have to be met before additional States could be added.

Option 3: State demonstrations only, of one or both of the above options.

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

Under the present system, the needs and concerns of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter". We ought to encourage noncustodial parents to remain involved in their children's lives--not drive them further away. The child support system, while getting tougher on those that can pay but refuse to do so, should also be fair to those noncustodial parents who show responsibility toward their children. Some elements described above will help. Better enforcement of payments will avoid build-up of arrearages. A simple administrative process will allow for downward modifications of awards when a job is involuntarily lost. Other strategies would also be pursued.

Ultimately, expectations of mothers and fathers should be parallel. Whatever is expected of the mother should be expected of the father. Whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents who pay their child support and remain involved. If noncustodial parents can improve their earnings capacity and maintain relationships with their children, they will be a source of both financial and emotional support.

Much needs to be learned, partly because we have focused less attention on this population in the past and partly because we know less about what types of programs would work. Still, a number of steps can be taken, including the following:

- Provide block grants to States for access- and visitation-related programs, including mediation (both voluntary and mandatory), counseling, education, and enforcement.
- Reserve a portion of JOBS program funding for education and training programs for noncustodial parents.
- Make the Targeted Jobs Tax Credit (TJTC) available to fathers with children receiving food stamps.
- Experiment with a variety of programs in which men who participate in employment or training activities do not build up arrearages while they participate.
- Conduct significant experimentation with mandatory work programs for noncustodial parents who do not pay child support.
- Make the payment of child support a condition of other government benefits.
- Provide additional incentives for noncustodial parents to pay child support.

REINVENT GOVERNMENT ASSISTANCE

- A. SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS
- B. PREVENTING WASTE, FRAUD AND ABUSE
- C. PERFORMANCE STANDARDS AND STATE FLEXIBILITY

NEED -- The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity confuses the mission, frustrates people seeking aid, confuses caseworkers, increases administrative costs and leads to program errors and inefficiencies. In addition, the web of Federal-State-local relations in the administrative system largely focuses on rules rather than results. If ever there were a government program that is deeply resented by its customers, it is the existing welfare system.

STRATEGY -- The lessons of reinventing government apply clearly here. The goal should be to rationalize, consolidate and simplify the existing social welfare system. Creating a simplified system will be a major challenge. Clearer Federal goals which allow greater State and local flexibility in managing programs are also critical. Finally, a central Federal role in information systems and interstate coordination would prevent waste, fraud and abuse and would also improve service delivery at the State and local levels.

SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The simplification of assistance programs at all levels of government has been the "holy grail" of welfare reform--always sought, never realized. The reasons are many: disparate goals of different programs, varied constituencies, departmental differences, divergent Congressional committee jurisdictions and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators and taxpayers are all losers due to the current complexity.

There are two basic options for reform:

Option 1: Simplify and coordinate rules in existing programs.

Considerable improvements could be achieved by modifying existing rules in current programs. Such changes could include the following:

- Reduce Federal program rules, reporting and budgeting requirements to a minimum.
- Simplify and conform income and asset rules in the AFDC and Food Stamp programs.
- Adopt regulatory and legislative recommendations (as developed by the American Public Welfare Association), to streamline application, redetermination and reporting processes.
- Base eligibility for programs, such as child care for working families, on simplified Food Stamp rules or AFDC-like rules.
- Freeze subsidized rents for a fixed period of time after the recipient takes a job in order to enhance the benefits from employment.

- Eliminate the special rules pertaining to two-parent families, such as the 100-hour rule and the quarters-of-work rule, as discussed in the Make Work Pay section of this paper.
- Simplify and standardize earnings disregards.
- States would be required to use a standard procedure to determine need standards but would be allowed to decide what fraction of need would be met in their State.

Option 2: Develop a simplified and consolidated eligibility process for the new transitional assistance program. Strive to bring other aid programs into conformity.

In addition to the provisions described under option 1, this option would solve the problem that AFDC and food stamps currently have different filing units for purposes of establishing eligibility. AFDC is designed to support children "deprived of parental support," so it is focused on single parents, it excludes other adult members in the household, it treats multiple-generation households as different units, and it excludes disabled persons receiving SSI from the unit. The Food Stamp program, by contrast, defines a filing unit as all people in the household who share cooking facilities.

This option standardizes the definition of the filing unit under AFDC and food stamps. States would continue to set benefit levels for cash assistance.

PREVENTING WASTE, FRAUD AND ABUSE

Multiple and uncoordinated programs and complex regulations invite waste, fraudulent behavior and simple error. Too often, individuals can present different information to various government agencies to claim benefits fraudulently with virtually no chance of detection.

The new program of transitional assistance, in and of itself, will go a long way toward preventing waste and fraud. During the period of transitional cash benefits, there will be enhanced tracking of a client's training activities and work opportunities, as well as the electronic exchange of tax, benefit and child support information. Also, the newly expanded EITC largely eliminates current incentives to "work off the books" and disincentives to report all employment. With the EITC, it is now advantageous to report every single dollar of earnings.

New technology and automation offer the chance to implement transitional programs which ensure quality service, fiscal accountability and program integrity. For example, EBT technology offers the opportunity to provide food stamps, EITC, cash and other benefits through a single card. Program integrity activities need to focus on ensuring overall payment accuracy, and detection and prevention of recipient, worker and vendor fraud. Such measures include the following:

- Coordinate more completely the collection and sharing of data among programs, especially wage, tax, child support and benefit information.

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- Re-assess the Federal/State partnership in developing centralized data bases and information systems that improve interstate coordination, eliminate duplicate benefits and permit tracking. At a minimum, information must be shared across States to prevent the circumvention of time limits by recipients relocating to a different State.
- Fully utilize current and emerging technologies to offer better services at less cost, targeted more efficiently on those eligible.

PERFORMANCE STANDARDS AND STATE FLEXIBILITY

A reformed welfare system requires clear objectives to aid policy development and performance measures to gauge whether policy intent is achieved. Performance measures in a transitional program of benefits should reflect the achievement of all program objectives and relate to the primary goal of helping families to become self-sufficient. Standards should be established for a broad range of program activities against which front-line workers, managers and policymakers can assess the efficiency and effectiveness of the program. To the extent possible, results--rather than inputs and processes--should be measured. States and localities must have the flexibility and resources to achieve the programmatic goals that have been set.

- The Federal Government should transition from a role which is largely prescriptive to one which establishes customer-driven performance standards in collaboration with States, local agencies, advocacy groups and clients. The exact methods for accomplishing program goals are difficult to prescribe from Washington, given the variation in local circumstances, capacities and philosophies. Therefore, substantial flexibility will be left for localities to decide how to meet these goals, facilitated by enhanced inter-agency waiver authority at the Federal level.
- The Federal Government should provide technical assistance to States for achieving these standards by evaluating program innovations, identifying what is working and assisting in the transfer of effective strategies.

→ organize into titles

Values section:

Changes in jobs: Parental Resp / Social K.

RE GO TITLE: Perf incentives, Enterprise Board for Widows

CHILD CARE: more emphasis on c. care as job

PS: tax deduction

CSE: mandatory P/E for AFDC + other job programs. 90% P/E by 2000

NCP: Wisconsin ^{unsubsidized CSEP} work programs

with sanction → higher match

Transitional: Reg. must applicants to do job search - not encourage - benefits only if recess.

Social K is rigid; individualized case plan is optional

Def. of public - include ^{self-initiated} comm service; ^{public safety} Everybody does something.
- All new applicants must participate by 199...

CSA - benefits must include work req.

Time limits - overall limit on the duration of extensions

State option - require work search

No grace period

Job Search List (perhaps offer a voucher)

Exemptions - no cost out for college

work supp changes in GOP bill

OJT?

Job inventory of existing initiatives

PTA: comm. service

State option to put time limit on public sector work (1-3 yrs)

Continuous job search for self-initiated

Model I: Declining match to states based on length in program
Cap on admin/supervision costs.

Prevention: ^{Personal} Program Responsibility

- P/E

- Family cap

- Responsibility Fund - not comp. to red pro reduce tax program

- Social contract

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DRAFT DISCUSSION PAPER

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DRAFT DISCUSSION PAPER

HIGHLIGHTS

This paper discusses ideas and options for a plan which fulfills the President's pledge to end welfare as we know it by reinforcing traditional values of work, family, opportunity and responsibility. None of these options has been approved by the President, and the paper is designed to stimulate discussion not indicate Administration positions. Key features in this plan are:

- *Prevention.* A prevention strategy designed to reduce ^{dependency} poverty and the need for welfare by reducing teen pregnancy, promoting responsible parenting and encouraging and supporting two-parent families.
- *Support for Working Families with the EITC, Health Reform and Child Care.* Advance payment of the EITC and health reform to ensure working families are not poor or medically insecure. Child care both for the working poor and for families in work, education or training as part of public assistance.
- *Promoting Self-Sufficiency Through Access to Education and Training.* Making the JOBS program from the Family Support Act the core of cash assistance. Changing the culture within welfare offices from one of enforcing seemingly endless eligibility and payment rules to one focused on helping people achieve self-support and find jobs in the private sector. Involving able-bodied recipients in the education, training and employment activities they need to move toward independence. Greater funding and reduced State match.
and requiring them to sign a Social Contract to fulfill their responsibilities in return.
- *Time-limited Welfare Followed By Work.* Converting cash assistance to a system with two-year time limits for those able to work. People still unable to find work after two years would be supported via non-displacing community service jobs—not welfare.
- *Child Support.* Dramatic improvements in the child support enforcement system designed to significantly reduce the \$34-billion annual child support collection gap, to ensure that children can count on support from both parents and to reduce public benefit costs.
- *Noncustodial Parents.* Taking steps to increase economic opportunities for needy noncustodial parents expected to pay child support and to help them become more involved in parenting their children.
- *Simplifying Public Assistance.* Significant simplification and coordination of public assistance programs.
- *Increased State Flexibility Within a Clearer Federal Framework.* Increasing flexibility over key policy and implementation issues and providing the opportunity for States to adjust to local needs and conditions within more clearly defined Federal objectives.
- *Deficit Neutral Funding.* Gradual phase-in of the plan, fully funded by offsets and savings.

→ SEE TYPEWRITTEN
CHANGES

INTRODUCTION

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

Americans share powerful values regarding work and responsibility. We believe work is central to the strength, independence and pride of American families. Yet our current welfare system seems at odds with these core values. People who go to work are often worse off than those on welfare. Instead of giving people access to education, training and employment skills, the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination and benefit calculation. ~~The very culture of welfare offices often seems to create an expectation of dependence rather than independence. Simultaneously, noncustodial parents often provide little or no economic or social support to the children they parented. And single-parent families sometimes get welfare benefits and other services that are unavailable to equally poor two-parent families. One wonders what messages this system sends to our children about the value of hard work and the importance of family responsibility.~~ *and writing checks*

This plan calls for a genuine end to welfare as we know it. It builds from these simple values of work and responsibility. It reshapes the expectations of government and the people it serves. ~~One focus is on making work pay--by ensuring that people who play by the rules get access to the child care, health insurance, and tax credits they need to adequately support their families. The plan also seeks to give people access to the skills they need to work in an increasingly competitive labor market. But in return, it expects responsibility. Noncustodial parents must support their children. Those on cash assistance cannot collect welfare indefinitely. Families sometimes need temporary cash support while they struggle past personal tragedy, economic dislocation or individual disadvantage. But no one who can work should receive cash aid indefinitely. After a time-limited transitional support period, work--not welfare--must be the way in which families support their children.~~ *SEE INSERT ①*
and personal
former

These reforms ought to be seen in context. The poverty of America's children is among the highest in the developed world. The social and economic forces that drive this poverty run far deeper than the welfare system. And the solutions must include reforms of pre-school, primary, secondary and post-secondary education programs. The country must regain the powerful productivity growth of the past. More effective economic development in low-income areas is essential. We must find a way to reduce violence and drug use. We must try to keep families together, and we must ensure health security for all Americans. Ultimately, we must restore community. And thus, the Administration has embarked on a series of closely-linked initiatives from expansions in Head Start to National Service, from worker retraining to Empowerment Zones, from comprehensive anti-crime legislation to drug treatment, from family preservation and support legislation to health reform. Welfare reform is a piece of a much larger whole. It is an essential piece. *REPLACE w/INSERT ②*

providing tax credits for the working poor, ensuring access to health insurance, and making child care available.

We have already expanded the Earned Income Tax Credit (EITC) which was effectively a pay raise for the working poor. (The current EITC makes a \$4.25 per hour job pay the equivalent of \$6.00 per hour for a family with two children). Now, we must also simplify advance payment of the EITC so that people can receive it periodically during the year, rather than as a lump sum at tax time.

We should guarantee health security to all Americans through health reform. Part of the desperate need for health reform is that non-working poor families on welfare often have better coverage than working families.

With tax credits and health reform, the final critical element of making work pay is child care. We seek to ensure that poor working families have access to the quality child care they need. And we cannot ask single mothers to participate in training or to go to work unless they have care for their children.

Provide Access to Education and Training, Time-Limit Cash Assistance and Expect Work

The Family Support Act provided a new vision of mutual responsibility and work: government has a responsibility to provide access to the education and training that people need; recipients are expected to take advantage of these opportunities and move into work. The legislation created the JOBS program to move people from welfare to work. Unfortunately, one of the clearest lessons of the site visits and hearings held by the Working Group is that this vision is largely unrealized at the local level. The current JOBS program serves only a fraction of the caseload. The primary function of the current welfare offices is still meeting administrative rules about eligibility, determining welfare benefits and writing checks.

We must transform the culture of the welfare bureaucracy. We don't need a welfare program built around "income maintenance;" we need a program built around work. People should be expected to take steps to help themselves from their first day on welfare. We'll ask them to sign a contract that spells out their obligations and what the government will do in return. This will require increased participation requirements and additional JOBS resources to meet the needs of the expanded JOBS population for education and training services.

No system which hopes to encourage work and responsibility can allow people who are able to work to collect welfare indefinitely. After two years, those who can work will be expected to work in the private sector or in community service. This plan includes a concerted effort to expand private and public investment and increase work opportunities.

The system must be sensitive to those who for good reason cannot work--for example, a parent who is needed in the home to care for a disabled child. But at the same time, we should not exclude anyone from the opportunity for advancement. Everyone has something to contribute.

Enforce Child Support

Our current system of child support enforcement is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and noncustodial parents. It lets many

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... will begin to reward performance.

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Social Contract
... will be phased in...

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take advantage of those opportunities. At the end of two years, people who are still on welfare and who cannot find a job in the private sector, will be required to work in community service. Communities will be responsible for job creating money, and will be able to use those funds to find and if necessary create jobs in the private, nonprofit, and public sectors, and with major flexible business leaders, community groups, and organized labor, with local gov. to oversee the work programs. If not enough jobs are available or can be created, recipients will be asked to do self-initiated community service until a job comes in.

noncustodial parents off the hook, while frustrating those who do pay. It seems neither to offer security for children, nor to focus on the difficult problems faced by custodial and noncustodial parents alike. It typically excuses the fathers of children born out of wedlock from any obligation ~~and~~ ^{to support} ~~to support~~ for their children. And the biggest indictment of all is that only a fraction of what could be collected is actually paid.

Our plan strongly conveys the message that both parents are responsible for supporting their children. Government can assist parents but cannot be a substitute for them in meeting those responsibilities. One parent should not be expected to do the work of two. Through universal paternity establishment and improved child support enforcement, we send an unambiguous signal that both parents share the responsibility of supporting their children. We explore strategies for ensuring that single parents can count on regular child support payments. And we also incorporate policies that acknowledge the struggles of noncustodial parents and the desires of many to help support and nurture their children. Opportunity and responsibility ought to apply to both mothers and fathers.

Reinvent Government Assistance

At the core of this plan is our commitment to reinventing government. A major problem with the current welfare system is its enormous complexity. It consists of multiple programs with different rules and requirements that confuse and frustrate recipients and caseworkers alike. It is an unnecessarily inefficient system. This plan would simplify and streamline rules and requirements across programs.

Waste, fraud and abuse can more easily arise in a system where tax and income support systems are poorly coordinated, and where cases are not tracked over time or across geographic locations. Technology now allows us to create a Federal clearinghouse to ensure that people are not collecting benefits in multiple programs or locations when they are not entitled to do so. Such a clearinghouse will also allow clearer coordination of the child support enforcement and welfare systems and determination of where recipients seem to stay on welfare for a long period and where they move off more quickly.

Ultimately, the real work of encouraging work and responsibility will happen at the State and local levels. Thus, the plan is designed to be clearer about the broad goals while giving more flexibility over implementation to States. Basic performance measures regarding work and long-term movements off of welfare will be combined with broad participation standards. States will then be expected to design programs which work well for their situation.

A NEW BEGINNING

Transforming the social welfare system to one focused on work and responsibility will not be easy. There will be setbacks. We must guard against unrealistic expectations. A welfare system which evolved over 50 years will not be transformed overnight. We must admit that we do not have all the answers. But we must not be deterred from making the bold and decisive actions needed to create a system that reinforces basic values.

Three features of the plan are designed to ensure that this bold plan is only the beginning of an even larger and longer process:

First, we see a major role for evaluation, technical assistance and information sharing. As one State or locality finds strategies that work, the lessons ought to be widely known and offered to others. One of the critical elements to this reform effort has been the lessons of the careful evaluations done of earlier programs.

Second, we propose key demonstrations in each of the plan's five areas. In each area, we propose both a set of policies for immediate implementation and a set of demonstrations designed to explore ideas for still bolder innovation in the future. In addition we would encourage States to develop their own demonstrations, and in some cases would provide additional Federal resources for these. Lessons from past demonstrations have been central to both the development of the Family Support Act and to this plan. They will guide continuing innovation into the future.

Finally, we intend to propose a realistic phase-in strategy. The exact phase-in method is yet to be determined, but one might expect time limits and high participation requirements to apply first to people newly entering the system after the legislation is enacted. Or some States or local communities may wish to start sooner than others. This will provide ample opportunity to refine the system as lessons from the early cohorts and States inform implementation for others.

REPLACE
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In the end, this plan embodies a vision which was contained in the Family Support Act. It represents the next major step. But the journey will not end until work and responsibility enable us to preserve our children's future.

We turn now to the specifics of the plan.

PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

- A. CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS
- B. BALANCING RESPONSIBILITY WITH OPPORTUNITY
- C. PROMOTING RESPONSIBLE FAMILY PLANNING

NEED -- The best way to end welfare dependency is to prevent the need for welfare in the first place. This necessarily requires going beyond the welfare system to include every sector of our society.

Poverty, especially long-term poverty, and welfare dependency are often associated with growing up in a one-parent family. Although most single parents do a heroic job of raising their children, the fact remains that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready to assume the responsibility of raising children.

Unfortunately, the majority of children born today will spend some time in a single-parent family. Teenage birth rates have been rising since 1986 because the trend toward earlier sexual activity has exposed more young women to the risk of pregnancy. Teenage childbearing often leads to school drop-out, which results in the failure to acquire skills that are needed for success in the labor market, and this leads to welfare dependency. The majority of teen mothers end up on welfare, and taxpayers paid about \$29 billion in 1991 to assist families begun by a teenager.

STRATEGY -- The ethic of parental responsibility is fundamental. No one should bring a child into the world until they are prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it.

To this end, we propose a three-part strategy. First, we suggest a number of changes to the welfare and child support enforcement systems to promote two-parent families and to encourage parental responsibility. Some of these options are quite controversial, but we note that they are already being adopted by a number of States. Second, we seek to send a clear message of responsibility and opportunity and to engage other leaders and institutions in this effort. Government has a role to play, but the massive changes in sexual mores and family life that have occurred over the past few decades cannot be dealt with by government alone. We must not only emphasize responsibility, we must break the cycle of poverty and provide a more hopeful future in low-income communities. ~~For~~ without hope, there is no reason for responsibility Finally, we need to promote responsible family planning.

← THIS SENTENCE
MUST GO

CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS

Throughout this draft paper we emphasize the responsibility of both parents to support their children. Through an improved child support enforcement system and efforts to achieve universal paternity establishment, noncustodial parents will be held accountable for greater support of their children. Through required participation in activities intended to increase their employment and earnings capacity, mothers receiving cash assistance will become better prepared to enter the labor force. And

through time-limits on assistance followed by work, parents will have the incentive to move toward self-sufficiency. The details of these measures can be found in subsequent sections of this proposal, but in addition to these steps, we need to change the welfare system to encourage responsible parenting and support two-parent families.

Support Two-Parent Families. First, we propose to eliminate the current bias in the welfare system in which two-parent families are subject to much more stringent eligibility rules than single-parent families. Under current law, two-parent families in which neither parent is incapacitated are ineligible if the primary wage-earner works more than 100 hours per month, or if neither parent has been employed in six of the previous thirteen quarters. In addition, some States are given the option to provide only six months of benefits per year to two-parent families, whereas single-parent families must be provided benefits continuously. These disparities would be eliminated.

Minor Mothers Live at Home. Second, we propose requiring that minor parents live in a household with a responsible adult, preferably a parent (with certain exceptions—for example, if the minor parent is married or if there is a danger of abuse to the minor parent). Parental support could then be included in determining cash assistance eligibility. Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. States do have the option under current law of requiring minor mothers to reside in their parents' household (with certain exceptions), but only six States have exercised this option.

~~By definition, minor parents are children. Generally, we believe that children should be nurtured and supervised by their parents. This proposal would, thus, make the option a requirement for all States.~~ ^{that} ~~Insert~~ (7)

Mentoring by Older Welfare Mothers. This proposal also allows States to utilize older welfare mothers to mentor at-risk teenagers as part of their community service assignment. This could be especially effective in relating to younger recipients because of the credibility, relevance and personal experience of older welfare recipients who were once teen mothers themselves. One recent focus-group study of young mothers on welfare found that virtually all of the parents believed it would have been better to postpone the birth of their first child. Training and experience might be offered to the most promising candidates for mentoring who are currently receiving welfare benefits.

Demonstrations. Finally, we propose to conduct demonstrations which condition a portion of the assistance benefit or provide a bonus based on actions by parents and dependent children to achieve self-sufficiency. These demonstrations would include comprehensive case management that focuses on all family members, assisting them to access all services necessary in meeting their obligations. The case management services would take a holistic approach to family needs in striving to prevent intergenerational dependency as well as assisting current recipients to get off welfare.

In addition, the following options are under consideration:

Option: Allow States the option to limit benefit increases when additional children are conceived by parents already on AFDC if the State ensures that parents have access to family planning services.

Non-welfare working families do not receive a pay raise when they have an additional child, even though the tax deduction and the EITC may increase. However, families on welfare receive additional support because their AFDC benefits increase automatically to include the

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needs of an additional child. This option would reinforce parental responsibility by keeping AFDC benefits constant when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase under current law.

BALANCING RESPONSIBILITY WITH OPPORTUNITY

While it is important to get the message of the welfare system right, solely changing the welfare system is insufficient as a prevention strategy. For the most part, the disturbing social trends that lead to welfare dependency are not caused by the welfare system but reflect a larger shift in societal mores and values. Individuals, community organizations and other governmental and non-governmental institutions must, therefore, all be engaged in sending a balanced message of responsibility and opportunity. Many Administration initiatives already underway are intended to increase opportunity for children and youth, including Head Start increases, implementation of family preservation and support legislation, a major overhaul of Chapter 1, School-to-Work and an expansion of the Job Corps. In addition to these building blocks, the following could be adopted to focus more on children and youth, especially those at risk:

Community Support. We should challenge all Americans, especially the most fortunate, to work one-on-one with at-risk children and adults and in disadvantaged neighborhoods. A wide variety of prevention-oriented programs employing volunteers—rather than government employees—already exists on the local level, many of which have been very successful. ~~Volunteer programs dealing directly with at-risk children on a one-to-one basis (e.g. Big-brother and Big-sister programs) could be promoted under a unifying prevention theme of "reaching one child."~~ Similarly, mentoring for adults at risk of welfare dependency, ~~could be promoted under the theme of "reaching one parent," or "family."~~ This approach could be extended to the neighborhood level ("reaching one neighborhood") by encouraging voluntary social institutions, Scouts, Little Leagues, and church groups from more advantaged neighborhoods to work with their counterparts in a disadvantaged neighborhood. Reduced social isolation, enhanced self-confidence and exposure to a broader network of opportunities and resources for the most disadvantaged would be a common theme. The White House could provide a national platform for communicating the theme of reaching one child, parent or neighborhood through statements and recognition events.

We recommend working w/ HHS and the Corp. for an int. + Comm. Service to extend

the neighborhood and community level.

for at-risk children, and so on.

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F. Document*

In addition, the Federal government, through the Corporation on National and Community Service, with input from HHS, would develop a research agenda and clearinghouse of research and best-practices, so that successful innovation in recruiting and training volunteers and reaching the disadvantaged could be documented and replicated.

Against teen pregnancy

National Campaign We propose that the President lead a national campaign against teen pregnancy, which involves the media, community organized churches, and other in a concerted effort to instill responsibility and change shape behavior. The White House or other government agencies could organize efforts to expand messages of responsibility, enlisting the media and other groups whenever possible. Focus group interviews suggest that such messages could be well-received by almost all social and economic groups and that, as in the case of cigarette smoking, over time they would have an effect.

involves the media, community organized churches, and other in a concerted effort to instill responsibility and change shape behavior.

Demonstrations. We also propose to conduct demonstrations for local communities to stimulate neighborhood-based innovation. The purpose of these demonstrations would be to provide

comprehensive services to youth in high-risk neighborhoods which could help change the environment as well as provide more direct support services for these youth. Efforts to coordinate existing services and programs would provide greater support for at-risk youth, as well as make the best use of Federal funds. Communities receiving demonstration funds would be expected to bring together a consortium of community organizations, businesses, colleges, religious organizations, schools, and State and local governments.

We further propose to conduct demonstrations that hold schools accountable for early identification of students with attendance and behavioral problems and for referral to and cooperation with comprehensive service programs addressing the family as a unit. Early indications of high risk for teenage childbearing, and other risky behaviors such as substance abuse, include school absence, academic failure and school behavioral problems. This option would demonstrate the effects of providing middle schools and high schools with the responsibility for and resources necessary to identify early warning signs and make referrals to comprehensive service providers. Schools would be responsible for appropriate follow-up to ensure that appropriate education or training opportunities are available to these youth.

PROMOTING RESPONSIBLE FAMILY PLANNING

About 35 percent of all births result from unintended pregnancies, and the percentage is much higher for teen parents. Yet, funding for family planning services declined by approximately 60 percent in constant dollars over the last decade. This proposal strives to ensure that every potential parent is given the opportunity to avoid unintended births through responsible family planning.

Health Initiatives. In the President's health care reform proposal, family planning, including prescribed contraceptives, is part of the overall benefit package available to all Americans, regardless of income. However, insurance, while crucial, is not enough. Access and education must be improved. To this end, funding for Community Health Centers, a major source of primary care (including family planning and pre-natal care), is expanding. Also, traditional Public Health efforts through Title X and the Maternal and Child Health Block Grant will continue.

Demonstrations. We would also propose to conduct demonstrations to link family planning and other critical health care prevention approaches to welfare reform efforts. AFDC mothers overwhelmingly state that they do not want to bear more children until they can provide for them and that having a child as an unmarried teenager would be one of the worst things a daughter of theirs could do. This option would improve the knowledge about and access to appropriate family planning services for these recipients and other low-income individuals.

MAKE WORK PAY

- A. CHILD CARE FOR WORKING FAMILIES
- B. ADVANCE PAYMENT OF THE EITC
- C. OTHER SUPPORT FOR WORKING FAMILIES
 - 1. Work Should Be Better than Welfare
 - 2. Demonstrations

NEED -- Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people receiving assistance who want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents saving for the future with a meager limit on assets. Moreover, working-poor families are often without adequate medical protection and face sizable day care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules and to reduce both poverty and welfare use, then work must pay.

STRATEGY -- Three of the major elements that make work pay are: working family tax credits, health reform, and child care. The President has already launched the first two of these. A dramatic expansion of the Earned Income Tax Credit (EITC) was enacted in the last budget legislation. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. The EITC expansion is a giant step toward ensuring that a family of four with a full-time worker will no longer be poor. However, we still must find better ways to deliver the EITC on a timely basis throughout the year. Ensuring that all Americans can count on health insurance coverage is essential, and we expect the Health Security Act will be passed next year.

With the EITC and health reform in place, another major missing element necessary to ensure that work really does pay is child care.

CHILD CARE FOR WORKING FAMILIES

Child care is critical to the success of welfare reform. It is important to provide child care support for those on AFDC cash assistance to allow them to participate in training and employment activities. It is also important to subsidize child care for the working poor to ensure that working families are indeed better off than those on welfare. There must also be additional resources to expand supply and to improve quality.

The welfare reform proposal should have the following goals related to child care: to increase funding so that low-income working families have access to the care they need; to ensure children safe and healthy environments that promote child development; and to create a more consolidated and

simplified child care system. Currently, the Federal Government subsidizes child care for low-income families through the IV-A entitlement programs, including JOBS Child Care, Transitional Child Care, and At-Risk Child Care, and through the Child Care and Development Block Grant.

Middle- and upper-income people benefit from the dependent care tax credit and child care deductions using flexible spending accounts. Because the dependent care tax credit is not refundable and because it is paid at the end of the year and is based on money already spent on child care, it is not now helpful to low-income families.

Maintain IV-A Child Care. The IV-A entitlement programs for cash assistance recipients who are preparing for work and who need day care would be maintained and would automatically expand to accommodate the increased demand. With new requirements for work, it is essential that day care is provided.

Expand Child Care for Low-Income Working Families. We would also provide significant new funding for low-income, working families. This is essential to make work pay, especially for families leaving welfare to work.

Child Care Development Block Grant. We would also maintain and gradually increase the Child Care and Development Block Grant; no families receiving AFDC would be eligible for services under the CCDBG. States would be allowed greater flexibility in the use of CCDBG funds for quality and supply building.

Coordinate Rules Across all Child Care Programs. For all three programs we would require States to ensure seamless coverage for persons who leave welfare for work. The requirement for health and safety standards would be made consistent across these programs and would conform to those standards specified in the Block Grant program. States will be required to establish sliding fee scales. Efforts will be made to facilitate linkages between Head Start and child care funding streams to enhance quality and comprehensive services.

Key issues that must be addressed before a child care strategy is finalized:

- 1. How much new investment in child care is reasonable? There is a need for significant new investments to ensure that both AFDC families and the working poor can access safe and affordable care. We need to assess how much expansion of day care for the working poor is affordable.*
- 2. Should we reduce further, or eliminate, the State match requirements for child care for the working poor under the IV-A entitlements? The welfare reform initiative will put greater demands on States to ensure child care for those entitled under the Family Support Act. Reducing or eliminating the match rate requirements for providing child care support to the working poor would provide a strong incentive for States to fund child care for families moving off welfare or at-risk of entering welfare.*

3. *Should we also propose making the Dependent Care Tax Credit refundable? The credit will not help the lowest income families who still would not have the up-front money to pay for child care; therefore, it should not be considered as a single option for providing support.*

Demonstrations We also propose to create two demonstration programs. One would allow a specified number of States to use IV-A funds to provide comprehensive services to children in IV-A child care programs and linkages to Head Start. The second one would focus on increasing the supply of infant care and enhancing its quality in a variety of settings. The greatest identified shortage of child care is infant care.

ADVANCE PAYMENT OF THE EITC

For the overwhelming majority of people who receive it, the EITC comes in a lump sum at the end of the year. People who are working for low pay or who are considering leaving welfare for work must wait as long as 18 months to see the rewards of their efforts. Many others either fail to submit tax returns or fail to claim the credit on the return.

An essential part of making work pay is distributing the EITC in regular amounts throughout the year. To reduce the danger of overpayments, the credit could be partially paid on an advance basis with the remainder paid as a bonus at the end of the year after filing a tax return. Advance payment fosters positive work incentives because it provides an additional source of periodic and regular income to workers during the year, and it allows individuals to receive the credit as they earn wages, clearly illustrating the direct link between work effort and income. In addition, it provides greater economic freedom to low-income workers who may experience cash-flow problems and who need the EITC on an ongoing basis to improve their standard of living.

Strategies to expand the effectiveness of the EITC include:

- Expanded use of employer-based advance payments, particularly sending W-5 forms and information to all workers who received an EITC in the past year.
- Automatic calculation of EITC by IRS. On the basis of information on individual tax returns, IRS would automatically calculate the EITC amount and refund the payment to the family.
- Joint administration of food stamps and EITC to working families using existing State food stamp administration, utilizing Electronic Benefit Transfer (EBT) technology whenever possible.

OTHER SUPPORT FOR WORKING FAMILIES

One other policy needs to be addressed to adequately encourage work and support the working poor: ensuring that work is always better than welfare. We also suggest demonstrations of innovative ideas.

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Work Should Be Better than Welfare

The combination of the EITC, health reform, and child care will largely ensure that people with fewer than three children can avoid poverty with a full-time full-year worker. But full-time work may not always be feasible, especially for single mothers with very young children or children with special needs. However, in combination with support from the noncustodial parent, the EITC, and other government assistance, earnings from half-time to three-quarters-time work should allow most single-parent families to escape poverty.

Nevertheless, for larger families, welfare in many States may still pay better than work. In addition, in many instances welfare is reduced by one dollar for each dollar of additional earnings resulting in situations where there is no economic gain from accepting part-time work. Some Working Group members believe that families in which someone is working at least half-time ought to always be better off than families who are receiving welfare in which no one is working. If this goal were accepted, there would be ~~three~~ ^{four} options for achieving it:

Option 1: Allow (or require) States to supplement the EITC, food stamps or housing benefits for working families when work pays less than welfare.

States could supplement existing EITC, food stamp or housing benefits. Already some States have their own EITC. In most cases, a modest State EITC would make work better than welfare. Alternatively, States could supplement the food stamp program or housing assistance for working families after they have exhausted transitional assistance.

Option 2: Allow (or require) States to continue to provide some AFDC/cash assistance to working families.

One straightforward way to ensure that part-time work is better than welfare is to allow or require States to continue to provide some cash aid to part-time workers. This could be accomplished by simplifying the existing earnings disregards in the AFDC program, eliminating their time-sensitive nature, and by not counting months towards a time limit if the adults were working at least part time.

Option 3: Use advance child support payments or child support assurance (See the child support enforcement section for more details).

Ensuring that women with child support awards in place get some child support through advance payments or child support assurance could effectively guarantee that even single parents who work at least half time can do better than welfare with a combination of EITC and child support.

Option 4: Allow States to match some portion of the earnings of recipients and place the money in Individual Development Accounts (IDAs) to be used to finance investments such as education, training, or purchases of a car or home.

Demonstrations

In addition, a series of demonstrations could be adopted to test ways to further support low-income working families. We propose the following demonstrations:

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- Worker Support Offices. A separate local office could be set up offering support specifically for working families. At these offices, working families could get access to food stamps, child care, advance EITC, and possibly health insurance subsidies. In addition, employment-related services such as career counseling and assistance with updating resumes and filling out job applications would also be available.
- Temporary Unemployment Support. Demonstrate alternative ways to provide support to low-income families who experience unemployment. Low-paying jobs are often short-lived, and low-income families often do not qualify for Unemployment Insurance (UI). They may come onto welfare when they only need very short term economic aid.
- A restructured AFDC program, as in Utah, to provide temporary economic assistance to families who have lost a job.

Jobs

**PROVIDE ACCESS TO EDUCATION AND TRAINING, IMPOSE TIME LIMITS,
~~TIME-LIMIT CASH ASSISTANCE,~~ AND EXPECT WORK**

A. ENHANCING THE JOBS PROGRAM

1. Immediate Focus on Work and Participation in JOBS
2. Expanding the JOBS Program
3. Integrating JOBS and Mainstream Education and Training Initiatives

B. MAKING WELFARE TRANSITIONAL

C. WORK

1. Administrative Structure of the WORK Program
2. Characteristics of the WORK Assignments
3. Economic Development

Focusing the welfare system on work and helping people become independent and self-sufficient through work are central themes of this entire plan. Realizing this goal demands a major overhaul of the nation's welfare program. A plan to move from a welfare system focused on providing cash assistance and determining eligibility to a work-based system which helps recipients achieve self-sufficiency through access to education, training and jobs is described below.

NEED – AFDC currently provides temporary assistance for many of its recipients, supporting them until they regain their footing. Two out of every three persons who enter the welfare system leave, at least temporarily, within two years. Fewer than one in five remains on welfare for more than five consecutive years.

However, a significant number of recipients do remain on welfare for a prolonged period of time. While long-term recipients represent only a modest percentage of all people who enter the system, they represent a high percentage of those on welfare at any given time. While a significant number of these persons face very serious barriers to employment, including physical disabilities, others are able to work but are not moving in the direction of self-sufficiency. Most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

STRATEGY – Our plan for revamping the welfare system has three elements:

- (1) Enhancing the JOBS program to make it the centerpiece of a welfare system focused on promoting independence and self-sufficiency, not on writing checks and determining eligibility.
- (2) Making welfare transitional so that those who seek assistance get the services they need to become self-sufficient within two years.
- (3) Providing work to those who reach the end of their transitional assistance without finding a job in the private sector despite doing everything required of them.

The goal of the system will be to move as many people to self-sufficiency within two years as possible. Making work pay, dramatically improving child support enforcement, and providing education and job placement services should make this possible for most people.

ENHANCING THE JOBS PROGRAM

Fundamentally changing the way individuals receive assistance from the government requires an equally fundamental change in the program delivering those services. The Family Support Act of 1988 set forth a bold new vision for the social welfare system. AFDC would be a transitional support program, and the focus would shift from providing cash support to helping people move toward independence.

Unfortunately, the current reality is far from that vision. Part of the problem is resources, and another part is a lack of effective coordination among the myriad of programs run by both State and Federal departments of education, labor and human services. But perhaps the greatest challenge of true welfare reform is to bring about a dramatic change in the focus and culture of the welfare bureaucracy. From a system focused on check-writing and eligibility determination, we must create one with a new mandate: to provide the necessary opportunities, support services and incentives to enable individuals to move toward self-sufficiency through work.

Strong Federal leadership in steering the welfare system in this new direction will be critical. To this end, we propose to:

- (1) Focus applicants, from the moment they enter the system, on moving from welfare to work and participating in programs and services to enhance employability.
- (2) Dramatically expand the JOBS program through higher Federal funding, an enhanced match rate, and higher participation standards.
- (3) Improve the coordination of JOBS and other education and training initiatives.

Immediate Focus on Work and Participation in JOBS

Several key changes to the program will communicate the emphasis on moving from welfare to work from the moment people enter the transitional assistance program:

Social Contract. Each applicant for assistance would be required to enter into a "Social Contract" with the State in which the applicant agrees to cooperate in good faith with the State in developing and following a case plan leading to self-sufficiency, and the State agrees to provide the services called for in the case plan. 

Up-front Job Search. At State option, most new applicants would be required to engage in supervised job search from the date of application for benefits.

Employability
Case Plan. Within 90 days of application, each person, in conjunction with their caseworker, would design an individualized case plan. Obtaining employment would be the explicit goal of the case plan, which would specify the services to be provided by the State and the time frame for achieving self-sufficiency.

We recognize that welfare recipients are a very diverse population, not a monolithic group. Participants in the JOBS program do and will continue to have very different levels of work experience, education and skills, and their needs will be met through a variety of programs: job

search, classroom learning, on-the-job training, education and work experience. States and localities would, therefore, have great flexibility in designing the exact mix of services. The time frames required would vary depending on the individual, but would not exceed two years for those who can work. Case plans can also be adjusted in response to changes in the family's situation.

Narrower Exemption Criteria. We recognize that some who seek transitional assistance will, for good reason, be unable to work, such as individuals who are physically disabled or seriously ill or who are caring for a seriously ill relative. The criteria for exemption from the JOBS program would, however, be narrowed. Parents of young children, for example, would be expected to participate. The question of participation requirements for grandparents and other relatives caring for dependent children is under study.

Expanded Definition of "Participation." As soon as their case plan is complete, recipients would be expected to be enrolled in the JOBS program and to take part in the activities called for in their case plan. Enhanced Federal funding would be provided to accommodate this dramatic expansion of the JOBS program. The definition of satisfactory participation in the JOBS program would be broadened, to include ~~substance~~ abuse treatment and possibly other activities such as parenting/life skills classes or domestic violence counselling that are determined to be important preconditions to successfully pursuing employment.

Sanctions. Sanctions for persons who fail to follow their case plan, ~~which would encompass non-~~ participation in JOBS, ~~would be the same~~ as under current law. *community service,* *would face an effective sanction at least as strong*

Expanding the JOBS Program

Increased Funding. This plan envisions a dramatic expansion in the overall level of participation in JOBS, which would clearly require additional funding. States currently receive Federal matching funds for JOBS up to an amount allocated to them under a national capped entitlement. The cap needs to be increased.

Enhanced Match. States are also currently required to spend their own funds to receive Federal matching funds, but the lack of State funds has been a primary barrier to JOBS expansion. States have been suffering under fiscal constraints which were unanticipated at the time the Family Support Act was passed. Most States have been unable to draw down their entire allocation for JOBS because they cannot find the money for the State match. In 1992, actual State spending totalled only 62 percent of the \$1 billion in available Federal funds. Money problems have also limited the number of individuals served under JOBS and, in many cases, limited the services States can offer their JOBS participants. Participation in the JOBS program -- the program designed to move recipients into training and employment -- is around 15 percent of the AFDC caseload nationally. The Federal matching rate would be increased, and a provision could be included to increase it further if a State's unemployment rate exceeds a specified target.

Dramatically Increased Participation. With increased Federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Under current law, 20 percent of the non-exempt caseload will be required to participate in JOBS by fiscal year 1995. Higher participation standards would be phased in and the program would move toward a full-participation

model. As discussed above, participation would be defined more broadly and most exemptions eliminated.

Federal Leadership. The Federal role in the JOBS program would be to provide training and technical assistance to help States make the program changes called for in this plan. Federal funds would help train eligibility workers to become effective caseworkers. Through technical assistance, the Federal government would help promote state-of-the-art practices and evaluations of JOBS programs and assist States in redesigning their intake processes to emphasize employment rather than eligibility. These activities would be funded through a specific set-aside of Federal JOBS funds. Federal oversight of the welfare bureaucracy would change to reflect this new mission as well. Quality control and audits would emphasize performance standards which would measure outcomes such as long-term job placements, rather than process standards.

Integrating JOBS and Mainstream Education and Training Initiatives

The role of the JOBS program is not to create a separate education and training system for welfare recipients, but rather to ensure that they have access to and information about the broad array of existing training and education programs in the mainstream system.

Among the many administration initiatives with which the JOBS program would coordinate are:

- **National Service.** We are working with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of national service as a road to independence.
- **School to Work.** JOBS participants should be taking full advantage of this new initiative, and the programs need to be coordinated to ensure that participation requirements are compatible.
- **One-Stop Shopping.** The Department of Labor would consider making some JOBS offices sites for the one-stop shopping demonstration.

The plan would also pursue ways to ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans, and the Job Corps. In particular, HHS would work with the Department of Labor to improve coordination between State JOBS and JTPA programs. We would also encourage the development of training programs to prepare people to take advantage of the many jobs that would be available in the expanded child care system.

The plan would make it easier for States to integrate other employment and training programs (e.g., Food Stamp Employment and Training Program) with the JOBS program and to implement "one-stop shopping" education and training models. Specifically, we would create a training and education waiver board consisting of the Secretaries of Labor, HHS, Education and other interested departments, with the authority to waive key eligibility rules and procedures for demonstrations of a more coordinated education and training system.

— perhaps under the aegis of the Community Enterprise Board —

MAKING WELFARE TRANSITIONAL

People seeking help from the new transitional assistance system will find that the expectations, opportunities and responsibilities have dramatically changed from those in the present welfare system. The focus of the entire program will be on providing them with the services they need to find employment and achieve self-sufficiency.

Placing a time limit on cash assistance is part of the overall effort to shift the focus of the welfare system from cutting checks to promoting work and self-sufficiency. The time limit gives both recipient and case manager a structure that necessitates continuous movement toward fulfilling the objectives of the case plan, and ultimately obtaining employment.

Two-Year Limit. A recipient able to work would be limited to a cumulative total of two years of transitional assistance. Those unable to find private sector employment after two years of transitional assistance would be required to participate in the WORK program (described below) for further government support. Job search would be required for those in their final 45-90 days of transitional assistance.

Extensions. States would have flexibility to provide extensions in the following circumstances, up to a fixed percentage of the caseload:

- For completion of high school, a GED or other training program expected to lead directly to employment. These extensions would be conditioned on satisfactory progress toward attaining a degree or completing the program.
- For post-secondary education, provided participants were working at least part-time (i.e., in a work/study program).
- For those who are seriously ill, disabled, taking care of a seriously ill or disabled child or relative, or otherwise unable to work.

At State option, months in which a recipient worked an average of 20 hours per week (more at State option) or reported over \$400 in earnings would not be counted against the time limit.

States would be prohibited from imposing time limits on a participant if they fail to provide the services specified in the participant's case plan.

Credits for Additional Assistance. The plan would allow persons who leave welfare for work to earn additional months of cash assistance for months working and/or not on assistance.

WORK

The redesigned welfare system, particularly the enhanced JOBS program, is designed to maximize the number of recipients who leave welfare for employment before reaching the time limit for transitional assistance. There will be people, however, who reach the time limit without having found a job, and we are committed to providing these people with the opportunity to work to support their families.

The goal of the WORK program would be to place participants in unsubsidized private sector employment. States would have the flexibility to employ a wide range of strategies to achieve this end, including temporarily subsidizing private sector jobs and providing public sector employment positions to enable participants to obtain needed experience and training.

Administrative Structure of the WORK Program

Eligibility. Recipients who had reached the time limit for transitional assistance would be permitted to enroll in the WORK program. However, an individual who refuses an offer of full- or part-time unsubsidized private sector employment without good cause would not be eligible for the WORK program for six months and cash benefits would be calculated as if the job had been taken. The sanction would end upon acceptance of a private sector job.

Funding. Federal matching funds for the WORK program would be allocated by a method similar to the JOBS funding mechanism. A State's allocation could be increased if the unemployment rate rose above a target level.

Flexibility. States would have considerable flexibility in operating the WORK program. They would be permitted to, for example:

- Execute performance-based contracts with private firms such as America Works or non-profits to place JOBS graduates.
- Subsidize non-profit or private sector jobs (through, for example, ^{expanded} use of on-the-job training vouchers) ~~and work supplementation~~
- Give employers other financial incentives to hire JOBS graduates.
- Encourage microenterprise and other economic development activities.
- Set up community service projects employing welfare recipients as, for example, health aides in clinics located in underserved communities.

Capacity. Each State would be required to ^{find or} create a minimum number of work assignments, with the number to be based on the level of Federal funding received. If the number of people needing WORK positions exceeded the supply, work assignments, as they became available, would be allocated on a first-come, first-served basis.

Waiting List. Recipients on the waiting list for a WORK position would be expected to find volunteer work in the community at, for example, a child care center or community development corporation, for at least 20 hours per week in order to receive benefits (distinct from wages). States might be required to absorb a greater share of the cost of cash assistance to persons on the waiting list.

Option: Permit States to reduce cash assistance to persons who had spent at least 18 months in the WORK program—above and beyond the two years of transitional assistance—and were on the waiting list for a new WORK position.

Cash assistance to recipients in this category could only be reduced by up to a certain percentage and the combined value of cash assistance, food stamps and housing assistance could not fall below a fixed percentage of the poverty line.

Administration. States and localities would be required to involve the private sector, community organizations and organized labor in the WORK program. For example, joint public/private governing boards or local Private Industry Councils may be given roles overseeing WORK programs.

Type of Work. Most of the jobs, whether private or public sector, are expected to be entry-level, but should nonetheless be substantive work that enhances the participant's employability. Programs would be encouraged to focus their efforts on developing WORK positions in the occupations for which there are large numbers of jobs in the economy, and which have large projected job growth over the next several years.

Anti-Displacement. States would be required to operate their WORK programs such that displacement of public sector workers would be minimized. Anti-displacement language is currently under development.

avoided/prohibited

Job Search. Participants in WORK program positions would be required to engage in job search.

Supportive Services. States would be required to provide child care, transportation and other supportive services if needed to enable participation in the work program.

An important question remains as to whether States should be permitted to place time limits on the length of participation in the WORK program. — INSERT 8

Characteristics of the WORK Assignments

States would be permitted, as part of the WORK program, to provide positions in public sector agencies. These public positions would take the form of work for wages, as opposed to work for benefits (enrollment in a community work experience program, or CWEP).

Wage. Participants would be paid the minimum wage (or higher at State option).

Hours. Each WORK assignment would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (150 hours per month). The required number of hours would be set by the State.

Not Working. Wages would be paid for hours worked. Not working the required hours would result in a corresponding reduction in wages and benefits (i.e., benefits would not rise to offset the drop in WORK program earnings).

Treatment of Wages. Wages from WORK positions would be treated as earned income with respect to Worker's Compensation, FICA and public assistance programs. Earnings from public sector WORK positions would not count as earned income for the purpose of the Earned Income Tax Credit, in order to encourage movement into private sector work.

WORK program positions in the private and not-for-profit sectors would be required to meet the same minimum standards as public positions with respect to hours and wages, but otherwise States would be granted considerable flexibility concerning the form of these WORK assignments.

Under the WORK program as described above, participants would work for wages rather than for benefits. The following is an alternative model for the WORK program.

Option: Permit a State to enroll WORK program participants, either as many as the State chooses or a limited number, in community work experience program (CWEP) positions. These CWEP positions would take the following form:

Benefits. Participants would be required to work in order to continue to receive cash assistance. The check received by the participant would be treated as benefits rather than earnings for any and all purposes.

Hours. The required hours of work for participants would be calculated by dividing the amount of cash assistance by the minimum wage, up to a maximum of 35 hours a week.

Child Support. At State option, the amount of the child support order could be deducted from the benefit for the purpose of calculating hours.

Sanctions. Failure to work the required number of hours would be accompanied by sanctions similar to those for non-participation in the JOBS program--a reduction in cash assistance.

The delinquent non-custodial parent could be required to work all those hours.

Economic Development

Emphasizing movement into private sector employment requires that serious attention be paid to investment and economic development in distressed communities to expand job opportunities and stimulate economic growth. Increasing capital investment can expand the sustainable private employment opportunities for graduates of the JOBS program. Strategies to promote saving and accumulation of assets are also key to helping recipients escape poverty through work.

Community Development. Initiatives that are under consideration to ensure that JOBS graduates are able to take full advantage of the administration's community development initiatives include:

- Providing enhanced funding through the Community Development Bank and Financial Institutions proposal to support the development of projects that create work and self-employment for JOBS graduates.
- Increasing the number of microenterprises by allocating additional funds to SBA's Microloan and other programs for set-asides for JOBS participants.

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- Enhancing HHS job development programs which provide grants to community-based economic development projects to provide work for JOBS graduates.
- Ensuring that JOBS graduates are able to take advantage of the opportunities which would be created through the administration's commitment to enterprise communities and empowerment zones.

Individual Economic Development. We would also propose a number of steps to encourage people receiving transitional assistance to save money and accumulate assets, to enable them to escape poverty in the long run.

- Raising both the asset limit for eligibility for cash assistance and the limit on the value of an automobile. Consideration would be given to exempting, up to a certain amount, savings put aside specifically for education, purchasing a home or starting a business.
- Supporting demonstrations of the concept of Individual Development Accounts, through which participants would receive subsidies to encourage savings for education, training, purchasing a home or starting a business. The IDA demonstration would be linked to participation in the WORK program or taking private sector jobs.

ENFORCE CHILD SUPPORT

A. CHILD SUPPORT ENFORCEMENT

B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

NEED – The typical child born in the U.S. today will spend time in a single-parent home. Yet, the evidence is clear that children benefit from interaction with two supportive parents—single parents cannot be expected to do the entire job of two parents. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children.

In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses suggest that the potential for child support collections exceeds \$47 billion. Yet only \$20 billion in awards are currently in place, and only \$13 billion is actually paid. Thus, we have a potential collection gap of over \$34 billion ^{a year}.

The problem is threefold: First, for many children, a child support order is never established. Roughly 37 percent of the potential collection gap of \$34 billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, fully 42 percent of the potential gap can be traced to awards that were either set low initially or never adjusted as incomes changed. Third, of awards that are established, government fails to collect any child support in the majority of cases, accounting for the remaining 21 percent in the potential collection gap.

STRATEGY – There are two key elements within this section. The first major element involves numerous changes to improve the existing child support enforcement system. For children to obtain more support from their noncustodial parents, paternity establishment must be made more universal and should be completed as soon as possible following the birth of the child. A National Guidelines Commission will be formed to address variability among State levels of awards, and awards will be updated periodically through an administrative process. States must also develop central registries for collections and disbursements which can be coordinated with other States, and enhanced tools will be available for Federal and State enforcement. A major question remains regarding the possibility of providing some minimum level of child support. The second major element is demanding responsibility and enhancing opportunity for noncustodial parents. They should be required to pay child support, and in some cases, offered increased economic opportunities to do so.

CHILD SUPPORT ENFORCEMENT

The options under consideration are listed below:

A Universal and Simplified Paternity Establishment Process

- Require States to immediately seek paternity establishment for as many children born out of wedlock as possible, regardless of the welfare or income status of the mother or father.

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- Establish performance standards with incentive payments and penalties. State performance would be based on all cases where children are born to an unmarried mother.
- Conduct outreach efforts at the State and Federal levels to promote the importance of paternity establishment both as a parental responsibility and a right of the child.
- Provide expanded and simplified voluntary acknowledgment procedures.
- Streamline the process for contested cases.
- Impose clearer, stricter cooperation requirements on parents to provide both the name of the putative father and verifiable information so that the father could be located and served the papers necessary to commence the paternity action. Good cause exceptions would be granted.

The major options in this area relate to the role that government programs should play in encouraging or requiring mothers and fathers to cooperate and in encouraging States to establish paternity:

Option: Provide a bonus of \$50 more per month in AFDC payments to cases where paternity is established (instead of passthrough under current law).

Option: Deny certain government benefits to persons who have not met cooperation requirements. Good cause exceptions would be granted.

Option: Reduce Federal match on benefits paid to States which fail to establish paternity in a reasonable period of time in cases where the mother has cooperated fully.

Appropriate Payment Levels

- Establish a National Guidelines Commission to explore the variation in State guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across States.
- Establish universal and periodic updating of awards for all cases through administrative procedures. Either parent would have the option to ask for an updated award when there is a significant change in circumstance.
- Revise payment and distribution rules designed to strengthen families.

Collection and Enforcement

- Create a central registry and clearinghouse in all States. All States would maintain a central registry and centralized collection and disbursement capability. States would monitor support payments to ensure that child support is being paid and would be able to impose certain enforcement remedies at the State level administratively. A higher Federal match rate would be provided to implement new technologies.
- Create a Federal Child Support Enforcement Clearinghouse. This clearinghouse would provide for enhanced location and enforcement coordination, particularly in interstate cases. Frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance. The IRS role in full collections, tax refund offset, and providing access to IRS income and asset information would be expanded.
- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
- Eliminate most welfare/non-welfare distinctions to achieve broader, more universal provision of services.

- Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
- Enhance administrative power to take many enforcement actions.
- Simplify procedures for interstate collection.
- Create new funding formula and place emphasis on performance-based incentives.
- State incentive payments to be reinvested in the child support program.

Providing Some Minimum Level of Child Support

Even with the provisions above, enforcement of child support is likely to be uneven for some time to come. Some States will be more effective at collecting than others. Moreover, there will be many cases where the noncustodial parent cannot be expected to contribute much because of low pay or unemployment. An important question is whether children in single-parent families should be provided some minimum level of child support even when the State fails to collect it. The problem is especially acute for custodial parents who are not on AFDC and trying to make ends meet with a combination of work and child support. The President has not endorsed Child Support Assurance, and there is considerable division within the Working Group about its merits.

Options under consideration include the following:

Option 1: Advance payment of up to \$50 (or \$100) per child per month in child support owed by the noncustodial parent, even when the money has not yet been collected, to custodial parents not on welfare.

Advance payments could not exceed the amount actually owed by the noncustodial parent. States would have the option of creating work programs so that noncustodial parents could work off the support due if they had no income.

Option 2: A system of Child Support Assurance which insures minimum payments for all custodial parents with awards in place.

Minimum payments might exceed the actual award, with government paying the difference between collections and the minimum assured benefit. States might experiment with tying guaranteed payments to work or participation in a training program by the noncustodial parent. Benefits would be deducted entirely or in part from AFDC payments for those on AFDC.

The national system would be phased in slowly with State participation conditioned on progress and improvements in their child support enforcement system. Cost projections would also have to be met before additional States could be added.

Option 3: State demonstrations only of one or both of above options.

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

Under the present system, the needs and concerns of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter." We ought to encourage noncustodial parents to remain involved in their children's lives—not drive

them further away. The child support system, while getting tougher on those that can pay but refuse to do so, should also be fair to those noncustodial parents who show responsibility toward their children. Some elements described above will help. Better tracking of payments will avoid build-up of arrearages. A simple administrative process will allow for downward modifications of awards when a job is involuntarily lost. But other strategies would also be pursued.

Ultimately expectations of mothers and fathers should be parallel. Whatever is expected of the mother should be expected of the father. And whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents who pay their child support and remain involved. If they can improve their earnings capacity and maintain relationships with their children, they will be a source of both financial and emotional support.

Much needs to be learned, partly because we have focused less attention on this population in the past and partly because we know less about what types of programs would work. Still, a number of steps can be taken. Some possible options include:

- Provide block grants to States for access- and visitation-related programs, including mediation (both voluntary and mandatory), counseling, education, and enforcement.
- Reserve a portion of JOBS program funding for education and training programs for noncustodial parents.
- Make Targeted Jobs Tax Credit (TJTC) available to fathers with children receiving food stamps.
- Experiment with a variety of programs in which men who participate in employment or training activities do not build up arrearages while they participate.
- Conduct significant experimentation with mandatory work programs for noncustodial parents who don't pay child support.
- Make the payment of child support a condition of other government benefits.
- Provide additional incentives for noncustodial parents to pay child support.

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REINVENT GOVERNMENT ASSISTANCE

- A. SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS
- B. PERFORMANCE STANDARDS AND STATE FLEXIBILITY
- C. REDUCING WASTE, FRAUD AND ABUSE

NEED – The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity confuses the mission, frustrates people seeking aid, confuses caseworkers, increases administrative costs and leads to program errors and inefficiencies. In addition, the web of Federal-State-local relations in the administrative system largely focuses on rules rather than results – not getting people into the workforce. ~~of~~ meeting every detailed Federal requirement and calculating checks precisely. If ever there were a government program that is deeply resented by its customers, it is the existing welfare system.

STRATEGY – The lessons of reinventing government apply clearly here. The goal should be to rationalize, consolidate, and simplify the existing social welfare system. Creating a simplified system will be a major challenge. Clearer Federal goals which allow greater State and local flexibility in managing programs are also critical. Finally, a central Federal role in information systems and interstate coordination would prevent waste, fraud and abuse and also improve service delivery at the State and local levels.

SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The simplification of assistance programs at all levels of government has been the "holy grail" of welfare reform--always sought, never realized. The reasons are many: disparate goals of different programs, varied constituencies, departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators and taxpayers are all losers due to the current complexity.

There are two basic options for reform:

Option 1: Simplify and coordinate rules in existing programs.

Considerable improvements could be achieved by modifying existing rules in current programs. Such changes could include the following:

- Reduce Federal program rules and reporting and budgeting requirements to a minimum.
- Simplify and conform income and asset rules in the AFDC and Food Stamp programs.
- Adopt APWA regulatory and legislative proposals, including application, redetermination and reporting streamlining.
- Base eligibility for programs, such as child care for working families, on simplified Food Stamp rules or AFDC-like rules.

- Change housing subsidies to freeze rents for a fixed period of time after the recipient takes a job to enhance the benefits from employment.
- Eliminate the special rules pertaining to two-parent families, such as the 100-hour rule and the quarters-of-work rule.
- Simplify and standardize earnings disregards.
- States would be required to use a standard procedure to determine need standards but would be allowed to decide what fraction of need would be met in their State.

Option 2: Develop a simplified and consolidated eligibility process for the new transitional assistance program. Strive to bring other aid programs into conformity.

This option would solve the problem that AFDC and food stamps currently have different filing units for purposes of establishing eligibility. AFDC is designed to support children "deprived of parental support," so it is focused on single parents, it excludes other adult members in the household, it treats multiple generation households as different units, and it excludes disabled persons receiving SSI from the unit. The Food Stamp program, by contrast, defines a filing unit as all people in the household who share cooking facilities.

This option includes:

- A common, improved set of definitions of the filing unit, asset rules, income definitions, and other rules for food stamps and cash aid. States would continue to set benefit levels for cash assistance.
- States would be required to use a standard procedure to determine need standards but would be allowed to decide what fraction of need would be met in their State.
- Other low-income programs would be encouraged to use the consolidated income and eligibility rules.

PREVENTING WASTE, FRAUD AND ABUSE

Multiple programs, complex regulations, and uncoordinated programs invite waste, fraudulent behavior and simple error. Too often, individuals can present different information to various government agencies to claim maximum benefits with virtually no chance of detection.

The new program of transitional assistance, in and of itself, will go a long way toward preventing waste and fraud. During the period of transitional cash benefits, there will be enhanced tracking of a client's training activities and work opportunities, as well as the electronic exchange of tax, benefit and child support information. Also, the newly expanded EITC largely eliminates current incentives to "work off the books" and disincentives to report all employment. Now, it is advantageous to report every single dollar of earnings.

New, improved technology and automation offer the chance to implement transitional programs which ensure quality service, fiscal accountability and program integrity. For example, Electronic Benefit Transfer (EBT) technology offers the opportunity to provide food stamps, EITC, cash and other benefits through a single card. Program integrity activities need to focus on ensuring overall payment accuracy, detection and prevention of recipient, worker and vendor fraud. Such measures include the following:

- Coordinate more completely the collection and sharing of data among programs, especially wage, tax, child support, and benefit information.
- Re-assess the Federal/State partnership in developing centralized data bases and information systems that improve interstate coordination, eliminate duplicate benefits and permit tracking. At a minimum, information must be shared across States to prevent the circumvention of time limits by recipients relocating to a different State.
- Fully utilize current and emerging technologies to offer better services targeted more efficiently on those eligible at less cost.

PERFORMANCE STANDARDS AND STATE FLEXIBILITY

A reformed welfare system requires clear objectives to aid policy development and performance measures to gauge whether policy intent is being achieved. Performance measures in a transitional program of benefits should reflect the achievement of all program objectives and relate to the primary goal of helping families to become self-sufficient. Standards should be established for a broad range of program activities against which front-line workers, managers and policymakers can assess the efficiency and effectiveness of the program. To the extent possible, results--rather than inputs and processes--should be measured. States and localities must have the flexibility and resources to achieve the programmatic goals that have been set.

- The Federal government should transition from a role which is largely prescriptive to one which establishes customer-driven performance standards in collaboration with States, local agencies, advocacy groups and clients. The exact methods for accomplishing program goals are difficult to prescribe from Washington, given variation in local circumstances, capacities, and philosophies. Therefore, substantial flexibility will be left for localities to decide how to meet these goals, facilitated by enhanced inter-agency waiver authority at the Federal level.
- The Federal government should provide technical assistance to States for achieving these standards which has two aspects: 1) to evaluate program innovations and identify what is working; and 2) to assist in the transfer of effective strategies.

MEMO TO THE EDITORIAL STAFF, HHS

FROM: BRUCE REED
DATE: November 30, 1993
SUBJECT: Edits to Nov. 30/Tuesday 5pm Draft

Here is a list of my major concerns and questions. As I said earlier, I would like to take a little time Wednesday morning to review style and internal coherence in the new draft, but I promise not to make Wendell stay late Wednesday night.

INSERTS
INTRODUCTION

✓ p.1: 1st paragraph, ~~2nd~~^{4th} sentence, should end with: "spent overwhelming on eligibility determination, benefit calculation, and writing checks."

✓ 1st graph, last sentence: "the importance of family and personal responsibility"

① 2nd graph, insert after 3rd sentence: "... the people it serves. Our goal is to move people from welfare to work and bolster their efforts to make productive contributions to the mainstream economy."

✓ 2nd graph, next to last sentence: "receive cash aid forever [not 'indefinitely']"

② 3rd graph, replace with the following: "Ending welfare cannot be done in isolation. The Administration has undertaken many complementary initiatives to spur economic growth, expand opportunity, reward work and family, restore public safety, and rebuild a sense of community: Empowerment Zones, microenterprise, community development banks, National Service, health reform, worker training, family preservation, Head Start, community policing, and more. These initiatives will be important sources of jobs, skills, and family support for people moving from welfare to work."

[The current draft is too broad, too fuzzy, and doesn't get us much. This version is more to the point.]

③ p.3 3rd graph, add 2nd sentence: "...preventing teen pregnancy. Any successful welfare reform plan must send the right signals and be rooted in the basic values that most Americans share."

④ 5th graph, add 2nd sentence: "...once the time limit is reached. No one who can work should stay on welfare forever."

5 6th graph, add 2nd sentence: "...support to their children. People who bring children into this world should take responsibility for them, because governments don't raise children, families do."

We need to add a short section here on **How the Plan Will Work:**

[**Needs to be written]

✓ p. 3 Promote Parental Resp. section, rewrite as follows: "If we are going to **break the cycle of dependency and end welfare as a way of life**, we must start doing everything we can to prevent people from going onto welfare in the first place. **The number of children born out of wedlock has more than doubled over the last 15 years, to 1.1 million annually -- and teen pregnancy is an enduring tragedy.** ...

✓ Next paragraph: "delaying sexual activity and **instilling** responsible parenting."

✓ p. 4 "We must transform" paragraph: Here and elsewhere, "contract" should read "social contract"

✓ Enforce Child Support section, 2nd to last sentence of 1st graph: "It typically excuses the fathers of children born out of wedlock from any obligation to **support their children.**"

6 p. 6 "Finally, we intend to propose a realistic phase-in strategy, **based in large part on the level of resources available. Ideally, time limits and high participation requirements would apply first to people newly entering the system after the legislation is enacted, with the rest of the caseload phased in over time. Some states and communities may choose to start sooner and proceed more aggressively than others.** etc.

PROMOTE PARENTAL RESPONSIBILITY

✓ p. 7 NEED: "In the end, our goal is not only to move people from welfare to work, but to prevent the need for welfare in the first place. We want people not to need us anymore. etc."

"To this end ...": **Get rid of the sentence** "Without hope there is no reason for responsibility." [I'm all for providing hope, but under no circumstances should we be suggesting that there is any excuse for irresponsibility. Millions of people in lousy circumstances behave responsibly.]

7 p. 8 ^{"... requirement for all States.} ~~"This proposal would"~~ graph. ~~Replace the last 3 sentences with, "...their own households.~~ We believe that having a child of their own doesn't change the fact that minor mothers are still themselves children, and in no shape to set up house or raise a child on their own."

✓ p. 9 Family cap paragraph: ~~DELETE the first sentence, "For families not on-welfare,~~

your changes are better.

government ..." (This sentence suggests a moral equivalence between benefits earned through work -- the EITC and the standard deduction -- and welfare benefits. Discussion of the EITC and the standard deduction doesn't belong here, and it's politically insane to imply this connection.)

In the same paragraph, add a sentence after "Families on welfare typically...": "Many states would like to limit these increases. The message of responsibility..."
[I assume you're talking about disregards and passthroughs?]

"We propose to conduct": Replace this paragraph with the following sentence: "We propose that the President lead a national campaign against teen pregnancy, which involves the media, community organizations, churches, and others in a national discussion on this pressing concern." [This is the option we started with, and the only way this option has a chance of going anywhere. ~~The version we currently written sounds like gobbledeyook, and nobody likes or understands it.~~]

p. 10 "This proposal also challenges": [This idea goes on way too long. I would suggest the following:] Keep the first sentence, then "We recommend working with ^{UHS and} the Corporation on National and Community Service to extend a wide variety of successful, prevention-oriented volunteer programs for at-risk children to the neighborhood and community level: Big-brother and big-sister programs, mentoring, and so on." Then drop the rest of that graph and the entire next graph ("We further propose...")

[I'LL RESERVE COMMENT ON MAKE WORK PAY, CHILD SUPPORT, AND REINVENTING GOVT.]

WORK ETC.

p. 16 David's new title is really cumbersome. At the very least, I would change it to read: "Provide Access to Education and Training, **Impose Time Limits**, and Expect Work." (Remember what Celinda told us -- people really like the idea of setting limits. "Time-limiting cash assistance" makes it sound like you get cash for awhile, and then we'll put you on some other kind of public assistance. That's not what we're about.)

p. 17 Social Contract: "Each applicant for assistance would be required to enter into a **Social Contract** [capital letters, no quotation marks] -- an agreement of mutual responsibility - with the State in which etc."

Case Plan: Do a global search-and-replace to change "case plan" into "employment plan" or "employability plan". (Case plan is a clinical and demeaning term.)

p. 18 More Limited Exemptions: "There would be fewer exemptions in the expanded JOBS program than under current law, and in particular..."

✓ Expanded Definition: "... a wider range of activities such as **community service**, substance abuse...

✓ Sanctions: **We glossed over this provision too quickly -- I want to revisit the question. I think we should say 'Persons who fail to follow their employment plan will face an effective sanction. Current law says X. The APWA has suggested the possibility of a 25% sanction in AFDC and Food Stamps.'** (I think this is an important issue, and I don't want this document to imply there's broad agreement when there may not be.)

✓ p. 19 Waivers (last graph): We need to say that this new training and education waiver board is **'perhaps under the aegis of the Community Enterprise Board'**. If we propose our own separate waiver board, the Vice President will clobber us.

✓ p. 20 Extensions: I thought we were going to say **"for those making satisfactory progress toward completion of high school..."**

✓ p. 21 Flexibility: **"Subsidize non-profit or private sector jobs (through, for example, expanded use of OJT vouchers and work supplementation).**

✓ p. 22 Anti-displacement: **"Minimized"** sounds too weak; **"avoided"** might be better, or: **"States would be required to operate their WORK program without displacing public sector employees."**

✓ p. 23 Child support (under CWEP): Add sentence that says **"The delinquent non-custodial parent would/could be required to work off those hours."**

⑧ "An important question remains as to whether States should be permitted to place time limits on the overall length of participation in the WORK program -- for example, should a state be allowed to reduce benefits for someone who has been on welfare for a total of 5 years (3 years in the WORK program) and who is able to work, but still has not found a private sector job. "

[Related question -- is this issue totally separate from the 18-month limit on a work slot?]

11.30.93

DRAFT PROPOSAL OUTLINE

HIGHLIGHTS

This is a plan which fulfills the President's pledge to end welfare as we know it, by reinforcing traditional values of work, family, opportunity and responsibility. Key features include:

- *Prevention.* A prevention strategy designed to reduce welfare and poverty by reducing teen pregnancy, promoting responsible parenting, and encouraging and supporting two-parent families.
- *Support for Working Families with the EITC, Health Reform and Child Care.* Advance payment of the EITC and health reform to ensure working families are not poor or medically insecure. Child care both for the working poor and for families in work, education, or training as part of public assistance.
- *Promoting Self-Sufficiency Through JOBS.* Making the JOBS program from the Family Support Act the core of cash assistance. Changing the culture of the welfare offices from one of enforcing seemingly endless eligibility and payment rules to one focused on helping people achieve self-support. Involving able-bodied recipient in the education, training, and employment activities they need to move toward independence. Greater funding and reduced State match.
- *Time-limits and Jobs.* Converting cash assistance to a system with two-year time limits for those able to work. People still unable to find work after two years would be supported via non-displacing community service jobs--not welfare.
- *Child Support.* Dramatic improvements in the child support enforcement system designed to significantly reduce the \$34-billion annual child support collection gap, ensure that children can count on support from both parents, and reduce public benefit costs.
- *Noncustodial Parents.* Steps to increase economic opportunities for needy noncustodial parents expected to pay child support and to help them become more involved in parenting their children.
- *Simplifying Public Assistance.* Significant simplification and coordination of public assistance programs.
- *Increased State Flexibility Within a Clearer Federal Framework.* Increasing flexibility over key policy and implementation issues, providing the opportunity for States to adjust to local needs and conditions within more clearly defined Federal objectives.
- *Deficit Neutral Funding.* Gradual phase-in of the plan, fully funded by offsets and savings.

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INTRODUCTION

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

It ought to be the basis of our social policy.

Americans share powerful values regarding work and responsibility. We believe work is central to the strength, independence, and pride of American families. Yet our current welfare system seems at odds with these core values. People who go to work are often worse off than those on welfare. Instead of giving people access to education, training, and employment skills, the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination and benefit calculation. The very culture of welfare offices often seems to create an expectation of dependence rather than independence. Simultaneously, noncustodial parents provide little or no economic or social support to the children they parented. And single-parent families sometimes get welfare benefits and other services that are unavailable to equally poor two-parent families. One wonders what messages this system sends to our children about the value of hard work and the importance of family responsibility.

writing checks

and personal

are you to make people from a to be make people members of mainstream economy.

This plan calls for a genuine end to welfare as we know it. It builds from these simple values of work and responsibility. It reshapes the expectations of government and the people it serves. One focus is on making work pay--by ensuring that people who play by the rules get access to the child care, health insurance, and tax credits they need to adequately support their families. The plan also seeks to give people access to the skills they need to work in an increasingly competitive labor market. But in return it expects responsibility. Non-custodial parents must support their children. Those on cash assistance cannot collect welfare indefinitely. Families sometimes need temporary cash support while they struggle past personal tragedy, economic dislocation, or individual disadvantage. But no one who can work should receive cash aid indefinitely. After a time-limited transitional support period, work--not welfare--must be the way in which families support their children.

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Ending welfare cannot be done in isolation.

The Admin has undertaken many complementary initiatives to spur economic growth, expand job opportunities, improve public safety, and rebuild a sense of community.

These reforms ought to be seen in context. The poverty of America's children is among the highest in the developed world. The social and economic forces that drive this poverty run far deeper than the welfare system. And the solutions must include reforms of pre-school, primary, secondary and post-secondary education programs. The country must regain the powerful productivity growth of the past. More effective economic development in low-income areas is essential. We must find a way to reduce violence and drug use. We must try to keep families together, and we must ensure health security for all Americans. Ultimately, we must restore community. And thus, the administration has embarked on a series of closely-linked initiatives from expansions in Head Start to National Service, from worker retraining to Empowerment Zones, from comprehensive anti-crime legislation to drug treatment, from family preservation and support legislation to health reform. Welfare reform is a piece of a much larger whole. It is an essential piece.

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How it works

FROM WELFARE TO WORK

The vision of welfare reform is simple: to refocus the entire system of economic support from welfare to work. Changing a system which has for decades been focused on calculating eligibility and welfare payments will be tall challenge. Still, we have already made an important beginning. The

These initiatives will be in sources of jobs, education, and family support for people moving from welfare

How THE PLAN WILL WORK

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Family Support Act of 1988 serves as a blueprint for the future—a foundation on which to build. It charted a course of mutual and reciprocal responsibility for government and recipient alike.

This plan has five basic parts:

Our plan must be rooted in the basic values that Americans share.

- 1. Prevent the need for welfare in the first place by promoting parental responsibility and preventing teen pregnancy. *To break the cycle of dependency, we need to start sending the right signals.*
- 2. Reward people who go to work by making work pay. Working families should not be poor, and they ought to have the child care and health insurance they need to provide basic security through work.
- 3. Promote work and self-support by providing access to education and training, making cash assistance a transitional, time-limited program, and expecting adults to work once the time limit is reached. *No one who can work should stay on W forever*
- 4. Strengthen child support enforcement so that noncustodial parents provide support to their children. *People who bring children into this world...*
- 5. Reinvent government assistance to reduce administrative bureaucracy, combat fraud and abuse and give greater State flexibility within a system which has a clear focus on work.

Promote Parental Responsibility and Prevent Teen Pregnancy

If we are going to end long-term welfare use, we must start doing everything we can to prevent people from going onto welfare in the first place. Teen pregnancy is an enduring tragedy. And the number of children born out of wedlock has grown dramatically. We are approaching the point when one out of every three babies in American will be born to an unwed mother. The poverty rate in families headed by an unmarried mother is 67 percent.

* See 1st document

We must find ways to send the signal that men and women should not become parents until they are able to nurture and support their children. We need a prevention strategy built around clear signals about delaying sexual activity and responsible parenting. We must redouble our efforts to reduce teen pregnancy. Families and communities must work to ensure that real opportunities are available for young people and teach them that children who have children face a dead end. We need to offer the same support to two-parent families as single-parent families. Men and women who parent children must know they have responsibilities.

Make Work Pay

Work is at the heart of the entire reform effort. That requires supporting working families, and ensuring that a recipient is economically better off from taking a job. There are three critical elements: providing tax credits for the working poor, ensuring access to health insurance, and making child care available.

We have already expanded the Earned Income Tax Credit (EITC) which was effectively a pay raise for the working poor. (The current EITC makes a \$4.25 per hour job pay the equivalent of \$6.00

per hour for a family with two children). Now, we must also simplify advance payment of the EITC so that people can receive it periodically during the year, rather than as a lump sum at tax time.

We should guarantee health security to all Americans with health reform. Part of the desperate need for health reform is that non-working poor families on welfare often have better coverage than working families.

With tax credits and health reform, the final critical element of making work pay is child care. We seek to ensure that poor working families have access to the quality child care they need. And we cannot ask single mothers to participate in training or to go to work unless they have care for their children.

Provide Access to Education and Training, Time-Limit Cash Support, and Expect Work

The Family Support Act provided a new vision of mutual responsibility and work: government has a responsibility to provide access to the education and training that people needed; recipients are expected to take advantage of these opportunities and move into work. The legislation created the JOBS program to move people from welfare to work. Unfortunately, one of the clearest lessons of the site visits and hearings held by the Working Group is that this vision is largely unrealized at the local level. The current JOBS program serves only a fraction of the caseload. The primary function of the current welfare offices is still meeting administrative rules about eligibility and determining welfare benefits and writing checks.

We must transform the culture of the welfare bureaucracy. We don't need a welfare program built around income maintenance; we need a program built around work. People should be expected to take steps to help themselves from their first day on welfare. We'll ask them to sign a contract that spells out their obligations and what the government will do in return. This will require increased participation requirements and additional JOBS resources to meet the needs of the expanded JOBS population for education and training services. *social*

No system which hopes to encourage work and responsibility can allow people who are able to work to collect welfare forever. After two years, those who can work will be expected to work in the private sector or community service. This plan includes a concerted effort to expand private and public investment and increase work opportunities.

The system must be sensitive to those who for good reason cannot work—for example, a parent who needs to take care of a disabled child. But at the same time, we should not exclude anyone from the opportunity for advancement. Everyone has something to contribute.

Enforce Child Support

Our current system of child support enforcement is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and noncustodial parents. It lets many noncustodial parents off the hook, while frustrating those who do pay. It seems neither to offer security for children, nor to focus on the difficult problems faced by custodial and noncustodial parents alike. It typically excuses the fathers of children born out of wedlock from any obligation and offers no support for their children. *to* And the biggest indictment of all is that only a fraction of what could be collected is actually paid.

Our plan strongly conveys the message that both parents are responsible for supporting their children. Government can assist parents but cannot be a substitute for them in meeting those responsibilities. One parent should not be expected to do the work of two. Through universal paternity establishment and improved child support enforcement, we send an unambiguous signal that both parents share the responsibility of supporting their children. We explore strategies for ensuring that single parents can count on regular child support payments. And we also incorporate policies that acknowledge the struggles of noncustodial parents and the desires of many to help support and nurture their children. Opportunity and responsibility ought to apply to both mothers and fathers.

Reinvent Government Assistance

At the core of this plan is our commitment to reinventing government. A major problem with the current welfare system is its enormous complexity. It consists of multiple programs with different rules and requirements that confuse and frustrate recipients and caseworkers alike. It is an unnecessarily inefficient system. This plan would simplify and streamline rules and requirements across programs.

Waste, fraud and abuse are encouraged by a system where tax and income support systems are poorly coordinated, where cases are not tracked over time and across geographic locations. Technology now allows us to create a Federal clearinghouse to ensure that people are not collecting benefits in multiple programs or locations when they are not entitled to do so. Such a clearinghouse will also allow clearer coordination of the child support enforcement and welfare systems and determination of where recipients seem to stay on welfare for a long period and where they move off more quickly.

Ultimately, the real work of encouraging work and responsibility will happen at the State and local levels. Thus, the plan is designed to be clearer about the broad goals while giving more flexibility over implementation to States. Basic performance measures regarding work and long-term movements off of welfare will be combined with broad participation standards. States will then be expected to design programs which work well for their situation.

A NEW BEGINNING

Transforming the social welfare system to one focused on work and responsibility will not be easy. There will be setbacks. We must guard against unrealistic expectations. A welfare system which evolved over 50 years will not be transformed overnight. We must admit that we do not have all the answers. But we must not be deterred from making the bold and decisive actions needed to create a system that reinforces basic values.

Four features of the plan are designed to ensure that this bold plan is only the beginning of an even larger and longer process:

First, we see a major role for evaluation, technical assistance, and information sharing. As one State or locality finds strategies that work, the lessons ought to be widely known and offered to others. One of the critical elements to this reform effort has been the lessons of the careful evaluations done of earlier programs.

Second, a critical element of the plan is the development of key demonstrations in each of the plan's five areas. In each case we propose both a set of policies for immediate implementation which are drawn from current knowledge and ideas, and a set of demonstrations designed to explore ideas for still bolder innovation in the future. These demonstrations are not afterthoughts or political give-aways. They are integral to our thinking about an evolving system.

Third, a modified and simplified waiver process which would allow States to design their own demonstrations without necessarily requiring that the innovation be cost neutral. State demonstrations have been a critical source of information in our deliberations.

Finally, we intend to propose a realistic phase-in strategy. ^{cost} The exact phase-in method ^{most likely,} is yet to be determined, but one might expect time limits and high participation requirements to apply first to people newly entering the system after the legislation is enacted. Or some States or local communities may wish to start sooner than others. While the program is being phased in, key assumptions can be tested--how many people will actually hit a time limit? What is the best way to link people with private sector jobs? Do savings in welfare offset costs of child care and training?

In the end, this plan embodies a vision which was contained in the Family Support Act. It represents the next major step. But the journey will not end until work and responsibility enable us to preserve our children's future.

We turn now to the specifics of the plan.

Combine

waiver, phase
into the principles
of this plan

COST

PROMOTE PARENTAL RESPONSIBILITY
AND PREVENT TEEN PREGNANCY

- A. CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS
- B. SENDING A CLEAR MESSAGE OF RESPONSIBILITY
- C. BALANCING RESPONSIBILITY WITH OPPORTUNITY
- D. PROMOTING RESPONSIBLE FAMILY PLANNING

NEED — Although the main focus of welfare reform is to substitute jobs for welfare checks, it would be even better if we could prevent the need for welfare in the first place. This necessarily requires going beyond the welfare system to include every sector of our society.

Poverty, especially long-term poverty, and welfare dependency are often associated with growing up in a one-parent family. Although most single parents do a heroic job of raising their children, the fact remains that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready to assume the responsibility of raising children, ideally in a stable two-parent family. Not only would this reduce welfare dependency, it would be the single greatest contribution we could make to the well-being of the next generation.

If this is the vision, the reality is quite different. The majority of children born today will spend some time in a single parent family. If current trends continue, over 20 percent of them will be on welfare as well. Teenage birth rates have been rising since 1986 because the trend toward earlier and earlier sexual activity has exposed more young women to the risk of pregnancy. Teenage childbearing is strongly associated with school drop out, which results in the failure to acquire skills that are needed for success in the labor market, and this leads to welfare dependency. The majority of teen mothers end up on welfare, and taxpayers paid about \$29 billion in 1991 to assist families begun by a teenager.

STRATEGY — It is time to instill a new ethic of parental responsibility. No one should bring a child into the world until they are prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it.

To this end we propose a four-part strategy. First, we suggest a number of changes to the welfare system itself to promote two-parent families and to encourage parental responsibility. Some of these options are quite controversial, but we note that they are already being adopted by a number of states. Second, we seek to send a clear message of parental responsibility and to engage other leaders and institutions, including the media in sending a similar message. Government has a role to play but the massive changes in sexual mores and family life that have occurred over the past few decades cannot be dealt with by government alone. Third, we realize that it is important to infuse the message of responsibility with a message of opportunity. We must break the cycle of poverty and provide a more hopeful future in low-income communities. ~~Without hope there is no reason for responsibility~~ In addition to the large number of existing Administration initiatives from investing in Head Start to doubling the size of the Job Corps or concentrating resources to implement Empowerment Zones we

propose a number of approaches which would undergird responsibility with the capacity to achieve it. Finally, we need to promote responsible family planning.

CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS

This proposal emphasizes the responsibility of both parents to support their children. Universal establishment of paternity is proposed, as are required participation by AFDC mothers in activities intended to increase their employment and earnings and time-limits on eligibility for cash welfare, after which parents must work. In addition, we need to change the welfare system to encourage responsible parenting and support two parent families.

- P/E

The current bias in the welfare system in which two-parent families are subject to much more stringent eligibility rules than single-parent families would be eliminated. Under current law, two-parent families in which neither parent is incapacitated are ineligible if the primary wage earner works more than 100 hours per month, or if neither parent has been employed in six of the previous thirteen quarters. In addition, some states are given the option to provide only six months of benefits per year to two-parent families, whereas single-parent families must be provided benefits continuously. These disparities would be eliminated.

How much?

Currently, states have the option of requiring minor mothers to reside in their parents' households, with certain exceptions--for example, if the minor parent is married or if there is a danger of abuse to the minor parent. Only six states have taken advantage of this option. The proposal would require that minor parents live in a household with a responsible adult, preferably a parent (with certain exceptions--for example, if the minor parent is married or if there is a danger of abuse to the minor parent) and parental support might be included in calculation of AFDC eligibility.

Recomm.

By definition, minor parents are children. Generally, we believe that children should be subject to adult supervision. However, current AFDC rules permit minor mothers to be "adult caretakers" of their own children. Research has shown that the level of AFDC benefits influence the likelihood that minor mothers will establish their own households.

Option: Allow states the option to limit benefit increases when additional children are conceived by parents already on AFDC.

For families not on welfare, government helps offset the costs of the arrival of an additional child by increasing the amount of income exempt from income taxes, or, if it is the family's second child, by increasing the EITC. Families on welfare typically receive additional support when their AFDC benefits increase automatically to include the needs of an additional child, and when their food stamp benefits increase as well. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase.

Link to family planning

pus

~~Option:~~ Support demonstrations which condition a portion of the AFDC benefit and a possible bonus on actions by parents and dependent children to achieve self-sufficiency. Provide comprehensive case management to help achieve this objective.

challenge grants

Currently, a number of states are demonstrating policies that require AFDC parents to (immunize their children or to) assure their attendance in school and provide sanctions and/or bonuses based on behavior. A more systematic and controlled effort to demonstrate the effects of policies such as these could be undertaken by the federal government. These demonstrations would include comprehensive case management that focuses on all family members, assisting them to access all services necessary in meeting their obligations. The case management services could expand beyond the individual to take a more holistic approach to family needs in striving to prevent intergenerational dependency as well as assisting current recipients to get off welfare.

~~Option:~~ Allow States to utilize older welfare mothers to counsel at-risk teenagers as part of their community service assignment.

Counselling of at-risk teenagers by welfare recipients who were once teen mothers themselves could be especially effective because of their credibility and the relevance of their personal experience. One recent focus-group study of young mothers on welfare found that virtually all of the parents believed it would have been better to postpone the birth of their first child. Peer counselling training and experience might be offered to the most promising candidates currently on AFDC.

SENDING A CLEAR MESSAGE OF RESPONSIBILITY

While it is important to get the message of the welfare system right, these changes by themselves are insufficient as a prevention strategy. For the most part, the disturbing social trends that lead to welfare dependency are not caused by the welfare system. Communities and other governmental and non-governmental institutions must be engaged if the trends contributing to dependency are to be substantially revised. One aspect of this strategy is the messages that are conveyed by opinion makers.

• NAT
CAMPAIGN
AGAINST
TEEN
PREGNANCY

~~Option:~~ Conduct a national campaign on responsible decision-making, enlisting the media and other groups whenever possible.

The White House would use the bully pulpit and organize efforts to increase messages of responsible decision-making in the areas of staying in school, avoiding substance abuse, and engaging in responsible sexual behavior. Focus group interviews suggest that such messages would be very well-received by almost all social and economic groups and that, as in the case of cigarette smoking, over time they would have an effect.

Recom?

~~Option:~~ Promote a national discussion of the role of television in the socialization of children, particularly its effects on sexual attitudes and behaviors.

why option?

A national discussion would respond to public concerns on these issues, set an agenda for development of a knowledge base, and debate the role of government. Public opinion on this

subject is strong; however, what little we really know about the effect of television on the development of character and behavior in children is mostly limited to their responses to commercial advertisements and televised violence.

BALANCING RESPONSIBILITY WITH OPPORTUNITY

Many Administration initiatives are intended to increase opportunity for children and youth, including Head Start increases, implementation of family preservation and support legislation, a major overhaul of Chapter 1, School-to-Work and an expansion of the Job Corps. In addition to these building blocks, a number of options could be adopted to focus more on children and youth especially at-risk.

Option: Stimulate neighborhood-based innovations through challenge grants to local communities.

DEMO

The purpose of these competitive grants is to provide comprehensive services to youth in high-risk neighborhoods. Neighborhood effects on poverty are well documented. Comprehensive neighborhood-approaches can help change the environment of at-risk youth as well as provide more direct support services to these youth.

Coordinating existing services and programs will provide greater support for at-risk youth, as well as make the best use of federal funds. Communities receiving grants would be expected to bring together a consortium of community organizations, businesses, colleges, religious organizations and schools.

Option: Challenge all Americans, but especially the most fortunate, to work one-on-one with at-risk children, adults, and neighborhoods.

A wide variety of prevention-oriented programs employing volunteers rather than government employees exists already on the local level and many have been very successful. Volunteer programs dealing directly with at-risk children on a one-to-one basis (e.g. Big-brother and big-sister programs) could be promoted under a unifying prevention theme of "reaching one child." Similarly, mentoring for adults at risk of welfare dependency could be promoted under the theme of "reaching one 'parent,' or 'family.'" This approach could be extended to the neighborhood level ("reaching one neighborhood") by encouraging voluntary social institutions, scouts, little leagues, and church groups from more advantaged neighborhoods to work with their counterparts in a disadvantaged neighborhood. Reduced social isolation, enhanced self-confidence and exposure to a broader network of opportunities and resources for the most disadvantaged would be a common theme.

NAC.
SERVING
RECOMM.

The White House could provide a national platform for communicating the theme of reaching one child, through statements and recognition events. In addition, the federal government, through the Corporation on National and Community Service, with input from HHS, would develop a research agenda and clearinghouse of research and best-practices, so that successful innovation in recruiting and training volunteers and reaching the disadvantaged could be documented and replicated.

3205

DEMO

Option: Conduct demonstrations to hold schools accountable for early identification of students with attendance and behavioral problems and for referral to and cooperation with comprehensive service programs addressing the family as a unit.

Early indications of high risk for teenage childbearing and other risk behaviors include school absence, academic failure, and school behavioral problems. The option would demonstrate the effects of providing middle and high schools with the resources and responsibility to identify early warning signs and make referrals to comprehensive service providers. Schools would be responsible for appropriate follow-up to ensure that appropriate education or training opportunities are available to these youth.

PROMOTING RESPONSIBLE FAMILY PLANNING

About 35 percent of all births result from unintended pregnancies, and the number is much higher for teen parents. Title X family planning obligations for 1992 were \$150 million, or about 60 percent of the 1981 level, in constant dollars. This proposal strives to ensure that every potential parent is given the opportunity to avoid unintended births through responsible family planning.

Option: [Promote sexuality education and school-based or school-linked family planning services for youth.] Improve availability and accessibility of family planning services to all adolescent and adult AFDC recipients, and other low-income individuals, who request them.

DEMO 5
SOME LOCAL
OPTION

The President's health care reform proposal includes support for comprehensive school health education (including sexuality education) and school-related health services (including family planning services) as an important element in its prevention orientation. This option proposes that sexuality education and family planning services for both male and female teenagers in high-risk situations receive priority in implementation of health care reform. Also, AFDC mothers overwhelmingly state that they do not want to bear more children until they can provide for them, and that having a child as an unmarried teenager would be one of the worst things a daughter of theirs could do. This option would improve the knowledge and access to appropriate family planning services are available for these recipients, and to other low-income individuals.

MAKE WORK PAY

- A. CHILD CARE FOR WORKING FAMILIES
- B. OTHER SUPPORT FOR WORKING FAMILIES
 - 1. Advance Payment of the EITC
 - 2. Work Should Be Better than Welfare
 - 3. Demonstrations

NEED -- Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people receiving assistance who want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents saving for the future with a meager limit on assets. Moreover, working poor families are often without adequate medical protection and face sizable day care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules, and to reduce both poverty and welfare use, then work must pay.

STRATEGY -- Three of the major elements that make work pay are: working family tax credits, health reform, and child care. The President has already launched the first two of these. A dramatic expansion of the Earned Income Tax Credit (EITC) was enacted in the last budget legislation. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. The EITC expansion is a giant step toward ensuring that a family of four with a full-time worker will no longer be poor. However, we still must find better ways to deliver the EITC on a timely basis throughout the year. Ensuring that all Americans can count on health insurance coverage is essential, and we expect the Health Security Act will be passed next year.

With the EITC and health reform in place, another major missing element necessary to ensure that work really does pay is child care.

CHILD CARE FOR WORKING FAMILIES

Child care is critical to the success of welfare reform. It is important to provide child care support for both those on AFDC cash assistance to allow them to participate in training and employment activities and for those who have left AFDC or are at-risk of coming on AFDC to allow them to work and avoid poverty. We also need additional resources to expand supply and to improve quality.

The welfare reform proposal should have the following goals related to child care:

- To increase funding so that low-income working families have access to the care they need.

- To ensure children safe and healthy environments that promote child development.
- To create a more consolidated and simplified child care system.

no
bullets

The Federal Government currently subsidizes child care through a number of different programs. Each of the programs has different eligibility rules and regulations, making for an extremely complicated system that is hard for both providers and recipients to navigate. While these multiple programs provide valuable resources needed for child care, more will be needed to ensure that parents can become and remain self-sufficient. For low-income families, programs include:

- An entitlement to child care for AFDC recipients (title IV-A).
- An entitlement for transitional child care (TCC) for people who have left welfare for work in the past year.
- A third entitlement (capped at \$300 million) for those the State determines to be at-risk of AFDC receipt (At-Risk).
- The Child Care and Development Block Grant (CCDBG).

no
bullets

Middle- and upper-income people benefit from the dependent care tax credit and child care deductions using flexible spending accounts. Because the dependent care tax credit is now refundable and because it is paid at the end of the year and is based on money already spent on child care, it is not now helpful to low-income families.

OPTIONS

There are two options presented below. No matter which option for child care is selected, the requirement for health and safety standards would be made consistent across programs and would conform to those standards specified in the CCDBG program. Governors would have the option of assigning administrative responsibility for the IV-A and CCDBG programs to any state agency. States will be required to establish sliding fee scales.

Also, under both options, CCDBG will be maintained and gradually increased above the current level of funding. States would have considerable flexibility in using this grant program for both services and supply investments with a requirement that they spend at least 25 percent for quality and supply enhancement. No families receiving AFDC would be eligible for this program. There would be a small set-aside for projects of national significance focused on increasing supply and quality.

Efforts will be made to facilitate linkages between Head Start and child care funding streams to enhance quality and comprehensive services.

The options for providing child care are:

Option 1: Maintain entitlement program for AFDC recipients and create one consolidated, uncapped entitlement program for the working poor.

Capped or uncapped?

Maintain IV-A Child Care. The existing entitlement of child care (IV-A) for persons on AFDC would remain largely unchanged to ensure that recipients getting education, training, or in work slots have access to child care.

Consolidate and expand At-Risk Program. The other existing entitlements--TCC and At-Risk--would be folded into an expanded, uncapped program for at-risk working families. Key provisions would include:

- Allow families with income low enough to be eligible for food stamps to be deemed at-risk and qualify. This implies that families with income below 130 percent of the poverty level would be served.
- Require States to ensure seamless coverage for persons who leave welfare for work.
- Expect States to share in the cost, with a match rate equal to the new reduced JOBS match rate (discussed elsewhere in this paper). States could count as match funds other non-federal monies spent on child care to low-income families.

Option 2: Consolidate open-ended entitlements and expand At-Risk as a capped entitlement.

Consolidate IV-A Child Care and TCC. The two programs would remain largely unchanged, though somewhat simplified, to ensure that recipients getting education, training, or in work slots and former recipients during their first year have access to child care.

Maintain and expand At-Risk Program. The At-Risk Program would:

- Continue to be capped, but with a significant increase in funding. There would be no match required to provide an incentive for States to use the funding.
- Serve low-income families and make eligibility consistent with the CCDBG, e.i., States cannot serve AFDC recipients and TCC-eligible families in this program.

A question remains regarding the placement of TCC, given the overall changes that are planned for transitional assistance.

As an additional strategy which could be combined with any other option is to make dependent care tax credit refundable.

OTHER SUPPORT FOR WORKING FAMILIES

Two other policies need to be addressed to adequately encourage work and support the working poor: advance payment of the EITC, and ensuring that work is always better than welfare. We also suggest demonstrations of innovative ideas.

Advance Payment of the EITC

For the overwhelming majority of people who receive it, the EITC comes in a lump sum at the end of the year. People who are working for low pay or who are considering leaving welfare for work must wait as long as 18 months to see the rewards of their efforts. Others either fail to submit tax returns or fail to claim the credit on the return. Strategies to expand the effectiveness of the EITC include:

- Adopt Treasury's ideas for expanded use of employer-based advance payments, the most important of which is to send W-5 forms and information to all workers who received an EITC in the past year.
- Automatic calculation of EITC by IRS
- Joint administration of food stamps and EITC to working families using existing State food stamp administration, utilizing EBT technology whenever possible.

Work Should Be Better than Welfare

The combination of the EITC, health reform, and child care will largely ensure that people with fewer than three children can avoid poverty with a full-time full-year worker. But full-time work may not always be feasible, especially for single mothers with very young or troubled children. However, in combination with support from the noncustodial parent, the EITC, and other government assistance, earnings from half-time to three-quarters-time work should allow most single-parent families to escape poverty.

Nevertheless, for larger families, welfare in many States may still pay better than work. In addition, in many instances welfare is reduced by one dollar for each dollar of additional earnings resulting in situations where there is no economic gain from accepting part-time work. Some Working Group members believe that families in which someone is working at least half-time ought to always be significantly better off than families who are receiving welfare in which no one is working. If this goal were accepted, there would be three options for achieving it:

Option 1: Allow (or require) States to supplement the EITC or food stamps for working families when work pays less than welfare.

States could supplement existing EITC, food stamp or housing benefits. Already some States have their own EITC. In most cases, a modest State EITC would make work better than welfare. In calculating means-tested benefits, the State EITC should be treated identically to the Federal EITC. Alternatively, States could supplement the food stamp program or housing assistance for working families after they have exhausted transitional assistance.

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Option 2: Allow (or require) States to continue to provide some AFDC/cash assistance to working families.

One straightforward way to ensure that part-time work is better than welfare is to allow or require States to continue to provide some cash aid to part-time workers. This could be accomplished by simplifying the existing earnings disregards in the AFDC program, eliminating their time-sensitive nature, and by not counting months towards a time limit if the adults were working at least part time.

Option 3: Use advance child support payments or child support assurance (See the child support enforcement section for more details).

Ensuring that women with child support awards in place get some child support through advance payments or child support assurance could effectively guarantee that even single parents who work at least half time can do better than welfare with a combination of EITC and child support.

*Option 4:
IDAs*

Demonstrations

In addition, a series of demonstrations could be adopted to test ways to further support low-income working families. We propose the following demonstrations:

- **Worker Support Offices.** A separate local office could be set up offering support specifically for working families. At these offices, working families could get access to food stamps, child care, advance EITC, and possibly health insurance subsidies. In addition, employment-related services such as career counseling and assistance with updating resumes and filling out job applications would also be available.
- **Temporary Unemployment Support.** Demonstrate alternative ways to provide support to low-income families who experience unemployment. Low-paying jobs are often short-lived and low-income families often do not qualify for UI and may come onto welfare when they only need very short term economic aid.
- **A restructured AFDC program, as in Utah, to provide temporary economic assistance to families who have lost a job.**

TIME-LIMITED

CONFIDENTIAL DRAFT--For Discussion Only
R/S

TRANSITIONAL ASSISTANCE AND WORK

[will add outline]

Focusing the welfare system on work and helping people become independent and self-sufficient through work is the central theme of this entire plan. Realizing this goal demands a major overhaul of the nation's welfare program. A plan to move from a welfare system focused on providing cash assistance and determining eligibility to a work-based system which helps recipients achieve self-sufficiency through access to education, training and jobs is described below.

NEED -- AFDC currently provides temporary assistance for many of its recipients, supporting them until they regain their footing. Two out of every three persons who enter the welfare system currently leave within two years. Fewer than one in five remains on welfare for more than five consecutive years.

However, a significant number of recipients do remain on welfare for a prolonged period of time. While long-term recipients represent only a modest percentage of all people who enter the system, they represent a high percentage of those on welfare at any given time. While a significant number of these persons face very serious barriers to employment, including physical disabilities, others are able to work but are not moving in the direction of self-sufficiency. Most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

STRATEGY -- The welfare system will be revamped into two distinct components: a transitional assistance program, built on the strong foundation of the existing JOBS program, and a WORK program designed to provide work opportunities to those who reach the end of their transitional benefits.

The goal of the system will be to move as many people to self-sufficiency within two years as possible. Making work pay, dramatically improving child support enforcement, and providing education and job placement services should make this possible for most people.

Some people will, however, reach their time limit without finding a job despite having done everything that was required of them. They will be given the opportunity to support their families by enrolling in the WORK program, hopefully in the private sector or through community service.

This strategy has three key elements outlined on the following pages:

- (1) Enhancing the JOBS program to make it the centerpiece of a welfare system focussed on promoting independence and self-sufficiency not writing checks and determining eligibility.
- (2) Making welfare transitional so that those who seek assistance get the services they need to become self-sufficient within two years.
- (3) Providing Work to those who reach the end of their transitional assistance but cannot find a job in the private sector.

ENHANCING THE JOBS PROGRAM

Fundamentally changing the way individuals receive assistance from the government requires an equally fundamental change in the program delivering those services. The Family Support Act of 1988 set forth a bold new vision for the social welfare system. AFDC would be a transitional support program, and the focus would shift from unlimited cash support to helping people move toward independence.

Unfortunately, the current reality is far from that vision. Part of the problem is resources. Another part is a lack of effective coordination among the myriad of programs run by both state and federal departments of education, labor and human services. Yet another is the culture of welfare offices.

To support a truly transitional assistance program, this plan:

- (1) Redefines the mission and change the culture of the welfare program at the local level.
- (2) Dramatically expands the JOBS program through higher federal funding, an enhanced match rate, and higher participation.
- (3) Improves the coordination of JOBS and other education and training initiatives.

1. Redefining the mission of the welfare program

Perhaps the greatest challenge of welfare reform will be bringing about a dramatic change in the focus and culture of the welfare bureaucracy. From a system focused on checkwriting and eligibility determination, we must create one with a new mandate: to provide the necessary opportunities, support services and incentives to enable individuals to move toward self-sufficiency through work.

Leadership The federal government needs to take a strong leadership role in moving the welfare system in a new direction. Federal aid will be available to fund training to help eligibility workers become effective caseworkers. Federal technical assistance will also help promote state-of-the-art evaluation of effective practices in the JOBS program and to assist states in redesigning their intake processes to emphasize employment rather than eligibility. These activities will be funded through a specific set-aside of federal JOBS funds.

Monitoring Performance Federal oversight of the welfare bureaucracy needs to change to reflect this new mission as well. Quality control and audits should be based on performance standards measuring, for instance, long-term job placements ~~rather than errors in eligibility determination~~, and outcomes rather than process standards.

2. Enhancing the JOBS program

Expanded Funding This plan envisions a dramatic expansion in the overall level of participation in JOBS, which will clearly require additional funding. States currently receive federal matching funds for JOBS up to an amount allocated to them under a national capped entitlement. The cap was \$600 million in FY 1989, increases to \$1.3 billion in FY 1995, and decreases to \$1 billion for FY 1996 and beyond. The cap needs to be increased.

Enhanced Match States are also currently required to spend their own funds to receive federal matching funds, but the lack of state funds has been a primary barrier to JOBS expansion. States have been suffering under fiscal constraints which were unanticipated at the time the Family Support Act was passed. Most states have been unable to draw down their entire allocation for JOBS because they cannot find the money for the state match. In 1992, actual state spending totalled only 62 percent of the \$1 billion in available federal funds. Money problems have also limited the number of individuals served under JOBS and, in many cases, limited the services states can offer their JOBS participants. Participation in the JOBS program -- the program designed to move recipients into training and employment -- is around 15 percent of the AFDC caseload nationally. The federal matching rate will be increased, and a provision included to increase it even further if a state's unemployment rate exceeds a specified target. The proposal envisions a uniform match for a given State for JOBS, child care programs and the work program.

Dramatically Increased Participation With increased federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Under current law, 20 percent of the non-exempt caseload will be required to participate in JOBS by 1996. Higher participation standards will be phased in and the program will move toward a full-participation model. [As discussed above, participation will be defined more broadly and exemptions eliminated.] ~~JOBS opportunities will also be provided to noncustodial parents~~ ^{most}

3. Integrating JOBS and mainstream education and training initiatives

The role of the JOBS program is not to create a separate education and training system for welfare recipients, but rather to ensure that they have access to and information about the broad array of existing training and education programs in the mainstream system.

Among the many administration initiatives with which the JOBS program will coordinate are:

- *National Service* -- we are working with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of the opportunity for national service as a road to independence
- *School to Work* -- JOBS participants should be taking full advantage of this new initiative
- *One Stop Shopping* -- the Department of Labor will consider making some JOBS offices sites for the one-stop shopping demonstration

The plan will also pursue ways to ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans, and the Job Corps.

The plan will also make it easier for states to integrate other employment and training programs (e.g., Food Stamp Employment and Training Program) with the JOBS program and to implement "one stop shopping" education and training models. Specifically, we will create a training and education waiver board, consisting of the Secretaries of Labor, HHS, Education and other interested departments, with the authority to waive key eligibility rules and procedures for demonstrations of a more coordinated education and training system.

Move
to
Rebo

PRS

MAKING WELFARE TRANSITIONAL

People seeking help from the new transitional assistance system will find that the expectations, opportunities and responsibilities have dramatically changed from those in the present welfare system. The focus of the entire program will be on providing them with the services they need to find employment and achieve self-sufficiency. To achieve this goal, we propose designing transitional assistance around two principles:

- (1) The focus of the program beginning at application should be on moving from welfare to work and participating in programs and services to enhance employability;
- (2) There is a limit on the length of time that those who can work can receive cash assistance before they will be required to work;
- (3) The welfare system should encourage the use of assets to promote self-sufficiency.

1. Immediate Focus on Work and Participation in JOBS

Several key changes to the program will communicate the emphasis on moving from welfare to work from the moment people enter the transitional assistance program:

Social Contract Each applicant for assistance will be required to enter into a "social contract" with the State in which the applicant agrees to cooperate in good faith with the State in developing and following a case plan leading to self-sufficiency, and the State agrees to provide the services called for in the case plan.

Bigger DEAL
agmt. of mutual respons.

Up-front Job Search Most new applicants will be required to engage in supervised job search from the date of application for benefits.

Employability Case Plan Within 90 days of application, each person, in conjunction with their caseworker, will design an individualized case plan. Obtaining employment will be the explicit goal of the case plan, which would specify the services to be provided by the State and the time frame for achieving self-sufficiency.

We recognize that participants have very different levels of education and skills and that their needs will be met through a variety of programs: job search, classroom learning, on the job training, or education after a period of work. States and localities will, therefore, have great flexibility in designing the exact mix of services for each individual. The time frames required will vary depending on the individual, but will not exceed two years for those who can work. [Case plans can also be adjusted in response to changes in the family's situation.] = ?

We also recognize that some who seek transitional assistance will, for good reason, be unable to work, such as individuals who are physically disabled or ill or who are caring for a sick relative. For people in these circumstances, the case plan would be designed with appropriate expectations in mind, such as, for example, caring for and improving the health of the family.

Expanded Definition of "Participation" As soon as their case plan is complete, recipients would be expected to be enrolled in the JOBS program and to take part in the activities called for in their case

plan. Enhanced federal funding will be provided to accommodate this dramatic expansion of the JOBS program. The definition of satisfactory participation in the JOBS program will be broadened to include a wider range of activities such as substance abuse treatment, and possibly other activities such as parenting/life skills classes or domestic violence counselling that are determined to be important preconditions for successfully pursuing employment. The possibility of including activities such as caring for a disabled relative or for a young child as participation in JOBS is also being explored.

More Limited Exemptions There will be fewer exemptions in this expanded JOBS program. In particular, parents of younger children will be expected to be participating (with a goal of being at work by the time their youngest child is three.)

- Parents who enter the system while pregnant or with a newborn child would be permitted to care for the child at home until the child is one year old
- Persons who have additional children while in the JOBS program will be able to spend twelve weeks at home with the child

STATE
OPTION

Sanctions Sanctions for persons who fail to follow their case plan, which would encompass non-participation in JOBS, would be the same as under current law = ?

2. Time Limiting Assistance

BACK-END
JOB SEARCH

The time limit is part of the overall effort to shift the focus of the welfare system from cutting checks to promoting work and self-sufficiency. The time limit gives both recipient and case manager a structure that necessitates continuous movement toward fulfilling the objectives of the case plan, and ultimately obtaining employment.

Two-Year Limit Every person able to work would be able to receive transitional assistance for up to a cumulative total of two years. Those unable to find private sector employment after two years of transitional assistance would be required to participate in the WORK program (described below) for further government support. Job search will be required for those in their final 45-90 days of assistance.

Extensions States would have flexibility to provide extensions in the following circumstances, up to a fixed percentage of the caseload:

- For completion of high school, a GED program or (other education or) training program expected to lead directly to employment.
- For post-secondary education provided participants are working part-time, for instance in a work/study program.
- For those who are ill, disabled or taking care of a sick child or relative or otherwise unable to (leave home to) work.

← *highly
progress

| = ?

At State option, months in which a recipient worked an average of 20 hours per week (more at State option), reported over \$400 in earnings, or was on a waiting list for JOBS services would not be counted against the time limit.

| ?

States will be prohibited from imposing time limits on a participant if they fail to provide the services specified in the participant's case plan.

Credits for Extended Assistance The plan would allow recipients who leave welfare for work to earn additional months of assistance for months working and/or not on assistance. ^{Some} ^

3. Use of Assets for Self-Sufficiency

The plan will take a number of significant steps to encourage people receiving transitional assistance to save money and accumulate assets through work to enable them to escape poverty in the long run.

Raising Asset Limits The plan will raise the asset limit for eligibility for AFDC and the limitation on the value of an automobile. The plan will also consider further exemptions for savings put aside specifically for education, purchasing a home, or starting a business.

Demonstrations of Individual Development Accounts The plan will support demonstrations of the concept of Individual Development Accounts, in which participants would receive matching grants to encourage savings. The IDA demonstration will be linked to participation in the WORK program or taking private sector jobs.

WORK

The redesigned welfare system, the enhanced JOBS program in particular, is designed to maximize the number of recipients who leave welfare for employment before reaching the time limit for transitional assistance. There will be people, however, who reach the time limit without having found a job, and we are committed to providing these people with the opportunity to work to support their families.

The goal of the WORK program would be to place participants in unsubsidized private sector employment. States would have the flexibility to employ a wide range of strategies to achieve this end, including temporarily subsidizing private sector jobs and providing public sector employment positions to enable participants to obtain needed experience and training.

Administrative Structure of the WORK Program

Recipients who have reached the time limit for transitional assistance would be permitted to enroll in the WORK program. However, an individual who refuses an offer of full- or part- time unsubsidized private sector employment without good cause would not be eligible for the WORK program for six months and AFDC benefits would be calculated as if the job had been taken. The sanction would end upon acceptance of a private sector job. The administrative structure of the WORK program would be as follows:

Funding Federal matching funds for the WORK program would be allocated by a method similar to the JOBS funding mechanism. A State's allocation could be increased if the unemployment rate rose above a target level.

Flexibility States would have considerable flexibility in operating the work program. They would be permitted to, for example:

- Execute performance-based contracts with private firms or non-profits to place JOBS graduates.
- Subsidize non-profit or private sector jobs (through, for example, use of On-the-Job training vouchers). *→ and work supp.*
- Give employers other financial incentives to hire JOBS graduates.
- Encourage microenterprise and other economic development activities.
- Set up community service employment programs.

Capacity Each state would be required to create a minimum number of work assignments, with the number to be based on the level of Federal funding received. If the number of people needing WORK positions exceeded the supply, work assignments, as they became available, would be allocated on a first-come, first-served basis.

Recipients on the waiting list for a work assignment would be expected to find volunteer work in the community at, for example, a child care center or community development corporation, for at least 20 hours per week in order to receive benefits (distinct from wages). Volunteers would be encouraged to see their work as a valuable and needed service to their communities.

Administration States and localities would be required to involve the private sector, community organizations and organized labor in the WORK program. For example, joint public/private governing boards or local Private Industry Councils may be given roles overseeing WORK programs.

Type of Work Most of the jobs, whether private or public sector, are expected to be entry-level, but should nonetheless be substantive work that enhances participant's employability.

Programs would be encouraged to focus their efforts on developing WORK positions in the occupations for which there are large numbers of jobs in the economy, and which have large projected job growth over the next several years.

Job Search Participants in WORK program positions would be required to engage in job search.

Characteristics of the WORK Assignments

States would be permitted to provide public sector employment (PSE) positions as part of the WORK program. The PSE WORK positions would take the following form:

Wage Participants would be paid the minimum wage (or higher at state option).

Hours Each WORK assignment would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (150 hours per month). The required number of hours would be set by the state.

→ Home Care?

Not Working Wages would be paid for hours worked. Not working the required hours would result in a corresponding reduction in wages and benefits (i.e., benefits would not rise to offset the drop in WORK program earnings).

Treatment of Wages Wages from WORK positions would be treated as earned income with respect to Worker's Compensation, FICA and public assistance programs. Earnings from public sector WORK positions would not count as earned income for the purpose of the Earned Income Tax Credit, in order to encourage movement into private sector work.

Private sector WORK program positions would be required to meet the same minimum standards with respect to hours and wages, but otherwise States would be granted considerable flexibility in the form of private sector work assignments.

Option: Work for Benefits (CWEP)

States would have the option to enroll a limited number of WORK program participants in community work experience program (CWEP) positions. The number of participants in CWEP could not exceed a fixed percentage of the total number of persons in the WORK program.

Benefits Participants would be required to work in order to continue to receive their AFDC benefits. The check received by the participant would be treated as benefits rather than earnings for any and all purposes.

Hours The required hours of work for participants would be calculated by dividing the AFDC grant by the minimum wage, up to a maximum of 35 hours a week.

Child Support At State option, child support owed could be deducted from the AFDC grant for the purpose of calculating hours.

Sanctions Failure to work the required number of hours would be accompanied by sanctions similar to those for non-participation in the JOBS program--a reduction in the AFDC grant.

ECONOMIC DEVELOPMENT

The importance of job creation to this plan requires that serious attention be paid to investment and economic development in distressed communities to expand job opportunities and stimulate economic growth. Increasing capital investment can expand the sustainable private employment opportunities for graduates of the JOBS program.

Initiatives that are under consideration include:

- Providing enhanced funding through the Community Development Financial Institutions proposal to support the development of projects that create work for JOBS graduates;

→ TIME LIMIT
ON WORK,
REFUSAL, ETC.
DISPLACEMENT
LANGUAGE

~~CONFIDENTIAL~~ DRAFT—For Discussion Only

- Expanding the administration's commitment to the microenterprise program by allocating additional funds for a set-aside for JOBS participants
- Enhancing job development programs such as the Job Opportunities for Low Income Individuals (JOLI) program, which provides grants to community-based economic development projects to provide work for JOBS graduates.

ENFORCE CHILD SUPPORT

A. CHILD SUPPORT ENFORCEMENT

B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

NEED – In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses suggest that the potential for child support collections exceeds \$47 billion. Yet only \$20 billion in awards are currently in place, and only \$13 billion is actually paid. Thus, we have a potential collection gap of over \$34 billion. The typical child born in the U.S. today will spend time in a single-parent home. The evidence is clear that children benefit from interaction with two supportive parents--single parents cannot be expected to do the entire job of two parents. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children.

The problem is threefold: First, for many children, a child support order is never established. Roughly 37 percent of the potential collection gap of \$34 billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, fully 42 percent of the potential gap can be traced to awards that were either set low initially or never adjusted as incomes changed. Third, of awards that are established, government fails to collect any child support in the majority of cases. The remaining 21 percent in the potential collection gap is due to failure to collect on awards in place.

STRATEGY – There are two key elements within this section. The first major element involves numerous changes to improve the existing child support enforcement system. For children to obtain more support from their noncustodial parents, paternity establishment must be made more universal, and paternity should be established as soon as possible following the birth of the child. A National Guidelines Commission will be formed to address variability among State levels of awards, and awards will be updated periodically through an administrative process. States must also develop central registries for collections and disbursements which can be coordinated with other States, and enhanced tools will be available for Federal and State enforcement. One major question involves the possibility of guaranteeing some level of child support. The second major element is demanding responsibility and enhancing opportunity for noncustodial parents. They should be required to pay child support, and in some cases, offered increased economic opportunities to do so.

CHILD SUPPORT ENFORCEMENT

The options under consideration are listed below:

A Universal and Simplified Paternity Establishment Process

- Require States to immediately seek paternity establishment for as many children born out of wedlock as possible, regardless of the welfare or income status of the mother or father.
- Establish performance standards with incentive payments and penalties. State performance would be based on all cases where children are born to an unmarried mother.

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- Conduct outreach efforts at the State and Federal levels to promote the importance of paternity establishment both as a parental responsibility and a right of the child.
- Provide expanded and simplified voluntary acknowledgment procedures.
- Streamline the process for contested cases.
- Impose clearer, stricter cooperation requirements on parents to both provide the name of the putative father and verifiable information so that the father could be located and served the papers necessary to commence the paternity action. Good cause exceptions would be granted in certain cases.

The major options in this area relate to the role that government programs should play in encouraging or requiring mothers and fathers to cooperate and in encouraging States to establish paternity:

Option: Deny certain government benefits to persons who have not met cooperation requirements. Good cause exceptions would be granted in certain cases.

Option: Provide a bonus of \$50 more per month in AFDC payments to cases where paternity is established (instead of passthrough under current law).

Option: Reduce Federal match on benefits paid to States which fail to establish paternity in a reasonable period of time in cases where the mother has cooperated fully.

Appropriate Payment Levels

- Establish a National Guidelines Commission to explore the variation in State guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across States.
- Establish universal and periodic updating of awards for all cases through administrative procedures. Either parent would have the option to ask for an updated award when there is a significant change in circumstance.
- Revise payment and distribution rules designed to strengthen families.

Collection and Enforcement

- Create a central registry and clearinghouse in all States. All States would maintain (a State staff in conjunction with) a central registry and centralized collection and disbursement capability. The State staff would monitor support payments to ensure that child support is being paid and would be able to impose certain enforcement remedies at the State level administratively. A higher Federal match rate would be provided to implement new technologies.
- Create a Federal Child Support Enforcement Clearinghouse. This clearinghouse would provide for enhanced location and enforcement coordination, particularly in interstate cases. Frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance. The IRS role in full collections, tax refund offset, and providing access to IRS income and asset information would be expanded.
- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
- Eliminate most welfare/non-welfare distinctions in service to achieve broader, more universal provision of services.

Require states to reinvest prof. incentives

- Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
- Enhance administrative power to take many enforcement actions.
- Simplify procedures for interstate collection.
- Create new funding formula and place emphasis on performance-based incentives. State incentives to be reinvested in program ←

Providing Some Minimum Level of Child Support

Even with the provisions above, enforcement of child support is likely to be uneven for some time to come. Some States will be more effective at collecting than others. Moreover, there will be many cases where the noncustodial parent cannot be expected to contribute much due to low pay or unemployment. An important question is whether children in single-parent families should be provided some minimum level of child support even when the State fails to collect it. The problem is especially acute for custodial parents who are not on AFDC and trying to make ends meet with a combination of work and child support. The President has not endorsed Child Support Assurance, and there is considerable division within the Working Group about its merits.

Options under consideration include the following:

Option 1: Minimum obligation of up to \$50 per child (or \$100) per month in child support imposed upon the noncustodial parent.

If the custodial parent was not on welfare, the State would advance the minimum payment to ensure that the child would receive at least the minimum payment every month. (This would not relieve the noncustodial parent of his or her obligation.) States would have the option of creating work programs so that noncustodial parents could work off the support due if they had no income.

BAD IDEA -
Needs to explain that state is advancing payment

Option 2: A system of Child Support Assurance which insures minimum payments for all custodial parents with awards in place.

Minimum payments might exceed the actual award, with government paying the difference between collections and the minimum assured benefit. States might experiment with tying guaranteed payments to work or participation in a training program by the noncustodial parent. Benefits would be deducted entirely or in part from AFDC payments for those on AFDC.

The national system would be phased in slowly with State participation conditioned on progress and improvements in their child support enforcement system. Cost projections would also have to be met before additional States could be added.

Option 3: State demonstrations only of one or both of above options.

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

Under the present system, the needs and concerns of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter."

We ought to encourage noncustodial parents to remain involved in their children's lives--not drive them further away. The child support system, while getting tougher on those that can pay but refuse to do so, should also be fair to those noncustodial parents who show responsibility toward their children. Some elements described above will help. Better tracking of payments will avoid build-up of arrearages. A simple administrative process will allow for downward modifications of awards when a job is involuntarily lost. But other strategies would also be pursued.

Ultimately expectations of mothers and fathers should be parallel. Whatever is expected of the mother should be expected of the father. And whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents who pay their child support and remain involved. If they can improve their earnings capacity and maintain relationships with their children, they will be a source of both financial and emotional support.

Much needs to be learned, partly because we have focused less attention on this population in the past and partly because we know less about what types of programs would work. Still, a number of steps can be taken. Some possible options include:

- Provide block grants to States for access- and visitation-related programs, including mediation (both voluntary and mandatory), counseling, education, and enforcement.
- Reserve a portion of JOBS program funding for education and training programs for noncustodial parents.
- Make Targeted Jobs Tax Credit (TJTC) available to fathers with children receiving food stamps.
- Experiment with a variety of programs in which men who participate in employment or training activities do not build up arrearages while they participate.
- Conduct significant experimentation with mandatory work programs for noncustodial parents who don't pay child support.
- Make the payment of child support a condition of other government benefits.
- Provide additional incentives for noncustodial parents to pay child support.

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REINVENT GOVERNMENT ASSISTANCE

- A. SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS
- B. PERFORMANCE STANDARDS AND STATE FLEXIBILITY
- C. REDUCING WASTE, FRAUD AND ABUSE

NEED -- The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity confuses the mission, frustrates people seeking aid, confuses caseworkers, increases administrative costs and leads to program errors and inefficiencies. In addition, the web of federal-state-local relations in the administrative system largely focuses on meeting every detailed Federal requirement and calculating checks precisely. If ever there were a government program that is deeply resented by its customers, it is the existing welfare system.

STRATEGY -- The lessons of reinventing government apply clearly here. The goal should be to rationalize, consolidate, and simplify the existing social welfare system. Creating a simplified system will be a major challenge. Clearer Federal goals which allow greater State and local flexibility in managing programs are also critical. Finally, a central Federal role in information systems and interstate coordination would prevent waste, fraud and abuse and also improve service delivery at the state and local levels.

SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The simplification of assistance programs at all levels of government has been the "holy grail" of welfare reform--always sought, never realized. The reasons are many: disparate goals of different programs, varied constituencies, departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators and taxpayers are all losers due to the current complexity.

There are two basic options for reform:

Option 1: Simplify and coordinate rules in existing programs.

Considerable improvements could be achieved by modifying existing rules in current programs. Such changes could include the following:

- Reduce Federal program rules and reporting and budgeting requirements to a minimum.
- Simplify and conform income and asset rules in the AFDC and Food Stamp programs.
- Adopt APWA regulatory and legislative proposals, including application, redetermination and reporting streamlining.
- Base eligibility for programs, such as child care for working families, on simplified Food Stamp rules or AFDC-like rules.

- Change housing subsidies to provide less assistance to a greater number of households by having housing count for food stamps or by designating part of AFDC as housing assistance. Also, freeze rents for a fixed period of time after the recipient takes a job to enhance the benefits from employment.
- Eliminate the special rules pertaining to two-parent families, such as the 100-hour rule and the quarters-of-work rule.
- Simplify and standardize earnings disregards.

Option 2: Develop a simplified and consolidated eligibility process for the new transitional assistance program. Strive to bring other aid programs into conformity.

This option would solve the problem that AFDC and food stamps currently have different filing units for purposes of establishing eligibility. AFDC is designed to support children "deprived of parental support," so it is focused on single parents, it excludes other adult members in the household, it treats multiple generation households as different units, and it excludes disabled persons receiving SSI or DI from the unit. The Food Stamp program, by contrast, defines a filing unit as all people in the household who share cooking facilities.

This option includes:

- A common, improved set of definitions of the filing unit, asset rules, income definitions, and other rules for food stamps and cash aid. States would continue to set benefit levels for cash assistance.
- States would be required to use a standard procedure to determine need standards but would be allowed to decide what fraction of need would be met in their State.
- Other low-income programs would be encouraged to use the consolidated income and eligibility rules.

PERFORMANCE STANDARDS AND STATE FLEXIBILITY

A reformed welfare system requires clear objectives to aid policy development and performance measures to gauge whether policy intent is being achieved. Performance measures in a transitional program of benefits should reflect the achievement of all program objectives and relate to the primary goal of helping families to become self-sufficient. Standards should be established for a broad range of program activities against which front-line workers, managers and policymakers can assess the efficiency and effectiveness of the program. To the extent possible, results--rather than inputs and processes--should be measured. States and localities must have the flexibility and resources to achieve the programmatic goals that have been set.

- The Federal government should transition from a role which is largely prescriptive to one which establishes customer-driven performance standards in collaboration with States, local agencies, advocacy groups and clients. The exact methods for accomplishing program goals are difficult to prescribe from Washington, given variation in local circumstances, capacities, and philosophies. Therefore, substantial flexibility will be left for localities to decide how to meet these goals, facilitated by enhanced inter-agency waiver authority at the Federal level.

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- The Federal government should provide technical assistance to States for achieving these standards which has two aspects: 1) to evaluate program innovations and identify what is working; and 2) to assist in the transfer of effective strategies.

PREVENTING WASTE, FRAUD AND ABUSE

Multiple programs, complex regulations, and uncoordinated programs invite waste, fraudulent behavior and simple error. Too often, individuals can present different information to various government agencies to claim maximum benefits with virtually no chance of detection.

The new program of transitional assistance, in and of itself, will go a long way toward preventing waste and fraud. During the period of transitional cash benefits, there will be enhanced tracking of a client's training activities and work opportunities, as well as the electronic exchange of tax, benefit and child support information. Also, the newly expanded EITC largely eliminates current incentives to "work off the books" and disincentives to report all employment. Now, it is advantageous to report every single dollar of earnings.

New, improved technology and automation offer the chance to implement transitional programs which ensure quality service, fiscal accountability and program integrity. For example, Electronic Benefit Transfer (EBT) technology offers the opportunity to provide food stamps, EITC, cash and other benefits through a single card. Program integrity activities need to focus on ensuring overall payment accuracy, detection and prevention of recipient, worker and vendor fraud. Such measures include the following:

- Better coordinate the collection and sharing of data among programs, especially wage, tax, child support, and benefit information.
- Re-assess the Federal/State partnership in developing centralized data bases and information systems that improve interstate coordination, eliminate duplicate benefits and permit tracking. At a minimum, information must be shared across States to prevent the circumvention of time limits by recipients relocating to a different State.
- Fully utilize current and emerging technologies to offer better services targeted more efficiently on those eligible at less cost.

DITCH

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CONCLUSION

This welfare reform plan calls for fundamental changes in the current system of welfare. It seeks to replace a flawed system with a coherent set of policies that improve the lives of poor children and their families in ways that reaffirm and support basic values concerning work, family, opportunity and responsibility. The plan has six key elements:

First, this plan seeks not only to get people off welfare, but to keep them from needing it in the first place. We focus on prevention measures, particularly the prevention of teenage and unplanned pregnancies. Thus, the plan calls for increasing resources directed at preventing teen pregnancy, promoting parental responsibility and strengthening community institutions to work with at-risk youth.

Second, this plan seeks to significantly improve the lives of impoverished children and reinforce the value of work by ensuring that working people are not poor. The current patchwork system of child care assistance programs, all with different eligibility rules and regulations, would be streamlined and, in some cases, consolidated. Increased resources would be available for subsidies and investments in the quality of child care. These child care changes would benefit those receiving assistance while in training or education as well as low-income working families. The EITC will be delivered on a timely basis. And health reform will reduce perhaps the greatest source of insecurity facing the working poor.

Third, the plan supports children and reinforces the value of parental responsibility through the realization of universal paternity establishment, improved administration of child support awards, and tougher child support enforcement. More resources will also be directed towards providing training and other support to noncustodial parents so that they are better prepared to meet their child support obligations.

Fourth, we intend to reinvent public assistance. Simplifying and streamlining the myriad of rules, regulations and requirements across assistance programs will significantly enhance the ability of agency staff to refocus their efforts on moving people off welfare. The welfare office will assume a new mission, serving as an effective link between clients in need of education, training and employment resources in the community.

Fifth, increasing numbers of welfare recipients will be allowed and expected to participate in activities leading to employment. Further, welfare cannot go on indefinitely. Expanded education and training services will be made available to recipients for two years.

Finally, welfare really will be converted into a time limited cash assistance program. Before cash benefits have been exhausted, most recipients would have found private sector jobs. But for those who have not, support would come in the form of community service work--not welfare.

Together, these policies are not just an end to welfare as it is known today. They represent a new vision for supporting America's children and families.

DRAFT PROPOSAL OUTLINE

→ ADD SECTION ON COSTS (EXAMPLES), PHASE IN
 → Change some options to recommendations
 → Appendix: members of Group

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Jobs

DRAFT PROPOSAL OUTLINE

HIGHLIGHTS

This is a plan which fulfills the President's pledge to end welfare as we know it, by reinforcing traditional values of work, family, opportunity and responsibility. Key features include:

- *Prevention.* ^{and other} A prevention strategy designed to reduce welfare and poverty by reducing teen pregnancy; promoting responsible parenting, and encouraging and supporting two-parent families.
- *Social Contract.*
- *Support for Working Families with the EITC, Health Reform and Child Care.* Advance payment of the EITC and health reform to ensure working families are not poor or medically insecure. Child care both for the working poor and for families in work, education, or training as part of public assistance.
- *Child Support.* Dramatic improvements in the child support enforcement system designed to significantly reduce the \$34 billion annual child support collection gap, ensure that children can count on support from both parents, and reduce public benefit costs. ←
- *Noncustodial Parents.* Steps to increase economic opportunities for needy noncustodial parents expected to pay child support and to help them become more involved in parenting their children.]
- *Simplifying Public Assistance.* Significant simplification and coordination of public assistance programs. | Combine w/ state flex.
- *Promoting Self-Sufficiency Through JOBS.* Making the JOBS program from the Family Support Act the core of cash assistance. Changing the culture of the welfare offices from one of enforcing seemingly endless eligibility and payment rules to one focussed on helping people achieve self-support. Involving able-bodied recipient in the education, training, and employment activities they need to move toward independence. Greater funding and reduced State match. = ?
- *Time-limits and ^{work.} Jobs.* Converting cash assistance to a system with two-year time limits for those able to work. People still unable to find work after two years would be supported via non-displacing community service jobs, not welfare.
- *Increased State Flexibility Within a Clearer Federal Framework.* Increasing flexibility over key policy and implementation issues, providing the opportunity for States to adjust to local needs and conditions within more clearly defined Federal objectives. = ?
- *Deficit Neutral Funding.* Gradual phase-in of the plan, fully funded by offsets and savings.
- *Links to Other Admin. Initiatives*

It is easy to stereotype and finger-point. "Us" versus "them" thinking often pervades welfare debates. Ugly, racist, and mean-spirited images are sometimes loudly proclaimed. That cannot be a productive part of this discussion. Nor can we obscure the reality that the welfare system itself is flawed. It fails to support those who need and deserve help. This plan proposes a fundamental change in direction so that all Americans can participate in building the future.

CUT

A DISCREDITED SYSTEM THAT DOESN'T WORK

There is near universal consensus across party, social, and racial lines that the welfare system simply does not work. Conservatives complain that it fosters illegitimacy and dependency. Liberals lament that it leaves millions of children poor. Taxpayers resent investing their tax dollars in a system that produces so little apparent result or return. And perhaps the angriest people of all are welfare recipients themselves. They talk of the humiliation, the stigma, and the indignity of a system that seems designed to maintain them in poverty rather than move them toward independence. [Most importantly, millions of children and their parents languish in poverty within a system that offers little hope for the future.]

liberal-republican

Americans hold powerful values regarding work and family and opportunity and responsibility. Yet the current welfare system reinforces none of these. People who go to work are often worse off than those on welfare. Too often, (noncustodial) parents provide little or no economic or social support to the children they (parented). Meanwhile, single-parent families often have access to cash and services that are unavailable to equally poor two-parent families. [Instead of exploring ways to give people access to the education, training, and employment opportunities they need to become self-sufficient, the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination and benefit calculation.]

A NEW VISION

Above all, we need to restore the value, and dignity, and centrality of work. The current system does little to move people off welfare and into work.

It is time to restore basic values and forge a new social contract between the government and its citizens. Government has a responsibility to provide opportunity. People have a responsibility to make the most of it.

This plan calls for a genuine end to welfare as we know it. It is built on fundamental American principles of common opportunity and mutual obligation: People who bring children into the world must take responsibility for them, because governments don't raise children, families do. Those who receive help from the government can do something in return. No one who works full-time with a family at home should be poor. And no one who can work should stay on welfare forever. Only by fundamental change in current policies can we achieve long-term economic security for our children.

SUMMARY OF HOW IT WORKS

one-page table

or chart (Bernie D)

There are six key elements in what we propose:

Promote Parental Responsibility and Prevent Teen Pregnancy

If we are going to end long-term welfare use, we must start doing everything we can to prevent people from going onto welfare in the first place. Teen pregnancy is an enduring tragedy. And the number of children born-of-wedlock has grown dramatically. We are approaching the point when one

Finally, we must address the issue of child abuse, esp. teen pregnancies.

from 800,000 in '78 to 1.1M in '92. 2

Promote Personal Responsibility

First, we must dramatically change the nature of welfare away from entitlement and toward mutual obligation. We will ask everyone who seeks assistance to sign a social contract - an agreement of mutual respons - that spells out their obligations and what the kind of help the gov. will provide in return. People should be expected to take steps to help themselves from the first day they seek assistance. This plan does away with anything for nothing. There can be no more...
Second, states should be able to reward and require...
responsibility at every turn. This plan includes...
several options to assist resp. - requiring teen mothers to live at home in order to receive AFDC, rewarding recipe for finishing school, and requiring states to provide day care benefits for child. children dependent on welfare, and calling on citizens to assist in helping to guide their responsibility.

Our whole goal is to move people from welfare and enable them to make productive contributions to the mainstream economy.

Work should be the central organizing principle of American life; it ought to be at the heart of our social palette. We need to transform the current system to reward not discourage work, and to move people off welfare and into the work place, not maintain them indefinitely in dependence.

out of every three babies in American will be born to an unwed mother. The poverty rate in families headed by an unmarried mother is 67 percent.

We must find ways to send the signal that ^{learning to be resp parents} men and women should not become parents until they are able to nurture and support their children. We need a prevention strategy built around clear signals about delaying sexual activity and responsible parenting. [We need to offer the same support to two-parent families as single-parent families receive.] Men and women who parent children must know they have responsibilities. And we must redouble our efforts to reduce teen pregnancy. Families and communities must work to ensure that real opportunities are available for young people and teach them that children who have children face a dead end. ^{which is the leading factor for behind high school dropouts, and in the welfare dependency}

~~if you have a child, they can't get an education, and they can't~~

Make Work Pay ^{Restore the Value of Work}

A basic tenet of this plan is that any job ought to be better than welfare. Yet the current welfare system sets up a devastating array of barriers to work. It penalizes welfare recipients who engage in work by taking away benefits dollar for dollar. It imposes stricter and more intrusive reporting requirements for those with earnings than for those without. It prevents saving for the future. It stigmatizes and humiliates the working poor who must still apply for assistance. Part of the long-run answer must be to improve the economy. But we must also ensure that families can support themselves adequately through work. People who choose work over welfare ought to be rewarded with higher incomes, positive support rather than stigma, simplicity rather than nightmarish bureaucratic rules.

Our strategy requires that we improve the economic and social security of working families and that we simplify and humanize the administration of support systems. We have already expanded the EITC to make work pay. Now we must also simplify advance payment of the EITC. We should guarantee health security to all Americans with health reform.

With tax credits and health reform, the final critical element of making work pay is child care. We seek to ensure that poor working families have access to the quality child care they need. ~~And we cannot ask~~ ^{In order to make it possible for} single mothers to participate in training or to go to work ~~unless they have care for their children.~~ ^{we need to make sure}

Enforce Child Support

Our current system of child support enforcement is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and noncustodial parents. It lets many noncustodial parents off the hook, while frustrating those who do pay. It seems neither to offer security for children, nor to focus on the difficult problems faced by custodial and noncustodial parents alike. It typically excuses the fathers of children born out of wedlock from any obligation ~~and to~~ ^{offer no support for} their children. And the biggest indictment of all is that only a fraction of what could be collected is actually paid.

Our plan strongly conveys the message that both parents are responsible for supporting their children. Government can assist parents but cannot be a substitute for them in meeting those responsibilities. One parent should not be expected to do the work of two. Through universal paternity establishment and improved child support enforcement, we send an unambiguous signal that both parents share the responsibility of supporting their children. We explore strategies for ensuring that single parents can

785

count on regular child support payments. And we also incorporate policies that acknowledge the struggles of noncustodial parents and the desires of many to help support and nurture their children. Opportunity and responsibility ought to apply to both mothers and fathers.

~~Reinvent Government Assistance~~ Reward ^{Flexibility} Innovation + Results

At the core of this plan is our commitment to reinventing government. A major problem with the current welfare system is its enormous complexity. It consists of multiple programs with different rules and requirements that confuse and frustrate recipients and caseworkers alike. It is an unnecessarily inefficient system. This plan would simplify and streamline rules and requirements across programs, reduce the potential for program error or fraud, give States more flexibility to determine program design and operation, and implement new performance standards, to reward results.

Simplification
- State Plan
Reward
Innovation
Results

^{Work and} Promote ~~Self-Sufficiency~~ ~~Work, Not Welfare~~

Despite the impressive reforms of the Family Support Act, one of the clearest lessons of the site visits and hearings held by the Working Group is that ~~the primary function of~~ the current welfare system is not getting people access to the jobs, training, job placement or work supports that would allow them to gain independence and control.

We need to build on the vision and accomplishments of the Family Support Act, which put an important new emphasis on giving people the skills to leave welfare and enter the work force. Unfortunately, the current JOBS program serves only a fraction of the caseload. We don't need a welfare program built around income maintenance; we need a program built around work. This will require much increased participation requirements and additional JOBS resources to meet the needs of the expanded JOBS population.

The whole system needs to be based on a philosophy of mutual obligation: the government provides opportunities, support services and incentives to allow individuals to move toward self-sufficiency, and the recipient agrees to accept responsibility for working toward that end. To implement that philosophy, we must transform the culture of the welfare bureaucracy. Its mission should be to expect and encourage entry into the labor market, by providing access to education and training services, job listings and job search assistance, and parenting and self-esteem classes. And all those who need education and training--whether or not they have children--should have access to the same high quality investments that the nation needs to compete in the 21st century.

Time-Limit Assistance and Follow with Work

This plan is designed to move people off welfare and into self-sufficiency quickly and with lasting results. Making work pay, dramatically improving child support enforcement, and improving access to job training and placement will ensure that the vast majority of recipients will leave welfare in less than two years. Most people on welfare want to work, and these reforms will give them a much better chance to do so.

No system which hopes to encourage work and responsibility can allow people who are able to work to collect welfare forever. People should be expected to take steps to help themselves from their first day on welfare. We'll ask them to sign a contract that spells out their obligations and what the government will do in return. After two years, those who can work will be expected to work in the

everyone social - an agent of mutual respons -

~~CONFIDENTIAL~~ DRAFT--For Discussion Only

private sector or community service. This plan includes a concerted effort to expand private and public investment and increase work opportunities. It also builds on other key components of the Admin's economic and domestic agenda - EZs, Nat Serv, microenterprises

The system must be sensitive to those who for good reason cannot work—for example, a parent who needs to take care of a disabled child. But at the same time, we should not exclude anyone from great expectations. Everyone has something to contribute.

We turn now to the specifics of the plan.

ADB
CDBs, family preservation, school-to-work, Dislocated W's (?), income-contingent loans, HeadStart expansion, Health reform, ReGo, Drug Trust, Community policing/str.?, Housing to opps, other housing reforms

These initiatives will be important sources of jobs, econ devel, educ + training, + family support for people moving from W to work.

-CONFIDENTIAL DRAFT--For Discussion Only

^{PERSONAL}
**PROMOTE (PARENTAL) RESPONSIBILITY AND
PREVENT TEEN PREGNANCY**

Explosion of o/w births - 544,000 to 1.1m

NEED -- Approximately forty percent of all women will become pregnant before the age of 20. Unwed teenage mothers are at high risk of long-term welfare dependency. Their earnings ability is limited by lack of education, work experience, job skills, and self-esteem. Eighty percent of unwed teen mothers drop out of high school. Teen mothers are the least likely to receive child support, increasing the likelihood that they will need public assistance. Young unwed fathers, who are often unemployed and underskilled, face equally difficult obstacles to self-sufficiency. As a result, in 1991 the cost to taxpayers for assisting families begun by a teenager rose to about \$29 billion.

More broadly, all too often the current economic, social, and welfare systems send the wrong signals. Men who father children out of wedlock are rarely expected to pay any child support. There are also inequitable distinctions between the support available to single-parent families and two-parent families.

No expectations -
Empowerment instead
of empowerment

STRATEGY -- Responsibility and prevention are key elements of the Administration's welfare reform strategy. This reform plan incorporates three major themes for preventing the onset and perpetuation of dependency.

First, we seek to shift the focus of social policy to underscore the *message of ^{personal} responsibility* and to emphasize that people must delay childbearing until they are prepared to provide the necessary social and economic support for their child(ren). Throughout this proposal, we address parental responsibility, calling for removing distinctions in cash assistance between one- and two-parent families, for policies that will promote universal establishment of paternity in out-of-wedlock births, and for policies that hold parents and States accountable for not only the establishment of paternity but also the economic support of their children. Second, the plan seeks to *reduce teen pregnancy* and to address the special challenges posed by teen parents. It does so by incorporating efforts to promote education, delayed sexual activity, and other measures. And, third, the plan underscores the *critical role of communities* in the provision of opportunities and incentives for young people to engage in socially responsible behavior.

Social K

There are no clear or easy answers to either the problems of teenage childbearing or the welfare dependency patterns that so often go hand in hand. Below we outline a number of options. [This set of options is quite controversial.] Some might be tested on a limited basis prior to widespread implementation. Many of these options could present an opportunity to take bold steps and learn how to best promote parental responsibility and prevent teen pregnancy. [While not explicitly stated within each option, it is intended that all interventions will reach youth at the earliest possible time.]

designed to make sure
the welfare system con-
veys the right
values (sends the
right signals)

Option: Convene a highly publicized Presidential-level conference to address the promotion of responsible behavior in the media industry and the effects of the media on youth.

Comb of merit

Bonus:

1. Par. Resp
2. ~~changes to~~ Teen Pregnancy
3. W. changes to make more inspire parental resp. 6
4. Opp - Resp.

Organize into 3
1. Teens/Family Planning
2. Personal Resp. - Social k.
3. State options / (A) - sup. teen AFDC
4. Communities

Option: Conduct a national campaign ^{not} that utilizes the media/entertainment industry.

Its goals would be to promote messages about responsible sexual behavior, staying in school, and avoiding the use of drugs and alcohol. Sensitive and responsible television advertising for contraception could be encouraged.

Option: Support challenge grants to States and communities for a variety of innovative approaches to promoting responsibility.

These could include a range of initiatives from broad efforts to reward and require responsible behavior to more narrow efforts to support specific early interventions with (Middle School) ? youth.

LEAP etc.

Option: Support ^{social} State demonstrations that instill responsibility through the use of contracts and provide comprehensive case management that focuses on all family members.

AFDC recipients and their families would be presented with a clear expectation of their responsibilities, and comprehensive case management could support them in meeting these goals. While teens would be targeted in this effort, the broader AFDC recipient population would be included. The case management services would expand beyond the individual to take a more holistic approach to family needs in striving to prevent intergenerational dependency as well as assisting current recipients to get off welfare.

NOT DEMOS

Option: Make family planning services would be made available to all adolescent and adult AFDC recipients who request them.

Many women receiving AFDC do not want to have more children until they are able to adequately provide for them. This option would ensure that access to family planning was not a barrier to these women. As part of this effort, Title X funds could be used to develop a special outreach to AFDC mothers with daughters in their early teens.

Elders says drop

Option: Under the Surgeon General's auspices, increase family planning services to the broader population.

Building on current initiatives, this would include utilizing enhanced counseling services and increased outreach efforts by family planning agencies, including increasing their accessibility, both in location and hours of operation to teens through school-based and school-linked services. Many of these measures are provided for in the Administration's health care reform package.

Option: Conduct demonstrations to hold schools accountable for "tracking" both female and male at risk youth and drop-outs and for supporting them in mainstream educational opportunities or providing them with good training or education alternatives.

This option could build upon the resources of other Administration initiatives such as the Department of Labor's Youth Fair Chance Program, which targets a small high-poverty geographic area with a large amount of resources, and School-to-Work legislation.

?

Option: Require that minor mothers live in their parents' household, except in exceptional circumstances, and include parental income in determining eligibility for benefits or calculate a teen parent's AFDC benefit based on their parents' ability to contribute to their support.

1/2

Option: Support demonstrations that make a portion of AFDC benefits conditioned on proactive efforts of all adolescents and adults in the household to promote their self-sufficiency (for example, through education and job training).

For example, all dependent children would be required to attend and finish high school or the families benefit level will be reduced.

Combine
w/LEAP

Option: Allow States the option to limit additional benefits for additional children conceived while on welfare.

When benefits are limited, if the mother's child support award or earnings offset the reduction in AFDC, the family will not be penalized.

Option: Promote programs of adults volunteering to work with disadvantaged children one-on-one, such as Big Brothers/Sisters and mentoring programs tied to colleges and business. Provide a White House spotlight on, and document successful innovation in recruiting and training volunteers and reaching disadvantaged children.

This could be done through the Corporation on National and Community Service.

Communities

Option: Provide support, such as planning, organizing, and coordination funds, to non-profit community-based organizations (e.g. churches, PTAs, and boys and girls scouts) that foster responsible behavior and prepare youth for the opportunities awaiting them.

Option: Recruit and train older recipients who went on welfare as teen mothers to serve as counselors as part of their community service assignment.

Option: Initiate demonstrations of comprehensive neighborhood-based approaches focusing on at-risk youth.

MAKE WORK PAY

- A. CHILD CARE FOR WORKING FAMILIES
- B. OTHER SUPPORT FOR WORKING FAMILIES
 - 1. Advance Payment of the EITC
 - 2. Work Should Be Better than Welfare
 - 3. Demonstrations

NEED -- Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people receiving assistance who want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents saving for the future with a meager limit on assets. Moreover, working poor families are often without adequate medical protection and face sizable day care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules, and to reduce both poverty and welfare use, then work must pay.

STRATEGY -- There are three elements to making work pay: working family tax credits, health reform, and child care. The President has already launched the first two of these. A dramatic expansion in the Earned Income Tax Credit (EITC) was enacted in the last budget legislation. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. This very nearly ensures that a family of four with a full-time worker will no longer be poor. However, we still must find better ways to deliver the EITC on a timely basis throughout the year. Ensuring that all Americans can count on health insurance coverage is essential. We expect the Health Security Act will be passed next year.

With the EITC and health reform in place, the major missing element necessary to ensure that work really does pay is child care.

CHILD CARE FOR WORKING FAMILIES

The Federal government currently subsidizes child care through a number of different programs. Each of the programs has different eligibility rules and regulations, making for an extremely complicated system that is hard for both providers and recipients to navigate. For low-income families, programs include an entitlement to child care for AFDC recipients (title IV-A); transitional child care (TCC) (also an entitlement) for people who have left welfare for work in the past year; a third entitlement (capped at \$300 million) for those the State determines to be at-risk of AFDC receipt (At-Risk); the Child Care and Development Block Grant (CCDBG); and the Social Services Block Grant (SSBG). Middle- and upper-income people benefit from the dependent care tax credit and child care deductions using flexible spending accounts. While these multiple programs provide valuable resources needed for child care, more will be needed if parents are to work. Other initiatives that

work with parents, such as Head Start, can be linked to child care in ways that can encourage more comprehensive services.

The goal is to create a more consolidated and simplified system, to increase funding so that low income working families have access to the care they need, and to ensure safe and healthy environments for children. Given the current structure of programs, it makes the most sense to divide the populations needing child care into two groups: those collecting AFDC cash assistance who are working, in school, or training, and the working poor who are not collecting cash assistance. If we fail to help those people who are not on AFDC, it will be impossible to ensure that working people avoid poverty and that people are able to leave welfare for work. If we fail to provide child care coverage for those on AFDC, we cannot realistically expect parents to work or train for employment. We also need additional resources to expand supply and to improve quality. The options for providing child care are as follows:

Option 1: Consolidate and expand existing programs.

The plan would consolidate the existing entitlement programs into two programs and expand the CCDBG block grant.

Maintain IV-A child care. The existing entitlement of child care (IV-A) for persons on AFDC would remain largely unchanged, though somewhat simplified, to ensure that recipients getting education, training, or in ~~work slots~~ ^{community service} have access to high quality child care. Require care to meet minimum health and safety standards set by State law similar to those included in the block grant.

Consolidated and Expanded At-Risk Program. The other existing entitlements--TCC and At-Risk--would be folded into an expanded program of high quality child care for at-risk working families. Key provisions would include:

- Allow families with income low enough to be eligible for food stamps to be deemed at-risk and qualify, i.e. families below 130 percent of the poverty level could be served.
- Require States to ensure seamless coverage for persons who leave welfare for work.
- Expect States to share in the cost, with a match rate equal to the new reduced JOBS match rate (discussed elsewhere in this paper). States could count as match funds other monies spent to provide child care to low-income families, such as private and local government funds.
- Require care to meet minimum health and safety standards set by State law of the sort now required for care funded under the block grant.
- Require States to set maximum rates and co-payment (sliding fee scale) requirements.

Since the at-risk child care program would be created by combining a capped and uncapped entitlement, a major question is whether to cap the combined program, and if so, at what level.

Child Care and Social Services Block Grants. CCDBG funding would be gradually increased from its current level of about \$900 million. States would continue to have considerable flexibility in using this grant for services and also for quality and supply investments, with a requirement that they spend at least some proportion (currently 25 percent) for quality and supply enhancements. They could use CCDBG funds to provide child care services to working poor families up to 75 percent of State median income (current law) but they would not be permitted to use CCDBG money to provide services to welfare recipients. States could continue to use the SSBG for child care, but would be required to use the same rules for all subsidized child care.

Quality enhancements to be encouraged under the block grants would be those now in current law with some additional items such as parent information and education, investments in facilities and equipment, the development of family day care networks, and ties between Head Start and child care programs. In addition, special programs would be developed to increase the training of low income parents interested in entering the child care workforce, to assure consumer education, and to stimulate special initiatives such as building the supply of infant care.

Option 2: Comprehensive Child Care Entitlement.

Combine the existing entitlement programs into a comprehensive child care program for all low-income working families and AFDC recipients. Rules could be similar to those suggested for the at-risk program in option 1, or a more uniform set of eligibility and payment rules could be mandated Federally. The program would be administered by the State. The existing CCDBG money (which is not an entitlement) would remain with a clearer focus on expanding supply and quality.

Downside

Option 3: Make Dependent Care Tax Credit Refundable.

Create a refundable dependent care tax credit. This could be combined with another option. The current credit of up to 30 percent of child care costs does not help low income families because it can only be used to offset taxes, which low income families rarely owe. Making it refundable would ensure that all families would benefit from the credit.

OTHER SUPPORT FOR WORKING FAMILIES

Two other policies need to be addressed to adequately encourage work and support the working poor: advance payment of the EITC, and ensuring that work is always better than welfare. We also suggest demonstrations of innovative ideas.

Advance Payment of the EITC

For the overwhelming majority of people who receive it, the EITC comes in a lump sum at the end of the year. People who are working for low pay or who are considering leaving welfare for work must wait as long as 18 months to see the rewards of their efforts. Others either fail to submit tax returns or fail to claim the credit on the return. Strategies to expand the effectiveness of the EITC include:

- Adopt Treasury's ideas for expanded use of employer-based advance payments, the most important of which is to send W-5 forms and information to all workers who received an EITC in the past year.
- Automatic calculation of EITC by IRS
- Joint administration of food stamps and EITC to working families using existing State food stamp administration, utilizing EBT technology whenever possible.

Work Should Be Better than Welfare

The combination of the EITC, health reform, and child care will largely ensure that people with fewer than two children can avoid poverty with a full-time full-year worker. But full-time work may not always be feasible, especially for single mothers with very young or troubled children. And for larger families, welfare in many States may still pay better than work. Some Working Group members believe that families in which someone is working at least half-time ought to be better off than families who are receiving welfare in which no one is working. If this goal were accepted, there would be three options for achieving it:

Option 1: Allow (or require) ^{high benefit} States to supplement the EITC or food stamps for working families when work pays less than welfare.

States could supplement existing EITC, food stamp or housing benefits. Already some States have their own EITC. In most cases, a modest State EITC would make work better than welfare. Alternatively, States could supplement the food stamp program or housing assistance for working families after they have exhausted transitional assistance.

Option 2: Allow (or require) States to continue to provide some AFDC/cash assistance to working families after two years.

One straightforward way to ensure that part-time work is better than welfare is to allow or require States to continue to provide some cash aid to part-time workers who have exhausted transitional aid. Other alternatives would be to simplify the existing earnings disregards in the AFDC program or to not count months towards a time limit if the adults were working at least part time.

Option 3: Use advance child support payments or child support assurance (See the child support enforcement section for more details).

Ensuring that women with child support awards in place get some child support through advance payments or child support assurance could effectively guarantee that even single parents who work at least half time can do better than welfare with a combination of EITC and child support.

Option 4: Allow (or require) States to create IDAs (allow to build assets). (refine)

How many States?
EXPLAIN?

POS

Demonstrations

In addition, a series of demonstrations could be adopted to test ways to further support low-income working families. We propose the following demonstrations:

- **Work Support Offices.** A separate local office could be set up offering support specifically for working families. At these offices, working families could get access to food stamps, child care, advance EITC, and possibly health insurance subsidies. In addition, employment-related services such as career counseling and assistance with updating resumes and filling out job applications would also be available.
- **Temporary Unemployment Support.** Demonstrate alternative ways to provide support to low-income families who experience unemployment. Low-paying jobs are often short-lived and low-income families often do not qualify for UI and may come onto welfare when they only need very short term economic aid.
- **Restructured AFDC Emergency Assistance programs,** as in Utah, to provide temporary economic assistance to families who have lost a job.

How will
these demos
work?

ENFORCE CHILD SUPPORT

A. CHILD SUPPORT ENFORCEMENT

B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

NEED – In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses suggest that the potential for child support collections exceeds \$47 billion. Yet only \$20 billion in awards are currently in place, and only \$13 billion is actually paid. Thus, we have a potential collection gap of over \$34 billion. The typical child born in the U.S. today will spend time in a single-parent home. The evidence is clear that children benefit from interaction with two supportive parents--single parents cannot be expected to do the entire job of two parents. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children. | annual?

The problem is threefold: First, for many children, a child support order is never established. Roughly 37 percent of the potential collection gap of \$34 billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, fully 42 percent of the potential gap can be traced to awards that were either set low initially or never adjusted as incomes changed. Third, of awards that are established, government fails to collect any child support in the majority of cases. The remaining 21 percent in the potential collection gap is due to failure to collect on awards in place.

STRATEGY – There are two key elements within this section. The first major element involves numerous changes to improve the existing child support enforcement system. For children to obtain more support from their noncustodial parents, paternity establishment must be made universal, and paternity must be established as soon as possible following the birth of the child. A National Guidelines Commission will be formed to address variability among State levels of awards, and awards will be updated periodically through an administrative process. States must also develop central registries for collections and disbursements which can be coordinated with other States, and enhanced tools will be available for Federal and State enforcement. One major question involves the possibility of guaranteeing some level of child support. The second major element is demanding responsibility and enhancing opportunity for noncustodial parents. They should be required to pay child support, and in some cases, offered increased economic opportunities to do so.

CHILD SUPPORT ENFORCEMENT

The options under consideration are listed below:

A Universal and Simplified Paternity Establishment Process

- Require States to immediately seek paternity establishment for as many children born out of wedlock as possible, regardless of the welfare or income status of the mother or father.
- Establish performance standards with incentive payments and penalties. State performance would be based on all cases where children are born to an unmarried mother.

ROS

- Conduct outreach efforts at the State and Federal levels to promote the importance of paternity establishment both as a parental responsibility and a right of the child.
- Provide expanded and simplified voluntary acknowledgment procedures.
- Streamline the process for contested cases.
- Impose clearer, stricter cooperation requirements on parents to both provide the name of the putative father and verify information so that the father could be located and served the papers necessary to commence the paternity action. Good cause exceptions would be granted in certain cases.

The major options in this area relate to the role that government programs should play in encouraging or requiring mothers and fathers to cooperate and in encouraging States to establish paternity:

Option 1: Deny means-tested benefits to persons who have not met cooperation requirements. Good cause exceptions would be granted in certain cases.

Option 2: Provide a bonus of \$50 more per month in AFDC payments to cases where paternity is established.

Option 3: Reduce Federal match on benefits paid to States which fail to establish paternity in a reasonable period of time in cases where the mother has cooperated fully.

Appropriate Payment Levels

- Establish a National Guidelines Commission to explore the variation in State guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across States.
- Establish universal and periodic updating of awards for all cases through administrative procedures. Either parent would have the option to ask for an updated award when there is a significant change in circumstance.
- Revise payment and distribution rules designed to strengthen families.

Collection and Enforcement

- Create a central registry and clearinghouse in all States. All States would maintain a State staff in conjunction with a central registry and centralized collection and disbursement capability. The State staff would monitor support payments to ensure that child support is being paid and would be able to impose certain enforcement remedies at the State level administratively. A higher Federal match rate would be provided to implement new technologies.
- Create a Federal Child Support Enforcement Clearinghouse. This clearinghouse would provide for enhanced location and enforcement coordination, particularly in interstate cases. Frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance.
- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
- Eliminate most welfare/non-welfare distinctions in service to achieve broader, more universal provision of services.

→ Require States to reinvest prof. incentives

- Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
- Enhance administrative power to take many enforcement actions.
- Simplify procedures for interstate collection.
- Create new funding formula and place emphasis on performance-based incentives.

Guaranteeing Some Level of Child Support

Even with the provisions above, enforcement of child support is likely to be uneven for some time to come. Some States will be more effective at collecting than others. Moreover, there will be many cases where the noncustodial parent cannot be expected to contribute much due to low pay or unemployment. An important question is whether children in single-parent families should be guaranteed some level of child support even when the State fails to collect it. The problem is especially acute for custodial parents who are not on AFDC and trying to make ends meet with a combination of work and child support. The President has not endorsed child support assurance, and there is considerable division within the Working Group about its merits.

Options under consideration include the following:

Option 1: Advance payment of up to \$50 per child (or \$100) per month in child support owed by the noncustodial parent, even when the money has not yet been collected, to custodial parent not on AFDC.

ETC bonus?

Advance payments could not exceed the amount actually owed by the noncustodial parent. States would have the option of creating work programs so that noncustodial parents could work off the support due if they had no income.

Option 2: A system of child support assurance which guarantees minimum payments for all custodial parents with awards in place.

Minimum payments might exceed the actual award, with government paying the difference between collections and the minimum assured benefit. Guaranteed payments might be tied to work or participation in a training program by the noncustodial parent. Benefits would be deducted entirely or in part from AFDC payments for those on AFDC.

Option 3: State demonstrations only.

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

Under the present system, the needs and concerns of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter." We ought to encourage noncustodial parents to remain involved in their children's lives--not drive them further away. The child support system, while getting tougher on those that can pay but refuse to do so, should also be fair to those noncustodial parents who show responsibility toward their children. Some elements described above will help. Better tracking of payments will avoid build-up of arrearages. A simple administrative process will allow for downward modifications of awards when a job is involuntarily lost. But other strategies would also be pursued.

Ultimately expectations of mothers and fathers should be parallel. Whatever is expected of the mother should be expected of the father. And whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents who pay their child support and remain involved. If they can improve their earnings capacity and maintain relationships with their children, they will be a source of both financial and emotional support.

Much needs to be learned, partly because we have focused less attention on this population in the past and partly because we know less about what types of programs would work. Still, a number of steps can be taken. Some possible options include:

- Provide block grants to States for access- and visitation-related programs, including mediation (both voluntary and mandatory), counseling, education, and enforcement.
- Reserve a portion of JOBS program funding for education and training programs for noncustodial parents.
- Make Targeted Jobs Tax Credit (TJTC) available to fathers with children receiving food stamps.
- Experiment with a variety of programs in which men who participate in employment or training activities do not build up arrearages while they participate.
- Conduct significant experimentation with mandatory work programs for noncustodial parents who don't pay child support.
- Make the payment of child support a condition of other government benefits.
- Provide additional incentives for noncustodial parents to pay child support.

REINVENT GOVERNMENT ASSISTANCE

REWARD INNOV + RESULTS

- A. SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS
- B. PERFORMANCE STANDARDS AND STATE FLEXIBILITY
- C. REDUCING WASTE, FRAUD AND ABUSE

NEED -- The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity confuses the mission, frustrates people seeking aid, increases administrative cost, confuses caseworkers, and leads to program errors and inefficiencies. We have created perverse incentives whereby single-parent families get support, and two-parent families are ineligible. Partially as a result of this complexity, the administrative system now largely focuses on meeting every detailed Federal requirement and calculating checks quite precisely. If ever there were a government program that is deeply resented by its customers, it is the existing welfare system.

emphasize rules over results

STRATEGY -- The lessons of reinventing government apply clearly here. The goal should be to rationalize, consolidate, and simplify the existing social welfare system. Creating a simplified system will be a major challenge. Clearer Federal goals with greater State flexibility are also critical. Finally, a central Federal role in information systems and interstate coordination would both reduce waste and fraud and also improve services.

SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The simplification of assistance programs at all levels of government has been the "holy grail" of welfare reform--always sought, never realized. The reasons are many: different goals of different programs, varied constituencies, departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators, and taxpayers are all losers due to the current complexity. There are two basic options for reform:

Refer to states, APWA recommendations

Option 1: Simplify and coordinate rules in existing programs.

Considerable improvements could be achieved by modifying existing rules in current programs. Such changes could include the following:

- Simplify asset rules and liberalize AFDC rules to conform to food stamps.
- Adopt APWA regulatory and legislative proposals, including application, redetermination, and reporting streamlining.
- Implement a reduction of rules and regulations and reduce reporting requirements to a minimum.
- Eliminate the 100-hour rule and the quarters-of-work rule in AFDC which exclude many two-parent families.
- Base eligibility for new or expanded programs, such as child care for working families, on existing program rules such as food stamps.

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- Enhance use of Electronic Benefit Transfer (EBT) technology for food stamps, EITC and other benefits with most cash and food aid provided through a single card.
- Change housing subsidies to provide less assistance to a greater number of households by having housing count for food stamps or by designating part of AFDC as housing assistance. Also, freeze rents for a fixed period of time after the recipient takes a job.

Option 2: Replace existing AFDC system with a training and transitional assistance program linked closely with food stamp eligibility rules. Strive to bring other aid programs into conformity.

Probably the hardest problem to solve is the fact that AFDC and food stamps use very different filing units. AFDC is designed to support children "deprived of parental support" so it is focused on single parents, it excludes other adult members in the household, it treats multiple generation households as different units, and it excludes disabled persons with SSI or SSDI income from the unit. Food stamps by contrast, instead defines a filing unit as all people in the household who share cooking facilities.

This option includes:

- A new training and transitional assistance program to replace AFDC for all able-bodied recipients.
- A common set of definitions of filing units, asset rules, income definitions, and other rules for food stamps and cash aid. Most definitions would conform to current food stamp definitions. States would set benefit levels and disregards.
- Require States to calculate need in the State according to a standard procedure and allow States to decide what fraction of need would be met.
- Encourage other low-income programs to standardize around the coordinated income and eligibility rules used in food stamps and training and transitional assistance program.
- Other improvements from option 1 which still apply including EBT, simplified rules, adopting of key APWA simplification ideas, and taxation of benefits.

PERFORMANCE STANDARDS AND STATE FLEXIBILITY

A reformed welfare system requires clear objectives to aid policy development and performance measures to gauge whether policy intent is being achieved. With unambiguous and measurable expectations, the Federal role can shift from prescribing what ought to be done to ensuring that the job is done. The exact methods for accomplishing program goals are difficult to prescribe from Washington, given variation in local circumstances, capacities, and philosophies. States and localities must have the flexibility and resources to achieve the programmatic goals that have been set.

APWA

- The Federal government should transition from being largely prescriptive to one which primarily identifies and establishes performance standards.
- The Federal government should provide technical assistance to States for achieving these standards. This has two aspects: 1) to evaluate program innovations and identify what is working; and 2) to assist in the transfer of effective strategies.

ROS

- There are many issues to be examined through local experimentation and innovation. To facilitate this, enhanced waiver authority will be granted through ~~the~~ Community Enterprise Board.

REDUCING WASTE, FRAUD AND ABUSE

Multiple programs, complex regulations, and uncoordinated programs invite waste, some fraudulent behavior and some simple error. Too often, individuals can present different information to various government agencies to claim maximum benefits with virtually no chance of detection. First, the tax, child support, and welfare systems should be better coordinated. Second, reinventing government must exploit current and emerging technologies to offer better services targeted more efficiently on those eligible at less cost. As a starting point, we should devote resources to the conceptualization and development of a National Benefits Coordination and Fraud Elimination Data Base.

more?
(esp. husbands)

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WORK AND

PROMOTE SELF-SUFFICIENCY

A

- A. FOCUS ON ASSISTING RECIPIENTS TO FIND EMPLOYMENT
- B. ENHANCED FUNDING FOR JOBS
- C. IMPROVE ACCESS TO MAINSTREAM EDUCATION, TRAINING AND SELF-EMPLOYMENT OPPORTUNITIES

NEED -- The Family Support Act set forth a bold new vision for the social welfare system. AFDC would be a transitional support program, and the focus would shift from unlimited cash support to a system geared toward helping people move toward independence.

Unfortunately, the current reality is far from that vision. Part of the problem is resources. States have been suffering under fiscal constraints that were unanticipated at the time the Family Support Act was passed. Most States have been unable to draw down their entire allocation for JOBS because they cannot find the money for the State match. In 1992, actual State spending totaled only 62 percent of the \$1 billion in available Federal funds. Money problems have also limited the number of individuals served under JOBS and, in many cases, limited the services States can offer their JOBS participants. Participation in the JOBS program -- the program designed to move recipients into training and employment -- is around 15 percent of the AFDC caseload nationally.

Another part of the problem involves a lack of effective coordination among the myriad of programs run by both State and Federal departments of education, labor, and human services. Programs from different agencies often have conflicting goals, eligibility rules, and requirements. And information about the full array of services that people are entitled to is rarely available.

Yet another part of the problem involves the culture of welfare offices. Despite the progress achieved since the Family Support Act, the AFDC program is still basically a check-writing operation. As long as the focus of public aid remains writing public assistance checks rather than moving people toward pay checks in the private sector, most of the administrative costs and energy of the program will be dissipated in verification and bureaucracy.

STRATEGY -- The strategy is threefold: First, the focus of welfare administration needs to shift from determining who qualifies for welfare and dispensing checks to those persons, to helping recipients move toward self-sufficiency through work. More resources need to go to finding jobs and less to managing eligibility rules. Second, a substantial increase in JOBS funding is needed if we really expect recipients to be job-ready and to be employed in the private sector. Increased funding would also permit States to increase their overall levels of participation in JOBS. Finally, access to mainstream education, training, and self-employment opportunities must be improved for welfare recipients.

FOCUS ON ASSISTING RECIPIENTS TO FIND EMPLOYMENT

One of the most important changes we envision is a dramatic change in the focus of the welfare bureaucracy. The mission of the welfare system must become assisting recipients to find employment. The whole system needs to reflect a new philosophy of mutual obligation: the Government provides through the reformed welfare/work support system the necessary opportunities, support services, and incentives to allow individuals to move toward self sufficiency, and the recipient agrees to accept responsibility for working toward that end. Quality control and audits must be based on participation rates and outcome measures. Performance standards should be geared more toward measures such as long-term job placements, rather than merely errors in eligibility determinations; outcomes rather than process standards. Sanctions would be imposed for persons who fail to meet JOBS rules (as under current law) or the terms of the ^{spec} "contract" they enter into with the State. Sanctions would gradually increase in severity, and be curable upon compliance, with some additional State flexibility. Likewise, a State would be prohibited from imposing time limits on participants if it failed to provide the opportunities, services, or incentives it agreed to in the contract with the participant.

Riverside -
work first

Options include:

- Expand the Federal Government's role in evaluation and technical assistance to take a leadership role in state-of-the-art evaluation of effective practices, in developing and sharing effective systems, in developing automated systems, and in assisting States to redesign their intake processes to emphasize employment or other work preparation activities, rather than eligibility. Fund such activities by a 1 percent tap on Federal JOBS funds.
- Permit State initiatives that would promote micro-enterprise development, and allow demonstrations of program rules to encourage saving and asset accumulation for future schooling, home buying, or small business start-up.
- Permit States to provide JOBS services to noncustodial parents.
- Require all applicants to maintain signed contracts specifying the responsibilities of both the State agency and the recipient.

Supervised job search (APWA recom. mandatory job search)

ENHANCED FUNDING FOR JOBS

This plan envisions a substantial increase in the overall level of participation in JOBS. To make this possible, additional funding is critical. States currently receive Federal matching funds for JOBS expenditures up to an amount allocated to them under a national capped entitlement. The cap was established at \$600 million for FY 1989, increases to \$1.3 billion for FY 1995, and decreases to \$1 billion for FY 1996 and beyond. The cap needs to be increased.

(RANGE?)

States are also required to expend their own funds in order to receive Federal matching funds. The lack of State funds has been a primary barrier to JOBS expansion. The Federal matching rates will be increased, and a provision included to increase it even further if a State's unemployment rate exceeds a specified target.

(RANGE?)

With increased Federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Recipients ought to be expected to immediately and continuously engage in activities to promote their movement to independence. Most new applicants would be required to engage in supervised job search from the date of application for benefits. Rules for what constitutes active participation need to be revised. The definition of "participation" should be broadened to include community service, as well as other activities such as parenting/life skills classes, substance abuse treatment, domestic violence counseling, etc. States must have the flexibility to determine in individual cases which activities (job search, education, training, etc.) will be most effective in helping recipients achieve self-sufficiency.

IMPROVE ACCESS TO MAINSTREAM EDUCATION, TRAINING AND SELF-EMPLOYMENT OPPORTUNITIES

The mission of the JOBS program will not be to create a separate education and training system for welfare recipients, but rather to ensure that they have access to and information about the broad array of existing programs in the mainstream system. The JOBS program needs to be redesigned to permit States to integrate other employment and training programs into the JOBS program, and to implement "one-stop shopping" education and training programs. Options include:

- Foster linkages with DOL one-stop shopping initiatives, more effective use of Pell grants, and other programs.
- Create a training and education waiver board, consisting of the Secretaries of DOL, HHS, Education, and other interested departments, with the authority to waive key eligibility rules and procedures for demonstrations of a more coordinated education and training system.
- Permit States to integrate other employment and training programs (e.g., Food Stamp Employment and Training Program) into the JOBS program and to implement "one-stop shopping" education and training models.

Enterprise Board

Work/Study program that allows people to continue their education/training in return for work. Allow income-contingent borrowing for living costs and partcip. in Nat Service program.

MS

TIME-LIMIT ASSISTANCE AND FOLLOW WITH WORK

A. TIME-LIMITED ASSISTANCE

B. WORK

1. Economic Development
2. Work Program Structure

NEED – Two out of every three persons who enter the welfare system leave within two years. Fewer than one in five remains on welfare for more than five consecutive years. For many persons who receive AFDC, the program serves as temporary assistance, supporting them until they regain their footing.

However, a significant number of recipients remain on welfare for a prolonged period of time. While long-term recipients represent only a modest percentage of all people who enter the system, they represent a high percentage of those on welfare at any given time. While a significant number face very serious barriers to employment, including physical disabilities, others are able to work but are not moving in the direction of self-sufficiency. Most long-term recipients are not on a track toward obtaining employment that will enable them to leave AFDC. *under the current system,*

exact
90's

STRATEGY – The welfare system would be revamped into two distinct components:

- A transitional assistance program limited to two years and focused on helping recipients move into private sector jobs.
- A work program making work opportunities available to recipients who have reached the time limit for transitional assistance.

Making work pay, improving child support enforcement, ensuring universal health care coverage and expanding access to training, education and child care should maximize the number of recipients leaving welfare within two years. Most of the people on welfare want to work, and these reforms would give recipients a better chance to find employment and ensure that it makes economic sense to take a job.

Some employable persons would, however, reach the time limit without finding private sector jobs. A recipient who could not find employment after two years of transitional assistance would be required to work in return for further support. Individuals who reached the time limit would have access to work assignments, for which they would receive wages rather than a welfare check.

TIME-LIMITED ASSISTANCE

The time limit is part of the overall effort to shift the focus of the welfare system from disbursing funds to promoting self-sufficiency through work. This time limit gives both recipient and caseworker a structure that encourages steady progress toward obtaining employment.

Upon entry into the welfare system, each person would design, in conjunction with the caseworker, a contract which would detail the obligations of both the recipient and the State agency. Obtaining employment would be the explicit goal of each contract.

employment plan + social contract

The contract/case plan ^{employment plan} would describe the services to be provided by the State agency and a time frame for achieving self-sufficiency. This time frame would vary depending on the skills and the circumstances of the recipient, but would not exceed two years for employable persons. The case plan could be adjusted in response to changes in a family's situation.

The system must be sensitive to those who for good reason cannot work, such as individuals who are physically disabled or ill or who are caring for a disabled child or relative. For those who cannot work, other expectations would be more appropriate. The case plan would be designed to, for example, improve the health status of the family, including both adults and children, or stabilize the family's housing situation.

[= ??]

States would be permitted to grant extensions of the time limit for ^{employment those making significant progress toward} completion of high school, a GED program or other education or training program expected to lead directly to employment. The number of extensions would be limited to a fixed percentage of the caseload.

[-> APWA option]

Time spent on a waiting list for the JOBS program would not be counted against the time limit. In addition, we would propose the following provisions concerning time limits:

- Allow recipients who have left the rolls to earn additional months of cash assistance for months working and/or not in the welfare system.
- Require recipients to participate in job search during the period (45-90 days) immediately preceding the end of the time limit.
- At State option, months in which a recipient worked an average of 20 hours per week (more at State option) or reported over \$400 in earnings would not be counted against the time limit.

WORK

608 TD
BOW-AMC

Helping people move from welfare to self-support through work is the primary focus of the transitional assistance program. However, there will be people who reach the time limit without having found a job, and we are committed to providing these people with the opportunity to work to support their families.

Economic Development

Emphasizing movement into private sector employment requires recognition of the reality that in many communities private sector jobs are in very short supply. There is a need, particularly in distressed areas, to invest in economic development to create jobs. Economic development efforts could include the following:

- Integrate the public sector work program with other Administration economic development initiatives, including empowerment zones and microenterprise loan programs.

- Create a special equity fund to invest in businesses, Community Development Corporations, non-profits and other entities which hire the parents of children on welfare (this would include the AFDC recipient as well as the noncustodial parent).

Work Program Structure

We are considering two options for the structure of the work program:

Option 1: Work for wages.

Wages: Participants would be paid the minimum wage (higher at State option). States would be mandated to supplement these earnings (possibly with continued AFDC benefits) if wages were not equal to the AFDC benefit for a family of that size with no earned income.

Hours: All work assignments would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (140 hours per month). The required number of hours would be set by the State.

Capacity: Each State would be required to create a minimum number of work assignments, with the number to be based on the level of Federal funding received. If the need for work program positions exceeded the supply, work assignments would be allocated on a first-come, first-served basis.

Sanctions: Wages would be paid for hours worked. Not working the required number of hours would result in a corresponding reduction in wages, except in instances of illness or a family emergency. Benefits would not rise to offset the drop in work program earnings.

An individual who refuses an offer of unsubsidized private sector employment without good cause would not be eligible for the work program for six months and AFDC benefits would be calculated as if the job had been taken. The sanction would end upon acceptance of a private sector job.

Job Search: Work program participants would be required to engage in job search either concurrently or periodically (i.e., one week every three months, or for a fixed period after completing an assignment).

Other: Wages from work program positions would be treated as earned income with respect to Worker's Compensation, FICA and Federal assistance programs. Earnings from work program positions would not count as earned income for the purpose of the Earned Income Tax Credit, in order to encourage movement into private sector work.

Waiting List: If the number of recipients subject to the work requirement were greater than the number of positions available, recipients who had reached the two-year time limit would be expected to find volunteer work in the community for at least 20 hours per week in order to receive benefits (distinct from wages). States might be required to absorb a greater share of the cost of cash assistance for recipients in this category.

At State option, AFDC benefits to recipients who had spent at least 18 months in work assignments and had moved onto the waiting list for a new work assignment could be reduced by up to a certain percentage. The combined value of AFDC, food stamps and housing assistance could not fall below a fixed percentage of the poverty line.

Option 2: Work for benefits.

- Benefits:** Recipients who had reached the two-year time limit would be required to participate in a community work experience program (CWEP) in order to continue receiving their AFDC benefits. The check received by the participant would be treated as benefits rather than earnings for all purposes.
- Hours:** The required hours of work for participants would be calculated by dividing the AFDC grant by the minimum wage, up to a maximum of 35 hours a week. At State option, the amount of the child support order could be deducted from the AFDC grant for the purpose of calculating hours.
- Capacity:** States would be required to enroll all recipients who reached the time limit for transitional assistance in community work experience programs.
- Sanctions:** Failure to work the required number of hours without good cause would be accompanied by sanctions similar to those for non-participation in the JOBS program-- a reduction in the AFDC grant. Sanctions for refusing a private sector job are as described under Option 1.
- Job Search:** CWEP participants would be required to engage in concurrent job search.

The following are elements common to both the options described above:

Funding. Total Federal funding for the work program would be capped and distributed to States by formula. As an alternative, the number of work assignments could be fixed. In either case, the cap could be increased if the unemployment rate rose above a target level.

Financial incentives would be provided to encourage States to place work program participants into unsubsidized private sector jobs.

Flexibility. States would have considerable flexibility in operating the work program, but they would be required to create the minimum number of work assignments, as discussed above. They would be permitted to, for example:

- Subsidize private or non-profit sector jobs.
- Provide other incentives to employers to hire work program participants.
- Enter into performance-based contracts with organizations such as America Works! to place persons into unsubsidized private sector jobs.
- Encourage microenterprise activities.

Private Sector/Community Involvement. States and localities would be required to involve the private sector, community organizations and organized labor by, for example, establishing a joint public/private governing board to oversee operations. Local Private Industry Councils could be tapped to identify and develop unsubsidized private sector jobs.

Supportive Services. States would be required to provide child care, transportation and other supportive services if needed to enable participation in the work program.

Anti-Displacement Provisions. States would be required to operate their work programs such that displacement of public sector workers would be minimized. Anti-displacement language is currently under development.

National Service. All efforts would be made to integrate the work program with the President's national and community service initiative.

DITCH

CONCLUSION

This welfare reform plan calls for fundamental changes in the current system of welfare. It seeks to replace a flawed system with a coherent set of policies that improve the lives of poor children and their families in ways that reaffirm and support basic values concerning work, family, opportunity and responsibility. The plan has six key elements:

First, this plan seeks not only to get people off welfare, but to keep them from needing it in the first place. We focus on prevention measures, particularly the prevention of teenage and unplanned pregnancies. Thus, the plan calls for increasing resources directed at preventing teen pregnancy, promoting parental responsibility and strengthening community institutions to work with at-risk youth.

Second, this plan seeks to significantly improve the lives of impoverished children and reinforce the value of work by ensuring that working people are not poor. The current patchwork system of child care assistance programs, all with different eligibility rules and regulations, would be streamlined and, in some cases, consolidated. Increased resources would be available for subsidies and investments in the quality of child care. These child care changes would benefit those receiving assistance while in training or education as well as low-income working families. The EITC will be delivered on a timely basis. And health reform will reduce perhaps the greatest source of insecurity facing the working poor.

Third, the plan supports children and reinforces the value of parental responsibility through the realization of universal paternity establishment, improved administration of child support awards, and tougher child support enforcement. More resources will also be directed towards providing training and other support to noncustodial parents so that they are better prepared to meet their child support obligations.

Fourth, we intend to reinvent public assistance. Simplifying and streamlining the myriad of rules, regulations and requirements across assistance programs will significantly enhance the ability of agency staff to refocus their efforts on moving people off welfare. The welfare office will assume a new mission, serving as an effective link between clients in need of education, training and employment resources in the community.

Fifth, increasing numbers of welfare recipients will be allowed and expected to participate in activities leading to employment. Further, welfare cannot go on indefinitely. Expanded education and training services will be made available to recipients for two years.

Finally, welfare really will be converted into a time limited cash assistance program. Before cash benefits have been exhausted, most recipients would have found private sector jobs. But for those who have not, support would come in the form of community service work—not welfare.

Together, these policies are not just an end to welfare as it is known today. They represent a new vision for supporting America's children and families.

CONCLUSION

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First, this plan seeks not only to get people off welfare, but to keep them from needing it in the first place. We focus on prevention measures, particularly the prevention of teenage and unplanned pregnancies. Thus, the plan calls for increasing resources directed at preventing teen pregnancy, promoting parental responsibility and strengthening community institutions to work with at-risk youth.

Second, this plan seeks to significantly improve the lives of impoverished children and reinforce the value of work by ensuring that working people are not poor. The current patchwork system of child care assistance programs, all with different eligibility rules and regulations, would be streamlined and, in some cases, consolidated. Increased resources would be available for subsidies and investments in the quality of child care. These child care changes would benefit those receiving assistance while in training or education as well as low-income working families. The EITC will be delivered on a timely basis. And health reform will reduce perhaps the greatest source of insecurity facing the working poor.

Third, the plan supports children and reinforces the value of parental responsibility through the realization of universal paternity establishment, improved administration of child support awards, and tougher child support enforcement. More resources will also be directed towards providing training and other support to noncustodial parents so that they are better prepared to meet their child support obligations.

Fourth, we intend to reinvent public assistance. Simplifying and streamlining the myriad of rules, regulations and requirements across assistance programs will significantly enhance the ability of agency staff to refocus their efforts on moving people off welfare. The welfare office will assume a new mission, serving as an effective link between clients in need of education, training and employment resources in the community.

Fifth, increasing numbers of welfare recipients will be allowed and expected to participate in activities leading to employment. Further, welfare cannot go on indefinitely. Expanded education and training services will be made available to recipients for two years.

Finally, welfare really will be converted into a time limited cash assistance program. Before cash benefits have been exhausted, most recipients would have found private sector jobs. But for those who have not, support would come in the form of community service work—not welfare.

Together, these policies are not just an end to welfare as it is known today. They represent a new vision for supporting America's children and families.

Besce

WORK

The redesigned welfare system and in particular the enhanced JOBS program will be focussed on helping as many people as possible move to work and independence before their transitional benefits end. The many components of this proposal described earlier are all designed to limit the number of people who reach the time limit by making work pay, improving the child support system, and providing education and training. However, there will be people who reach the time limit without having found a job, and we are committed to providing these people with the opportunity to support their families through work.

We believe that the work component of a reformed welfare system must focus on finding jobs in the private sector. This involves working with the private sector at the community level to create jobs as well as engaging in creative approaches to maximize placements into existing jobs.

The underlying premise for the proposed work program is that it will cost less for states and localities to work with the private sector to find or even create a job than it will to create and supervise a CWEP slot while continuing to pay the participant's benefits.

By block-granting the work program money and giving states flexibility in how the money is used, the federal government will be allowing states to try a wide range of creative new approaches to job creation and placement for those leaving welfare. The only requirement is that the state must provide at least as many "full-time equivalent" work opportunities as the same money would have paid for if spent purely on CWEP. This structure will provide a strong incentive to maximize the use of cost-effective private sector placements and minimize the use of public sector work. States wishing to rely purely on community service work may do so, but those that wish to try new, innovative strategies will have that option.

Discussion
of cost/slot

WORK

PROGRAM STRUCTURE

The following presents one possible outline of a structure for a work program that achieves the objectives listed above.

Funding The federal government will provide each state with an annual pool of money, ^{a Jobs Fund -} allocated by formula from a capped appropriation. Capping the appropriation guarantees a national limit on the size of the potential public work program.

States will receive the money it would cost to provide benefits ^{for} and administer a public work job for a fixed number of people. They will be expected to provide at least that number of work opportunities for JOBS graduates who had not found private sector work on their own. The match for work program funds will be equal to the JOBS match. The funding levels could be tied to the local unemployment rate.

Declining match?

Flexibility States will have considerable flexibility in operating the program. They would be permitted, for instance, to:

- o enter ^{into} performance-based contracts with private ^{job placement} firms or non-profits to place JOBS graduates ^(as Amer Works) in non-subsidized private sector jobs
- o subsidize private-sector jobs ~~with the same type of~~
- o provide employers with any of a range of incentives to hire JOBS graduates
- o encourage microenterprise activities
- o set up community service employment programs

States will be encouraged to make at least part of the work money available through a competitive process to community based organizations that are developing exciting models such as self-employment or microenterprise and through community development organizations which are creating economic opportunities at the local level.

^{Performance} Financial incentives could be provided ^{to the states} that rewarded placements into unsubsidized private sector jobs. ^{States would have option of utilizing governing structure created by Nat. Gov. legis.} (such as?)

- Wage supp: change rules
- DoL working on OST vouchers

Governance States and localities will be required to involve the private sector, community organizations and organized labor in the work program by, for example, establishing a joint public/private governing board to oversee operations and/or tapping local Private Industry Councils to oversee the program. *This is the same model called for in the Empowerment Zone legislation*

Capacity States would be required to provide at least the number of work slots determined by their allocation of work dollars. If the number of people needing work slots exceeds availability, the locality would establish a waiting list. As they became available, work slots would be allocated on a first-come, first-served basis to those on the waiting list.

Those on the waiting list would be required to do ^{self-initiated} community service work, for example, volunteering in a library, child care center or community organization, for at least 20 hours per week in fulfillment of the work requirement. *Michigan has too instituted career services for all JOBS participants - more than half the workload is taken part, at minimal admin. cost.*

States would be required to pay a higher share of the cost for those on the waiting list. States would have the option of reducing the AFDC benefit to recipients who had spent at least 18 months in work assignments and had moved onto the waiting list for a new work assignment. The combined value of AFDC, food stamps and housing assistance could not fall below a fixed percentage of the poverty line.

OPTION
1-lifetime
2-3 yrs.

the work program and still failed to find a private sector job.

INDIVIDUAL PARTICIPATION

Individuals reaching the end of their ^{two year time limit} transitional assistance without having found a private sector job can enroll in the WORK program. If an individual refuses an offer of full- or part- time (unsubsidized) private sector employment without good cause, however, they would not be eligible for the WORK program for six months and their benefits would be calculated as if the job had been taken.

If an individual receives an offer of full- or part-time private sector employment, they must accept it. will be expected to take it. If they refuse such an offer w/o good cause,

There are two options under consideration for structuring their participation:

Option 1: Work for Wages

- Wage** Participants would be paid the minimum wage (or higher at state option). States would be mandated to supplement these earnings (possibly with continued AFDC benefits)-if earnings were not equal to the AFDC benefit for a family of that size.
- Hours** Each work assignment would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (140 hours per month). The required number of hours would be set by the state. (math?)
- Child Support** States which choose to determine the required number of hours by dividing the AFDC grant by the minimum wage would have the option of deducting child support owed from the AFDC grant for purposes of this calculation. *The delinquent parent would be required to work off those hrs.* (I object)
- Not Working** Wages would be paid for hours worked. Not working the required hours would result in a corresponding reduction in wages and benefits (i.e., benefits would not rise to offset the drop in work program earnings).
- Benefits** WORK positions would be treated as employment with respect to Worker's Compensation, FICA and other federal assistance programs. Earnings from WORK positions would not count as earned income for the purpose of the Earned Income Tax Credit, in order to encourage movement into private sector work.
- Time Limit** There would be an 18-month limit on participation in a work assignment. Recipients reaching this limit would be placed on the waiting list for new WORK positions. Rules governing the waiting list are described above.
- Job Search** WORK participants will be required to engage in job search either concurrently or periodically (i.e., one week every three months, or for a fixed period after completing an assignment).

Option 2: Work for Benefits (CWEP)

- Benefits** Participants would be required to work in order to continue to receive their AFDC benefits. The check received by the participant would be treated as benefits rather than earnings for any and all purposes.
- Hours** The required hours of work for participants would be calculated by dividing the AFDC grant by the minimum wage, up to a maximum of 35 hours a week.
- Child Support** At State option, child support owed, could be deducted from the AFDC grant for the purpose of calculating hours. (objecting)
- Time Limit** Under this option, there would be no time limit on participation in the WORK program. (why?)

Sanction Failure to work the required number of hours would be accompanied by sanctions similar to those for non-participation in the JOBS program, a reduction in the AFDC grant, not a reduction in wages. The participant's needs would not be considered in calculating the AFDC grant.

APWA
recomm.

ECONOMIC DEVELOPMENT

The emphasis placed on work by this plan requires serious attention to the need to invest in economic development in distressed communities to create real job opportunities. Increasing capital investment can expand the sustainable private employment opportunities for the caretakers of the children who are currently on welfare.

We will be working to ensure that the work program is closely integrated with other administration economic development initiatives such as empowerment zones and microenterprise loan programs.

Nat. Service

We will also propose creating a special equity fund to invest in businesses, Community Development Corporations, non-profits and other entities which hire the parents of children on welfare (this would include the AFDC recipient as well as the noncustodial parent). Ideas about the exact structure and operation of such a fund are being developed. We are also looking at increasing the funding for effective programs that provide job opportunities specifically for low income populations.

etc.
source of
jobs -
econ devel -
eg, hiring
people to
do day
care or
work
in public
housing

ADD:

Anti-displacement
Child care & other necessary services (esp. transportation)
Health care - assuming HC passed

ASSET BUILDING

-IDAs (Mfume)
-connection to CDBs

Rural exception
High-wage jobs

→ eg, # of
AFDC recps
in EZones

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



- Rural areas

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

Date: _____

From: Marcy C.

To: Bruce Reed

Division: _____

Division: _____

City & State: _____

City & State: _____

Office Number: _____

Office Number: _____

Fax Number: _____

Fax Number: 456-7739

Number of Pages + cover 33

REMARKS: _____

nb
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DRAFT DISCUSSION PAPER

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HIGHLIGHTS

This paper discusses ideas and options for a plan which fulfills the President's pledge to end welfare as we know it, by reinforcing traditional values of work, family, opportunity and responsibility. None of these options has been approved by the President and the paper is designed to stimulate discussion not indicate administration positions. Key features in this plan are:

- *Prevention.* A prevention strategy designed to reduce welfare and poverty by reducing teen pregnancy, promoting responsible parenting, and encouraging and supporting two-parent families.
- *Support for Working Families with the EITC, Health Reform and Child Care.* Advance payment of the EITC and health reform to ensure working families are not poor or medically insecure. Child care both for the working poor and for families in work, education, or training as part of public assistance.
- *Promoting Self-Sufficiency Through Access to Education and Training.* Making the JOBS program from the Family Support Act the core of cash assistance. Changing the culture of the welfare offices from one of enforcing seemingly endless eligibility and payment rules to one focused on helping people achieve self-support. Involving able-bodied recipient in the education, training, and employment activities they need to move toward independence. Greater funding and reduced State match.
- *Time-limited Welfare Followed By Work.* Converting cash assistance to a system with two-year time limits for those able to work. People still unable to find work after two years would be supported via non-displacing community service jobs--not welfare.
- *Child Support.* Dramatic improvements in the child support enforcement system designed to significantly reduce the \$34-billion annual child support collection gap, ensure that children can count on support from both parents, and reduce public benefit costs.
- *Noncustodial Parents.* Steps to increase economic opportunities for needy noncustodial parents expected to pay child support and to help them become more involved in parenting their children.
- *Simplifying Public Assistance.* Significant simplification and coordination of public assistance programs.
- *Increased State Flexibility Within a Clearer Federal Framework.* Increasing flexibility over key policy and implementation issues, providing the opportunity for States to adjust to local needs and conditions within more clearly defined Federal objectives.
- *Deficit Neutral Funding.* Gradual phase-in of the plan, fully funded by offsets and savings.

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INTRODUCTION

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

Americans share powerful values regarding work and responsibility. We believe work is central to the strength, independence, and pride of American families. Yet our current welfare system seems at odds with these core values. People who go to work are often worse off than those on welfare. Instead of giving people access to education, training, and employment skills, the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination and benefit calculation. The very culture of welfare offices often seems to create an expectation of dependence rather than independence. Simultaneously, noncustodial parents often provide little or no economic or social support to the children they parented. And single-parent families sometimes get welfare benefits and other services that are unavailable to equally poor two-parent families. One wonders what messages this system sends to our children about the value of hard work and the importance of family responsibility.

This plan calls for a genuine end to welfare as we know it. It builds from these simple values of work and responsibility. It reshapes the expectations of government and the people it serves. One focus is on making work pay—by ensuring that people who play by the rules get access to the child care, health insurance, and tax credits they need to adequately support their families. The plan also seeks to give people access to the skills they need to work in an increasingly competitive labor market. But in return it expects responsibility. Noncustodial parents must support their children. Those on cash assistance cannot collect welfare indefinitely. Families sometimes need temporary cash support while they struggle past personal tragedy, economic dislocation, or individual disadvantage. But no one who can work should receive cash aid indefinitely. After a time-limited transitional support period, work—not welfare—must be the way in which families support their children.

These reforms ought to be seen in context. The poverty of America's children is among the highest in the developed world. The social and economic forces that drive this poverty run far deeper than the welfare system. And the solutions must include reforms of pre-school, primary, secondary and post-secondary education programs. The country must regain the powerful productivity growth of the past. More effective economic development in low-income areas is essential. We must find a way to reduce violence and drug use. We must try to keep families together, and we must ensure health security for all Americans. Ultimately, we must restore community. And thus, the Administration has embarked on a series of closely-linked initiatives from expansions in Head Start to National Service, from worker retraining to Empowerment Zones, from comprehensive anti-crime legislation to drug treatment, from family preservation and support legislation to health reform. Welfare reform is a piece of a much larger whole. It is an essential piece.

FROM WELFARE TO WORK

The vision of welfare reform is simple and powerful: to refocus the system of economic support from welfare to work. But changing a system which has for decades been focused on calculating eligibility and welfare payments will be tall challenge. Still, we have already made an important beginning.

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The Family Support Act of 1988 serves as a blueprint for the future--a foundation on which to build. It charted a course of mutual and reciprocal responsibility for government and recipient alike.

This plan has five basic parts:

1. Prevent the need for welfare in the first place by promoting parental responsibility and preventing teen pregnancy.
2. Reward people who go to work by making work pay. Working families should not be poor, and they ought to have the child care and health insurance they need to provide basic security through work.
3. Promote work and self-support by providing access to education and training, making cash assistance a transitional, time-limited program, and expecting adults to work once the time limit is reached.
4. Strengthen child support enforcement so that noncustodial parents provide support to their children.
5. Reinvent government assistance to reduce administrative bureaucracy, combat fraud and abuse and give greater State flexibility within a system which has a clear focus on work.

Promote Parental Responsibility and Prevent Teen Pregnancy

If we are going to end long-term welfare use, we must start doing everything we can to prevent people from going onto welfare in the first place. Teen pregnancy is an enduring tragedy. And the number of children born out of wedlock has grown dramatically. We are approaching the point when one out of every three babies in America will be born to an unwed mother. The poverty rate in families headed by an unmarried mother is 67 percent.

We must find ways to send the signal that men and women should not become parents until they are able to nurture and support their children. We need a prevention strategy built better support for two parent families and clear signals about delaying sexual activity and responsible parenting. We must redouble our efforts to reduce teen pregnancy. Families and communities must work to ensure that real opportunities are available for young people and teach them that children who have children face a dead end. Men and women who parent children must know they have responsibilities.

Make Work Pay

Work is at the heart of the entire reform effort. That requires supporting working families and ensuring that a recipient is economically better off from taking a job. There are three critical elements: providing tax credits for the working poor, ensuring access to health insurance, and making child care available.

We have already expanded the Earned Income Tax Credit (EITC) which was effectively a pay raise for the working poor. (The current EITC makes a \$4.25 per hour job pay the equivalent of \$6.00 per hour for a family with two children). Now, we must also simplify advance payment of the EITC so that people can receive it periodically during the year, rather than as a lump sum at tax time.

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We should guarantee health security to all Americans with health reform. Part of the desperate need for health reform is that non-working poor families on welfare often have better coverage than working families.

With tax credits and health reform, the final critical element of making work pay is child care. We seek to ensure that poor working families have access to the quality child care they need. And we cannot ask single mothers to participate in training or to go to work unless they have care for their children.

Provide Access to Education and Training, Time-Limit Cash Assistance and Expect Work

The Family Support Act provided a new vision of mutual responsibility and work: government has a responsibility to provide access to the education and training that people needed; recipients are expected to take advantage of these opportunities and move into work. The legislation created the JOBS program to move people from welfare to work. Unfortunately, one of the clearest lessons of the site visits and hearings held by the Working Group is that this vision is largely unrealized at the local level. The current JOBS program serves only a fraction of the caseload. The primary function of the current welfare offices is still meeting administrative rules about eligibility and determining welfare benefits and writing checks.

We must transform the culture of the welfare bureaucracy. We don't need a welfare program built around income maintenance; we need a program built around work. People should be expected to take steps to help themselves from their first day on welfare. We'll ask them to sign a contract that spells out their obligations and what the government will do in return. This will require increased participation requirements and additional JOBS resources to meet the needs of the expanded JOBS population for education and training services.

No system which hopes to encourage work and responsibility can allow people who are able to work to collect welfare indefinitely. After two years, those who can work will be expected to work in the private sector or community service. This plan includes a concerted effort to expand private and public investment and increase work opportunities.

The system must be sensitive to those who for good reason cannot work—for example, a parent who is needed in the home to care for a disabled child. But at the same time, we should not exclude anyone from the opportunity for advancement. Everyone has something to contribute.

Enforce Child Support

Our current system of child support enforcement is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and noncustodial parents. It lets many noncustodial parents off the hook, while frustrating those who do pay. It seems neither to offer security for children, nor to focus on the difficult problems faced by custodial and noncustodial parents alike. It typically excuses the fathers of children born out of wedlock from any obligation and offers no support for their children. And the biggest indictment of all is that only a fraction of what could be collected is actually paid.

Our plan strongly conveys the message that both parents are responsible for supporting their children. Government can assist parents but cannot be a substitute for them in meeting those responsibilities.

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PDS

One parent should not be expected to do the work of two. Through universal paternity establishment and improved child support enforcement, we send an unambiguous signal that both parents share the responsibility of supporting their children. We explore strategies for ensuring that single parents can count on regular child support payments. And we also incorporate policies that acknowledge the struggles of noncustodial parents and the desires of many to help support and nurture their children. Opportunity and responsibility ought to apply to both mothers and fathers.

Reinvent Government Assistance

At the core of this plan is our commitment to reinventing government. A major problem with the current welfare system is its enormous complexity. It consists of multiple programs with different rules and requirements that confuse and frustrate recipients and caseworkers alike. It is an unnecessarily inefficient system. This plan would simplify and streamline rules and requirements across programs.

Waste, fraud and abuse can more easily arise in a system where tax and income support systems are poorly coordinated, where cases are not tracked over time and across geographic locations. Technology now allows us to create a Federal clearinghouse to ensure that people are not collecting benefits in multiple programs or locations when they are not entitled to do so. Such a clearinghouse will also allow clearer coordination of the child support enforcement and welfare systems and determination of where recipients seem to stay on welfare for a long period and where they move off more quickly.

Ultimately, the real work of encouraging work and responsibility will happen at the State and local levels. Thus, the plan is designed to be clearer about the broad goals while giving more flexibility over implementation to States. Basic performance measures regarding work and long-term movements off of welfare will be combined with broad participation standards. States will then be expected to design programs which work well for their situation.

A NEW BEGINNING

Transforming the social welfare system to one focused on work and responsibility will not be easy. There will be setbacks. We must guard against unrealistic expectations. A welfare system which evolved over 50 years will not be transformed overnight. We must admit that we do not have all the answers. But we must not be deterred from making the bold and decisive actions needed to create a system that reinforces basic values.

Three features of the plan are designed to ensure that this bold plan is only the beginning of an even larger and longer process:

First, we see a major role for evaluation, technical assistance, and information sharing. As one State or locality finds strategies that work, the lessons ought to be widely known and offered to others. One of the critical elements to this reform effort has been the lessons of the careful evaluations done of earlier programs.

Second, we propose key demonstrations in each of the plan's five areas. In each area, we propose both a set of policies for immediate implementation and a set of demonstrations designed to explore

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ideas for still bolder innovation in the future. In addition we would encourage States to develop their own demonstrations, and in some cases provide additional Federal resources for these. Lessons from past demonstrations have been central to both the development of the Family Support Act and to this plan. They will guide continuing innovation into the future.

Finally, we intend to propose a realistic phase-in strategy. The exact phase-in method is yet to be determined, but one might expect time limits and high participation requirements to apply first to people newly entering the system after the legislation is enacted. Or some States or local communities may wish to start sooner than others. This will provide ample opportunity to refine the system as lessons from the early cohorts and States inform implementation for others.

In the end, this plan embodies a vision which was contained in the Family Support Act. It represents the next major step. But the journey will not end until work and responsibility enable us to preserve our children's future.

We turn now to the specifics of the plan.

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PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

- A. CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS
- B. SENDING A CLEAR MESSAGE OF RESPONSIBILITY
- C. BALANCING RESPONSIBILITY WITH OPPORTUNITY
- D. PROMOTING RESPONSIBLE FAMILY PLANNING

and responsibility
NEED -- Although the main focus of welfare reform is to change the welfare system to encourage work, the best solution is to prevent the need for welfare in the first place. This necessarily requires going beyond the welfare system to include every sector of our society.

LT answer

Poverty, especially long-term poverty, and welfare dependency are often associated with growing up in a one-parent family. Although most single parents do a heroic job of raising their children, the fact remains that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready to assume the responsibility of raising children. Not only would this reduce welfare dependency, it would be the single greatest contribution we could make to the well-being of the next generation.

If this is the vision, the reality is quite different. The majority of children born today will spend some time in a single parent family. If current trends continue, over 20 percent of them will be on welfare as well. Teenage birth rates have been rising since 1986 because the trend toward earlier and earlier sexual activity has exposed more young women to the risk of pregnancy. Teenage childbearing often leads to school drop out, which results in the failure to acquire skills that are needed for success in the labor market, and this leads to welfare dependency. The majority of teen mothers end up on welfare, and taxpayers paid about \$29 billion in 1991 to assist families begun by a teenager.

STRATEGY -- It is time to instill a new ethic of parental responsibility. No one should bring a child into the world until they are prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it.

To this end we propose a four-part strategy. First, we suggest a number of changes to the welfare system itself to promote two-parent families and to encourage parental responsibility. Some of these options are quite controversial, but we note that they are already being adopted by a number of States. Second, we seek to send a clear message of parental responsibility and to engage other leaders and institutions, including the media in sending a similar message. Government has a role to play, but the massive changes in sexual mores and family life that have occurred over the past few decades cannot be dealt with by government alone. Third, we realize that it is important to infuse the message of responsibility with a message of opportunity. We must break the cycle of poverty and provide a more hopeful future in low-income communities. Without hope there is no reason for responsibility. In addition to the large number of existing Administration initiatives from investing in Head Start to doubling the size of the Job Corps or concentrating resources to implement Empowerment Zones, we

No !!

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propose a number of approaches which would undergird responsibility with the capacity to achieve it. Finally, we need to promote responsible family planning.

CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS

This proposal emphasizes the responsibility of both parents to support their children. Through an improved child support enforcement system and efforts to achieve universal paternity establishment, noncustodial parents will be held accountable for greater support of their children. Through required participation in activities intended to increase their employment and earnings capacity, AFDC mothers will become better prepared to enter the labor force. And through time-limits on eligibility for cash welfare, after which they must work, parents will have the incentive to move towards self-sufficiency. The details of these proposals can be found in subsequent sections. In addition to these steps, we need to change the welfare system to encourage responsible parenting and support two parent families.

The current bias in the welfare system in which two-parent families are subject to much more stringent eligibility rules than single-parent families would be eliminated. Under current law, two-parent families in which neither parent is incapacitated are ineligible if the primary wage earner works more than 100 hours per month, or if neither parent has been employed in six of the previous thirteen quarters. In addition, some States are given the option to provide only six months of benefits per year to two-parent families, whereas single-parent families must be provided benefits continuously. These disparities would be eliminated.

This proposal would require that minor parents live in a household with a responsible adult, preferably a parent (with certain exceptions—for example, if the minor parent is married or if there is a danger of abuse to the minor parent) and parental support might be included in calculation of cash assistance eligibility. Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. States do have the option of requiring minor mothers to reside in their parents' households, with certain exceptions—for example, if the minor parent is married or if there is a danger of abuse to the minor parent. Only six States have taken advantage of this option. Research has shown that the level of AFDC benefits influence the likelihood that minor mothers will establish their own households. By definition, minor parents are children. Generally, we believe that children should be subject to adult supervision. However, current AFDC rules permit minor mothers to be "adult caretakers" of their own children.

If having a child of their own doesn't change the fact that minor mothers are still children, and are in no shape to set up house on their own.

should be... shall not be parents and if they

We also propose to conduct demonstrations which condition a portion of the assistance benefit and a possible bonus on actions by parents and dependent children to achieve self-sufficiency. States could adopt policies which require parents and dependent children to meet certain obligations and provide some type of sanction and/or bonus based on their efforts to meet the obligations. These demonstrations would include comprehensive case management that focuses on all family members, assisting them to access all services necessary in meeting their obligations. The case management services would expand beyond the individual to take a more holistic approach to family needs in striving to prevent intergenerational dependency as well as assisting current recipients to get off welfare.

This proposal also allows States to utilize older welfare mothers to counsel at-risk teenagers as part of their community service assignment. Counselling of at-risk teenagers by welfare recipients who were

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once teen mothers themselves could be especially effective because of their credibility and the relevance of their personal experience. One recent focus-group study of young mothers on welfare found that virtually all of the parents believed it would have been better to postpone the birth of their first child. Peer counselling training and experience might be offered to the most promising candidates currently receiving welfare benefits.

Option: Allow States the option to limit benefit increases when additional children are conceived by parents already on AFDC.

For families not on welfare, government helps offset the costs of the arrival of an additional child by increasing the amount of income exempt from income taxes, or, if it is the family's second child, by increasing the EITC. Families on welfare typically receive additional support when their AFDC benefits increase automatically to include the needs of an additional child, and when their food stamp benefits increase as well. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase.

cut
Many states would like to limit these increases disregards + pass thru?

SENDING A CLEAR MESSAGE OF RESPONSIBILITY

While it is important to get the message of the welfare system right, these changes by themselves are insufficient as a prevention strategy. For the most part, the disturbing social trends that lead to welfare dependency are not caused by the welfare system. Communities and other governmental and non-governmental institutions must be engaged if the trends contributing to dependency are to be substantially revised. One aspect of this strategy is the messages that are conveyed by opinion makers.

to discourage with receipts from having more kids who are welfare

We propose to ^{that the Pres lead a} ~~conduct~~ a national campaign ^{against teen pregnancy} on ~~engaging in responsible sexual behavior~~, particularly looking at the role of television in the socialization of children and its effects on sexual attitudes and behaviors. Other topics could be added such as staying in school and avoiding substance abuse. A national discussion would respond to public concerns on these issues, set an agenda for development of a knowledge base, and debate the role of government. The White House could also be used as a bully pulpit and to organize efforts to expand messages of responsibility. The media and other groups would be enlisted whenever possible. Focus group interviews suggest that such messages would be very well-received by almost all social and economic groups and that, as in the case of cigarette smoking, over time they would have an effect.

involving the media, comm. org., religious groups, etc.
The campaign would present a debate about substance

BALANCING RESPONSIBILITY WITH OPPORTUNITY

Many Administration initiatives are intended to increase opportunity for children and youth, including Head Start increases, implementation of family preservation and support legislation, a major overhaul of Chapter 1, School-to-Work and an expansion of the Job Corps. In addition to these building blocks, a number of options could be adopted to focus more on children and youth especially at-risk.

We propose to conduct demonstrations for local communities to stimulate neighborhood-based innovations. The purpose of these demonstrations would be to provide comprehensive services to youth in high-risk neighborhoods. Neighborhood effects on poverty are well documented. Comprehensive neighborhood-approaches can help change the environment of at-risk youth as well as provide more direct support services to these youth. Efforts to coordinate existing services and

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programs will provide greater support for at-risk youth, as well as make the best use of Federal funds. Communities receiving grants would be expected to bring together a consortium of community organizations, businesses, colleges, religious organizations, schools, and State and local governments.

This proposal also challenges all Americans, especially the most fortunate, to work one-on-one with at-risk children, adults, and neighborhoods. A wide variety of prevention-oriented programs employing volunteers rather than government employees exists already on the local level and many have been very successful. Volunteer programs dealing directly with at-risk children on a one-to-one basis (e.g. Big-brother and Big-sister programs) could be promoted under a unifying prevention theme of "reaching one child." Similarly, mentoring for adults at risk of welfare dependency could be promoted under the theme of "reaching one parent, or family." This approach could be extended to the neighborhood level ("reaching one neighborhood") by encouraging voluntary social institutions, scouts, little leagues, and church groups from more advantaged neighborhoods to work with their counterparts in a disadvantaged neighborhood. Reduced social isolation, enhanced self-confidence and exposure to a broader network of opportunities and resources for the most disadvantaged would be a common theme.

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ServiceTOD
Londa

The White House could provide a national platform for communicating the theme of reaching one child, through statements and recognition events. In addition, the Federal government, through the Corporation on National and Community Service, with input from HHS, would develop a research agenda and clearinghouse of research and best-practices, so that successful innovation in recruiting and training volunteers and reaching the disadvantaged could be documented and replicated.

We further propose to conduct demonstrations that hold schools accountable for early identification of students with attendance and behavioral problems and for referral to and cooperation with comprehensive service programs addressing the family as a unit. Early indications of high risk for teenage childbearing and other risk behaviors include school absence, academic failure, and school behavioral problems. This would demonstrate the effects of providing middle and high schools with the resources and responsibility to identify early warning signs and make referrals to comprehensive service providers. Schools would be responsible for appropriate follow-up to ensure that appropriate education or training opportunities are available to these youth.

PROMOTING RESPONSIBLE FAMILY PLANNING

About 35 percent of all births result from unintended pregnancies, and the number is much higher for teen parents. Title X family planning funding for 1992 was \$150 million, or about 60 percent of the 1981 level, in constant dollars. Teenage childbearing often leads to school drop out, unemployment, and welfare dependency. This proposal strives to ensure that every potential parent is given the opportunity to avoid unintended births through responsible family planning.

In the President's health care reform proposal, family planning, including prescribed contraceptives, is part of the overall benefit package available to all Americans, regardless of income. However, insurance, while crucial, is not enough. Access and education must be improved. To this end, funding for Community Health Centers, a major source of primary care, including family planning and pre-natal care, is expanding. Also, traditional Public Health efforts through Title X and the Maternal and Child Health Block Grant will continue.

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We propose to conduct demonstrations to link family planning and other critical health care prevention approaches to welfare reform efforts. AFDC mothers overwhelmingly state that they do not want to bear more children until they can provide for them, and that having a child as an unmarried teenager would be one of the worst things a daughter of theirs could do. This option would improve the knowledge and access to appropriate family planning services available for these recipients, and to other low-income individuals.

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MAKE WORK PAY

- A. CHILD CARE FOR WORKING FAMILIES**
- B. ADVANCE PAYMENT OF THE EITC**
- C. OTHER SUPPORT FOR WORKING FAMILIES**
 - 1. Work Should Be Better than Welfare
 - 2. Demonstrations

NEED — Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people receiving assistance who want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents saving for the future with a meager limit on assets. Moreover, working-poor families are often without adequate medical protection and face sizable day care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules and to reduce both poverty and welfare use, then work must pay.

STRATEGY — Three of the major elements that make work pay are: working family tax credits, health reform, and child care. The President has already launched the first two of these. A dramatic expansion of the Earned Income Tax Credit (EITC) was enacted in the last budget legislation. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. The EITC expansion is a giant step toward ensuring that a family of four with a full-time worker will no longer be poor. However, we still must find better ways to deliver the EITC on a timely basis throughout the year. Ensuring that all Americans can count on health insurance coverage is essential, and we expect the Health Security Act will be passed next year.

With the EITC and health reform in place, another major missing element necessary to ensure that work really does pay is child care.

CHILD CARE FOR WORKING FAMILIES

Child care is critical to the success of welfare reform. It is important to provide child care support for both those on AFDC cash assistance to allow them to participate in training and employment activities and for those who have left AFDC or are at-risk of coming on AFDC to allow them to work and avoid poverty. There must also be additional resources to expand supply and to improve quality.

The welfare reform proposal should have the following goals related to child care: to increase funding so that low-income working families have access to the care they need; to ensure children safe and healthy environments that promote child development; and to create a more consolidated and

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simplified child care system. Currently, the Federal Government subsidizes child care for low-income families through the IV-A entitlement programs, including JOBS Child Care, Transitional Child Care, and At-Risk Child Care, and through the Child Care and Development Block Grant.

Middle- and upper-income people benefit from the dependent care tax credit and child care deductions using flexible spending accounts. Because the dependent care tax credit is not refundable and because it is paid at the end of the year and is based on money already spent on child care, it is not now helpful to low-income families.

For welfare reform, we would maintain the IV-A entitlement programs with some consolidation and significant new funding for low-income, working families. We would also maintain and gradually increase the Child Care and Development Block Grant; no families receiving AFDC would be eligible for the CCDBG. States would be allowed greater flexibility in the use of CCDBG funds for quality and supply building. At the same time, the requirement for health and safety standards would be made consistent across programs and would conform to those standards specified in the CCDBG program. States would have the option of assigning administrative responsibility for the IV-A and CCDBG programs to any State agency. States will be required to establish sliding fee scales. Efforts will be made to facilitate linkages between Head Start and child care funding streams to enhance quality and comprehensive services.

We also propose to create two demonstration programs. One would allow a specified number of States to use IV-A funds to provide comprehensive services to children in IV-A child care programs and linkages to Head Start. The second one would focus on increasing the supply of infant care and enhancing its quality in a variety of settings. The greatest identified shortage of child care is infant care.

There are several questions that must be addressed before a child care strategy is finalized:

1. How much new money for child care will be available? There is a need for significant new investments to ensure that both AFDC families and the working poor can access safe and affordable care.
2. Should we reduce further, or eliminate, the State match requirements for child care for the working poor under the IV-A entitlements? The welfare reform initiative will put greater demands on States to ensure child care for those entitled under the Family Support Act. Reducing or eliminating the match rate requirements for providing child care support to the working poor would provide a strong incentive for States to fund child care for families moving off welfare or at-risk of entering welfare.
3. Should we also propose making the Dependent Care Tax Credit refundable? The credit will not help the lowest income families who still would not have the up-front money to pay for child care; therefore, it should not be considered as a single option for providing support.

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ADVANCE PAYMENT OF THE EITC

For the overwhelming majority of people who receive it, the EITC comes in a lump sum at the end of the year. People who are working for low pay or who are considering leaving welfare for work must wait as long as 18 months to see the rewards of their efforts. Others either fail to submit tax returns or fail to claim the credit on the return.

An essential part of making work pay is distributing the EITC in regular amounts throughout the year. To reduce the danger of overpayments, the credit could be partially paid on an advance basis with the remainder paid as a bonus at the end of the year after filing a tax return. Advance payment fosters positive work incentives because it provides an additional source of periodic and regular income to workers during the year, and it allows individuals to receive the credit as they earn wages, clearly illustrating the direct link between work effort and income. In addition, it provides greater economic freedom to low-income workers who may experience cash-flow problems and who need the EITC on an ongoing basis to improve their standard of living.

Strategies to expand the effectiveness of the EITC include:

- Expanded use of employer-based advance payments, particularly sending W-5 forms and information to all workers who received an EITC in the past year.
- Automatic calculation of EITC by IRS. On the basis of information on individual tax returns, IRS would automatically calculate the EITC amount and refund the payment to the family.
- Joint administration of food stamps and EITC to working families using existing State food stamp administration, utilizing EBT technology whenever possible.

OTHER SUPPORT FOR WORKING FAMILIES

One other policy needs to be addressed to adequately encourage work and support the working poor: ensuring that work is always better than welfare. We also suggest demonstrations of innovative ideas.

Work Should Be Better than Welfare

The combination of the EITC, health reform, and child care will largely ensure that people with fewer than three children can avoid poverty with a full-time full-year worker. But full-time work may not always be feasible, especially for single mothers with very young or troubled children. However, in combination with support from the noncustodial parent, the EITC, and other government assistance, earnings from half-time to three-quarters-time work should allow most single-parent families to escape poverty.

Nevertheless, for larger families, welfare in many States may still pay better than work. In addition, in many instances welfare is reduced by one dollar for each dollar of additional earnings resulting in situations where there is no economic gain from accepting part-time work. Some Working Group members believe that families in which someone is working at least half-time ought to always be significantly better off than families who are receiving welfare in which no one is working. If this goal were accepted, there would be three options for achieving it:

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Option 1: Allow (or require) States to supplement the EITC or food stamps for working families when work pays less than welfare.

States could supplement existing EITC, food stamp or housing benefits. Already some States have their own EITC. In most cases, a modest State EITC would make work better than welfare. In calculating means-tested benefits, the State EITC should be treated identically to the Federal EITC. Alternatively, States could supplement the food stamp program or housing assistance for working families after they have exhausted transitional assistance.

Option 2: Allow (or require) States to continue to provide some AFDC/cash assistance to working families.

One straightforward way to ensure that part-time work is better than welfare is to allow or require States to continue to provide some cash aid to part-time workers. This could be accomplished by simplifying the existing earnings disregards in the AFDC program, eliminating their time-sensitive nature, and by not counting months towards a time limit if the adults were working at least part time.

Option 3: Use advance child support payments or child support assurance (See the child support enforcement section for more details).

Ensuring that women with child support awards in place get some child support through advance payments or child support assurance could effectively guarantee that even single parents who work at least half time can do better than welfare with a combination of EITC and child support.

Option 4: Allow States to match earnings of recipients and place in Individual Development Accounts (IDAs) to be used to finance investments such as education, training, or purchases of a car or home.

Demonstrations

In addition, a series of demonstrations could be adopted to test ways to further support low-income working families. We propose the following demonstrations:

- **Worker Support Offices.** A separate local office could be set up offering support specifically for working families. At these offices, working families could get access to food stamps, child care, advance EITC, and possibly health insurance subsidies. In addition, employment-related services such as career counseling and assistance with updating resumes and filling out job applications would also be available.
- **Temporary Unemployment Support.** Demonstrate alternative ways to provide support to low-income families who experience unemployment. Low-paying jobs are often short-lived and low-income families often do not qualify for UI and may come onto welfare when they only need very short term economic aid.
- **A restructured AFDC program, as in Utah, to provide temporary economic assistance to families who have lost a job.**

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**PROVIDE ACCESS TO EDUCATION AND TRAINING,
TIME-LIMIT CASH ASSISTANCE AND EXPECT WORK**

DUMB TITLE

A. ENHANCING THE JOBS PROGRAM

1. Immediate Focus on Work and Participation in JOBS
2. Expanding the JOBS Program
3. Integrating JOBS and Mainstream Education and Training Initiatives

B. MAKING WELFARE TRANSITIONAL

C. WORK

1. Administrative Structure of the WORK Program
2. Characteristics of the WORK Assignments
3. Economic Development

Focusing the welfare system on work and helping people become independent and self-sufficient through work are central themes of this entire plan. Realizing this goal demands a major overhaul of the nation's welfare program. A plan to move from a welfare system focused on providing cash assistance and determining eligibility to a work-based system which helps recipients achieve self-sufficiency through access to education, training and jobs is described below.

NEED -- AFDC currently provides temporary assistance for many of its recipients, supporting them until they regain their footing. Two out of every three persons who enter the welfare system currently leave within two years. Fewer than one in five remains on welfare for more than five consecutive years.

However, a significant number of recipients do remain on welfare for a prolonged period of time. While long-term recipients represent only a modest percentage of all people who enter the system, they represent a high percentage of those on welfare at any given time. While a significant number of these persons face very serious barriers to employment, including physical disabilities, others are able to work but are not moving in the direction of self-sufficiency. Most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

STRATEGY -- Our plan for revamping the welfare system has three elements:

- (1) Enhancing the JOBS program to make it the centerpiece of a welfare system focused on promoting independence and self-sufficiency not writing checks and determining eligibility
- (2) Making welfare transitional so that those who seek assistance get the services they need to become self-sufficient within two years
- (3) Providing Work to those who reach the end of their transitional assistance without finding a job in the private sector despite doing everything required of them

The goal of the system will be to move as many people to self-sufficiency within two years as possible. Making work pay, dramatically improving child support enforcement, and providing education and job placement services should make this possible for most people.

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ENHANCING THE JOBS PROGRAM

Fundamentally changing the way individuals receive assistance from the government requires an equally fundamental change in the program delivering those services. The Family Support Act of 1988 set forth a bold new vision for the social welfare system. AFDC would be a transitional support program, and the focus would shift from providing cash support to helping people move toward independence.

Unfortunately, the current reality is far from that vision. Part of the problem is resources, and another part is a lack of effective coordination among the myriad of programs run by both State and Federal departments of education, labor and human services. But perhaps the greatest challenge of true welfare reform is to bring about a dramatic change in the focus and culture of the welfare bureaucracy. From a system focused on check-writing and eligibility determination, we must create one with a new mandate: to provide the necessary opportunities, support services and incentives to enable individuals to move toward self-sufficiency through work.

Strong Federal leadership in steering the welfare system in this new direction will be critical. To this end, we propose to:

- (1) Focus applicants from the moment they enter the system on moving from welfare to work and participating in programs and services to enhance employability.
- (2) Dramatically expand the JOBS program through higher Federal funding, an enhanced match rate, and higher participation.
- (3) Improve the coordination of JOBS and other education and training initiatives.

Immediate Focus on Work and Participation in JOBS

Several key changes to the program will communicate the emphasis on moving from welfare to work from the moment people enter the transitional assistance program:

Social Contract. Each applicant for assistance would be required to enter into a "Social Contract" with the State in which the applicant agrees to cooperate in good faith with the State in developing and following a case plan leading to self-sufficiency, and the State agrees to provide the services called for in the case plan. *- an spirit of mutual respon-*

Up-front Job Search. At State option, most new applicants would be required to engage in supervised job search from the date of application for benefits.

Employment Case Plan. Within 90 days of application, each person, in conjunction with their caseworker, would design an individualized case plan. Obtaining employment would be the explicit goal of the case plan, which would specify the services to be provided by the State and the time frame for achieving self-sufficiency. *employment*

We recognize that participants have very different levels of education and skills and that their needs will be met through a variety of programs: job search, classroom learning, on the job training, or education, or work experience. States and localities would, therefore, have great flexibility in designing the exact mix of services. The time frames required would vary depending on the

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individual, but would not exceed two years for those who can work. Case plans can also be adjusted in response to changes in the family's situation.

employ could

We also recognize that some who seek transitional assistance will, for good reason, be unable to work, such as individuals who are physically disabled or seriously ill or who are caring for a seriously ill relative. For people in these circumstances, the case plan would be designed with appropriate expectations in mind, such as, for example, caring for and improving the health of the family.

employ

than under current law

More Limited Exemptions. There would be fewer exemptions in the expanded JOBS program, and, in particular, parents of younger children would be expected to participate after a more limited period.

Expanded Definition of "Participation." As soon as their case plan is complete, recipients would be expected to be enrolled in the JOBS program and to take part in the activities called for in their case plan. Enhanced Federal funding would be provided to accommodate this dramatic expansion of the JOBS program. The definition of satisfactory participation in the JOBS program would be broadened to include a wider range of activities such as substance abuse treatment, and possibly other activities such as parenting/life skills classes or domestic violence counselling that are determined to be important preconditions for successfully pursuing employment. The possibility of including activities such as caring for a disabled relative or for a young child as participation in JOBS is also being explored.

community service,

Sanctions. Sanctions for persons who fail to follow their case plan, which would encompass non-participation in JOBS, would be the same as under current law.

** REVISIT
- easier to use?
- APWA
25%
AFDC
- FS*

Expanding the JOBS Program

Increased Funding. This plan envisions a dramatic expansion in the overall level of participation in JOBS, which would clearly require additional funding. States currently receive Federal matching funds for JOBS up to an amount allocated to them under a national capped entitlement. The cap needs to be increased.

Enhanced Match. States are also currently required to spend their own funds to receive Federal matching funds, but the lack of State funds has been a primary barrier to JOBS expansion. States have been suffering under fiscal constraints which were unanticipated at the time the Family Support Act was passed. Most States have been unable to draw down their entire allocation for JOBS because they cannot find the money for the State match. In 1992, actual State spending totalled only 62 percent of the \$1 billion in available Federal funds. Money problems have also limited the number of individuals served under JOBS and, in many cases, limited the services States can offer their JOBS participants. Participation in the JOBS program -- the program designed to move recipients into training and employment -- is around 15 percent of the AFDC caseload nationally. The Federal matching rate would be increased, and a provision could be included to increase it further if a State's unemployment rate exceeds a specified target.

Dramatically Increased Participation. With increased Federal resources available, it is reasonable to expect dramatically increased participation in the JOBS program. Under current law, 20 percent of the non-exempt caseload will be required to participate in JOBS by Fiscal Year 1995. Higher

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participation standards would be phased in and the program would move toward a full-participation model. As discussed above, participation would be defined more broadly and most exemptions eliminated.

Federal Leadership. The Federal role in the JOBS program would be to provide training and technical assistance to help States make the dramatic program changes called for in this plan. Federal funds would help train eligibility workers to become effective caseworkers. Through technical assistance, the Federal government would help promote state-of-the-art practices and evaluations of JOBS programs and assist States in redesigning their intake processes to emphasize employment rather than eligibility. These activities would be funded through a specific set-aside of Federal JOBS funds. Federal oversight of the welfare bureaucracy would change to reflect this new mission as well. Quality control and audits would emphasize performance standards which would measure outcomes such as long-term job placements, rather than process standards.

Integrating JOBS and Mainstream Education and Training Initiatives

The role of the JOBS program is not to create a separate education and training system for welfare recipients, but rather to ensure that they have access to and information about the broad array of existing training and education programs in the mainstream system.

Among the many administration initiatives with which the JOBS program would coordinate are:

- *National Service* – we are working with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of the opportunity for national service as a road to independence
- *School to Work* – JOBS participants should be taking full advantage of this new initiative, and the programs need to be coordinated to ensure that participation requirements are compatible
- *One Stop Shopping* – the Department of Labor would consider making some JOBS offices sites for the one-stop shopping demonstration

income-contingent loans?

The plan would also pursue ways to ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans, and the Job Corps. We will also encourage the development of training programs to prepare people to take advantage of the many jobs that would be available in the expanded child care system.

The plan would also make it easier for States to integrate other employment and training programs (e.g., Food Stamp Employment and Training Program) with the JOBS program and to implement "one stop shopping" education and training models. Specifically, we would create a training and education waiver board, consisting of the Secretaries of Labor, HHS, Education and other interested departments, with the authority to waive key eligibility rules and procedures for demonstrations of a more coordinated education and training system.

E Board

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MAKING WELFARE TRANSITIONAL

People seeking help from the new transitional assistance system will find that the expectations, opportunities and responsibilities have dramatically changed from those in the present welfare system. The focus of the entire program will be on providing them with the services they need to find employment and achieve self-sufficiency.

Placing a time limit on cash assistance is part of the overall effort to shift the focus of the welfare system from cutting checks to promoting work and self-sufficiency. The time limit gives both recipient and case manager a structure that necessitates continuous movement toward fulfilling the objectives of the case plan, and ultimately obtaining employment.

Employ
Two-Year Limit. Every person able to work would be able to receive transitional assistance for up to a cumulative total of two years. Those unable to find private sector employment after two years of transitional assistance would be required to participate in the WORK program (described below) for further government support. Job search would be required for those in their final 45-90 days of assistance.

Extensions. States would have flexibility to provide extensions in the following circumstances, up to a fixed percentage of the caseload:

- ^{those making satisfactory progress} for completion of high school, a GED or a training program expected to lead directly to employment.
- for post-secondary education, provided participants are working at least part-time, for instance in a work/study program
- for those who are seriously ill, disabled or taking care of a seriously ill or disabled child or relative or otherwise unable to work.

At State option, months in which a recipient worked an average of 20 hours per week (more at State option), reported over \$400 in earnings would not be counted against the time limit.

States would be prohibited from imposing time limits on a participant if they fail to provide the services specified in the participant's case plan.

AAWA -
Sanction over
non-partic.

Employ
Credits for Additional Assistance. The plan would allow persons who leave welfare for work to earn additional months of cash assistance for months working and/or not on assistance.

WORK

The redesigned welfare system, and the enhanced JOBS program in particular, are designed to maximize the number of recipients who leave welfare for employment before reaching the time limit for transitional assistance. There will be people, however, who reach the time limit without having found a job, and we are committed to providing these people with the opportunity to work to support their families.

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The goal of the WORK program would be to place participants in unsubsidized private sector employment. States would have the flexibility to employ a wide range of strategies to achieve this end, including temporarily subsidizing private sector jobs and providing public sector employment positions to enable participants to obtain needed experience and training.

Administrative Structure of the WORK Program

The administrative structure of the WORK program would be as follows:

Eligibility. Recipients who had reached the time limit for transitional assistance would be permitted to enroll in the WORK program. However, an individual who refuses an offer of full- or part-time unsubsidized private sector employment without good cause would not be eligible for the WORK program for six months and cash benefits would be calculated as if the job had been taken. The sanction would end upon acceptance of a private sector job.

Funding. Federal matching funds for the WORK program would be allocated by a method similar to the JOBS funding mechanism. A State's allocation could be increased if the unemployment rate rose above a target level.

Flexibility. States would have considerable flexibility in operating the WORK program. They would be permitted to, for example:

- Execute performance-based contracts with private firms such as America Works or non-profits to place JOBS graduates.
- Subsidize non-profit or private sector jobs (through, for example, use of On-the-Job training vouchers). *and work supply*
- Give employers other financial incentives to hire JOBS graduates.
- Encourage microenterprise and other economic development activities.
- Set up community service employment programs.

States would be encouraged to integrate the WORK program with the Corporation for National and Community Service.

Capacity. Each State would be required to create a minimum number of work assignments, with the number to be based on the level of Federal funding received. If the number of people needing WORK positions exceeded the supply, work assignments, as they became available, would be allocated on a first-come, first-served basis.

Waiting List. Recipients on the waiting list for a WORK position would be expected to find volunteer work in the community at, for example, a child care center or community development corporation, for at least 20 hours per week in order to receive benefits (distinct from wages). States might be required to absorb a greater share of the cost of cash assistance to persons on the waiting list.

States would have the option of reducing cash assistance to persons who had spent at least 18 months in the WORK program—above and beyond the two years of transitional assistance—and were on the waiting list for a new WORK position. Cash assistance to recipients in this category could only be

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reduced by up to a certain percentage and the combined value of cash assistance, food stamps and housing assistance could not fall below a fixed percentage of the poverty line.

Administration. States and localities would be required to involve the private sector, community organizations and organized labor in the WORK program. For example, joint public/private governing boards or local Private Industry Councils may be given roles overseeing WORK programs.

Type of Work. Most of the jobs, whether private or public sector, are expected to be entry-level, but should nonetheless be substantive work that enhances participant's employability. Programs would be encouraged to focus their efforts on developing WORK positions in the occupations for which there are large numbers of jobs in the economy, and which have large projected job growth over the next several years.

Anti-Displacement. States would be required to operate their WORK programs such that displacement of public sector workers would be minimized. Anti-displacement language is currently under development. *without displacing*
avoided/prohibited

Job Search. Participants in WORK program positions would be required to engage in job search.

Supportive Services. States would be required to provide child care, transportation and other supportive services if needed to enable participation in the work program.

Characteristics of the WORK Assignments

States would be permitted, as part of the WORK program, to provide positions administered directly by public sector agencies. These public positions would take the form of work for wages, as opposed to work for benefits (CWEP):

Wage	Participants would be paid the minimum wage (or higher at State option).
Hours	Each WORK assignment would be for a minimum of 15 hours per week (65 hours per month) and no more than 35 hours per week (150 hours per month). The required number of hours would be set by the State.
Not Working	Wages would be paid for hours worked. Not working the required hours would result in a corresponding reduction in wages and benefits (i.e., benefits would not rise to offset the drop in WORK program earnings).
Treatment of Wages	Wages from WORK positions would be treated as earned income with respect to Worker's Compensation, FICA and public assistance programs. Earnings from public sector WORK positions would not count as earned income for the purpose of the Earned Income Tax Credit, in order to encourage movement into private sector work.

Private sector WORK program positions would be required to meet the same minimum standards with respect to hours and wages, but otherwise States would be granted considerable flexibility concerning the form of private sector work assignments.

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Option: Permit a State to enroll WORK program participants, either as many as the State chooses or a limited number, in community work experience program (CWEP) positions. These CWEP positions would take the following form:

- Benefits** *Participants would be required to work in order to continue to receive cash assistance. The check received by the participant would be treated as benefits rather than earnings for any and all purposes.*
- Hours** *The required hours of work for participants would be calculated by dividing the amount of cash assistance by the minimum wage, up to a maximum of 35 hours a week.*
- Child Support** *At State option, the amount of the child support order could be deducted from the benefit for the purpose of calculating hours. Delinquent parent would have to work off...*
- Sanctions** *Failure to work the required number of hours would be accompanied by sanctions similar to those for non-participation in the JOBS program—a reduction in cash assistance.*

An important question remains as to whether States should be permitted to place time limits on the length of participation in the WORK program. / confusing

Economic Development

Emphasizing movement into private sector employment requires that serious attention be paid to investment and economic development in distressed communities to expand job opportunities and stimulate economic growth. Increasing capital investment can expand the sustainable private employment opportunities for graduates of the JOBS program. Strategies to promote saving and accumulation of assets are also key to helping recipients escape poverty through work.

Community Development. Initiatives that are under consideration to ensure that JOBS graduates are able to take full advantage of the administration's community development initiatives include:

- Providing enhanced funding through the Community Development Bank and Financial Institutions proposal to support the development of projects that create work and self-employment for JOBS graduates;
- Increasing the number of microenterprises by allocating additional funds to SBA's Microloan and other programs for a set-aside for JOBS participants
- Enhancing HHS job development programs which provide grants to community-based economic development projects to provide work for JOBS graduates.
- Ensuring that JOBS graduates are able to take advantage of the opportunities which would be created through the administration's commitment to enterprise communities and empowerment zones.

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Individual Economic Development. We would also propose a number of steps to encourage people receiving transitional assistance to save money and accumulate assets, to enable them to escape poverty in the long run.

- Raising both the asset limit for eligibility for cash assistance and the limit on the value of an automobile. Consideration would be given to exempting, up to a certain amount, savings put aside specifically for education, purchasing a home or starting a business.
- Supporting demonstrations of the concept of Individual Development Accounts, through which participants would receive subsidies to encourage savings for education, training, purchasing a home or starting a business. The IDA demonstration would be linked to participation in the WORK program or taking private sector jobs.

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ENFORCE CHILD SUPPORT

A. CHILD SUPPORT ENFORCEMENT

B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

NEED -- In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses suggest that the potential for child support collections exceeds \$47 billion. Yet only \$20 billion in awards are currently in place, and only \$13 billion is actually paid. Thus, we have a potential collection gap of over \$34 billion. The typical child born in the U.S. today will spend time in a single-parent home. The evidence is clear that children benefit from interaction with two supportive parents--single parents cannot be expected to do the entire job of two parents. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children.

The problem is threefold: First, for many children, a child support order is never established. Roughly 37 percent of the potential collection gap of \$34 billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, fully 42 percent of the potential gap can be traced to awards that were either set low initially or never adjusted as incomes changed. Third, of awards that are established, government fails to collect any child support in the majority of cases. The remaining 21 percent in the potential collection gap is due to failure to collect on awards in place.

STRATEGY -- There are two key elements within this section. The first major element involves numerous changes to improve the existing child support enforcement system. For children to obtain more support from their noncustodial parents, paternity establishment must be made more universal, and paternity should be established as soon as possible following the birth of the child. A National Guidelines Commission will be formed to address variability among State levels of awards, and awards will be updated periodically through an administrative process. States must also develop central registries for collections and disbursements which can be coordinated with other States, and enhanced tools will be available for Federal and State enforcement. One major question involves the possibility of guaranteeing some level of child support. The second major element is demanding responsibility and enhancing opportunity for noncustodial parents. They should be required to pay child support, and in some cases, offered increased economic opportunities to do so.

CHILD SUPPORT ENFORCEMENT

The options under consideration are listed below:

A Universal and Simplified Paternity Establishment Process

- Require States to immediately seek paternity establishment for as many children born out of wedlock as possible, regardless of the welfare or income status of the mother or father.
- Establish performance standards with incentive payments and penalties. State performance would be based on all cases where children are born to an unmarried mother.

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- Conduct outreach efforts at the State and Federal levels to promote the importance of paternity establishment both as a parental responsibility and a right of the child.
- Provide expanded and simplified voluntary acknowledgment procedures.
- Streamline the process for contested cases.
- Impose clearer, stricter cooperation requirements on parents to both provide the name of the putative father and verifiable information so that the father could be located and served the papers necessary to commence the paternity action. Good cause exceptions would be granted.

The major options in this area relate to the role that government programs should play in encouraging or requiring mothers and fathers to cooperate and in encouraging States to establish paternity:

Option: Deny certain government benefits to persons who have not met cooperation requirements. Good cause exceptions would be granted.

Option: Provide a bonus of \$50 more per month in AFDC payments to cases where paternity is established (instead of passthrough under current law).

Option: Reduce Federal match on benefits paid to States which fail to establish paternity in a reasonable period of time in cases where the mother has cooperated fully.

Appropriate Payment Levels

- Establish a National Guidelines Commission to explore the variation in State guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across States.
- Establish universal and periodic updating of awards for all cases through administrative procedures. Either parent would have the option to ask for an updated award when there is a significant change in circumstance.
- Revise payment and distribution rules designed to strengthen families.

Collection and Enforcement

- Create a central registry and clearinghouse in all States. All States would maintain a central registry and centralized collection and disbursement capability. States would monitor support payments to ensure that child support is being paid and would be able to impose certain enforcement remedies at the State level administratively. A higher Federal match rate would be provided to implement new technologies.
- Create a Federal Child Support Enforcement Clearinghouse. This clearinghouse would provide for enhanced location and enforcement coordination, particularly in interstate cases. Frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance. The IRS role in full collections, tax refund offset, and providing access to IRS income and asset information would be expanded.
- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
- Eliminate most welfare/non-welfare distinctions in service to achieve broader, more universal provision of services.

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- Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
- Enhance administrative power to take many enforcement actions.
- Simplify procedures for interstate collection.
- Create new funding formula and place emphasis on performance-based incentives.
- State incentives to reinvest in the program.

Providing Some Minimum Level of Child Support

Even with the provisions above, enforcement of child support is likely to be uneven for some time to come. Some States will be more effective at collecting than others. Moreover, there will be many cases where the noncustodial parent cannot be expected to contribute much due to low pay or unemployment. An important question is whether children in single-parent families should be provided some minimum level of child support even when the State fails to collect it. The problem is especially acute for custodial parents who are not on AFDC and trying to make ends meet with a combination of work and child support. The President has not endorsed Child Support Assurance, and there is considerable division within the Working Group about its merits.

Options under consideration include the following:

Option 1: Advance payment of up to \$50 per child (or \$100) per month in child support owed by the noncustodial parent, even when the money has not yet been collected, to custodial parents not on welfare.

Advance payments could not exceed the amount actually owed by the noncustodial parent. States would have the option of creating work programs so that noncustodial parents could work off the support due if they had no income.

Option 2: A system of Child Support Assurance which insures minimum payments for all custodial parents with awards in place.

Minimum payments might exceed the actual award, with government paying the difference between collections and the minimum assured benefit. States might experiment with tying guaranteed payments to work or participation in a training program by the noncustodial parent. Benefits would be deducted entirely or in part from AFDC payments for those on AFDC.

The national system would be phased in slowly with State participation conditioned on progress and improvements in their child support enforcement system. Cost projections would also have to be met before additional States could be added.

Option 3: State demonstrations only of one or both of above options.

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

Under the present system, the needs and concerns of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter." We ought to encourage noncustodial parents to remain involved in their children's lives--not drive

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them further away. The child support system, while getting tougher on those that can pay but refuse to do so, should also be fair to those noncustodial parents who show responsibility toward their children. Some elements described above will help. Better tracking of payments will avoid build-up of arrearages. A simple administrative process will allow for downward modifications of awards when a job is involuntarily lost. But other strategies would also be pursued.

Ultimately expectations of mothers and fathers should be parallel. Whatever is expected of the mother should be expected of the father. And whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents who pay their child support and remain involved. If they can improve their earnings capacity and maintain relationships with their children, they will be a source of both financial and emotional support.

Much needs to be learned, partly because we have focused less attention on this population in the past and partly because we know less about what types of programs would work. Still, a number of steps can be taken. Some possible options include:

- Provide block grants to States for access- and visitation-related programs, including mediation (both voluntary and mandatory), counseling, education, and enforcement.
- Reserve a portion of JOBS program funding for education and training programs for noncustodial parents.
- Make Targeted Jobs Tax Credit (TJTC) available to fathers with children receiving food stamps.
- Experiment with a variety of programs in which men who participate in employment or training activities do not build up arrearages while they participate.
- Conduct significant experimentation with mandatory work programs for noncustodial parents who don't pay child support.
- Make the payment of child support a condition of other government benefits.
- Provide additional incentives for noncustodial parents to pay child support.

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REINVENT GOVERNMENT ASSISTANCE

- A. SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS
- B. PERFORMANCE STANDARDS AND STATE FLEXIBILITY
- C. REDUCING WASTE, FRAUD AND ABUSE

NEED -- The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity confuses the mission, frustrates people seeking aid, confuses caseworkers, increases administrative costs and leads to program errors and inefficiencies. In addition, the web of Federal-State-local relations in the administrative system largely focuses on meeting every detailed Federal requirement and calculating checks precisely. If ever there were a government program that is deeply resented by its customers, it is the existing welfare system.

STRATEGY -- The lessons of reinventing government apply clearly here. The goal should be to rationalize, consolidate, and simplify the existing social welfare system. Creating a simplified system will be a major challenge. Clearer Federal goals which allow greater State and local flexibility in managing programs are also critical. Finally, a central Federal role in information systems and interstate coordination would prevent waste, fraud and abuse and also improve service delivery at the State and local levels.

SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The simplification of assistance programs at all levels of government has been the "holy grail" of welfare reform--always sought, never realized. The reasons are many: disparate goals of different programs, varied constituencies, departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators and taxpayers are all losers due to the current complexity.

There are two basic options for reform:

Option 1: Simplify and coordinate rules in existing programs.

Considerable improvements could be achieved by modifying existing rules in current programs. Such changes could include the following:

- Reduce Federal program rules and reporting and budgeting requirements to a minimum.
- Simplify and conform income and asset rules in the AFDC and Food Stamp programs.
- Adopt APWA regulatory and legislative proposals, including application, redetermination and reporting streamlining.
- Base eligibility for programs, such as child care for working families, on simplified Food Stamp rules or AFDC-like rules.

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- Change housing subsidies to provide less assistance to a greater number of households by having housing count for food stamps or by designating part of AFDC as housing assistance. Also, freeze rents for a fixed period of time after the recipient takes a job to enhance the benefits from employment.
- Eliminate the special rules pertaining to two-parent families, such as the 100-hour rule and the quarters-of-work rule.
- Simplify and standardize earnings disregards.
- States would be required to use a standard procedure to determine need standards but would be allowed to decide what fraction of need would be met in their State.

Option 2: Develop a simplified and consolidated eligibility process for the new transitional assistance program. Strive to bring other aid programs into conformity.

This option would solve the problem that AFDC and food stamps currently have different filing units for purposes of establishing eligibility. AFDC is designed to support children "deprived of parental support," so it is focused on single parents, it excludes other adult members in the household, it treats multiple generation households as different units, and it excludes disabled persons receiving SSI from the unit. The Food Stamp program, by contrast, defines a filing unit as all people in the household who share cooking facilities.

This option includes:

- A common, improved set of definitions of the filing unit, asset rules, income definitions, and other rules for food stamps and cash aid. States would continue to set benefit levels for cash assistance.
- States would be required to use a standard procedure to determine need standards but would be allowed to decide what fraction of need would be met in their State.
- Other low-income programs would be encouraged to use the consolidated income and eligibility rules.

PERFORMANCE STANDARDS AND STATE FLEXIBILITY

A reformed welfare system requires clear objectives to aid policy development and performance measures to gauge whether policy intent is being achieved. Performance measures in a transitional program of benefits should reflect the achievement of all program objectives and relate to the primary goal of helping families to become self-sufficient. Standards should be established for a broad range of program activities against which front-line workers, managers and policymakers can assess the efficiency and effectiveness of the program. To the extent possible, results--rather than inputs and processes--should be measured. States and localities must have the flexibility and resources to achieve the programmatic goals that have been set.

- The Federal government should transition from a role which is largely prescriptive to one which establishes customer-driven performance standards in collaboration with States, local agencies, advocacy groups and clients. The exact methods for accomplishing program goals are difficult to prescribe from Washington, given variation in local circumstances, capacities, and philosophies. Therefore, substantial flexibility will be left for localities to decide how to meet these goals, facilitated by enhanced inter-agency waiver authority at the Federal level.

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- The Federal government should provide technical assistance to States for achieving these standards which has two aspects: 1) to evaluate program innovations and identify what is working; and 2) to assist in the transfer of effective strategies.

PREVENTING WASTE, FRAUD AND ABUSE

Multiple programs, complex regulations, and uncoordinated programs invite waste, fraudulent behavior and simple error. Too often, individuals can present different information to various government agencies to claim maximum benefits with virtually no chance of detection.

The new program of transitional assistance, in and of itself, will go a long way toward preventing waste and fraud. During the period of transitional cash benefits, there will be enhanced tracking of a client's training activities and work opportunities, as well as the electronic exchange of tax, benefit and child support information. Also, the newly expanded EITC largely eliminates current incentives to "work off the books" and disincentives to report all employment. Now, it is advantageous to report every single dollar of earnings.

New, improved technology and automation offer the chance to implement transitional programs which ensure quality service, fiscal accountability and program integrity. For example, Electronic Benefit Transfer (EBT) technology offers the opportunity to provide food stamps, EITC, cash and other benefits through a single card. Program integrity activities need to focus on ensuring overall payment accuracy, detection and prevention of recipient, worker and vendor fraud. Such measures include the following:

- Better coordinate the collection and sharing of data among programs, especially wage, tax, child support, and benefit information.
- Re-assess the Federal/State partnership in developing centralized data bases and information systems that improve interstate coordination, eliminate duplicate benefits and permit tracking. At a minimum, information must be shared across States to prevent the circumvention of time limits by recipients relocating to a different State.
- Fully utilize current and emerging technologies to offer better services targeted more efficiently on those eligible at less cost.