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REMARKS: For your review - please contact Wendell or me (Emil) if you have any questions or concerns.

PROVIDE ACCESS TO EDUCATION AND TRAINING, TIME-LIMIT CASH ASSISTANCE AND EXPECT WORK

A. ENHANCING THE JOBS PROGRAM
   1. Immediate Focus on Work and Participation in JOBS
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   3. Integrating JOBS and Mainstream Education and Training Initiatives
B. MAKING WELFARE TRANSITIONAL
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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.

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.

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.

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 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 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.

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.

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.

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.

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 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 emphasis 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

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.

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. 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:

- 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.

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.

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).
- 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 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.

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.

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.*

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

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 Financial Institutions proposal to support the development of projects that create work for JOBS graduates;

- Expanding the administration's commitment to the microenterprise program by allocating additional funds for a set-aside for JOBS participants

- Enhancing 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 full 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 matching grants to encourage savings. The IDA demonstration would be linked to participation in the WORK program or taking private sector jobs.

November 18, 1993

MEMORANDUM FOR DAVID ELLWOOD, WENDELL PRIMUS

FROM: BRUCE REED

SUBJECT: Edits to Nov. 17 Draft

This draft is much better in some areas. But it still contains a few political landmines that are unacceptable to all of us at the White House if this is to remain a consensus document.

The section on guaranteeing child support is a big problem, and must be changed. There is universal disdain for that idea among all of us at the White House who work on welfare reform, and we cannot go along with a document that portrays "guaranteeing some level of child support" as an agreed-upon principle. I suggest revisions below. We insist on an honest portrayal of this issue. Without that, we cannot and will not defend this document.

REVISIONS TO NOV. 17 DRAFT

PAGE 1: Highlights/Intro

Prevention should be *Prevention and Parental Responsibility*

$34 million should be $34 billion

Non-custodial parents section should read: "**Programs that require non-custodial parents to pay child support while increasing economic opportunities for them to do so and helping them to become more involved in parenting their children.**"

Simplifying Public Assistance should be: "**Reducing Red Tape**"

Time Limits should read: "Converting cash assistance to a system with serious two-year time limits. [**NOT "in most cases"**] Persons who cannot find work **in the private sector** after two years would be **asked to take** community service jobs, rather than welfare." [We're not supporting them with work; they're learning to support themselves with work.]

PAGE 3

This reference to child support assurance is OK: "We explore strategies..." It's OK to explore this stuff, so long as you can still turn back -- but it's not all right to declare that we've decided on the principle of guaranteed support.

Reinvent Government Assistance (here and throughout) might sound better as **Cutting Red Tape**

PAGE 4

The system must be sensitive to those who **cannot** work...

PAGE 5

Need: "**Unwed** teenage mothers face substantial obstacles..."

The Family Planning paragraph should be **in italics**, with the other options. We have not reached consensus on it.

PAGE 10

Ensuring that Work is Always Better than Welfare needs to be changed to **Work Should be Better than Welfare**. We have not agreed on the principle of **ensuring** this. I don't see how we can mandate high-benefit states to do something they could get out of by lowering their benefits. We ought to **allow** or **encourage** them to make work better than welfare.

"Allow or require" under Options 1 and 2 should read simply "**Allow**".

Option 3 needs the following disclaimer: **"The President has never endorsed child support assurance, and there is considerable division within the Working Group about its merits."**

PAGE 12

"B. Guaranteeing Some Level of Child Support" should be deleted.

Under Strategy, there are only **two** key elements. The sentences on child support assurance should be deleted, and replaced with:

"The second major element **is demanding responsibility and enhancing opportunity for non-custodial parents. They should be required to pay child support, and in some cases, offered increased economic opportunities to do so. We are also exploring other strategies to ensure some level of regular level of child support for custodial parents."**

PAGE 13

The sentence "The major options in this area" should read "encouraging or forcing mothers **and fathers** to cooperate:"

PAGE 14

"GUARANTEEING SOME LEVEL OF CHILD SUPPORT" cannot be its own separate section. It should be treated the same way as "Collection and Enforcement" on the previous page: in lower-case type and left-justified (it would be hard to justify it in any other way).

The second paragraph of the section should be deleted, and replaced with our disclaimer: **"The President has never endorsed child support assurance, and there is considerable division within the Working Group about its merits."**

The Options need to be **unbolded**, like the options on page 13.

In Option 2, delete the word **national**, as well as specific references to benefit levels of **$2500**. There is no point giving your critics extra ammunition to accuse you not only of letting deadbeats off the hook, but spending billions to do it.

Option 3 should read as follows: "**State demonstrations only.**" We wouldn't support Option 1 beyond a demonstration basis, either.

PAGE 15

This section is still too soft. Remember -- most noncustodial fathers are not poor and needy, and need more responsibility, not more opportunity. We should add a bullet that says:

*** Give states the option to make payment of child support a condition of other government benefits.**

PAGE 17

Waste and Fraud should be more than an afterthought. We need to add David's great idea of a **National Benefits Coordination and Fraud Elimination Data Base**.

PAGE 19

"The definition of participation should be broadened to include **community service** [not substance abuse treatment] as well as other activities such as etc."

PAGE 21

The section on Need is extremely misleading -- it fuzzes over the whole question of those who cycle on and off welfare. Why do you insist on pretending that the time limits won't actually affect anybody? They will change expectations for everyone in the system, and that's a good thing.

The section on Need should start out as follows: "**Welfare should be a second chance, not a way of life. Under the current system, too many people remain on welfare with no prospect of leaving. While these recipients represent only a portion of all who enter the system, they represent a high percentage of those on welfare at any time.**

The third paragraph under Strategy should read: "A recipient who cannot find employment by the end of the time frame **will be required to work in return for further support.**" [The NOT in all caps is ridiculous.]

"Work activities" and "community service activities" should drop the word "activities"

PAGE 22

"This time frame would vary depending on the skills and circumstances of the recipient, but would not exceed two years **for all who can work** [not "in most cases"].

The next two paragraphs imply that the time limit is entirely at the discretion of the caseworker. This is not true. The first paragraph should read instead: **"The system must be sensitive to those who for good reason cannot work -- such as individuals with disabled children or personal illness. For those who cannot work, other expectations may be more appropriate."**

The paragraph "There are persons on welfare who face barriers etc...." should be deleted. We have not agreed on this.

PAGE 24

Where did the option on deducting child support owed come from? This sounds like a screwy idea -- an incentive for mothers not to cooperate with child support collection. It should be **dropped** here and on page 25.

"Recipients on the waiting list would be **required** (not permitted) to do community service work"

PAGE 26

"First, this plan **seeks not just to get people off welfare, but to keep them from going on in the first place."**

November 14, 1993

MEMORANDUM FOR DAVID ELLWOOD
WENDELL PRIMUS

FROM: BRUCE REED

SUBJECT: Edits to Nov. 12 Draft

Some sections are quite good; others need some work. Here are a few general recommendations, followed by some specific line edits and inserts. On the whole, these changes should help shorten the document.

1. Replace the 3-page Summary with a one-page Table of Contents. The Summary is unnecessary -- it adds length without adding clarity. The whole point of writing a comprehensive document was to make it harder for anyone to take our recommendations out of context. The Summary defeats this purpose: it is too easy to quote, fax, and distribute by itself. The Summary also blurs the distinction between decisions and options. (For example, it makes guaranteeing child support sound like an agreed-upon principle, which it clearly is not.) Why make it easier for critics to misrepresent our positions? This document is not supposed to be a fast read; it's a detailed options memo. (Besides, the Summary is hard to read anyway.) All we need is a Table of Contents that tells which issue is on what page.

2. The Introduction should be bolder. We are ending welfare as we know it; the Intro should explain how. It should put particular emphasis on the radical shift we envision in the values upon which our social contract is based -- especially the value of work. Many of these ideas are in the current draft, but I believe they should be placed in higher relief. If our Introduction is dripping in values, it will be harder for anyone to get too worried about the programs. Most of the changes I suggest below are in this section.

3. The "Problem:"/"Strategy:" sections of each chapter could be shortened considerably. I don't think it's necessary to summarize the four or five elements of our strategy immediately before spelling them out in greater detail. Again, it makes each element sound like a done deal rather than an option. All together, these summaries add 3-4 pages to the document without making it any easier to understand. They should be trimmed.

4. Don't try to hide the 2-year time limit. We've figured out a way to keep the President's promise without breaking the budget or punishing the poor. So let's highlight it, not fuzz it over with euphemisms like "Transitional Assistance Followed by Work." I know the advocacy groups are worried about "rigid" time limits and so on. But the truth is, we've come up with a plan that includes real time limits, and we should say so. Too often, this

Administration has been kicked around even when we were keeping a campaign promise, simply because our own people talked like we might not. (The 25% White House staff cut was a classic example.) Any reporter who gets hold of this document will be looking for one thing -- whether or not we're serious about time limits. The current draft makes them sound softer than they really are, and more of an afterthought than the centerpiece of the Clinton plan ("buried on page 24," etc.). I've suggested some changes.

5. For the same reason, we should shorten the discussion of Extensions -- on which we have not reached internal agreement, and for which we haven't seen numbers -- and include a little more on Sanctions. I'm sure we can agree on a reasonable Extension policy, and we should have one. But for now, reporters are going to be looking for loopholes and ways to say we're wimping out. I have suggested more general language that should satisfy the suspicious, whether they're reporters or advocates.

6. We need some more of Gergen's "Dummy Options". In the discussion of guaranteeing child support, for example, we need a third option that says "Demonstrations Only" -- unless you want the President and Senator Moynihan to read in the Washington Times that according to documents obtained from HHS, the Clinton Administration has decided the government should pay when fathers won't, and is considering two ways to let these deadbeats off the hook. We should save that story; we may need it later to distract attention from our financing.

7. The section on "Preventing the Formation of Single-Parent Families" should be renamed **"Promoting Parental Responsibility and Preventing Welfare Dependency."** The former sounds like divorce prevention, which is probably a good idea, but not for this task force.

8. Add a section on Reinventing Government, as discussed Friday.

SPECIFIC LINE EDITS AND SUGGESTIONS
[Changes are in bold]

Summary (pp. 1-3):

Set it aside for now; it's not helpful or necessary for this document.

Replace with a one-page Table of Contents

In future versions of the Summary, make sure options don't sound like principles (i.e., "Guaranteeing Some Level of Child Support" is not yet a core principle of our Child Support Enforcement plan)

Introduction (pp. 1-4)

"There is near universal consensus **across party, class, and racial lines** that the **welfare** system simply does not work. Conservatives **complain** that it fosters illigitimacy and dependency. **[no quotation marks]** 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 angriest of all are people on welfare themselves,** who talk of the humiliation, stigma, and **indignity of spending their lives** in a system that seems designed to **maintain them in poverty rather than move them toward independence. [Leave out the us vs. them/ugly, racist rhetoric -- it doesn't fit here.]**

"Americans hold powerful values ... [no changes in this paragraph]

"Delete next paragraph -- "The current system of supports etc." This paragraph is redundant.

"[Insert new paragraph:] **It is time to restore those 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."**

There are five key elements in what we propose:

1. Promoting Parental Responsibility and Preventing Welfare Dependency [not "Preventing the Formation of Single-Parent Families" — dependency is the enemy, not divorce]

"If we are going to end welfare as a way of life, we must start by doing everything we can to prevent people from going onto welfare in the first place. In recent years, the welfare rolls have swelled in the wake of an explosion of out-of-wedlock births -- from 544,000 in 1978 to 1.1 million last year <ck>. We are approaching the point when one out of every three babies in America will be born to an unwed mother. We must confront this epidemic and the social forces behind it, or all our reforms will be for naught.

"The current welfare system sends the wrong signals to prospective young mothers that having children out of wedlock will be condoned or rewarded, and to prospective young fathers that the government will support their children if they will not. It is time to start sending the right signals for a change.

"Teenagers, in particular, are at risk. Recent data indicate that teenagers who have children out of wedlock are most likely to come onto welfare and remain there the longest. **We need a national campaign to reduce and prevent teen pregnancy and increase high school completion. We must turn children away from having children, and teach them how to get ahead."**

2. Make Work Pay

"A basic tenet of the Clinton Administration is that any job ought to be better than welfare. Yet the current welfare system sets up a devastating array ... etc.

[Drop sentence about "economic weakness". It's gloom and doom; it's out of our bailiwick; it doesn't really fit here; and it has very little to do with low-wage jobs -- which have always been low-wage.]

"Our strategy requires ..." [no changes]

3. Child Support Enforcement [no changes]

4. Expanded Opportunity

"One of the clearest lessons..." [no changes]

"We must transform the culture of the welfare bureaucracy. We don't need a welfare program built around income maintenance; we need an opportunity program built around work. Its goal should be to foster entry into the labor market, **by providing** education and training services, job listings and job search assistance, and parenting and self-esteem classes. ...

[rest of paragraph is fine. It's a mistake to refer here to "the welfare office" or to a "work support agency". We're better off talking about the function instead.]

"[Rewrite next paragraph as follows, so that it sounds less negative and more like an ode to the Family Support Act:] **We need to build on the 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 system serves only a fraction of the caseload -- and many existing federal training programs are not designed to serve people on welfare.** Welfare cannot and should not ... etc. ...

[Rest of paragraph OK, but drop the last sentence about "The welfare office can and should help people use the services they need." It's redundant. Besides, we can't end welfare as we know it if we keep thinking of something called "the welfare office."]

5. A Two-Year Time Limit Welfare Followed by Work [not "Time-Limits on Cash Aid for the Employable Followed by Work" -- that phrase has too many qualifiers. As I said before, our plan still includes a two-year time limit, so let's say so upfront.]

"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.

"**But** 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 social contract that spells out the path they see toward self-sufficiency, and makes clear their obligations in return. 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 great expectations. Everyone can do something, and they will.

"In designing ... etc." [rest of paragraph OK except for the sentence which contains the phrase "current budget crisis" -- that sentence should be dropped. It doesn't help our cause with OMB and others to talk up the budget crisis.]

6. Reinventing Government

[Presumably a sixth section on "Reinventing Government" goes here. The key themes are rewarding performance, not paperwork; simplifying rules for caseworkers and recipients alike; expanding state flexibility and waiver authority; and reducing fraud.]

Prevention (pp. 5–7):

Call the Section "**Promoting Parental Responsibility and Preventing Welfare Dependency**" **(as above).**

Delete the opening Problem/Strategy section except for the last paragraph, which should read: "**A message of responsibility and prevention is central to** the Administration's welfare reform initiative. To prevent the future dependency ... etc.

Include policies from Wendell's list:

* "**Provide challenge grants to States for innovative ways to reward and require responsible behavior.**"

* "**Conduct a national campaign to reduce and prevent teen pregnancy.**"

As we agreed at our last Rosslyn retreat, in order to avoid a political firestorm, we should leave out discussion of family planning services, Norplant, etc. It's enough for now to say that we'll launch a national campaign against teen pregnancy.

Empowerment Zones: This paragraph should probably be dropped, but if you want to keep it, you need to say it differently: "**Communities which apply to become empowerment zones or enterprise communities could be encouraged to demonstrate what they plan to do to promote economic self-sufficiency and prevent welfare dependency.**"

Make Work Pay (pp. 9–14):

Reduce the Problem/Strategy section down to one short paragraph: "**For too many, welfare rather than work is the sound economic choice. Too many people who try to leave welfare and go to work see their benefits cut and their health coverage disappear. We must ensure that working families really can support themselves. And when working people in low-paying jobs need some additional support, it should be provided in ways that reinforce work and dignity.** "

[The discussion of economic weakness, declining wages, etc., is not helpful or necessary. The reference to "the administration is working hard on that task" of restoring economic growth sounds kind of feeble.]

No changes until the Child Care section: take out reference to $2 or $3 billion.

Make reference to the training and use of post-transitional welfare recipients as child care workers.

In the Reward Working Families section, the various Options sound more real than we intend. I thought we had talked of the Work Support Agency, emergency EA, and Family UI as Demonstrations for now.

Child Support Enforcement (pp. 15-19):

The "Problem" section is fine, except for one sentence in the third paragraph: "If we cannot solve the problem of child support, we cannot possibly adequately provide for our children" should be dropped in favor of "**It is hard enough for any parent to raise a child alone, or any child to grow up with just one parent present. No absent parent should be allowed to deny support to that child as well.**"

The "Strategy" section is repetitive and misleading, and should be dropped. As you're tired of hearing me say, guaranteeing Child Support is not an agreed-upon principle. (The word you want is "insuring", not "guaranteeing" --- but even at that it's still not an agreed-upon principle.)

Child Support Assurance: As Wendell writes in his version, all child support assurance options should be linked to work requirements for fathers.

This section needs to include an **Option 3: Child Support Insurance Demonstrations Only**, as explained above.

Noncustodial Parents: This whole section sounds too Robert Bly to me. If we're serious about parallel expectations for mothers and fathers, we need to emphasize that we will require work for fathers who do not or cannot pay. All our sticks are aimed at mothers.

Moreover, I think you set up a dangerous moral equivalence in the last paragraph when you say that "whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents." This suggests that we should reward single parents and absent parents, but not parents who stick together. Opening the doors for noncustodial parents to take advantage of more federal programs may add one more excuse for them not to stick around.

Increasing Opportunity (pp. 20-22):

The "Problem" section could be shortened; the "Strategy" section dropped.

In the 2nd paragraph on p. 20, drop the sentence "Providing case mgmt and access to education and training can be costly." States don't need more excuses, either.

"Placement" should be "Job Placement" throughout.

Three ideas need to be included from Wendell's version:

* "**Require most new applicants to engage in supervised job search from the date of application for benefits. Sanction for non-participation.**"

* **"Require all applicants to sign a social contract specifying the responsibilities of both the State agency and the recipient."**

* **"Require job search for the last 90 days before time limit expires."**

Where did the 1% tap on JOBS funds come from? I'm not sure whether it's a good idea or a bad idea, but we haven't discussed it.

The waiver board should go under the REGO section, and should be the Community Enterprise Board, with broad powers -- not just limited to coordinating education and training.

A Two-Year Time Limit Followed By Work (pp. 23-29): [Not "Transitional Assistance Followed by Work"]

The Strategy section should be deleted, along with any references in the document to "public work jobs" and "public sector work program".

The headline on p. 24 should simply read "**Specific Strategies to Time-Limit Welfare and Require Work.**" I don't see what you get by talking about cash assistance instead of welfare. It sounds like there must be a catch.

The paragraph on "cash aid" should read "**Cash aid would be limited to two years for those who are able to work.**" The rest of the paragraph should be deleted -- it sounds squishy when it doesn't need to.

The Extensions section should be reduced to a single paragraph: "**There will be a reasonable extension policy for the disabled, recipients caring for a disabled child or relative, people making substantial progress toward completion of high school or a GED, etc. -- but the overall number of extensions a state can grant will be limited to a set percentage of the caseload.**

The Sanctions section from Wendell's draft should be included:

* **"Not working the required number of hours would result in a corresponding reduction in wages and no change in benefits (i.e., benefits would not rise to offset the fall in work program earnings)."**

* **"If an individual refused an offer of a full- or part-time private sector job without good cause, benefits for at least the next six months would be calculated as if the job had been taken. The sanction would end upon acceptance of a private sector job."**

The Work Not Workfare section should include the option that "**States could impose a time limit on participation in the work program (including self-initiated community service), and reduce benefits after a certain period of time.**"

The "Involvement of Private Sector and Public Sector Unions" section should be renamed: "**Public–Private Partnerships Will Oversee Job Creation**". Unions will be involved if the community so chooses (along with business, community groups, govt, etc.), but the more important point is that the private sector will be involved in finding and creating jobs.

Drop the sentence "Unions will worry that jobs are being taken from existing workers." There's no need to elevate that concern here.

Leave out the displacement options, pro and con. I'm not sure what options we have anyway, but there's no point arguing it out here.

Don't mention 500,000 slots. Numbers are dangerous.

Self–Initiated Community Service: Mention churches. It may be necessary to explain why it's called self–initiated and how it's reported.

WR-Plan

November 15, 1993

MEMORANDUM FOR Naomi Goldstein

FROM: Bonnie Deane

SUBJECT: Comments on Welfare Document

If you do not have time to read all of these comments, please focus on the ones labeled: **IMPORTANT**.

P1. The message that we are trying to prevent single-parent families strikes me as odd. Aren't we trying to prevent **welfare dependency** or **poverty among children** before it starts? I agree that encouraging family formation and preventing unwed pregnancies are important aspects of the solution, but tagging single-parent families as the "problem" seems politically volatile. That's the same approach that caused the Murphy Brown flap under Bush.

On the second page 1 in the document and on page 5, the theme is repeated: preventing single parent families. I strongly urge that we change it to preventing welfare dependency.

P.20 3rd paragraph...departments of education and labor and education...?

p.22 I love the overall message. The last sentence in the first paragraph, however, seems unnecessarily critical or confrontational with DOL. Perhaps we could say..."Some local employment offices organize their service strategy around dislocated workers and have been less effective at serving more disadvantaged clients." (Incidentally, the reverse is also true, to the detriment of dislocated workers in many other communities.)

- The next sentence looks a bit lonely and out of place.

- The second bullet under proposals: There are two very different approaches on this one. First you can coordinate access and customer service so that people don't have to go all over town just to find out what is available. This is much easier than a second approach (which is less helpful to real people) that involves coordinating rules or even funding. Either of these approaches would be complicated by trying to achieve more than the coordination of programs within a single agency. I would suggest that we recommend a *coordinated access* strategy across agencies as a higher priority than a coordinated rules or funding strategy.

A couple of other minor problems I had with this bullet: What is Apprenticeship Training? Is it Youth Apprenticeships? If so, that has been renamed School to Work. Saying that these two programs should be "designed to encourage participation of welfare recipients" without mentioning National Service or Income Contingent Loans or other major new programs, borders on sounding like preaching to DOL. I would avoid that tack.

Here's a stab at another phraseology with the same spirit of intent, I hope: Keep the first sentence and combine it with the bullet that follows. Eliminate the second sentence about how the programs ought to be designed to help welfare recipients. If you want to name programs in the other two sentences, make sure you list initiatives from all the departments listed. Create a new bullet with the following: **Encourage the creation of customer-oriented, career centers in the JOBS program for education, training, and employment information for welfare recipients. These career centers should be parallel to and supportive of the Department of Labor's "One-Stop Shop" development plan. Recognizing that not all states or all relevant agencies will immediately become a part of DOL's One-Stop system, a parallel and compatible, JOBS-based, career center system could help to pave the way for One-Stop system expansion in later years.**

[Rationale: The One-Stop system will be experimental and take a long time to get up to scale. It will be controversial because it involves competition between providers. It also does not explicitly include HHS or DoEd programs -- only EDWAA, JTPA and Employment Service. Rather than adding to the controversy and complexity in designing One-Stop, we could provide incentives for JOBS programs to create compatible career service centers, more oriented to the needs of welfare recipients but able to link up with One-Stop as it comes of age. This is the same strategy being taken in the dislocated worker program for states which do not want to implement One-Stop right away.]

- Under the bullet which starts "Require.." are you missing a word? Do you mean provide info to welfare recipients, to caseworkers, to the government?

P.24 First bullet after the options: I thought that the social contract would be one, simple contract explaining the new expectations for individuals and for the government in a transitional time-limited system. Making the social contract a document which changes depending on the person would undermine its significance in transforming the culture. A service plan or a development plan should be tailored, but the social contract which all new entrants sign ought to be universal. It's a minor difference...but a personalized "social contract" sounds odd to me.

good

P.25 **IMPORTANT** Job expansion

[Jobs: Please do not say that the NEC and CEA suggest that there will be a large number of low skill jobs available with low pay. How we communicate this is absolutely crucial. The Administration has been working hard to fight for higher skill jobs and higher paying jobs. We are not stimulating or encouraging the growth of low skill or low paying jobs.

Investment Fund: If the document is likely to leak, we should stay vague about the welfare investment fund since the idea has not been widely circulated within the Administration yet.]

Here's some draft text:

" Helping families to become self-sufficient through work involves two strategies: helping the workers and finding the jobs. Helping parents involves skill building, access to child care and health care, facilitating EITC payments and improving child support enforcement. These parent-focused initiatives will be enough to allow many families to take advantage of numerous job opportunities which already exist: The Bureau of Labor Statistics projects that over 24 million new jobs will be created between 1990 and 2005 and that some of the fastest growing occupations will be those which tend to hire women and minorities. The EITC will increase the rewards from work enough to make it possible for many more parents to accept jobs they could not accept before. Similarly, health care coverage and access to affordable child care will make it possible for parents to work in jobs they can easily find.

However, job growth in the U.S. does not impact all communities evenly. Particularly in the case of distressed communities and less skilled workers, there is a need to develop the job opportunities as well as help parents. We need to increase linkages between welfare recipients and job opportunities through job development, job placement programs, job search assistance, better transportation, micro-enterprise, or employer incentives for hiring. Over the longer term, increasing capital investment in distressed areas can expand the sustainable, private employment opportunities for men and women supporting the children who are currently on welfare. For those who have exhausted their transitional support and have not yet found a job in the private sector, community service jobs should be available to build skills or help stimulate future economic growth.

There are many examples of how community investment and job connections can work. Businesses which train disadvantaged people and then place them in permanent work have succeeded across the country: Chicago Commons Schicago, Esperanza Unida, Focus:Hope, and Pioneer Human Services. Cooperative ventures for self-employment in areas like home health care and day care have succeeded in New York, Maine and Indiana and are expanding. Project Match in Chicago and America Works! in New York and Hartford are two successful examples of outreach, referral and placement agencies for welfare recipients. We need to invest more in the capital and operating budgets of innovative programs like these.

We propose:

— The Administration's Empowerment Zone initiative represents a major investment in 104 communities to stimulate economic activity and job creation in places where poverty is high. Plans developed at the local level, not government programs, will direct the use of these funds toward innovative, tailored solutions to special problems in each community. Applicants will be encouraged to show how they will utilize the tax incentive for hiring Zone residents and other funds to expand employment opportunities for Zone residents.

— An investment fund strategy: (As per bullet in text, but add micro-enterprise as a type of

client. Need a period between done and Private.)

(cut out the targeting bullet and the initial funding bullet.)

-- A performance based bonus strategy for loan recipients: (As per bullet in text) If designed properly, such a bonus scheme should not cost taxpayers a dime because benefits are only paid out when federal spending has clearly been reduced.

-- Encourage the use of current program expenditures for economic development: Organizations which hire welfare recipients should have a wide range of incentives including the EITC, the targeted jobs tax credit, and wage supplementation agreements negotiated locally.

-- Funds for creating public jobs after the time limit will be flexible enough to encourage job development and job placement in the private sector whenever possible.

-- Making the asset and savings rules more flexible in order to encourage micro-enterprise."

P.26 **IMPORTANT** Comments on Post-transition jobs.
Maybe a second paragraph under the initial paragraph on Community service jobs? Something like:

" Communities would be allowed additional flexibility in the management of their post-transitional funds for activities other than creating community service jobs. For example, communities could use their fund for job development, micro-enterprise, and temporary hiring subsidies. As long as the fund creates more job placements for welfare recipients than could have been created through a purely community service program, extensive flexibility should be allowed. Local employers and labor representatives should be included in the job creation process--public or private--to ensure that the effects on the local labor market are not disruptive. "
(Note: I have given some specific comments on the text as written and an alternative below.)

Last bullet on page 26: If you don't pay FICA you get almost as much money as the EITC--so you have not achieved a difference between the private and public jobs. Why no UI? These people need all the credits they can get. Can you just fudge this instead of being so specific?

P.27 Last bullet: this probably ought to be an option. Can you put in a second sentence saying that the total cost to states must not rise? Or that federal shares up front would have to rise? It shouldn't sound like an unfunded mandate when it leaks.

2nd to last bullet: How about "States have the option to limit the duration of post-transition jobs." A general point...don't you think that the use of the word "slots" undermines

the perception of these as jobs?

New heading at bottom of page: Could we re-title it " Flexible Job Creation Fund involving Employers, Unions, and Community Organizations."

Alternative formulation for Community Service section:

This is a hard section to comment on because I think you may reorganize it or rewrite it based on our Friday meeting. In my mind, the public jobs and the flexible fund are all one thing and should be written up together, not in separate sections. If these comments here are too confusing, please call me and lets fax on this section. I think we have broad agreement. Here are a few more ideas (I would put all of this in front of the "key elements" and streamline the other sections--so many detailed rules don't need to be in this document.):

"We propose:

-- A joint public/private governing board will be set up in each area (sentence as per Ellwood text). The board need not be created if an existing board such as an Empowerment Zone Council or a Private Industry Council can be used. Together, labor representatives, employers, government, and community organizations may be able to assist in creating meaningful, subsidized, public- or private-sector jobs.

-- Anti-displacement provisions to avoid disrupting the existing jobs market.

○ OPTION: Displacement provisions are not necessary since the jobs or subsidies would be temporary and labor representatives would be involved in the process of job creation.

-- Funding will be capped at a given amount such as $x billion and allocated by a formula based on ... (You have text for this somewhere? Wendell?)

-- Flexible spending if minimum job targets are met. Communities may want to spend funds helping a person find a private sector job instead of creating an artificial job. As long as communities generate more job placements per dollar than the minimum standard, funds could be spent on job development, micro-enterprise, employer incentives, hiring bonuses, etc.

-- Self-initiated community service (as per text)"

WH-Plan

DEPARTMENT OF HEALTH & HUMAN SERVICES

A fax message from:

Melissa T. Skolfield
Deputy Assistant Secretary for Public Affairs
Phone: (202) 690-6853 Fax: (202) 690-5673

To: Bruce Reed

Fax: 456-7028 Phone:

Date: 11/15 Total number of pages sent: 9

Comments:

FYI — I'm recommending several deletions in an effort to head off bad headlines if this leaks.

All sent to David + Naomi this a.m.

200 Independence Avenue, S.W., Bldg. HHH, Room 647-D, Washington, D.C. 20201

to achieve.

-- Programs such as Section 8 should experiment with mechanisms which temporarily freeze rents when people first enter work, so that people going to work do not suddenly face higher housing costs.

-- Benefits to working families should not come in the form of coupons or other stigmatizing mechanism. Electronic Benefit Transfer (EBT) mechanisms for Food Stamps, EITC and other benefits seem a promising mechanism. ~~EBT demonstrations show dramatically reduced stigma and considerable consumer satisfaction.~~

Working families typically face the largest and most serious reporting requirements, rather than the simplest ones. HHS, FNS, and HUD should work to coordinate programs more effectively, especially for working families. In addition, bolder measures could be considered:

o **Option:** A separate office could be set up offering support for working families. At these offices working families would get access to Food Stamps, child care, advance EITC, and possibly health insurance discounts. Other services, such as child care could also be provided. The office could be the state employment and training office, existing UI offices, or a new office. This could first be tried on a demonstration basis.

One clear problem for low income working families is that their jobs are often short lived. Low income families rarely qualify for UI for a variety of reasons. Thus families which suffer short term unemployment may end up mired in the welfare system when they only needed short term aid. Several options could be explored for dealing with this problem.

o **Option 1:** The current AFDC emergency assistance program or a new family UI program could be developed for low income families who suffer temporary job loss.

of the private sector is critical for insuring that work has real content. ~~Unions will worry that jobs are being taken from existing workers~~. A joint public/private governing board will be set up in each area to oversee the job creation activities which must include representatives from government, business, and labor. The panel will solicit jobs in both public and private sector organizations.

- **Option:** ~~Require~~ Allow that proposals be accepted from both public and private sector organizations. All organizations who can legally hire people at the minimum wage can offer slots in exchange for some form of subsidy.

  - **Any organization would be eligible to bid** if they can legally employ people at minimum wage or higher for six to twelve months. All local and national employers would be able to bid: Non-profit organizations, private, for-profit businesses, temporary help agencies, subcontractors, public agencies. There is no requirement that jobs be non-displacing since they are only temporary jobs. Preference will be given to job proposals involving training or experience which builds earning potential.

  - **Proposals would include:** the number of jobs offered, when the jobs would become available, and the funding expected from the government in order to provide wages, supervision and, if possible, some valuable training and job experience. Localities are strongly encouraged to organize the contracting so that welfare recipients can choose between several employers.

  - **Employers would be able to stipulate certain objective requirements** such as a high school degree, a typing speed, a drug test or literacy test. Employers would not be allowed to use subjective screening to accept or reject applicants. Localities may opt to stipulate in the contract that employers will have a choice between 3 to 5 applicants.

  - **Any remaining funds can be used to create and administer jobs** directly using 100% government funds (with the caps), if an insufficient number of jobs are generated through the competitive process. These jobs should fill unmet needs in the community, provide training, or foster economic development (such as micro-enterprise or community investment corps).

Anti-Displacement Provisions
To avoid displacing existing jobs, strict anti-displacement provisions would be designed.

- **Option:** Since jobs are temporary anti-displacement rules are not required.

Caps on Job Slots or Funding For Job Slots
The number of job slots will be capped at a fixed number nationally or at a fixed cost. Slots or job slot money would be allocated according to a formula. The proposed cap would be

Many locality gets a fund - essentially a jobs block grant. Similar to program in some places like Cal.

500,000 slots. Given the caps on the number of job slots, there may ~~It is likely that there~~ will be insufficient job slots to meet the needs of all those who have exhausted transitional assistance In such cases, states must set up a waiting list and may set up a priority system for persons awaiting job placements.

Self-Initiated Community Service Volunteer Work for People on Waiting List
The principle that everyone should contribute to their community in exchange for cash aid is central to this proposal. People on the waiting list would continue to receive cash assistance. But in exchange, at least one adult would be expected to perform at least 20 hours per week of self-initiated community service work. Recipients could serve as volunteers in libraries, child care centers, community organizations and the like. Considerable anecdotal evidence exists that volunteer work is a stepping stone to more consistent and rewarding paid employment.

being done in Mich - need info.

The IV-A entitlement, transitional and at risk child care entitlements would be combined and eligibility would be extended to any family at risk for AFDC/Transitional assistance. Risk would be defined as any family who would be eligible for food stamps, i.e. families below 130 percent of the poverty level. No separate or special entitlement would exist for single parent families or welfare recipients, and the disregards for child care in both Food Stamps and AFDC would become unnecessary and would be abolished. Benefits would be limited to families where all adult caretakers are either working or are disabled or unable to care for children for other reasons. Priority would be given to families with pre-school children. States would share in the cost, with a match rate equal to the new JOBS match rate. States could count as match funds other monies spent to provide child care to low income families. States would set co-payment (sliding fee scale) requirements.

- **Option 1:** Consolidate the entitlement programs into two funding streams rather than one. The child care subsidy program for AFDC recipients would be uncapped as per current law; the program for all other low income families would be a capped entitlement gradually increasing from the current level of transitional and at-risk child care plus the food stamp disregard to a level of $2 or $3 billion. delete?

- **Option 2:** The dependent care tax credit would be made refundable, which would provide a subsidy of about 30 percent of day care costs to working families.

Under all subsidy programs, care would have to be legal under state law, and if exempt from state regulation would have to meet minimum health and safety standards of the sort now required for care funded under the block grant. States would set maximum rates and co-payment rates which would be the same for all categories of recipients.

Child Care Block Grant

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 both services and quality and supply investments, with a requirement that they spend at least some proportion (currently 25 percent) for quality and supply enhancements. If a broad entitlement were adopted as above, then a new requirement would be added that they not use CCDBG money to provide services to welfare recipients. They could use CCDBG funds to provide child care services to working poor families up to 75 percent of state median income (current law). 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 that would be encouraged under the block grants would include resource and referral services, parent information and education, investments in facilities and equipment, the development of family day care networks, training, ties between Head Start and child care, and special programs for bringing AFDC recipients into the child care work force.

- MEMO -

TO: DAVID ELLWOOD

FROM: MELISSA

RE: COMMENTS ON FRIDAY'S DRAFT

DATE: NOVEMBER 15, 1993

Here are my thoughts on the draft we got on Friday.

* The structure is fine for me, although I feel strongly that it needs to have "draft - for discussion only" written on every page. I agree with Bruce that there should be a section on reinventing government/simplification that mentions the fact that simpler rules make it easier to detect fraud.

* I've marked a number of political "gotchas" which should be deleted, especially on pages 1, 3, 4, 12, 13, 28 and 29.

In general, I'd advise deleting all of the cost numbers. For purposes of "leakage," you might also consider a note somewhere which states that we intend to pay for this with other unspecified changes to the current system. I also think you should consider a stronger paragraph on sanctions for noncompliance.

You should also consider rewriting the extensions section on page 24. I thought we were planning to phrase this as "different options for fulfilling work requirements" rather than as "exemptions from the work requirements?"

* As far as I can tell, the substance is fine, and it should work for purposes of the 20th meeting.

~~CONFIDENTIAL~~ November 12, 1993

DRAFT PROPOSAL OUTLINE

INTRODUCTION

There is near universal consensus that the current system simply does not work. Conservatives believe that it fosters "illegitimacy and dependency". Liberals decry the low benefits that leave children poor. And the people who are most angry with the system are the recipients themselves who talk of the humiliation, the stigma, and the perversity of a system that seems designed to prevent rather than support their efforts to achieve real independence achieve ~~and robs them of any sense~~ of control over their lives. ~~Sadly in response to this frustration with welfare, it is common to stereotype and finger point. Us versus them thinking pervades welfare debates.~~ Ugly, ~~racist, and mean spirited images and policies are often loudly pro-claimed~~. There must be a new direction.

Americans hold powerful values regarding work and family and opportunity and responsibility. Yet the current system reinforces none of these. People who go to work are often worse off than those on welfare. Too often, absent 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 two-parent families. The welfare system has focussed almost exclusively on writing checks, rather than getting people access to the education, training, and employment opportunities they need to become self-sufficient.

The current system of supports implicitly adopts a notion that the government's responsibility is to provide economic support and that dignity and responsibility of parents are secondary. Until recently, the role of government child support enforcement was solely to try and collect money from non-custodial fathers to help offset welfare costs. The role of welfare is mostly to write checks as accurately and efficiently as possible; encouraging work and training often appears almost as an afterthought. People who are not working get cash and medical aid, while working people get far less.

This plan calls for a genuine end to welfare as it is now conceived. It calls for a new view of the role of government and citizens. It is the responsibility of parents and individuals to provide for and nurture their children. Government's role is to support parents in meeting those responsibilities. Government policies must reinforce basic values.

There are five key elements in what we propose:

Preventing the Formation of Single Parent Families

First, welfare reform must include significant attention to prevention. Recent data indicate that teenagers who have children out of wedlock are most likely to come onto welfare and to remain on welfare the longest. Therefore, our proposal must contain measures designed to

special benefits to single parents and making single parenthood the key criteria for benefit eligibility. By removing work and marriage disincentives, and through universal paternity establishment and improved child support enforcement, we can ensure that both parents share the responsibility of supporting their children.

Expanded Opportunity

One of the clearest lessons of the site visits and hearings held by the working group is that the current welfare system is not about getting people access to jobs that allow them to maintain independence and control. It is not about training or job placement or work supports. It is about writing checks. It is about writing checks in an environment with a numbingly large number of regulations, all of which must be met or penalties will accrue to the state and recipient alike. We have created a system preoccupied with detail which misses the big picture.

Our current reform effort must transform the culture of welfare and welfare administration from eligibility determination and benefit distribution as the primary focus, to the welfare office being seen as a work support agency which helps individuals who are "doing the right thing" to obtain employment and achieve self-sufficiency. The welfare office must be perceived as a link to resources which foster entry into the labor market, including education and training services, job listings and job search assistance, and parenting and self-esteem classes. The whole system needs to be based on a 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.

Key shortcoming

A ~~great tragedy~~ of the current education and training system is that low income persons are usually eligible for considerable support for education and training. Yet few of those who apply for welfare ever learn about the services they could receive. And many of the existing services are not designed to serve the types of people who are now on welfare. Welfare cannot and should not be the key to new and special services. Rather, 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. The welfare office can and should help people use the services they need.

Time-Limits on Cash Aid for the Employable Followed by Work

No system which is designed to encourage work and responsibility can allow people who are able to work to collect cash aid indefinitely. A relatively small portion of the entrants into welfare actually stay for a very long period. That is the way the system should work. But a smaller group comes on a stays for a very long time. And they consume a very large fraction of the resources of the welfare system. That needs to be changed. ??

These potential long-term recipients should have the access to the training they need. Work must pay so that any job they take ought to improve their situation. And the system must be sensitive to the unique circumstances that confront individuals such as disabled children,

personal illness, or severe educational deficiencies. People should be expected to be on track to help themselves from their first day on welfare. But after two years, the bulk of recipients can and should be expected to work in private sector jobs or to work in service to the community. If there are no jobs available, the government should provide work, but those who receive assistance must help serve their communities in return.

In designing this options outline, we have endeavored to keep these principles in mind. All pose very difficult challenges, especially in the current budget crisis. The following is an outline of policies which embody these principles and which represent an attempt to define areas of consensus and areas where options remain.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

To: Group

From: David T. Ellwood
Wendell E. Primus

Re: Revised draft

Date: November 16, 1993

We enclose a revised draft options paper for our meeting on November 20. We believe it is substantially improved -- thanks in large part to your suggestions, which we have incorporated as best we could.

We would appreciate receiving any additional comments by 9:30 on Thursday. Please fax them to Wendell at 690-6562, or call Marcy Carlson at 690-7409. If you get us your comments by 9:30 on Thursday, we will have time to incorporate them in the final draft that will be sent to the Working Group Friday morning.

Thanks.

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November 17, 1993

DRAFT PROPOSAL OUTLINE

HIGHLIGHTS AND INTRODUCTION

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 better supporting two-parent families.
- *Child Care.* Significant expansions in child care for the working poor and for families in work or training while on 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 children can count on support from both parents, and reduce public benefit costs.
- *Non-custodial Parents.* Programs to increase economic opportunities for needy noncustodial parents who owe child support, and to enhance their role in parenting their children.
- *Simplifying Public Assistance.* Significant simplification and coordination of existing public assistance programs.
- *Promoting Self-Support Through JOBS.* Making the JOBS program from the Family Support Act central to cash assistance, involving virtually every recipient in activities designed to move toward self-support with significantly enhanced funding.
- *Time-limits and Jobs.* Converting cash assistance to a system with serious two-year time limits in most cases. Persons still unable to find work after two years, would be supported via community service jobs, rather than welfare.
- *Fully Funded Without New Resources.* Gradual phase in of the plan with enhanced benefits fully funded by offsets and savings inside and outside the program.

A DISCREDITED SYSTEM

There is near universal consensus across party, class, 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 angriest of all are people on welfare themselves, who talk of the humiliation, the stigma, and indignity of spending their lives in 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. There must be a new direction.

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, non-custodial 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

It is time to restore those 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 fundamentally refocusing current policy can we achieve long-term economic security for our children.

There are six key elements in what we propose:

PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

If we are going to 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. In recent years, the welfare rolls have swelled in the wake of an explosion of out-of-wedlock-births--from 544,000 in 1978 to 1.1 million last year. We are approaching the point when one out of every three babies in American will be born to an unwed mother. We must confront this epidemic and the social forces behind it. /check

The current system sends the wrong signals to prospective young mothers that having children out of wedlock will be condoned, and to prospective young fathers that the government will support their children if they will not. It is time to start sending the right signals. Teenagers, in particular, are at risk. Recent data indicate that teenagers who have children out of wedlock are most likely to come onto welfare and remain there the longest. We propose a series of strategies to reduce and prevent teen pregnancy. We must turn children away from having children, and teach them how to get ahead.

MAKE WORK PAY

A basic tenet of the Clinton Administration 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. It prevents savings 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 child care they need. And we cannot ask single mothers to get training or to go to work unless they have care for their children.

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 non-custodial parents. It lets many absent 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 of nurturing. 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. 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 signals 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 non-custodial 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 different programs with different rules and requirements which 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.

PROMOTE SELF-SUFFICIENCY

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 welfare system is not getting people access to the jobs, training, job placement or work supports that would allow them to maintain independence and control. It is about eligibility rules, reporting requirements, income

verification and writing checks. We have created a system preoccupied with detail which misses the big picture.

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. Welfare cannot and should not be the key to new and special services.

Ultimately 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. 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. Finally, 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 given them a much better chance to do so.

But 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 social contract that spells out the path they see toward self-sufficiency, and makes clear their obligations in return. 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 can 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.

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PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

NEED -- Each year, one out of ten young women under the age of 20 becomes pregnant. By the age 20, 40 percent of all women have been pregnant. Teenage mothers face substantial obstacles to achieving self-sufficiency, and thus, are at high risk of long-term welfare dependency. Their earning abilities are limited by lack of education, work experience, job skills, parenting and self-esteem. Eighty percent of teen mothers drop out of high school and only 56 percent ever graduate. Teen mothers are the least likely to receive child support, increasing the likelihood that they will need public assistance. Each family begun by a teenage mother in 1990 will cost the taxpayer an average of almost $20,000 by the time that child reaches age 20.

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 and two parent families.

STRATEGY -- A message of responsibility and prevention is a key element of the Administration's welfare reform initiative. Some of these actions, such as eliminating distinctions in cash assistance and service programs available to single parent families and two parent families, seeking to establish paternity in every case of a child born out-of wedlock, holding parents and states accountable for establishing paternity are discussed in other sections of this paper.

Given the recent data indicating that teenagers who have children out of wedlock are most at risk of long-term welfare dependency, prevention strategies must focus on measures to prevent teenage pregnancy, to increase responsible reproductive behavior, to hold fathers, as well as mothers responsible for their children, and to encourage high school completion.

Several key elements would support these goals. State demonstrations that provide comprehensive case management would focus on all family members as a means to help prevent welfare recipients' children from going on welfare as well as helping keep existing recipients off. While teens would be targeted in this effort, the broader AFDC recipient population would be included.

Family planning services would be made available to all adolescent and adult AFDC recipients who request them. In addition, broader efforts under the Surgeon General's auspices, such as increasing the outreach efforts of family planning services agencies, enhancing counseling services provided by those agencies, and increasing the accessibility both in location and hours of operation, of those agencies to teenagers through school-based and school-linked services could be utilized. Also, Title X funds could be used to develop a special outreach to AFDC mothers with daughters in their early teens.

Finally, school accountability would contribute to building the future of these youth. Demonstrations could hold schools accountable for "tracking" at risk youth and drop-outs and for supporting them in mainstream educational opportunities or providing them with good training or education alternatives.

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Other steps to promote responsibility include:

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

Option: Conduct a national campaign 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 would be encouraged.

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

Option: Support demonstrations that make case heads accountable for their family members' participation in education and training activities (e.g., attend and finish high school or benefit level will be reduced).

Option: Allow states the option to limit additional benefits for additional children born while on welfare.
In determining this limit, if the mothers child support award or earnings offset the reduction in AFDC, the family will not be penalized.

Option: Support challenge grants to States for innovative ways to reward and require responsible behavior.

Option: Provide 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, a White House spotlight and document successful innovation in recruiting and training volunteers and reaching disadvantaged children.

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.

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MAKE WORK PAY

A. CHILD CARE FOR WORKING FAMILIES
B. OTHER SUPPORT FOR WORKING FAMILIES
   1. Advance Payment of the EITC
   2. Ensuring that Work is Always Better than Welfare
   3. Demonstrations

NEED -- Even full-time work can leave a family poor, and the situation has worsened over time, 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 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 savings 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. Many parents choose welfare to insure 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, to reduce both poverty and welfare, then work must pay.

STRATEGY -- There are three elements to making work pay: working family tax credits (EITC), health reform, and child care. The President has already launched the first two of these: (1) A dramatic expansion in the Earned Income Tax Credit (EITC) was already passed in the last budget. When fully implemented it will have the effect of making a $4.25 job pay nearly $6.00 per hour for a parent with two or more children. This very nearly ensures that a family of 4 with a full time worker will no longer be poor. However, we must find better ways to deliver the EITC on a timely basis throughout the year; (2) Ensuring that all Americans can count on health insurance coverage is essential. We hope and expect the Health Security Act to be passed next year independent of this effort.

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. Programs include the dependent care tax credit, child care deductions through flexible spending accounts, 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).

Clearly, the goal is to create a more consolidated and simplified system and to increase funding so that low income working families have access to the care they need. Given the current structure of programs, it makes the most sense to divide the populations needing child care into two groups: those who are working or training in preparation for work while collecting cash assistance, and the working poor who are not collecting AFDC cash assistance (or its successor). 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. In addition, we 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 recipients getting transitional assistance or in work slots have access to child care.

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

- Any family with incomes low enough to be eligible for food stamps would be deemed at-risk and could qualify, i.e. families below 130 percent of the poverty level could be served.
- Priority would be given to families with pre-school children
- States would be expected to ensure seamless coverage for persons who leave welfare for work.
- States would 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.
- Care would have to meet standards set by state law, and if exempt from state regulation, would have to meet minimum health and safety standards of the sort now required for care funded under the block grant.
- States would set maximum rates and co-payment (sliding fee scale) requirements which would be the same for all categories of users.
- Benefits would be limited to families where all adult caretakers are either working or are disabled or are unable to care for children for other reasons.

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). 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 that would be encouraged under the block grants would include resource and referral services, parent information and education, investments in facilities and equipment, the development of family day care networks, training, ties between Head Start and child care, and special programs for bringing AFDC recipients into the child care work force.

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.

Option 3: Make Dependent Care Tax Credit Refundable

This could be done separately or combined with another option. The current credit of up to 30 percent of child care costs is not of use to 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.

Ensuring that Work is Always Better than Welfare

The combination of the EITC, health reform and child care will largely ensure that people with fewer than 2 children can avoid poverty with a full-year full-time worker. But full-time work may not always be feasible, especially for mothers with young or troubled children. Only 1/3 of married mothers work full-year full-time. And for larger families welfare in many states may still pay better than work. We must ensure that families where someone is working at least half-time are better off than families who are receiving welfare where no one is working. There are three options for achieving that goal:

focus

Option 1: Allow or Require states to supplement the EITC or food stamps for working families when work pays less than welfare.

NO

mandate on high benefit states

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

Require to connect to state EITC

Option 2: Allow or require states to continue to provide some AFDC/cash assistance to working families, even if they have been on aid for more than 2 years.

NO

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. One could also simplify the existing earnings disregards in the AFDC program. One could also not count months towards a time limit if the adults were working at least part-time.

NO

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 can 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.

NO !!

Demonstrations CSA

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

- Work Support Offices. A separate office would be set up offering support specifically for working families. At these offices working families would get access to food stamps, child care, advance EITC, and possibly health insurance discounts.

- Temporary Unemployment Support. Because low-paying jobs are often short-lived, low-income families often do not qualify for UI and may come onto welfare when they only need very short term economic aid. Revise the current UI system to make it easier for low-income working families with children to qualify for unemployment.

- Reform the current AFDC emergency assistance program, as in Utah, to provide temporary economic assistance to families.

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ENFORCE CHILD SUPPORT

A. CHILD SUPPORT ENFORCEMENT
B. GUARANTEEING SOME LEVEL OF CHILD SUPPORT NO
C. 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 by the Urban Institute 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 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 primarily threefold: First, for many children born out of wedlock, 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, when awards are established, they are often too low, are not indexed to inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. Fully 42% of the potential gap can be traced to awards that were either set very 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 three 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 done as soon as possible immediately after 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 of collections and disbursements which can be coordinated with other States, and enhanced tools will be available for federal and state enforcement. The second major element entails guaranteeing some level of child support. For child support to serve its purpose, custodial parents must be able to depend upon receiving a certain amount of support each month. Because collections are sporadic, some mechanism must be devised to that some regular payment is made. Thirdly, noncustodial parents must be provided with increased services and opportunities to facilitate the payment of child support obligations and arrearages. NO

NO

if necessary

required to pay $ CS, and offered

No!

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CHILD SUPPORT ENFORCEMENT

The options under consideration are listed below:

A Universal and Simplified Paternity Establishment Process

- States expected 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.
- Performance standards with incentive payments and penalties. State performance based on all cases where children are born to an unmarried mother.
- 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.
- Expand and simplify voluntary acknowledgement procedures.
- Streamlined process for contested cases.
- Clearer, stricter cooperation requirements would be imposed to require parents to provide both the name of the putative father and verifying information so that the father could be located and served the papers necessary to commence the paternity action.

The major options in this area relate to the role that government programs should play in encouraging or forcing mothers to cooperate:

Option 1: Means-tested benefits denied to persons who have not met cooperation requirements.

Option 2: Other public benefits such as personal exemption, dependent care tax credit, EITC, etc. denied when cooperation requirement is not met.

Option 3: Cases where paternity is established get bonus of $50 more per month in AFDC payments.

Option 4: States which fail to establish paternity in a reasonable period in cases where the mother has cooperated fully receive reduced federal match on benefits paid. States responsible for the first $100 in monthly benefits without federal match.

Appropriate Payment Levels

- National Guidelines Commission would be established to explore the variation in state guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across states.
- Universal, periodic updating of awards. Awards updated periodically 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.
- Revised payment and distribution rules designed to strengthen families.

Collection and Enforcement

- Central State registry and clearinghouse in all States. All States will maintain a State staff in conjunction with a central registry and centralized collection and disbursement capability. The State staff will monitor support payments to ensure that the support is being paid and will be able to impose certain enforcement remedies at the State level administratively. Higher federal match rate to implement new technologies.

- Federal Child Support Enforcement Clearinghouse will be created for enhanced location and enforcement coordination, particularly in interstate cases. Frequent and routine matches to various federal and state databases including IRS, Social Security, Unemployment Insurance, etc.
- Routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders result in immediate wage withholding via the state.
- Elimination of any welfare/non-welfare distinctions in service and broader, more universal provision of services.
- Increased tools for federal and state enforcement, including more routine wage withholding, suspension of driver's and professional licenses, credit bureau reporting.
- IV-D administrative power to take many enforcement actions.
- Simplified procedures for interstate collection.
- New funding formula and emphasis on performance based incentives.

NOT A SEPARATE SECTION

GUARANTEEING SOME LEVEL OF CHILD SUPPORT

NO

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, many cases will remain when 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 women who are not on AFDC and trying to make ends meet with a combination of work and child support.

STACKED ARGUMENT

Some form of advance or guaranteed payment would change the incentives for a mother to get an award in place; it would focus attention on the absent father as a source of support and it would change the incentives for work. Unlike traditional welfare, it encourages work because it allows single parents to combine earnings with the child support payment without penalty.

Options under consideration include the following:

The President has never endorsed guaranteed child support, and there is considerable division within the working group about its merits.

Option 1: Advanced 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.

Advance payments could not exceed that 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 national system of child support assurance. Guaranteed minimum payments for all custodial parents with awards in place.

Minimum payments might exceed 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. Typical benefits could

joke

absurdly high

Pos

be $2500 for the first child and $500 for each additional child. Benefits would be deducted entirely or in part against AFDC payments for those on AFDC.

Option 3: State demonstrations only ~~*of child support assurance as described in option 2.*~~ NO

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 more fair to those noncustodial parents who show responsibility towards their children. Some elements 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 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. ok - so expect work

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

- Block grants to states for access- and visitation-related programs; including mediation (both voluntary and mandatory), counseling, education and enforcement.
- A National Commission on Access and Visitation will be created.
- A portion of JOBS program funding would be reserved for education and training programs for noncustodial parents.
- Targeted Jobs Tax Credit (TJTC) made available to fathers with children receiving food stamps.
- Experimentation with a variety of programs whereby men who participate in employment or training activities do not build up arrearages while they participate.
- Significant experimentation with mandatory work programs for noncustodial parents who don't pay child support.

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REINVENT GOVERNMENT ASSISTANCE

A. RATIONALIZATION AND SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS
B. OTHER REINVENTION STRATEGIES

NEED -- The current welfare system is enormously complex. There are many different 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.

STRATEGY -- The lessons of reinventing government apply clearly here. The goal should be to rationalize, consolidate, and simplify the existing social welfare system. Simplifying and rationalizing the 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.

RATIONALIZATION AND SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The rationalization and simplification of assistance programs is something of 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 from 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 would include the following:

- Simplify asset rules and liberalize AFDC rules to be in conformity with food stamps.
- Adopt APWA regulatory and legislative proposals, including application, redetermination, and reporting streamlining.
- Thorough review of existing assistance programs to reduce rules, regulations, and reporting requirements to a minimum.
- Eliminate 100-hour rule and 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.
- Enhanced use of Electronic Benefit Transfer (EBT) mechanisms for Food Stamps, EITC and other benefits with most cash and food aid provided through a single card.

- Change housing subsidy 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.
- Coordinate tax and benefit systems by making all or a portion of benefits (including AFDC, food stamps, housing, child support assurance and SSI) taxable for families with incomes above the federal tax threshold, just as earnings and other forms of income are taxed. Increase standard deduction for heads of household.

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 a program focused on supporting 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, it excludes disabled persons with SSI or SSDI income from the unit, etc. Food stamps by contrast, instead defines a filing unit as all people in the household who use shared 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.
- States would be required to calculate need in the state according to a standard procedure and 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.

OTHER REINVENTION STRATEGIES

Any plan needs to set clearer objectives for aid policy, measure performance based on those goals, and then give states and localities the flexibility and resources they need to achieve them. Thus we anticipate:

- Clearer performance standards and measures focused on outcomes as much as possible.
- Increased State Flexibility with Stronger Federal Role in Evaluation and Technical Assistance.
- Enhanced interagency waiver authority through Community Enterprise Board.
- Reduce Waste and Fraud and Offer Better Service With the Use of Technology.

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PROMOTE SELF-SUFFICIENCY

A. ENHANCED FUNDING FOR JOBS
B. FOCUS ON ASSISTING RECIPIENTS FIND EMPLOYMENT
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 which were unanticipated at the time the Family Support Act was passed. Many states have been unable to draw down their entire allocation for JOBS because they cannot find the money for the state match. In 1991, actual State spending totaled only 55 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 just 7 percent of the 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 welfare. Information about the full array of services that people are entitled to is rarely available. And programs from different agencies often have conflicting goals and eligibility rules and requirements.

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 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, 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. Second, the focus of welfare administration needs to shift from eligibility determination and benefit distribution to helping recipients find employment and become self-sufficient. More resources need to go to finding jobs, and less to managing eligibility rules. Finally, access to mainstream education, training and self-employment opportunities must be improved for welfare recipients.

ENHANCED FUNDING FOR JOBS

If States are to increase their overall levels of participation in JOBS, additional funding is crucial. 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. States are also currently required to expend State funds in order to receive the

Federal matching funds. It is also necessary to increase the Federal matching rates. In addition, Federal match rates for JOBS would increase even further if a State's unemployment rate exceeds a specified target.

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 is required to participate in JOBS. Higher participation standards would be phased in, along with reductions in the number of exemptions and an overall limit on the number and duration of extensions and exemptions.

Nearly everyone ought to be expected to immediately engage in some activity 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 substance abuse treatment, and possibly other activities such as parenting/life skills classes, domestic violence counseling, etc. Flexibility for States should be increased in the operation of the JOBS program, i.e., relaxing the requirement that work supplementation jobs be new jobs, extending the limit on participation in job search (currently limited to eight consecutive weeks). NO

FOCUS ON ASSISTING RECIPIENTS FIND EMPLOYMENT

To assist recipients to find employment, the focus of the welfare bureaucracy must change. Quality control and audits must be based on participation rates and performance standards. Performance standards should be geared toward measures such as long-term job placements, rather than errors in eligibility determinations, and outcomes rather than process standards. The whole system needs to change based on a 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. Sanctions would be imposed for persons who fail to meet JOBS rules (as under current law) or the terms of the "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 a participants if it failed to provide the opportunities, services or incentives it agreed to in the contract with the participant.

* 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, and in assisting states to redesign their intake processes to emphasize employment rather than eligibility. Fund such activities by a 1 percent tap on Federal JOBS funds.

* Permit demonstrations of State initiatives that would promote microenterprise development, and re-design program rules to encourage saving and asset accumulation for future schooling, home buying or small business start-up.

* Permit States to provide JOBS opportunities to noncustodial parents.

- Require all applicants to sign a "social contract" specifying the responsibilities of both the State agency and the recipient.

IMPROVE ACCESS TO MAINSTREAM EDUCATION, TRAINING, AND SELF-EMPLOYMENT OPPORTUNITIES

- Ensure that AFDC recipients have access to and information about the broad array of existing training and education options.

- 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.

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TIME-LIMIT ASSISTANCE AND FOLLOW WITH WORK

A. TIME-LIMITED ASSISTANCE
B. WORK
   1. Economic Development
   2. Work Opportunities

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 most persons who receive AFDC, the program serves as temporary assistance, supporting them until they regain their footing.

However, a relatively small fraction of entrants remains on welfare for a prolonged period. While these persons represent only a small 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 obtaining employment that will enable them to leave AFDC. cyclers

The welfare system at present does not focus on helping recipients achieve self-sufficiency through access to education, training and job placement services. Its core task is determining who qualifies for welfare and dispensing checks to those persons.

STRATEGY -- The welfare system would be revamped into two distinct components, a transitional assistance program focused on helping recipients move into private sector jobs and a post-transitional work program making work opportunities available to recipients who reach the two-year time limit for transitional assistance.

Making work pay, dramatically improving child support enforcement and improving access to training, education and job placement services should maximize the number of recipients leaving welfare within two years. Most of the people on welfare want to work, and these reforms will give recipients a better chance to find employment and ensure that it makes economic sense to take a job.

Some employable persons will, however, reach their time limits without finding private sector jobs, despite having successfully followed their case plans. A recipient who cannot find employment by the end of the time frame would NOT be denied support from the government, but the support would be in the form of work, rather than cash assistance. Individuals who reached the time limit would be required to assigned to work activities, including subsidized jobs with private sector employers and community service activities, for which they would receive wages, rather than a welfare check.

TIME-LIMITED ASSISTANCE

The time limit is not primarily a strategy to save money, but rather part of the comprehensive effort to shift the focus of the welfare system from disbursing funds indefinitely to promoting work and self-sufficiency.

Req. people to work

The time limit gives both recipient and case manager a structure that encourages steady progress toward fulfilling the objectives in the case plan and obtaining employment.

Upon entry into the welfare system, each person, in conjunction with the case manager, would design an individualized plan with obtaining lasting employment as the explicit goal. The individualized case plan would include 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 in most cases. sounds like the limit is at bureaucrat's discretion

In devising the case plan, including the time frame, the caseworker would consider the unique circumstances that confront individuals such as a disabled child, personal illness, or a severe educational deficiency. The case plan could be adjusted in response to changes in a family's situation. limited to

There are persons on welfare who face barriers to employment so significant that achieving self-sufficiency is not a realistic or attainable goal, at least for the present. The case plan would accordingly be designed to, for example, improve the health status of the family, including both adults and children, or stabilize the family's housing situation.

Most recipients would be doing something, either to enhance employability or otherwise improve their situation, from their first day on welfare. States would be permitted to grant extensions of the time limit for 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. In addition, we would propose the following provisions concerning time limits: consider

- Allow recipients who have left the rolls to earn additional months of assistance for months working and/or not on assistance.

- Recipients would be required 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), reported over $400 in earnings, or was on a waiting list for the JOBS program would not be counted against the time limit.

WORK

The transitional assistance program is intended to move recipients into private sector employment. However, there will be employable persons who reach their time limits without finding private sector jobs. The post-transitional work program will make available to these recipients work opportunities that will facilitate movement into private sector employment.

In many localities, however, recipients will not be able to move into private sector employment due to a shortage of private sector jobs. It will be necessary to not only provide work opportunities that continue the process of movement into unsubsidized private sector employment, but also to focus on developing private sector jobs into which recipients can move.

Economic Development

There is a need, particularly in distressed communities, to invest in economic activities that create jobs. Increasing capital investment can expand the sustainable private employment opportunities for the caretakers of the children who are currently on welfare. This investment program would help to catalyze social services resources for economic development benefitting welfare mothers.

- 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 both welfare recipients and noncustodial parents of children on welfare.)

Work Opportunities

States would be required to involve the private sector and community organizations in the post-transitional work program by, for example, establishing a joint public/private governing board to oversee operations and/or tapping local Private Industry Councils to help identify and develop unsubsidized private sector jobs.

- Encourage States to enter into performance-based contracts with nonprofits or private firms to place recipients who reach the time limit into unsubsidized private sector positions.

- Provide financial incentives for States to place program participants into lasting unsubsidized private sector employment.

- If an individual refused an offer of a full- or part-time unsubsidized private sector job without good cause, benefits for at least the next six months would be calculated as if the job had been taken. The sanction would end upon acceptance of a private sector job. = off W. / Tough

- Persons in the post-transitional work program 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 a work assignment).

We are considering two options for the structure of the post-transitional work program:

Option 1: Work for Wages

- All work assignments would pay the minimum wage (higher at State option). States would be mandated to supplement these earnings with AFDC benefits if wages from the work assignment were not equal to the AFDC benefit for a family of that size (in order to avoid penalizing families who are fulfilling their work requirement).

- 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.

collected

- 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. | what?

- Wages would be paid for hours worked. Not working the required number of hours would result in a corresponding reduction in wages and no change in benefits (i.e., benefits would not rise to offset the fall in work program earnings).

Total Federal funding for the post-transitional program would be capped and distributed to States by formula. The cap could be increased if unemployment rose significantly above a target level.

States, and by extension localities, would be granted considerable flexibility in the operation of their post-transitional programs. Given that a State is able to provide at least the number of work assignments that would be generated by spending all its post-transitional funds on public sector employment (PSE) positions, it would be permitted to employ post-transitional program dollars to contract with nonprofits to provide work assignments, subsidize private sector jobs, provide employers with other incentives to hire welfare recipients or encourage micro-enterprise efforts.

If the number of recipients subject to the work requirement is greater than the number of positions available, the local entity operating the post-transitional program would maintain a waiting list. Positions would be allocated on a first-come, first-serve basis or according to need.

- Recipients on the waiting list would be ~~permitted~~ required to do 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.

States would be required to absorb a greater share of the cost of cash assistance for those on the waiting list. The AFDC benefit level could be reduced in high-benefit States or for recipients who are receiving AFDC, Food Stamps and housing assistance. Only AFDC benefits, however, could be reduced, and the safety net could not fall below 60 percent of poverty. | = what?

Post-transitional work program positions would be treated as private sector employment with respect to Worker's Compensation, FICA and other Federal assistance programs. Earnings from post-transitional 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.

There would be an 18-month time limit on participation in work assignments. Recipients reaching this post-transitional time limit would be placed on the waiting list for work assignment positions and would be required to perform community service for 20 hours per week in order to receive benefits (not wages). States would, as described above, receive a reduced match rate for recipients on the waiting list. Also as above, States would be able to reduce benefits for recipients on the waiting list.

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Option 2: Work for Welfare (CWEP)

Recipients who reach the time limit for transitional assistance would be required to participate in a community work experience program (CWEP) operated by the State IV-A agency in order to continue receiving benefits. The check received by CWEP recipients would be treated as benefits rather than earnings for any and all purposes.

Required hours of work for participants in the CWEP program would be calculated by dividing the AFDC grant by the minimum wage, up to a maximum of 35 hours per week. At State option, child support owed, as under Option 1, could be deducted from the AFDC grant for the purpose of this calculation. ?

Under this option, there would be no time limit on participation in the post-transitional work program.

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. A person working no hours under Option One, Work for Wages, would not be paid for that month, a penalty equal to the required number of monthly hours times the minimum wage. Under Option Two, Work for Welfare, the recipient's needs would not be considered in the calculation of the AFDC grant.

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CONCLUSION

This welfare reform plan fundamentally changes the current system of welfare. It replaces an irretrievably flawed system with a coherent set of policies that will significantly improve the lives of millions of poor children and their families in ways that reaffirm and support basic values concerning work, family, opportunity and responsibility.

Each of the plan's six elements addresses different dimensions of the separate but related problems of poverty, welfare dependency and a flawed system of welfare programs and policies; taken together they offer a vision for a dramatically different future.

not just getting off, but keeping off in 1st place

First, this plan reverses the trend of thinking about welfare reform solely in terms of getting people off welfare. We cannot afford to continue to ignore the need for prevention measures, particularly the prevention of teenage and unplanned pregnancies. Thus the plan calls for increasing resources directed at preventing teen pregnancy and out of wedlock childbearing more generally as well as promoting the work of mentors, role models and community institutions to work with at-risk youth. Parental resp.

Second, this plan will significantly improve the lives of impoverished children and reinforce the value work by insuring 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 and 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 be an indefinite experience. 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. After benefits have been exhausted, most would have found private sector jobs. But for those who have not, support would come in the form of community service work, paid at the minimum wage, not welfare.

Taken together, the major elements of the plan provide for more equitable policies that reinforce basic values. Differences in the way we treat single parent families versus two parent families, welfare families versus working families will be vastly reduced. The plan places a premium on parental responsibility and deepens our commitment to assist parents in meeting those responsibilities. In so doing, it provides a genuine end to welfare as it now exists.

Fax to David Ellwood – 690-7383

~~CONFIDENTIAL~~ DS

November 12, 1993

Comments on 1) Structure
2) Length
3) Politics

SUMMARY

PREVENTION

The Problem: Increasing numbers of children in single parent families.
The Strategy: A comprehensive prevention initiative.

--*Send appropriate signals regarding parental responsibility and parenting.* Our current system seems at times to reward men and women who choose not to form families. Absent parents must be held accountable. Never married mothers ought to be excted to cooperate fully in identifying the father to get means tested benefits. Cash benefits ought not be paid to single parent families but denied to equally poor two parent households. Single parents on welfare should not be granted access to extensive services and opportunities that childless women who stay in school are denied.

--*Prevent pregnancies, especially in teenagers.* A combination of health services, education, and media strategy should be designed to prevent teen pregnancies and reduce out-of-wedlock childbearing generally.

--*Promote opportunity and community* (to be added)

MAKE WORK PAY

Problem: Work Often Does Not Pay
Strategy: Support Work and Working People
(words to be added)

-- *Reward Work with Advance Payment of the EITC*

-- *Guarantee Health Coverage*

-- *Ensure Access to Child Care for Low Income Working Families*

-- *Reward Working Families By Providing Appropriate Supports Simply and With Dignity*

CHILD SUPPORT ENFORCEMENT

Problem: Non-custodial parents often fail to support their children.
The Strategy: Build a child support system for the 21st century.

--*Establish Awards In Every Case.* Primarily that means establishing paternity. And the best time to do so is at birth. Courts can and should play a much smaller role in the process now that DNA blood tests are so reliable.

--*Set Awards at a Reasonable Level and Adjust Them Routinely.* That requires the use of guidelines and frequent, simple, and automatic updating of awards.

--*Collect Awards That Are Owed.* Doing so requires effective use of technology to track custodial and noncustodial parents and to ensure payments are made. It requires having a system that effectively tracks every case every month and across states. Enforcement ought to be the responsibility of the state, not the responsibility of each custodial parent taking independent action through the courts.

--*Guaranteeing Some Level of Child Support.* Options are presented for guaranteeing some minimum level of child support in cases where an award is in place, but money not always collected.

--*Supports and Nonfinancial Expectations for Noncustodial Parents.* Attention must also be paid to the concerns of noncustodial parents, including access to education and training opportunities, work rules, visitation, and parenting skills.

INCREASING OPPORTUNITY

The Problem: Inadequate Access and Emphasis on Employment, Education, and Training.
The Strategy: A Redesigned Support System Focussed on Training and Transitional Assistance.

-- *Change the Focus of Welfare to Training and Placement.* The focus of welfare administration will shift from eligibility determination and benefit distribution to helping recipients find employment and become self-sufficient. More resources should go to finding jobs, less to managing eligibility rules. The JOBS program should be primary, the cash benefit system secondary.

-- *Improved 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 all existing and proposed programs in the mainstream system. As part of this plan improved supports for asset accumulation and micro-enterprise development would be included.

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

The Problem: Some persons remain on welfare for 10 years or more.
The Strategy: Time-limit cash assistance and then link cash support to work.

-- *Cash Aid Redesigned as Transitional System.* Cash assistance should have simplified eligibility rules and a clear mission of transitional, time-limited aid. Ideally it would provide equal treatment of single and two parent families.

-- *Measures to Promote Private Sector Job Creation and Hiring of Parents From Low Income Families.* A combination of the targeted job tax credit and a new equity fund would be used to stimulate the creation of new jobs and the hiring of persons seeking to move from welfare to work.

-- *Community Service for Those Who Have Exhausted Transitional Support.* For person who have exhausted their transitional aid, the only cash support available would come in the form of community service.

~~CONFIDENTIAL~~

November 12, 1993

DRAFT PROPOSAL OUTLINE

INTRODUCTION

There is near universal consensus that the current system simply does not work. Conservatives believe that it fosters illegitimacy and dependency. Liberals decry the low benefits that leave children poor. And the people who are most angry with the system are the recipients themselves who talk of the humiliation, the stigma, and the perversity of a system that seems designed to prevent rather than support their efforts to achieve real independence and robs them of any sense of control over their lives. Sadly in response to this frustration with welfare, it is common to stereotype and finger-point. Us versus them thinking pervades welfare debates. Ugly, racist, and mean spirited images and policies are often loudly proclaimed. There must be a new direction.

Americans hold powerful values regarding work and family and opportunity and responsibility. Yet the current system reinforces none of these. People who go to work are often worse off than those on welfare. Too often, absent 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 two parent families. The welfare system has focussed on writing checks, rather than getting people access to the education, training, and employment opportunities they need to become self-sufficient.

The current system of supports implicitly adopts a notion that the government's responsibility is to provide economic support and that dignity and responsibility of parents are secondary. Until recently, the role of government child support enforcement was to try and collect money from non-custodial fathers to help offset welfare costs. The role of welfare is mostly to write checks as accurately and efficiently as possible, encouraging work and training often appears almost as an afterthought. People who are not working get cash and medical aid, while working people get far less.

This plan calls for a genuine end to welfare as it is now conceived. It calls for a new view of the role of government and citizens. It is the responsibility of parents and individuals to provide for and nurture their children. Governments role is to support parents in meeting those responsibilities. Government policies must reinforce basic values.

There are five key elements in what we propose:

Preventing the Formation of Single Parent Families

First, welfare reform must include significant attention to prevention. Recent data indicate that teenagers who have children out of wedlock are most likely to come onto welfare and to remain on welfare the longest. Therefore, our proposal must contain measures designed to

increase responsible sexual behavior, to prevent teenage pregnancy and to encourage high school completion. But out-of-wedlock childbearing involves far more than teenagers. We are nearly to the point where one out of every three children born in the U.S. is born to an unmarried mother. We must send clear and unambiguous messages that out-of-wedlock childbearing is a serious mistake. Ultimately, if we cannot find a way to reverse the trends in out-of-wedlock childbearing, we cannot guarantee the security of our children.

Make Work Pay

A great tragedy of the past two decades is that economic weakness has pushed down wages for many workers, especially those at the lower end. Simultaneously, the welfare system sets up a devastating array of barriers to people who want to work. It penalizes those who work by taking away benefits dollar for dollar. It imposes a blistering array of reporting requirements for those with earnings. It prevents savings for the future. It stigmatizes and humiliates the working poor who apply for support. Part of the long run answer must be to improve the economy. But we must also ensure that the 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, with 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 such supports. We have already expanded the EITC to make work pay. We will guarantee health security to all Americans with health reform. And we must meet the child care needs of working families. We must also simplify advance payment of the EITC. We must make it simple and easy to gain access to food support if a working family is still poor. And we must recognize the volatility of low paying jobs.

Child Support Enforcement

Our current system of child support enforcement is the worst of all worlds. It is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and non-custodial parents. It lets many absent parents off the hook, while frustrating those who do pay. It seems to neither offer security provision of children, nor focus on the difficult problems of nurturing. 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 the finding that of $55 billion that could be collected, only $11 billion is actually paid.

Our system must strongly convey the message that both parents are responsible to support their children and that the Government's role is to assist parents--not substitute for them--in meeting those responsibilities. Because one parent should not be expected to do the work of two, we must ensure that the system presents equal opportunities and obligations to mothers and fathers, to single-parent families and married-couple families. The evidence is clear that children benefit from interaction with two parents, and we should, therefore, avoid offering

special benefits to single parents and making single parenthood the key criteria for benefit eligibility. By removing work and marriage disincentives, and through universal paternity establishment and improved child support enforcement, we can ensure that both parents share the responsibility of supporting their children.

Expanded Opportunity

One of the clearest lessons of the site visits and hearings held by the working group is that the current welfare system is not about getting people access to jobs that allow them to maintain independence and control. It is not about training or job placement or work supports. It is about writing checks. It is about writing checks in an environment with a numbingly large number of regulations, all of which must be met or penalties will accrue to the state and recipient alike. We have created a system preoccupied with detail which misses the big picture. Rewards dependency

Quote testimony

Bill on FSA

Our current reform effort must transform the culture of welfare and welfare administration from eligibility determination and benefit distribution as the primary focus, to the welfare office being seen as a work support agency which helps individuals who are "doing the right thing" to obtain employment and achieve self-sufficiency. The welfare office must be perceived as a link to resources which foster entry into the labor market, including education and training services, job listings and job search assistance, and parenting and self-esteem classes. The whole system needs to be based on a 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.

ending W

NEVER!

STUPID

A great tragedy of the current education and training system is that low income persons are usually eligible for considerable support for education and training. Yet few of those who apply for welfare ever learn about the services they could receive. And many of the existing services are not designed to serve the types of people who are now on welfare. Welfare cannot and should not be the key to new and special services. Rather, 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. The welfare office can and should help people use the services they need.

Time-Limits on Cash Aid for the Employable Followed by Work 2-YEAR TIME LIMIT

No system which is designed to encourage work and responsibility can allow people who are able to work to collect cash aid indefinitely. A relatively small portion of the entrants into welfare actually stay for a very long period. That is the way the system should work. But a smaller group comes on a stays for a very long time. And they consume a very large fraction of the resources of the welfare system. That needs to be changed.

These potential long term recipients should have the access to the training they need. Work must pay so that any job they take ought to improve their situation. And the system must be sensitive to the unique circumstances that confront individuals such as disabled children,

No one who can work shd stay on W forever.

Importance of work
People on W want to work

personal illness, or severe educational deficiencies. People should be expected to being on track to help themselves from their first day on welfare. But after two years, the bulk of recipients can and should be expected to work in private sector jobs or to work in service to the community. If there are no jobs available, the government does have an obligation to provide work, but those who receive assistance must help serve in return.

those who can

helpful work

In designing this options outline, we have endeavored to keep these principles in mind. All pose very difficult challenges, especially in the current budget crisis. The following is an outline of policies which embody these principles and which represent an attempt to define areas of consensus and areas where options remain.

NO

PREVENTION + Parental Responsibility

The Problem: Increasing numbers of children in single parent families. To be added.

The Strategy: A comprehensive prevention initiative. The sad reality is that few public efforts have thus far succeeded in slowing or reversing this trend. Small successful programs have appeared, but even in these circumstances impacts have been modest. This plan contemplates a comprehensive prevention intitiative.

Not about Programs

-- *Send appropriate signals regarding parental responsibility and parenting.* Our current system seems at times to reward men and women who choose not to form families. Absent parents must be held accountable. Never married mothers ought to be excted to cooperate fully in identifying the father to get means tested benefits. Cash benefits ought not be paid to single parent families but denied to equally poor two parent households. Single parents on welfare should not be granted access to extensive services and opportunities that childless women who stay in school are denied.

-- *Prevent pregnancies, especially in teenagers.* A combination of health services, education, and media strategy should be designed to prevent teen pregnancies and reduce out-of-wedlock childbearing generally.

-- *Promote opportunity and community*

A message of prevention is a key element of the Administration's welfare reform initiative. To prevent the future dependency of at-risk youth, these youth and their families must take greater responsibility for their own actions, and institutions must provide real opportunities for these youth as well as access to these opportunities

Specific Proposals in a Coprehensive Prevention Initiative

Send appropriate signals regarding parental responsibility and parenting

All too often the current economic, social, and welfare system sends the wrong signals. Men who father children out-of wedlock are rarely expected to pay any child support. Paternity is established in only 1/3 of cases. never held accountable. Cash benefits and services are often tied to being a single parent. Adolescents who become pregnant are often granted AFDC payments that allow them to leave home at a very young age. We need to change the signals. Key elements of changed signals are found throughout the other section of this plan. But to highlight the significance of the changes, we pull these together here. Proposals include:

Wendell
P/E
Req'd as condition of benefit eligibility

-- Seek to establish paternity in every case of a child born out-of-wedlock. Absent fathers must be held responsible for their children.

-- Hold parents and states accountable for establishing paternity. If the mother does not cooperate fully, means-tested benefits will be reduced or denied. If the state fails to fulfill its responsibility to establish paternity when the mother has cooperated fully, federal matching funds are reduce. (FATHER?)

-- Seek to eliminate distinctions in cash assistance and service programs between single parent families and two parent families.

-- Require that teen parents live in their parents hosehold and include parental income in determining eligibility for benefits except in exceptional circumstances. Teenagers are not ready to be household heads. live on their own

PARENTING CLASSES, ETC

-- Require teen parents to complete high school as a condition of receiving cash assistance.

o **Option:** Allow states to impose family caps which limit the additional benefits granted when additional children are conceived while a family is on welfare. ?

Prevent pregnancies, especially in teenagers.

Those at greatest risk of becomming poor are teen parents,especially those who fail to complete high school. Poverty rates and welfare use is vastly lower for those delay parenthood. Adolescent parenting interferes with completion of education, job training and employment, all of which are crucial components of self-sufficiency. Many actions could be taken as part of wide-scale demonstrations to encourage responsible sexual behavior. These include:

-- Increase the outreach efforts of family planning services agencies, enhance counseling services provided by those agencies, and increase the accessibility both in location and hours of operation, of those agencies to teenagers through school-based and school-linked services. All schools receiving Chapter I funds could be encouraged to participate in this effort and in implementing a comprehensive sexuality education program. CUT

-- Cover family planning services as part of health reform. CUT

-- Encourage commnities to set up comprehensive school based clinics which include family planning services. These are among the few interventions that have shown real success in reducing pregnancies. CUT

— Challenge grants for resp. behavior

— Nat. campaign against teen pregnancy

- **Option:** Make family planning services, including the voluntary use of Norplant, available to all adolescents and adults receiving AFDC. For example, Title X funds could be used to develop a special outreach to AFDC mothers with daughters in their early teens. (?)

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

-- Fund a broad series of demonstrations designed to prevent teen births.

-- Utilize media/entertainment industry, including public service announcements, to promote messages about responsible sexual behavior. Encourage sensitive and responsible television advertising of contraception. resp. sex behavior

NO

Promote Opportunity and Community Accountability

Other institutions must also provide youth with the opportunities needed for future success. Youth must believe that real opportunities exist for them, must be prepared to take advantage of these opportunities, and must have access to these opportunities.

-- Community Mentors and Role Models: Utilize volunteers from businesses and colleges in the local community to act as mentors and role models. Also, on a demonstration basis Federal funding to business and/or colleges could be conditioned based on participation in volunteer work with at-risk children and youth. Businesses and colleges would be given considerable latitude to develop their own programs.

Have BENEFITS

-- School Accountability: Demonstrations which would hold schools accountable (e.g., condition Chapter 1 funding) for "tracking" at-risk youth and drop-outs and for helping to provide these youth with education or training alternatives.

-- Empowerment Zones: Applicants for empowerment zone grants could be encouraged to include a prevention theme, or empowerment zone grants could be prioritized based on applicants' proposed prevention strategies. Applicants would be given a range of possible activities that could fulfill the requirement, thus minimizing any burden or possible deterrent effect.

Rewrite prevent dependency

-- Social Institutions: Provide support to non-profit community-based organizations that foster responsible behavior and prepare youth for the opportunities awaiting them. Examples include churches, PTAs, and boys and girls scouts.

-- Special education and training for at risk youth.

/ = what?

MAKE WORK PAY

Problem: Work Often Does Not Pay

During the past two decades economic weakness has pushed down wages for many workers, especially those at the lower end. The median full-time worker earns x% less than in 1973 adjusted for inflation. And full-time workers in the bottom quarter now earn y% less. Health coverage has declined significantly. Child care costs more than many working poor families can afford.

Simultaneously, the welfare system sets up a broad array of barriers to people who want to work. It penalizes those who work by taking away benefits dollar for dollar. It imposes an array of reporting requirements for those with earnings. It prevents savings for the future. It stigmatizes and humiliates the working poor who apply for support. People leaving welfare for work often lose their health care benefits. For too many, welfare rather than work is the sound economic choice. Work often involves earning less money and suffering far more medical insecurity.

Strategy: Support Work and Working People

A critical part of the long run answer must be to restore growth to the economy. And the administration is working hard to on that task. Moreover, everyone ought to have access to education and training services they need to move into better jobs. That is an integral part of efforts of DOL, the Department of Education, and HHS. Simultaneously we must ensure that the working families really can support themselves. And when working people need some additional support because they are working in jobs that pay too little, that support ought to be provided in ways that reinforce work and dignity.

There are four elements to supporting work and working people:

- Reward Work with Advance Payment of the EITC
- Guarantee Health Coverage
- Ensure Access to Child Care for Low Income Working Families
- Reward Working Families By Providing Appropriate Supports Simply and With Dignity

Proposals for Supporting Work and Working People

Reward Work With Advance Payment of the EITC

The expansion of the EITC has dramatically improved the situation for working families. The EITC is a pay raise for working poor families. The current EITC, when fully implemented has the effect of making a $4.25 per hour job pay the equivalent of $6.00 per hour. A $6.00 per hour job would pay the equivalent of roughly $7.50.

But for the overwhelming majority of people the EITC comes in a lump sum at the end of the year. Thus 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. Thus it is essential to find ways to get the EITC out to families in a timely and efficient fashion.

Under the plan advance payments of the EITC could be received in one of two ways. People could either receive the EITC directly through their employer by submitting a W-5 form. Or people could get advance payments administer by the state through employment and training offices or public assistance offices.

Advance Payment Through Employers
Currently workers do have the option of receiving advance payments of the EITC from their employer by submitting a W-5 form to the employer. But only a tiny fraction of workers ever choose to do so. The reasons are not well understood. Some analysts conjecture that employers discourage such payments. Anecdotal evidence suggests that some workers like the forced saving aspect a lump sum payment, but that evidence comes from a time when the EITC is significantly less generous than it will become. Some workers also worry that they will get too much credit and will be forced to repay it. The IRS has developed a series of ideas designed to make the W-5 process work much better. These include:

- Sending W-5 forms and information to all workers who received an EITC in the past year.
- Advance paying only 60% of the EITC to allow for some rebate at the end of the year and to reduce the danger of overpayments
- Information campaigns with employers to familiarize them with the benefits of advance payments to their workers and to clarify employer procedures and responsibilities
- Information campaigns similar to those already underway that publicize the EITC to emphasize the advantages of advance payments via the W-5 form.

Advance Payment Through the States
States would also be required to make advance payments available to people on another basis. Many low income persons are already on Food Stamps. Programs such as Food Stamps and subsidized child care already require detailed information on earnings of all household members, and these programs often track income monthly. Many persons leaving welfare for work continue to qualify for Food Stamps because they continue to have low incomes. In principle, it ought to be possible to provide advance payments to working families who collect Food Stamps, and even to persons who are not on Food Stamps if they were to submit a very modest amount of information to the state public assistance offices. Public aid offices already have infrastructures for collecting information on income and family characteristics and for paying benefits. Thus by using the state as an alternative advance payment mechanism one could reward people who are leaving welfare with immediate payments, and provide an alternative mechanism for people who are reluctant to collect payments through their employer.

If this additional advance payment mechanism is to work, important administrative issues to be resolved. For example, Food Stamp and EITC filing units are not always identical. The accounting periods differ, and some end of the year EITC reconciliation would be needed.

- **Option 1:** Require states to offer advance payment of the EITC
- **Option 2**: Provide states the option of offering advance payments
- **Option 3**: Begin with demonstrations

Another option which states could use would be to administer advance payments through Unemployment Insurance offices or through employment and training offices which provide JTPA and other services. This would clearly establish a link to work and would allow advance payments outside of welfare offices. But there is far less infrastructure already in place. Thus we propose demonstrations of this option.

Guarantee Health Coverage

Working people should not have to worry about medical insecurity. People should not be deterred from leaving welfare for work for fear of losing medical coverage. Our hope and expectation is that health reform will remove one of the main penalties facing the working poor. In addition, low income working families are guaranteed premium discounts under the President's plan. EDIT

Ensure Access to Child Care for Working Families

Increased child care is important to the welfare reform program in two ways. First, if work is genuinely to pay for low income families, they must be eligible for child care subsidies sufficient to make it financially possible for them to leave AFDC. Second, if the welfare program is transformed into a program of transitional assistance and work preparation followed by work, child care subsidies must be available for those who are required to participate in work or work preparation activities.

The federal government currently subsidizes child care through a number of different programs, including the child care tax credit, disregards in the AFDC and Food Stamps, programs, an entitlement to child care for AFDC recipients and those transitioning off AFDC (IV-A child care), a capped entitlement for those "at risk" of AFDC receipt, the Child Care and Development Block Grant (CCDBG), and the Social Services Block Grant (SSBG). 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. There is a need for consolidation and simplification, as well as for increased funding for subsidies and for investments in the quality of child care.

The plan would consolidate the existing entitlement programs into a single entitlement program while maintaining and expanding somewhat the current child care block grant.

Consolidated Child Care Entitlement Program

AFDC - 3.8
1.2

C. care
+4 B by 5th yr.
-2 on AFDC
2 on working poor

Let private & local $ to ~~match~~ count as state match
Working poor - copayments
Prohibit states from spending block grant $ on AFDC
40-80% JOBS partic by 99

11

Current

The IV-A entitlement, transitional and at risk child care entitlements would be combined and eligibility would be extended to any family at risk for AFDC/Transitional assistance. Risk would be defined as any family who would be eligible for food stamps, i.e. families below 130 percent of the poverty level. No separate or special entitlement would exist for single parent families or welfare recipients, and the disregards for child care in both Food Stamps and AFDC would become unnecessary and would be abolished. Benefits would be limited to families where all adult caretakers are either working or are disabled or unable to care for children for other reasons. Priority would be given to families with pre-school children. States would share in the cost, with a match rate equal to the new JOBS match rate. States could count as match funds other monies spent to provide child care to low income families. States would set co-payment (sliding fee scale) requirements.

- **Option 1:** Consolidate the entitlement programs into two funding streams rather than one. The child care subsidy program for AFDC recipients would be uncapped as per current law; the program for all other low income families would be a capped entitlement gradually increasing from the current level of transitional and at-risk child care plus the food stamp disregard to a level of $2 or 3 billion. | no $2

- **Option 2:** The dependent care tax credit would be made refundable, which would provide a subsidy of about 30 percent of day care costs to working families $800m/yr. = 1/3
  - $2.1 B - all over $20,000 - no value to those below

Under all subsidy programs, care would have to be legal under state law, and if exempt from state regulation would have to meet minimum health and safety standards of the sort now required for care funded under the block grant. States would set maximum rates and co-payment rates which would be the same for all categories of recipients.

Child Care Block Grant

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 both services and quality and supply investments, with a requirement that they spend at least some proportion (currently 25 percent) for quality and supply enhancements. If a broad entitlement were adopted as above, then a new requirement would be added that they not use CCDBG money to provide services to welfare recipients. They could use CCDBG funds to provide child care services to working poor families up to 75 percent of state median income (current law). 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 that would be encouraged under the block grants would include resource and referral services, parent information and education, investments in facilities and equipment, the development of family day care networks, training, ties between Head Start and child care, and special programs for bringing AFDC recipients into the child care work force.

— welfare workers for day care

Reward Working Families By Providing Appropriate Supports Simply and With Dignity

Because pay levels have declined so dramatically, some working families end up quite poor without additional support. A full-year full-time minimum wage job pays only $8,500, considerably below the $14,000 per year poverty level. Working families should not be poor, but to avoid poverty some will need aid from the EITC, health premium discounts, subsidized child care, and even Food Stamps and housing aid. All of these must be designed in a way that rewards rather than stigmatizes and frustrates working families--families playing by the rules. This implies a number of steps:

- -- Joint administration of as many supports as possible
- -- A common simple application method which requires as little private information and verification as possible. Working families should not have to make endless visits and wait long periods to get benefits they are entitled to. At a minimum this implies simplification of rules and reduction in reporting requirements. Qualification for one program should lead to eligibility for others.
- -- As much coordination of basic eligibility and benefit requirements as possible. Common income and asset definitions (where applicable) are important. Common definition of filing units across programs would be extremely helpful, though difficult to achieve.
- -- Programs such as Section 8 should experiment with mechanisms which temporarily freeze rents when people first enter work, so that people going to work do not suddenly face higher housing costs.
- -- Benefits to working families should not come in the form of coupons or other stigmatizing mechanism. Electronic Benefit Transfer (EBT) mechanisms for Food Stamps, EITC and other benefits seem a promising mechanism. EBT demonstrations show dramatically reduced stigma and considerable consumer satisfaction.

Working families typically face the largest and most serious reporting requirements, rather than the simplest ones. HHS, FNS, and HUD should work to coordinate programs more effectively, especially for working families. In addition, bolder measures could be considered:

o **Option:** A separate office could be set up offering support for working families. At these offices working families would get access to Food Stamps, child care, advance EITC, and possibly health insurance discounts. Other services, such as child care could also be provided. The office could be the state employment and training office, existing UI offices, or a new office. This cold first be tried on a demonstration basis.

One clear problem for low income working families is that their jobs are often short lived. Low income families rarely qualify for UI for a variety of reasons. Thus families which suffer short term unemployment may end up mired in the welfare system when they only needed short term aid. Several options could be explored for dealing with this problem.

o **Option 1:** The current AFDC emergency assistance program or a new family UI program could be developed for low income families who suffer temporary job loss.

Are we really doing anything?

DEMO

- **Option 2:** The current UI system could be revised in ways that made it easier for low income working families with children would qualify in times of unemployment.

Taken together these proposals would dramatic improve the situation facing working families. They would reward work. All benefits would be available to *all* low income working families, there are no special benefits for single parents. Only child care would require significant new expenditures as part of this plan. And those benefits would only go to working families.

CHILD SUPPORT ENFORCEMENT

Problem: Non-custodial parents often fail to support their children. Recent analyses suggest that the potential for child support collections exceeds $55 billion.[1] Yet only $16 billion in awards are currently in place, and only $11 billion is actually paid. Thus we have a potential collection gap of over $44 billion.

The signals the system sends are unmistakable: all too often noncustodial parents are not responsible for their offspring. Less than half of all custodial parents receive child support. And only about 1/3 of single mothers (mothers who are divorced, separated, or never married as opposed to remarried) receive any court ordered child support at all. The average amount paid is just over $2,000 for those fortunate few who get support. Worst of all paternity is currently being established in only 1/3 of cases where a child is born out-of-wedlock, and only 15% of never married mothers receive any child support at all. There are also a number of cases where mothers are the noncustodial parent, and lack of child support is often a problem in these cases as well.

The typical child born in the U.S. today will spend time in a single parent home. If we cannot solve the problem of child support, we cannot possibly adequately provide for our children. Single parents cannot be expected to do the entire job of two.

The Strategy: Build a child support system for the 21st century. Emphasis on collecting fathers, not system

Four basic elements are essential to collecting child support properly.

- *Establish Awards In Every Case.* Primarily that means establishing paternity. And the best time to do so is at birth. Courts can and should play a much smaller role in the process now that DNA blood tests are so reliable.

- *Set Awards at a Reasonable Level and Adjust Them Routinely.* That requires the use of guidelines and frequent, simple, and automatic updating of awards.

- *Collect Awards That Are Owed.* Doing so requires effective use of technology to track custodial and noncustodial parents and to ensure payments are made. It requires having a system that effectively tracks every case every month and across states. Enforcement ought to be the responsibility of the state, not the responsibility of each custodial parent taking independent action through the courts.

MAKE FATHERS PAY

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1. Applying a common child support guideline to the incomes reported by men who say they have children with whom they are not living suggests a potential child support payments of $55 billion. And this is undoubtedly an understatement since fewer children are acknowledged by the men than are living apart from their fathers based on surveys of children.

Noncustodial parents must know that they have responsibilities, and that when they owe child support, they will pay. Anything we expect of mothers can and should be expected of fathers. New technologies should allow us to do collect more for less. But it will require some initial investments.

In additional, there are two other elements considered:

-- *Guaranteeing Some Level of Child Support.* Options are presented for guaranteeing some minimum level of child support in cases where an award is in place, but money not always collected. / DEMO

-- *Supports and Nonfinancial Expectations for Noncustodial Parents.* Attention must also be paid to the concerns of noncustodial parents, including access to education and training opportunities, work rules, visitation, and parenting skills. / work RGHTS

Specific Proposals for Building a 21st Century Child Support System

Establish Awards In Every Case

Roughly 40% of the potential collection gap of $44 billion can be traced to cases where no award is in place. Much of the problem can be traced to the current and past efforts on paternity.

States typically try to establish paternity only for women who apply for welfare. That sometimes occurs years after the birth of the child. And even then, most states make relatively little effort to get paternity established unless the absent parent is easy to find and likely to have a sizable income immediately. Yet research demonstrates that even men who have low incomes initially often have quite significant earnings several years later. But paternity is much harder to establish years later for the mother often has lost contact with the father, and both parties often have less interest in cooperating.

By contrast between 65% and 80% of the fathers of children born out-of wedlock are present at the birth or visit the child. Immediate paternity establishment is critical. But even once the putative father is found the process of establishing paternity is often complex and bound in court procedures borne of an era when blood tests were unreliable. Finally both parents and states ought to be held responsible for establishing paternity. Thus our plan includes:

Universal Paternity Establishment Approach

-- States expected 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.
-- Mandatory in-hospital paternity establishment procedures.
-- State performance based all cases where children are born to an unmarried mother. Performance standards with incentive payments and penalties.

-- Outreach efforts at the State and Federal levels will promote the importance of paternity establishment both as a parental responsibility and a right of the child.

Simplified Paternity Establishment Process

-- Expand and simplify voluntary acknowledgement procedures
-- Quickly use of blood testing in contested cases
-- Use of default orders

Clear Paternity Establishment Responsibility for Parents and States

-- Parents who fail to meet strict cooperation requirements in the identification and location of the putative father would lose all or a portion of means tested benefits. AFDC benefits would be reduced $100 per month--the amount typically collected in cases where paternity is established. FATHER

- o **Option 1:** Means tested benefits completely denied to persons who have not met cooperation requirements.
- o **Option 2:** Other public benefits such as personal exemption, dependent care tax credit, EITC, etc. denied when cooperation requirement is not met.
- o **Option 3:** Benefits reduced or denied when paternity is not established within fixed time frame, regardless of level of cooperation.
- o **Option 4:** Cases where paternity is established get bonus of $50 more per month in AFDC payments.

-- States which fail to establish paternity in a reasonable period in cases where the mother has cooperated fully receive reduced federal match on benefits paid. States responsible for the first $100 in monthly benefits without federal match. ?

<u>Set Awards at a Reasonable Level and Adjust Them Routinely.</u>

Fully 40% of the potential gap can be traced to awards that were either set very low initially or never adjusted as incomes change. All states are now required to have guidelines, but they vary considerably. More importantly updating is extremely uncommon. Thus awards set 10 or even 15 years ago remain unchanged with no adjustments for inflation or for changed earnings of mother or father. Thus the plan calls for:

-- A National Guidelines Commission would be established to explore the variation in state guidelines and to determine the feasibility of a uniform set of national guidelines to remove inconsistencies across states

-- Universal, periodic updating of awards. Awards will be updated annually or biannually using administrative procedures, using tax and other data. Either part would have the option to ask for an updated award when there is a significant change in circumstance.

Collect Awards That Are Owed

Currently, enforcement of support is handled by state and local agencies, with tremendous state variation in terms of structure and organization. Cases are generally handled on a complaint-driven basis with the local agency only taking enforcement action when the custodial parent pressures the agency to take action. Many enforcement steps require court intervention, even when the case is a routine one. And even routine enforcement measures often require individual case processing rather than relying upon automation and mass case-processing.

Under the plan, the state based system will continue, but with bold changes which move the system towards a more uniform, centralized and service oriented program.

- -- Central State Registries and Clearinghouse in All States. All States will maintain a State staff in conjunction with a central registry and centralized collection and disbursement capability. The State staff will monitor support payments to ensure that the support is being paid and will be able to impose certain enforcement remedies at the State level administratively. Very high federal match rate to implement new technologies.

- -- Federal Child Support Enforcement Clearinghouse. A federal database will be maintained for all awards. Frequent and routine matches to various federal and state databases including IRS, Social Security, Unemployment Insurance, etc.
- -- Routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders lead to immediate wage withholding via the state.

- -- Elimination of any welfare/non-welfare distinctions in service, federal reimbursements and incentives, or performance measures.

- -- Increased tools for state enforcement including more routine wage withholding, driving and professional license suspension, credit bureau reporting.

- -- Flexibility to try private sector collection mechanisms.

- -- Vastly simplified procedures for interstate collection.

OPTION DEMO

Insuring 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, many cases will remain when the noncustodial parent cannot be expected to contribute much due to low pay or unemployment. An important question is whether children in single parents should be guaranteed some level of child support even when the state fails to collect it. The problem is especially acute for women who are not on AFDC and trying to make ends meet with a combination of work and child support. Several options have been proposed:

MUST BE LINKED TO WORK

- **Option 1:** Advanced payment of up to $50 (or $100) per month in child support owed by the noncustodial parent, even when the money has not yet been collected. Advance payments could not exceed that actually owed by the noncustodial parent. Advance payments would only be available to persons who are not on AFDC or its successor.

- **Option 2:** Child Support Assurance. Guaranteed minimum payments for all custodial parents with awards in place. Minimum payments might exceed 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. Typical benefits could be $2500 for the first child and $500 for each additional child. Benefits would be deducted entirely or in part against AFDC payments for those on AFDC.

DEMOS

Opt 3: None of the above

Supports and Nonfinancial Expectations 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". The child support system, while getting tougher on those that can pay but refuse to do so, should also be more fair to those noncustodial parents who show responsibility towards their children. Some elements 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 lost. But other strategies would also be pursued.

Get into workforce & hold them accountable

- -- Block grants to states for access and visitation related programs; including mediation (both voluntary and mandatory), counseling, education and enforcement.
- -- A National Commission on Access and Visitation will also be created.
- -- A portion of JOBS program funding would be reserved for education and training programs for absent parents.
- -- Experimentation with a variety of programs whereby men who participate in employment or training activities do not build up arrearages while they participate.
- -- Significant experimentation with mandatory work programs for noncustodial parents who don't pay child support.

EXPAND

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.

TOO SWEEPING — WELFARE FOR NCPs

No Moral Equivalence

Don't reward them for having NCPs

INCREASING OPPORTUNITY

The Problem: Inadequate Access and Emphasis on Employment, Education, and Training. The Family Support Act set forth a bold new vision for the social welfare system. AFDC would be transitional 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. Participation in the JOBS program--the program designed to move recipients into training and employment is just 7% of the caseload nationally. In our site visits, the reality of welfare was abundantly clear: the AFDC program is designed to write checks period. And it is designed to do so without violating a myriad of complex reporting and verification requirements. The JOBS program is treated as an afterthought. All welfare recipients are asked detailed questions about their current income and living arrangements. A tiny handful is asked, "How can we help you get on your feet".

Ode to FSA

Part of the problem is resources. Many states have been unable to draw down their entire allocation for JOBS because they cannot find the money for the state match. Other states don't have the money they need to serve large numbers of clients because they have reached their match. Providing case management and access to education and training can be costly. NO

Part of the problem involves a lack of effective coordination. Programs run by both state and federal departments of education and labor and education often are run independently. Information about the full array of services that people are entitled to is rarely available. And programs from different agencies often have conflicting goals and eligibility rules and requirements.

JOB SEARCH

But a big part of the problem (welfare) involves the culture of welfare offices. So long as the focus of public aid remains writing checks rather than moving people toward pay checks, most of the administrative costs and energy of the program will be dissipated in (verification and) bureaucracy. NO

The Strategy: A Redesigned Support System Focussed on Training and Transitional Assistance. The welfare reform plan envisions a fundamental shift in the mission and nature of the welfare system and the way in which recipients get access to education and training. In particular, the plan envisions:

- *Change the Focus of Welfare to Training and (Job) Placement.* The focus of welfare administration will shift from eligibility determination and benefit distribution to helping recipients find employment and become self-sufficient. More resources should go to finding jobs, less to managing (complicated) eligibility rules. The JOBS program should be primary, the cash benefit system secondary.

- *Improved 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 all existing and proposed programs in the mainstream system. As part of this plan improved supports for asset accumulation and micro-enterprise development would be included.

Specific Proposals for a Redesigned Support System Focussed on Training and Transitional Assistance.

Change the Focus of Welfare to Training and Placement

The JOBS program was the centerpiece of the Family Support Act. The plan calls for redesigned it to increase dramatically the number of people participating. Performance standards and outcome measures will become the focus of quality control rather than eligibility and benefits levels.

-- Performance standards geared toward long term job placement rather than errors in eligibility regulation.

-- Dramatically increased participation in the JOBS program. Nearly everyone ought to be expected to engage in activity to promote their movement to independence immediately. But rules for what constitutes active participation should be revised.

- **Option 1:** Require 100 percent participation by expanding eligible activities and eliminating exemptions. Under this option, cash assistance would only be provided to individuals who are complying with the requirements of their case plan.

- **Option 2:** Modest expansion by increasing participation requirements and match rates. Sanctions would be imposed for persons who failed to meet JOBS rules as per current law

-- Broad state flexibility in designing the structure of their JOBS program and the range of eligible activities. States will be expected to increase participation and generate long term placements off of welfare. They will have considerable latitude as to how they meet those objectives.

-- Expanded federal role in evaluation and technical assistance. The federal government will take a leadership role in state of the art evaluation of effective practice and in assisting states to redesigning their intake processes to emphasize employment rather than eligibility. technical assistance. Such activities will be funded by a 1% tap on JOBS funds.

-- Significantly enhanced funding for the JOBS program with reduced state match.

Improved Access to Mainstream Education

Training, and Self-Employment Opportunities

The key to getting training and education should not be having children or becoming a single parent. Ideally all persons should have access to the same array of training and employment services. And, in fact, AFDC recipients are already heavy users of programs such as JTPA and Pell Grants. Many JOBS programs offer relatively limited services themselves and instead rely on existing community programs to serve their clients. Unfortunately, welfare recipients have not always used these services effectively. Some proprietary schools prey on vulnerable recipients, helping them apply for Pell grants, but offering little in return and creating a major default problem for clients. Some DOL programs have focussed on displaced workers and shied away from more disadvantaged clients.

Similarly there is great interest in providing improved opportunities for people to accumulate assets and become involved in microenterprise activities.

We propose:

-- A strong role for the JOBS program in providing effective information on the broad array of mainstream training and education options. JOBS should provide case management to meet the special needs of low income families and resources where needed to enter mainstream programs.

-- A more coherent and coordinated strategy of training and support with HHS, DOL, and Education Department programs. New administration initiatives such as School to Work, One Stop Shopping, and Apprenticeship Training should be designed in a way that allows and encourages participation of welfare recipients.

-- A high level effort designed to standardize eligibility for training and education programs as much as possible.

-- A training and education waiver board consisting of the Secretaries of DOL, HHS, Education and other interested departments with the authority to waiver key eligibility rules and procedures for demonstrations of a more coordinated education and training system.

E'Board

all aspects

-- Require states to inventory provide information on training and education opportunities in their area which might be of use to welfare clients using JOBS funds.

-- A series of initiatives designed to promote microenterprse activities.

-- Rules designed to encourage saving and asset accumulation for future schooling, home buying or small business start-up.

JOB SEARCH LAST

TIME-LIMITED

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

The Problem: Some persons remain on welfare for 10 years or more.
Recent estimates suggest that roughly x% of person beginning on AFDC will be stay for less than 24 months. Roughly 25% will stay for 10 years or more. But the long term population tends to accumulate. As a result they are a larger fraction of the caseload and well over half of the caseload at a point in time is in the midst of a total stay on welfare of 10 years or more.

These long durations pose a problem not only because of the expense. There is increasing evidence that children raised in welfare dependent homes fare worse as adults. The other three elements should reduce the problem of long term dependency. Evidence suggests we can reduce the fraction of people whose stay on welfare extends beyond 2 years by making work pay, increasing child support collections, and increased opportunity. Nonetheless an important group will remain on welfare for extended period, and many of these persons will be employable.

require those who can work to do so

The Strategy: Time-limit cash assistance and then ~~link cash support to work.~~ In an era where the majority of married mothers work, even those with young children, there is widespread agreement that single mothers should also--so long as they get the child care and other supports they need. We propose a new social contract. During the transitional assistance period, individuals would be expected to obtain the necessary training and skills to move into the private sector labor force. A recipient who reached the time limit for participation in work preparation activities without finding private sector employment would be required to participate in a public sector work program. The basic elements are:

Don't apologize for time limits

- *Cash Aid Redesigned as Transitional System*. Cash assistance should have simplified eligibility rules and a clear mission of transitional, time-limited aid. Ideally it would provide equal treatment of single and two parent families.

Do better

- *Measures to Promote Private Sector Job Creation and Hiring of Parents From Low Income Families*. A combination of the targeted job tax credit and a new equity fund would be used to stimulate the creation of new jobs and the hiring of persons seeking to move from welfare to work.

Confusing

Mention time limits

- *Community Service for Those Who Have Exhausted Transitional Support*. For person who have exhausted their transitional aid, the only cash support available would come in the form of community service.

The clear goal of this program is to restore work as an integral part of economic support for all our children. Long term cash assistance should be reserved for cases when people are unable to work.

Specific Strategies to Time-Limit Cash Assistance
and ~~then link Cash Support to~~ Work
Require

Cash Aid Redesigned as Transitional System.

Our proposal envisions a very different kind of cash support system: One that is designed to be temporary rather than long term, one that is geared toward meeting the temporary needs of all families, not just single parents. We are considering two rather different approaches.

- **Option 1:** Simplify the AFDC program, extend further benefits to two-parent families and coordinate better with the food stamp program. (See Wendell's Amendments to Assistance Programs for list of changes).

- **Option 2:** Replace AFDC with a new Training and Transitional Support (T&TS) plan. Standardize filing units, income, asset and eligibility for T&TS and Food Stamps (and possibly housing) mostly around the current Food Stamp rules. States would have considerable flexibility to set benefit levels and disregards so long as they maintained Food Stamp rules for filing units, assets, and income definitions. This would virtually eliminate administrative costs for eligibility separate eligibility determination now used under AFDC. Administrative resources would be redeployed to the JOBS program. To a large degree the T&TS grant would be seen as a training stipend paid during periods when the person is participating in JOBS, but not otherwise.

Under either scenario, the following rules would apply:

-- Clients entering the system would work out a social contract for moving to independence with clear expectations and milestones.

-- Benefits would be tied to participation in JOBS making satisfactory progress toward the milestones.

WHAT?

-- Cash aid would be time-limited for persons who are able to work. The allowed length of time in JOBS activities geared to work preparation (rather than work itself) will vary depending on the needs and capabilities of the individual. The exact length of time will be determined in the case plan, but may not exceed two years in most cases. ?

-- Extensions will be available for:
  - Persons who are making satisfactory progress toward the completion of a GED. Such an extension cannot continue for more than 2 more years.
  - Teen parents who are still completing high school. Dropouts who do not return to school would not be eligible. For extension or for AFDC? TEENS DON'T GET WELFARE
  - Participants who are sick or physically disabled or who have a severe learning disability.
  - Participants who are required for the care of a disabled child or relative.

SANCTIONS
- DECLINING MATCH
- REQUIRE REMEDIATION AFTER 3 YRS

- Participants with a severe learning disability.
- At state option a limited number of other cases defined by the state such as the completion of other educational degrees. Such extensions would be limited to a fixed percentage such as 10% of the caseload.

10% overall limit

- o **Option 1:** Extensions would also be granted for persons making satisfactory progress in other educational programs

- o **Option 2:** Extensions would also be granted for people who were sick or caring for a sick child or relative during the two year period so were not able to gain access to adequate education and training.

- o **Option 3:** Limit the number of extensions states may grant to a fixed percentage of the caseload which hits 2 years such as 35%.

LEAVE OUT DISCUSSION OF EXTENSIONS

or summarize certain exem w/an overall limit (not specified)

-- Persons could earn additional months of assistance for months working and not on assistance.

- o **Option:** Months in which the person worked an average of 20 hours per week or earned over $400 which was duly reported would not count against the time limit.

Measures to Promote Private Sector Job Creation and Hiring of Parents From Low Income Families

Our goal is to move as many persons into private sector jobs as possible. Recent CEA and NEC studies suggest that there should be a relatively large number of low skill private jobs available, but pay and benefits will be low. That is part of the reason strategies to make work pay are so important. In addition, a series of major new initiatives designed to increase the availability of private sector work for public aid recipients would be included.

A special "equity" fund would be created to invest in businesses which hire persons on transitional or post-transitional assistance. Increasing capital investment can expand the sustainable, private employment opportunities for men and women supporting the children who are currently on welfare. Particularly in the cases of distressed communities and less skilled workers, there is a need to invest in building job opportunities.

This investment program would help to catalyze social services resources for economic development that benefits welfare mothers. All organizations who hire ex-welfare recipients would be eligible for additional benefits such as the targeted, jobs tax credit, and various form of wage supplementation including the EITC. These organizations could also bid on social services contracts such as the provision of day care, home health aides, etc. It would also tap funds from other sources such as CRA lending and SBA loans, but provide additional incentives for entrepreneurs to help welfare recipients become self-sufficient.

-- Investment fund strategy. We can create a special fund for investing businesses, CDCs, and non-profits which hire welfare recipients. The type of clients we would expect to have include: cooperative franchises, labor intensive business with thin margins, community investment cooperations, employee-owned companies, or community services organizations. A matching investment would be required from other qualified investors (SBA, CDFI, etc) in order to ensure that feasibility assessment has been done, Private, profitable and non-profit ventures would be eligible for loans and equity investments.

-- Targeted benefits Eligibility is limited to organizations which have or (plan to have) 50% of their payroll devoted to parents of children previously on welfare.

-- Performance based bonuses for loan recipients. In each year of the loan, bonuses may be provided based on the average number jobs for welfare recipients which are sustained through revenues. Additional bonuses could be targeted on employee ownership, training, long term job outplacement, or other desirable outcomes which reduce federal expenditures.

-- Initial funding at $100 million per year. WHAT?

Community ~~Service~~ Work for Those Who Have Exhausted Transitional Support → Private sector job offer

Persons who have exhausted transitional support cash benefits would be required to work in order to continue receiving cash support. The plan is designed to allow considerable state flexibility as to hours worked, nature of placements, and duration of assignments. The goal is to put people in work settings where they are paid a pay check rather than a welfare check. Both public and private placements are allowed. The money (or number of jobs) to be used for community service will be capped. In cases where there are insufficient job slots to meet the needs of the entire post transitional caseload, persons would be placed on a waiting list and required to perform self-initiated volunteer work in their community for 80 hours per month in order to continue receiving cash benefits. 20 hrs/wk child care

Time limit on work program

Key elements include:

Work Not Workfare OPTIMISTIC

Persons will not receive cash benefits after they exhaust their transitional aid unless they work. They will instead be placed in work slots. These will provide an hourly wage. But to avoid displacing public or private jobs and to discourage long term use of post-transitional job slots, certain benefits would be limited.

-- Persons will receive wages rather than a welfare check. Persons in post transitional job slots will be paid the minimum wage times the number of hours worked.

-- Post-transitional work slots would be covered by Worker's Compensation, but no money would be withheld for FICA and UI benefits would not apply. EITC benefits

would not be paid for people in post-transitional work slots to encourage moving to private sector work.

- o **Option:** FICA would be withheld and employer contribution paid as well

- -- Wages treated as earnings for purposes of calculating Food Stamp benefits.

- o **Option:** Treat wages like unearned income for purposes of Food Stamps

- -- Maximum and minimum hours requirement. States set hours of work requirements. Post-transitional job slots must guarantee at least 15 hours per week (or 65 hours per month). Maximum hours are 35 hours per week.

- -- States must supplement wages with supplemental benefits if earning times the required/guaranteed hours is less than the AFDC payment. But high benefit states do have the option to reduce their payments to the equivalent of 35 hours per week times the minimum wage after the transitional period.

- o **Option:** States could be required to offer recipients a choice of at least two job slots. why?

Focus on Moving Into Private/Unsubsidized Work
The goal is to have as small a work program as possible by moving people into private, unsubsidized jobs. Several features are designed to ensure that private work will remain a more attractive alternative.

no welfare benefits

REVERSE ORDER PUT THIS FIRST

- -- Non-refusal of private jobs. If an individual has been offered and refused to take a job in the private sector, federal match funds will not be available to create or subsidize a job. If a person takes a part-time job, states have the option to use federal funds to subsidize additional employment up to the full-time level. Are we sure?

- -- EITC is not paid to workers for post-transitional work earnings. UI benefits are also not available.

community service

- -- Frequent job search required. Every three months, persons must engage in at least one week of intensive job search. NOT ENOUGH

- -- Post-transitional work slots are of limited duration. Once time is exhausted, persons placed in new slots or placed at end of waiting list.

Federal decline

- -- State match will rise as duration on post-transitional aid increases.

NOT THE POINT

Involvement of Private Sector and Public Sector Unions in Job Creation Process
Welfare recipients who have worked in public work jobs may have a harder time finding subsequent employment than those who work in traditional private sector jobs. Involvement

of the private sector is critical for insuring that work has real content. Unions will worry that jobs are being taken from existing workers. A joint public/private governing board will be set up in each area to oversee the job creation activities which must include representatives from government, business, and labor. The panel will solicit jobs in both public and private sector organizations. ?

- **Option:** Require that proposal be accepted from both public and private sector organizations. All organizations who can legally hire people at the minimum wage can offer slots in exchange for some form of subsidy.

  - **Any organization would be eligible to bid** if they can legally employ people at minimum wage or higher for six to twelve months. All local and national employers would be able to bid. Non-profit organizations, private, for-profit businesses, temporary help agencies, subcontractors, public agencies. There is no requirement that jobs be non-displacing since they are only temporary jobs. Preference will be given to job proposals involving training or experience which builds earning potential.

  - **Proposals would include:** the number of jobs offered, when the jobs would become available, and the funding expected from the government in order to provide wages, supervision and, if possible, some valuable training and job experience. Localities are strongly encouraged to organize the contracting so that welfare recipients can choose between several employers.

  - **Employers would be able to stipulate certain objective requirements** such as a high school degree, a typing speed, a drug test or literacy test. Employers would not be allowed to use subjective screening to accept or reject applicants. Localities may opt to stipulate in the contract that employers will have a choice between 3 to 5 applicants.

  - **Any remaining funds can be used to create and administer jobs** directly using 100% government funds (with the caps), if an insufficient number of jobs are generated through the competitive process. These jobs should fill unmet needs in the community, provide training, or foster economic development (such as micro-enterprise or community investment corps).

Anti-Displacement Provisions
To avoid displacing existing jobs, strict anti-displacement provisions would be designed.

- **Option**: Since jobs are temporary anti-displacement rules are not required. NO

Caps on Job Slots or Funding For Job Slots
The number of job slots will be capped at a fixed number nationally or at a fixed cost. Slots or job slot money would be allocated according to a formula. The proposed cap would be

NO

500,000 slots. Given the caps on the number of job slots, it is likely that there will be insufficient job slots to meet the needs of all those who have exhausted transitional assistance In such cases, states must set up a waiting list and may set up a priority system for persons awaiting job placements.

Self-Initiated Community Service Volunteer Work for People on Waiting List
The principle that everyone should contribute to their community in exchange for cash aid is central to this proposal. People on the waiting list would continue to receive cash assistance. But in exchange, at least one adult would be expected to perform at least 20 hours per week of self-initiated community service work. Recipients could serve as volunteers in libraries, child care centers, community organizations and the like. Considerable anecdotal evidence exists that volunteer work is a stepping stone to more consistent and rewarding paid employment.

TOUGHER

November 12, 1993

MEMORANDUM

To: Interested Parties

From: Wendell E. Primus

Attached is a revised version of the document we worked from at our last meeting. I have tried to incorporate all comments I received and also to reflect the discussion we had. At David's suggestion, I have also included a substantial amount of new material to provide the need and vision for the proposal. I hope you find this useful. I have kept a very sharp distinction between the vision and the actual plan and its detail.

The material in italics is either an option or is sufficiently controversial not to have been agreed to by most participants at our recent meetings. Obviously, I may have misclassified some of the concepts or ideas in this document. Let me apologize in advance, and please contact myself or Marcy to straighten out any differences.

I recognize that much of the time in the meetings on Friday and Monday will be to prepare documents for the Working Group meeting on Saturday. However, I would like your feedback on this document as much as possible, even though it will not be used for the Working Group immediately. It is the document we are working from to prepare cost estimates and to prepare a more detailed set of specifications. I would hope we could spend some time with this document and to lessen the amount of material in italics.

This document implies that we have come to agreement in many areas. We made substantial progress at our last meeting.

I very much welcome your comments.

CONFIDENTIAL 805

Revised
November 12, 1993

DRAFT PROPOSAL OUTLINE

INTRODUCTION

There is near universal consensus that the current system simply does not work. Conservatives believe that it destroys initiative and fosters perverse incentives which discourage both work and marriage. Liberals contend that it offers modest benefits while robbing individuals of their dignity and self-esteem. Recipients feel degraded and trapped by a system that offers no reward for their efforts to be self-sufficient and gives them no control over their lives. Taxpayers decry spending seemingly innumerable dollars on a program for which they see little positive result. And most importantly, millions of children and their parents languish in poverty within a system that offers little hope for the future.

It is increasingly common to stereotype and finger-point. 'Us versus them' thinking pervades welfare debates. Ugly, racist, and mean-spirited images and policies are often loudly proclaimed. That cannot be a productive part of this discussion. Nor can we obscure the reality that the nature of the welfare system itself is flawed. It fails to support those who need and deserve our help. And it serves to divide the country along dangerous racial and income cleavages.

The long-term goal must be to improve the lives of children. But welfare seems to leave millions of children poor, and it fails to reinforce basic values involving work, family, opportunity and responsibility. Only by fundamentally refocusing social policy on these values can we achieve long term security for our children.

There are six key elements in what we propose:

PROMOTING PARENTAL RESPONSIBILITY AND PREVENTING WELFARE DEPENDENCY

The American public expresses deep concern about the values and behavior of children. The ties between at-risk teenagers and our social institutions are weak. Rather, peer groups and the mass media appear to be shaping our teenagers' views and values. In our inner-cities, the pillar social institutions are in decay--families, schools, policing, other municipal services, and employment. We need to restore basic values to our social programs. Opportunities should be increased and responsibility, most importantly parental responsibility should be emphasized.

Recent data indicate that teenagers who have children out of wedlock are most likely to come onto welfare and to remain on welfare the longest. Therefore, our proposal must contain measures designed to increase responsible sexual behavior, to prevent teenage pregnancy and to encourage high school completion. But out-of-wedlock childbearing involves far more than teenagers. We are nearly to the point where one out of every three children born in the U.S. is born to an unmarried mother. We must send clear and unambiguous messages that out-of-wedlock childbearing is a serious mistake.

Ultimately, if we cannot find a way to reverse the trends in out-of-wedlock childbearing, we cannot guarantee the security of our children.

MAKING WORK PAY

A great tragedy of the past two decades is that economic weakness has pushed down wages for many workers, especially those at the lower end. Simultaneously, the welfare system sets up a devastating array of barriers to people who want to work. It penalizes those who work by taking away benefits dollar for dollar. It imposes a blistering array of reporting requirements for those with earnings. It prevents savings for the future. It stigmatizes and humiliates the working poor who apply for support. Part of the long run answer must be to improve the economy. But we must also ensure that the 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, with 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 such supports. We have already expanded the EITC to make work pay. We will guarantee health security to all Americans with health reform. And we must meet the child care needs of working families. Increased child care is important to the welfare reform program in two ways. First, if work is genuinely to pay for low income families, they must be eligible for child care subsidies sufficient to make it financially possible for them to leave AFDC. Second, if the welfare program is transformed into a program of transitional assistance and work preparation followed by work, child care subsidies must be available for those who are required to participate in work or work preparation activities. We must also simplify advance payment of the EITC. We must make it simple and easy to gain access to food support if a working family is still poor. And we must recognize the volatility of low paying jobs.

CHILD SUPPORT ENFORCEMENT

Our current system of child support enforcement is the worst of all worlds. It is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and non-custodial parents. It lets many absent parents off the hook, while frustrating those who do pay. It seems to neither offer the provision of security for children, nor focus on the difficult problems of nurturing. It typically excuses the fathers of children born out of wedlock from any obligation and offers no support for their children. And it fails miserably to collect the amount estimated available for collection.

Our system must strongly convey the message that both parents are responsible to support their children and that the Government's role is to assist parents--not substitute for them--in meeting those responsibilities. Because one parent should not be expected to do the work of two, we must ensure that the system presents equal opportunities and obligations to mothers and fathers, to single-parent families and married-couple families. The evidence is clear that children benefit from interaction with two parents, and we should, therefore, avoid offering special benefits to single parents and making single parenthood the key criteria for benefit eligibility. By removing work and marriage disincentives, and through universal paternity establishment and improved child support enforcement, we can ensure that both parents share the responsibility of supporting their children.

REINVENTING GOVERNMENT

For many low income parents, the financial gain from working is minimal. Much has been accomplished but more needs to be done. The earned income tax credit was dramatically expanded but to improve its effectiveness, the payment should be periodic and not received as a lump sum at the end of the year and more of the eligible individuals should receive the credit. The Health Security Act will enable many single parent to leave the welfare roles without risking the loss of health insurance for their children. Finally, we must assist individuals in remaining off of public assistance by providing needed transportation and child care services.

TRAINING AND TRANSITIONAL ASSISTANCE

The welfare office must be perceived as a link to resources which foster entry into the labor market, including education and training services, job listings and job search assistance, and parenting and self-esteem classes. The whole system needs to be based on a 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.

A great tragedy of the current education and training system is that low income persons are usually eligible for considerable support for education and training. Yet few of those who apply for welfare ever learn about the services they could receive. And many of the existing services are not designed to serve the types of people who are now on welfare. Welfare cannot and should not be the key to new and special services. Rather, 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. The welfare office can and should help people use the services they need.

TIME LIMITS ON CASH AID FOR THE EMPLOYABLE WHO ARE NOT WORKING

No system which is designed to encourage work and responsibility can allow people who are able to work to collect the maximum amount of aid indefinitely without making real attempts to work. A relatively small portion of the entrants into welfare actually stay for a very long period. That is the way the system should work. But a smaller group comes on and stays for a very long time. And they consume a very large fraction of the resources of the welfare system. That needs to be changed.

These potential long term recipients should have the access to the training they need. Work must pay so that any job they take ought to improve their situation. And the system must be sensitive to the unique circumstances that confront individuals such as disabled children, personal illness, or severe educational deficiencies. People should be expected to be on track to help themselves from their first day on welfare. But after two years, the bulk of recipients can and should be expected to work in private sector jobs or to work in service to the community. If there are no jobs available, the government does have an obligation to provide work, but those who receive assistance must help serve in return.

In designing this options outline, we have endeavored to keep these principles in mind. All pose very difficult challenges, especially in the current budget crisis. The following is an outline of

policies which embody these principles and which represent an attempt to define areas of consensus and areas where options remain.

PREVENTION

NEED/VISION

A message of prevention is a key element of the Administration's welfare reform initiative. To prevent the future dependency, families must take greater responsibility for their own actions, and institutions must provide real opportunities for them as well as access to these opportunities.

PARENTAL RESPONSIBILITY/STRENGTHENING FAMILIES

- State demonstration to provide comprehensive case management focused on all family members as a means to help a welfare recipients' children never go on welfare as well as helping keep existing recipients off. Target teens.

- *Require minor mothers to live with their parents or in other supervised settings. Establish well-defined exceptions.*

- *Demonstrations on making case heads accountable for their family members' participation in education and training activities, e.g., reduce benefit level.*

- *Calculate a teen parent's AFDC benefit based on their parents' ability to contribute to their support.*

- *Paternity establishment required as a condition for benefit eligibility.*

- *State option to limit additional benefits for additional children born while on welfare.*

PROMOTING RESPONSIBILITY

- A highly publicized Presidential-level conference could address the promotion of responsible behavior in the media industry. The conference could summarize research and oversee a public debate on the effects of the media on youth.

- Conduct a national campaign to reduce and prevent teen pregnancy. Utilize media/entertainment industry to promote messages about responsible sexual behavior, staying in school, and avoiding the use of drugs and alcohol. Encourage sensitive and responsible television advertising for contraception.

- Provide challenge grants to States for innovative ways to reward and require responsible behavior.

PREGNANCY PREVENTION

- Make family planning services available to all adolescents and adults receiving AFDC. For example, Title X funds could be used to develop a special outreach to AFDC mothers with daughters in their early teens.

- Increase the outreach efforts of family planning services agencies, enhance counseling services provided by those agencies, and increase the accessibility both in location and hours of operation, of those agencies to teenagers through school-based and school-linked services.

PROMOTING OPPORTUNITY

- Provide 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, a White House spotlight and document successful innovation in recruiting and training volunteers and reaching disadvantaged children.

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

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

- Coordinate and pool Federal resources to encourage comprehensive interventions to address the comprehensive and multi-generational nature of economic and social deficiencies in many disadvantaged neighborhoods. For example, applicants for empowerment zone grants could be encouraged to include a prevention theme, or empowerment zone grants could be prioritized based on applicants' proposed prevention strategies. Applicants would be given a range of possible activities that could fulfill the requirement, thus minimizing any burden or possible deterrent effect.

- *Demonstrations which would hold schools accountable for "tracking" at risk youth and drop-outs and for helping to provide these youth with education or training alternatives.*

MAKING WORK PAY

NEED/VISION

For many low-income parents, the financial gain from working is minimal. Much has been accomplished, but more needs to be done. The Earned Income Tax Credit (EITC) was dramatically expanded in the recent budget reconciliation bill, but to improve its effectiveness, the payment should be periodic and not received as a lump sum at the end of the year, and more of the eligible individuals should receive the credit. The Health Security Act will enable many single parents to leave the welfare roles without risking the loss of health insurance for their children. Finally, we must assist individuals in remaining off of public assistance by providing needed transportation and child care services.

The federal government currently subsidizes child care through a number of different programs. Each of the programs has somewhat different eligibility rules and regulations, making for an extremely complicated system that is hard for both providers and recipients to navigate. There is a need for consolidation and simplification, as well as for increased funding for subsidies and for investments in the quality of child care.

EITC

- Joint administration of food stamps and EITC to working families using EBT technology where available. Partial advance payment of EITC with remainder paid as bonus at end of year.

- Automatic calculation of EITC by IRS.

- Incorporate Treasury concepts to make advance payment of EITC more of a reality. Allow families with a simplified W-5 form to receive an advance EITC equal to employee FICA tax.

CHILD CARE

- Consolidate all IV-A programs and possibly child care disregards under AFDC and food stamps to create an open-ended entitlement for all welfare and JOBS participants at the new JOBS match rate. This would be for low-income families eligible for food stamps and JOBS participants. Use increased CCDBG for non-welfare families.

- *Create two funding streams (not one) for low-income families. The program described above would be for AFDC and JOBS participants, and a new capped entitlement equal to the current level of transitional and at-risk child care plus food stamps would also be created.*

- Standardize child care disregards under AFDC and food stamps.

- *Make dependent care tax credit refundable for families not receiving assistance under CCDBG and the new consolidated child care program. Cost considerations probably imply that this means eliminating TCC and the at-risk portion of IV-A programs, keeping the food stamp disregard and IV-A being limited to JOBS and work slot individuals.*

- Make rules between CCDBG and new program(s) consistent. Care would have to be legal under State law and if exempt from State regulation, would have to meet CCDBG minimum health and safety standards.

- States would set maximum rates and co-payment rates which would be the same for all categories of recipients.

- Funding for CCDBG would gradually increase. At least 25 percent of CCDBG must be used for quality and supply enhancements. Quality enhancements that would be encouraged under the block grants would include resource and referral services, parent information and education, investments in facilities and equipment, the development of family day care networks, training, ties between Head Start and child care, and special programs for bringing AFDC recipients into the child care work force.

OTHER SERVICES

- Demonstration to examine the effectiveness of a comprehensive work support agency.
- Demonstration of a family unemployment-type benefit.
- State option to provide additional services such as transportation, job matching, training opportunities, etc. to encourage working families to stay off welfare.
- *Emergency assistance program at State option--either inside or outside the welfare system--to provide temporary assistance to persons who lose their job in order to encourage reentry into the labor force without going on welfare. The current AFDC Emergency Assistance system would be reformed and capped at 3 percent of AFDC expenditures.*

CHILD SUPPORT

NEED/VISION

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. Many noncustodial parents fail to pay any support, and in [1992], of the $55 billion that is estimated could be collected, only $11 billion was actually paid. While legislative changes in 1988 and 1990 have yielded positive change, more remains to be done. Paternity establishment should be universal and done as much as possible immediately after birth of the child. States should develop central registries of collections and disbursements which can be coordinated with other States. Tougher enforcement mechanisms should be made available to collection agencies. Finally, a large-scale, multi-State demonstration project should be undertaken to test the effectiveness of providing support services to fathers who owe child support.

CHILD SUPPORT ENFORCEMENT

Structure and Organization

- State-based system with more state centralization, universal central state registries and centralized collections/disbursements
- Stronger federal role with National Child Support Enforcement Clearinghouse; expanded IRS role; stronger federal technical assistance; more performance based, "state friendly" auditing process.
- Broader, more universal provision of services, monitoring of all cases, elimination of welfare/non-welfare distinctions.
- New funding formula and emphasis on performance-based incentives.
- Revised payment and distribution rules that strengthen families.

- Much improved data and performance measures.

Paternity

- Universal Establishment Approach - new universal paternity measurement and performance standards, performance based paternity incentives, education and outreach efforts.

- Simplified Paternity Establishment Process - expanded voluntary acknowledgement program, streamlined process for contested cases.

- Clear Paternity Establishment Responsibility - clearer, stricter cooperation requirement; clearer responsibility and tight timeframes for agency.

- *Universal paternity establishment with corresponding sanctions for noncompliance. No personal exemption, dependent care credit, EITC, Pell grants or college loans, unless paternity is established.*

- *Mandatory paternity establishment as a condition of AFDC. If mother cooperates, full AFDC benefits are paid, but first $100 per month is at State expense until paternity is actually established.*

Appropriate Payment Levels

- Universal, periodic, administrative updating of awards.

- National Guidelines Commission.

Tougher Enforcement

- Expanded uniform interstate procedures, adoption of UIFSA.

- IV-D administrative power to take many enforcement actions.

- Expanded access and matching with other state data bases.

- A variety of tough enforcement tools.

- *Reduction in retirement pensions if child support not paid.*

CHILD SUPPORT ASSURANCE

- All child support assurance options would be linked to work requirements for the fathers.

- *States would advance up to $50 per month, per child of child support payments owed by the absent parents to custodial parents not on AFDC. Payments and arrearages would continue to accumulate.*

- *Child support assurance with annual Federal benefits of $2,500 ($1,700) for one child, plus $500 per child. States may implement only if they meet certain enforcement criteria. Full offset of AFDC, or only partial offset of AFDC in low-benefit States. State demos possible.*

- *As a phase-in strategy and as part of the safety net, provide CSA benefits to children receiving food stamps.*

- *Increase child support disregard or increase incentives for low-income fathers to pay.*

NONCUSTODIAL PARENTS

- Multi-site demonstration(s) of expanded training, peer support and other support for noncustodial parents, including job training and parenting classes, which increase ability to meet child support obligations. States would be given considerable flexibility in their design.

- National Commission on Access and Visitation.

- *PSE or CWEP job slots (full-time or part-time) allocated for noncustodial parents who have failed to, or are unable to, pay child support. Include at State option providing unsubsidized community service slots.* ✓?

- *Subsidize State demonstrations of programs designed to increase paternity establishment by identifying putative fathers through referrals from health and early childhood education programs/facilities and educating them about their rights and responsibilities in preparation for birth.*

- *Reduce arrearages if current support payments are faithfully made.*

- *Targeted Jobs Tax Credit (TJTC) made available to fathers with children receiving food stamps.* ?

- *JOBS made available to noncustodial parents at State option.*

- *Suspend all or a portion of child support payments for fathers participating in JTPA, finishing high school, completing a GED, or in other JOBS activities. During this period, the suspended payments would be paid by the State.* NO?

REINVENTING GOVERNMENT

NEED/VISION

One of the real problems with the current welfare system is its enormous complexity. There are many different programs with differing rules. This fact increases administrative cost, confuses recipients and caseworker alike and leads to program errors and inefficiencies. In addition, program administration focuses on the wrong goals. We have become very efficient at calculating checks but have spent little effort in moving families to self-sufficiency, establishing paternity, and collecting child support.

The goal of the changes described below is to simplify the lives of recipients and caseworker by conforming to the maximum degree possible the rules between AFDC and food stamps. It also simplifies reporting and other eligibility rules in a budget neutral manner by enhancing fraud activities and coordinating information between welfare and tax offices. It also targets public assistance benefits by subjecting all cash and near cash benefits to taxation.

PERFORMANCE STANDARDS

- Establish new performance standards designed to focus training and placement as the primary goal of transitional assistance. Focus quality control and audits on participation rates and performance standards, as opposed to eligibility and benefit levels. For example, audits and errors should be based on samples of actual mispayments (both under- and overpayments) identified rather than a failure to have certain records or materials.

- Child support and paternity establishment reimbursement to States based on performance.

SIMPLIFICATION AND CONFORMITY AMONG ASSISTANCE PROGRAMS

- Asset rules simplified and AFDC rules liberalized to be in conformity with food stamps.

- Adopt APWA regulatory and legislative proposals, including application, redetermination, and reporting streamlining.

- All benefits (including AFDC, food stamps, housing, child support assurance, and SSI) taxable to custodial parent. Increase in standard deduction for heads of household.

- Eliminate 100-hour rule and quarters-of-work rule in AFDC.

- States required to determine a need standard according to a standard methodology and update it annually. States must also designate a portion of AFDC as housing.

- State flexibility to increase AFDC earnings disregards. Earnings disregards should be constant over time (e.g. no difference between fifth month and twelfth month on AFDC).

- *Change housing subsidy 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.*

- State option, when calculating countable resources, to disregard up to $10,000 in savings designated for the purchase of a home, a car, or for education or a microenterprise.

- *Eliminate the $50 passthrough for child support and replace with increase in benefit level.* NO

- *Filing units for AFDC and food stamps standardized.*

- *Enhance interagency waiver authority through Community Enterprise Board.* ✓

CONSOLIDATION

- Permit States to integrate other employment and training programs (i.e., Food Stamp ETP) into the JOBS program.

- *OPTION: Encourage States to implement "one-stop shopping" education and training models.*

- Consolidation of several child care programs.

FRAUD AND ABUSE

- *Coordination of tax, welfare, UI, Social Security and child support enforcement data in national data base.*

TRANSITIONAL ASSISTANCE

NEED/VISION

One of the clearest lessons of the site visits and hearings held by the Working Group is that the current welfare system is not about getting people access to jobs that allow them to maintain independence and control. It is not about training or job placement or work supports. It is about determining who qualifies for receiving welfare and writing checks to those individuals.

Our current reform effort must transform the culture of welfare and welfare administration from eligibility determination and benefit distribution as the primary focus, to the welfare office being seen as a work support agency which helps individuals who are "doing the right thing" to obtain employment and achieve self-sufficiency. The welfare office must be perceived as a link to resources which foster entry into the labor market, including education and training services, job listings and job search assistance, and parenting and self-esteem classes. The whole system needs to change based on a 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.

The JOBS program will be redesigned to increase dramatically the number of people participating. States will continue to have broad flexibility in designing the structure of their programs and the range of eligible activities. The mission of the JOBS program is to assure that welfare recipients have access to and information about all existing education and training programs. This includes such opportunities as Pell grants and the JTPA system. New administration initiatives such as School-to-Work, One-Stop Shopping, and Apprenticeship Training will enhance the opportunities available to welfare recipients.

PARTICIPATION

- Replace AFDC with JOBS. Phase-in increase in participation standards for JOBS from the current level (20% of nonexempt caseload in FY 1995). Reduce the number of exemptions from JOBS and place an overall limit on the number and duration of extensions/exemptions.

- Broaden definition of participation to include substance abuse treatment and possibly other activities (parenting/life skills classes, domestic violence counseling).

- Increase flexibility for States in the operation of the JOBS program, i.e., relax requirement that work supplementation jobs be new jobs, extend limit on participation in job search (currently eight consecutive weeks).

INTAKE/CASE MANAGEMENT

- *Require most new applicants to engage in supervised job search from the date of application for benefits. Sanction for non-participation.* ✓

- Federal government will provide guidance and technical assistance in helping States redesign the "culture" of their welfare offices.

- *Require all applicants to sign a social contract specifying the responsibilities of both the State agency and the recipient.* ✓

TARGETING TEENS

- Teen parents would be subject to the same requirements under the transitional and post-transitional programs, with appropriate incentives and sanctions to encourage compliance. Intensive case management. State option to delay time limit to allow teen recipients to finish high school.

- *Require all teen parents to develop, in conjunction with the caseworker, an individualized case plan.*

SANCTIONS

- Similar to current law sanctions, which gradually increase in severity and are 'curable' upon compliance, with some additional State flexibility.

TIME LIMITS

- The allowed length of time in JOBS activities geared to work preparation (rather than work itself) will vary depending on the needs and capabilities of the individual. The exact length of time will be determined in the case plan, but may not exceed two years. States will have flexibility to provide a limited number of extensions of up to two years to complete an education or training program leading directly to work or to finish high school.

- Permit one-time extensions of the time limit for completion of an education/training program which is expected to lead directly to employment (extensions limited in duration) or for completion of high school. *This should not be an extension to complete a college degree.* ✓

- Time spent on a waiting list for the JOBS program would not be counted against the time limit. ?

- Allow recipients who have left the rolls to earn additional months of assistance for months working and/or not on assistance.[1]

- *Require job search for last 90 days before time limit expires.*

- *Exempt low-income working families who are working 20 hours per week (more hours at State option) from time limits.*

FUNDING

- Enhance funding for JOBS commensurate with the increase in participation standards, increase federal match rate for JOBS. Federal match rates would increase if State unemployment rate exceeds a certain target.

- *OPTION: Increase match rate for case management and/or provide additional funding to States for case management.*

POST-TRANSITIONAL ASSISTANCE

NEED/VISION

Integral to the welfare reform plan is the principle that individuals who are able to work should not collect cash assistance indefinitely. During the transitional assistance period, individuals would be expected to obtain the necessary training and skills to move into the private sector labor force. A recipient who reached the time limit for participation in work preparation activities without finding private sector employment would be required to participate in the post-transitional assistance work program (hereafter work program).

The goal of the work program would be to prepare participants for, not to serve as an alternative to, private sector employment. Whenever possible, recipients who had reached the time limit for transitional assistance would be placed in private sector jobs rather than public sector employment.

STRUCTURE

- Require States to involve the private sector and community organizations in the operation of the work program by, for example, tapping local Private Industry Councils to help identify and develop private sector jobs. States would be encouraged to enter into performance-based contracts with public-private entities or private firms to place recipients who had reached the time limit into private sector positions.

- Provide financial incentives for States to place work program participants into private sector employment.

- Work program positions to be either within government entities or created through contracts with non-profits; encourage States to employ work supplementation and on-the-job training (private sector) as part of the post-transitional assistance program.

- Create a fixed number of work program positions (300,000-500,000); positions allocated either on a first-come, first-serve basis or according to need. Recipients on a waiting list for public work positions would be permitted to do community service work (i.e., volunteering at a non-profit) to fulfill the work requirement.

- *States to absorb the full or a greater share of the cost of cash assistance for those on the waiting list. Allow the AFDC benefit level to be reduced in high-benefit States or for recipients who are receiving AFDC, Food Stamps and housing assistance; only AFDC benefits could be reduced, and the safety net could not fall below 60 percent of poverty.*

- *Require local IV-A agencies to develop an inventory of job opportunities available through existing Federal initiatives. Train and employ some of the participants in the work program as child care providers.*

- *Increase incentives to employers to hire, train and retain families who are on cash assistance.*

Alternative Structure for Work Program

- *Require States to open the work program up to competitive bidding. States would issue a request for proposals to provide temporary positions to recipients who had reached the time limit for transitional assistance. Any employer, public or private, non-profit or for-profit, could submit a proposal to provide work program positions. Proposals would be selected on the basis of cost, extent and value of training provided and potential for movement into unsubsidized employment with the same employer.*

- *States would be given wide discretion in designing the work program, which could be operated by a State agency other than the IV-A agency, a quasi-public corporation, a consortia of local employers, or a combination of public and private entities.*

- *Contracting employers would be allowed to establish objective criteria, such as a high school degree or a typing or literacy test, for entry into contracted work program positions. Subjective screening of recipients would not be permitted.*

- *Total Federal funding for the work program would be capped and distributed on a formula basis to States. Total funding (Federal and State) would be approximately $3 billion, allowing for the creation of 500,000 positions at $6,000 per position. The number of work program positions would not be fixed; States able to contract with employers to provide positions at a lower cost would be able to create more positions per dollar of funding. The cap could be increased if unemployment rises significantly above a target level.*

TIME LIMIT

- No time limit on participation in the work program (although individuals might change positions several times).

- *Establish an 18-month time limit on participation in the work program.*

- *Permit States to impose a time limit on participation in the work program (including self-initiated community service).*

HOURS AND WAGES

- Each work assignment would be for 20 hours per week. States would have the option to increase the requirement to 35 hours per week.

- All work program assignments would pay the minimum wage (higher at State option). Compensation from work program positions would be treated as earned income and benefits would be calculated accordingly.

- *Calculate required hours of work by dividing the AFDC benefit by the minimum wage; compensation would be treated as benefits rather than earnings. Child support collected would be deducted from the AFDC benefit for the purpose of calculating the required number of hours.*

- Work program positions would be treated as private sector employment with respect to FICA and Worker's Compensation.

- Earnings from work program positions would not count as earned income for the purpose of the Earned Income Tax Credit.

JOB SEARCH

- Require persons in the work program to engage in job search either concurrently (i.e., 8 hours per week) or periodically (i.e., two weeks every 120 days, or for a fixed period after completing a work program assignment).

- *Recipients on the waiting list for work program positions, included those in self-initiated community service, to engage in continuous job search.*

SANCTIONS

- Not working the required number of hours would result in a corresponding reduction in wages and no change in benefits (i.e., benefits would not rise to offset the fall in work program earnings).

- If an individual refused an offer of a full- or part-time private sector job without good cause, benefits for at least the next six months would be calculated as if the job had been taken. The sanction would end upon acceptance of a private sector job.

FUNDING

- Provide matching funds for work program positions at the FMAP rate. Establish a cap on administrative and supervision costs. The Federal match rate would increase if a State's unemployment exceeded a certain target level.

- *Establish a variable match rate that declines with an individual's length of participation in the work program. States would receive reduced reimbursement for participants who had been in the work program beyond a fixed time period (or periods).*

ECONOMIC DEVELOPMENT

- 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 which hire the parents of children on welfare (this would include both welfare recipients and noncustodial parents of children on welfare.)*

DEMONSTRATIONS, RESEARCH AND EVALUATION

- A thorough evaluation of all aspects of the proposal to be conducted after full implementation of time-limited assistance and post-transitional work.

- In addition to child support assurance, noncustodial parent and work support agency demos previously mentioned, other demos would be designed to test various concepts and ideas including America Works, school attendance incentives, serving persons with disabilities, etc.

good

November 1, 1993

MEMORANDUM

To: Mary Jo Bane
David Ellwood
Bruce Reed

From: Wendell E. Primus

Re: Attached Welfare Reform Proposal Outline

Attached is the proposal outline document, which I sincerely hope can serve as a working document in our discussions later today. In this document, I and my staff have endeavored to incorporate ideas from all of the plans submitted for the last retreat, which represent the spectrum of options on the table. In my mind, the goal of the meeting today is to add, delete or modify policy ideas in this very abbreviated format. This applies both to the items in regular type, about which there is assumed to be some general consensus, and to the options in italics, about which more discussion is clearly needed. There will be a longer document available later this week that will provide greater detail on how these ideas are actually translated into legislation or regulations.

Both the revised outline and the longer document will be circulated late in the week for your comment. There is no pride of authorship, as I do expect both documents to change frequently over the next several weeks. However, I do hope they can become our working documents and that we do not change paper each time we meet.

In my opinion, we have a long way to go over the next two months, particularly because we have not yet begun to address how we will allocate our resources among the various components of the proposal. In order to meet our tentative deadline, we need to begin drafting legislation soon after Thanksgiving. The ASPE health crowd agrees that if indeed we are to have a finished product by late January, this is not an unreasonable time frame. I recognize that the President will have probably made no decisions at that time, but drafting imposes its own discipline which will aid in the decisionmaking process. We can begin by drafting less controversial pieces such as the amendments to JOBS and the demonstration projects that we want included in the legislation.

The longer document to be drafted later this week will serve as legislative specifications. This is not meant to preclude in any way Presidential memos that make the case for one option or the other or other documents that make the case for welfare reform or a particular vision. I will leave that to others to

write. My primary intent with these two documents is to enable the group to reach consensus on what options (and their gory details) are still on the table and to put those options into legislative language so that each option can be estimated with accuracy and so that other analytic work can proceed. Every idea remaining on the table will require a substantial amount of budget analysis and work in supplying the necessary details.

I hope this is helpful and would appreciate any feedback.

cc: Group

~~CONFIDENTIAL~~
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November 1, 1993

DRAFT PROPOSAL OUTLINE

INTRODUCTION

There is near universal consensus that the current system simply does not work. Conservatives believe that it destroys initiative and fosters perverse incentives which discourage both work and marriage. Liberals contend that it offers modest benefits while robbing individuals of their dignity and self-esteem. Recipients feel degraded and trapped by a system that offers no reward for their efforts to be self-sufficient and gives them no control over their lives. Taxpayers decry spending seemingly innumerable dollars on a program for which they see little positive result. And most importantly, millions of children and their parents languish in poverty within a system that offers little hope for the future.

It is increasingly common to stereotype and finger-point. 'Us versus them' thinking pervades welfare debates. Ugly, racist, and mean spirited images and policies are often loudly proclaimed. That cannot be a productive part of this discussion. Nor can we obscure the reality is that the nature of the welfare system itself is flawed. It fails to support those who need and deserve our help. And it serves to divide the country along dangerous racial and income cleavages.

The long term goal must be to improve the lives of children. But welfare seems to leave millions of children poor, and it fails to reinforce basic values involving work, family, opportunity and responsibility. Only by fundamentally refocussing social policy on these values, can we achieve long term security for our children.

There are five key elements in what we propose:

Make Work Pay

wages haven't risen - 1959

A great tragedy of the past two decades is that economic weakness has pushed down wages for many workers, especially those at the lower end. Simultaneously, the welfare system sets up a devastating array of barriers to people who want to work. It penalizes those who work by taking away benefits dollar for dollar. It imposes a blistering array of reporting requirements for those with earnings. It prevents savings for the future. It stigmatizes and humiliates the working poor who apply for support. Part of the long run answer must be to improve the economy. But we must also ensure that the 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, with 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 such supports. We have already expanded the EITC to make work pay. We will guarantee health security to all Americans with health reform. And we must meet the child care needs of working families. We must also simplify advance payment of the EITC. We must make it simple and easy to gain access to food support if a working family is still poor. And we must recognize the volatility of low paying jobs.

Child Support Enforcement

Our current system of child support enforcement is the worst of all worlds. It is heavily bureaucratic and legalistic. It is unpredictable and maddeningly inconsistent for both custodial and non-custodial parents. It lets many absent parents off the hook, while frustrating those who do pay. It seems to neither offer security provision of children, nor focus on the difficult problems of nurturing. 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 the finding that of $55 billion that could be collected, only $11 billion is actually paid.

Our system must strongly convey the message that both parents are responsible to support their children and that the Government's role is to assist parents--not substitute for them--in meeting those responsibilities. Because one parent should not be expected to do the work of two, we must ensure that the system presents equal opportunities and obligations to mothers and fathers, to single-parent families and married-couple families. The evidence is clear that children benefit from interaction with two parents, and we should, therefore, avoid offering special benefits to single parents and making single parenthood the key criteria for benefit eligibility. By removing work and marriage disincentives, and through universal paternity establishment and improved child support enforcement, we can ensure that both parents share the responsibility of supporting their children.

Training and Transitional Assistance

One of the clearest lessons of the site visits and hearings held by the working group is that the current welfare system is not about getting people access to jobs that allow them to maintain independence and control. It is not about training or job placement or work supports. It is about writing checks. It is about writing checks in an environment with a numbingly large number of regulations, all of which must be met or penalties will accrue to the state and recipient alike. We have created a system preoccupied with detail which misses the big picture.

Our current reform effort must transform the culture of welfare and welfare administration from eligibility determination and benefit distribution as the primary focus, to the welfare office being seen as a work support agency which helps individuals who are "doing the right thing" to obtain employment and achieve self-sufficiency. The welfare office must be perceived as a link to resources which foster entry into the labor market, including education and training services, job listings and job search assistance, and parenting and self-esteem classes. The whole system needs to be based on a 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.

A great tragedy of the current education and training system is that low income persons are usually eligible for considerable support for education and training. Yet few of those who apply for welfare ever learn about the services they could receive. And many of the existing services are not designed to serve the types of people who are now on welfare. Welfare cannot and should not be the key to new and special services. Rather, 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. The welfare office can and should help people use the services they need.

Time-Limits on Cash Aid for the Employable

No system which is designed to encourage work and responsibility can allow people who are able to work to collect cash aid indefinitely. A relatively small portion of the entrants into welfare actually stay for a very long period. That is the way the system should work. But a smaller group comes on a stays for a very long time. And they consume a very large fraction of the resources of the welfare system. That needs to be changed.

These potential long term recipients should have the access to the training they need. Work must pay so that any job they take ought to improve their situation. And the system must be sensitive to the unique circumstances that confront individuals such as disabled children, personal illness, or severe educational deficiencies. People should be expected to being on track to help themselves from their first day on welfare. But after two years the bulk of recipients can and should be expected to work in private sector jobs or to work in service to the community. If there are no jobs available, the government does have an obligation to provide work, but those who receive assistance must help serve in return. should help them find

NO

Preventing the Formation of Single Parent Families Parental Responsibility – Social Contract

Finally, welfare reform must include significant attention to prevention. Recent data indicate that teenagers who have children out of wedlock are most likely to come onto welfare and to remain on welfare the longest. Therefore, our proposal must contain measures designed to increase responsible sexual behavior, to prevent teenage pregnancy and to encourage high school completion. But out-of-wedlock childbearing involves far more than teenagers. We are nearly to the point where one out of every three children born in the U.S. is born to an unmarried mother. We must send clear and unambiguous messages that out-of-wedlock childbearing is a serious mistake. Ultimately, if we cannot find a way to reverse the trends in out-of-wedlock childbearing, we cannot guarantee the security of our children.

In designing this options outline, we have endeavored to keep these principles in mind. All pose very difficult challenges, especially in the current budget crisis. The following is an outline of policies which embody these principles and which represent an attempt to define areas of consensus and areas where options remain.

A. EITC
B. C. CARE
C. H. CARE
D. ~~[illegible]~~ UI

MTB/Bella: more simplification to ReGo

MAKE WORK PAY

STRATEGY:

- Joint administration of food stamps and EITC to working families using EBT technology where available. Partial advance payment of EITC with remainder paid as bonus at end of year. — state option | $
- Automatic calculation of EITC by IRS.
- Automatic eligibility for families receiving food stamps for Head Start and subsidized day care. | $?
- Health insurance subsidies administered by same agency to low-income working families. | means what?
- Demonstration to examine the effectiveness of a comprehensive work support agency. ? vs one-stop
- Demonstration of a family unemployment-type benefit.
- Other advance payment options.
- *OPTION: Dramatically simplify and coordinate food stamps and EITC for working poor families not on AFDC.*
- *OPTION: Federal incentives for States to establish State EITCs to supplement existing benefit.* | good
- *OPTION: Emergency assistance program at State option--either inside or outside the welfare system--to provide temporary assistance to persons who lose their job in order to encourage reentry into the labor force without going on welfare. The current AFDC EA system could be reformed.* | why?
- *OPTION: State option to provide additional services such as transportation, job matching, training opportunities, etc. to encourage working families to stay off welfare.*

CHILD CARE

- Significantly increase access to child care. Create stronger linkages between child care and Head Start.

OPTIONS FOR FUNDING:

① Use 3 programs

- *Provide funding for child care for all families at or below 130% of poverty through a new entitlement program (eliminating current programs). Include sliding fee scale.* — MTB: double-digit %'s — NO
- *Consolidate IV-A programs to create an open-ended or capped entitlement for all welfare and JOBS participants at increased match rate. Use increased CCDBG for non-welfare families.* — NO
- *Make rules between programs more consistent.*

capped entitlement for working poor
Keep 2 streams separate
Wendell: House can't allow entitlement
Make tax credit refundable?

BR: SEPARATE ReGo TITLE

- *Provide increased match rate for first 2 years of eligibility.*

OPTIONS FOR TARGETING STRATEGIES (with limited funding): Make DCTC refundable?

- *Give priority to single-parent families.* NO
- *Give priority for CCDBG funds to transitional assistance exhaustees.* ?
- *Exempt from participation parents with first (or any) children under certain ages (1, 2, or 3).* Avis: theory issue
- *Increase number of parents mandated to participate part-time rather than full-time.* /school hrs.

OPTIONS TO INCREASE QUALITY/SUPPLY:

Individual proposals may not be controversial; the main issue is the level of resources to devote to increasing quality and supply.

- *Train welfare recipients to become child care workers.* YES
- *Allow flexibility for States to pay higher reimbursement for care they define as higher quality.*
- *Increase quality set-aside in the CCDBG.*
- *Provide increased funding for training and TA, including training for Work Support Program case managers and parent education.*
- *Increase funding to Child Care Resource and Referral Agencies and to Child Care Food sponsors to provide/purchase training and TA for child care providers and to recruit new providers.*

Why? MTB agrees

- *Work through community development banks to provide loans to establish child care facilities.* YES

CHILD SUPPORT ENFORCEMENT

Structure and Organization

not an unfunded mandate

- State-based system with more state centralization, universal central state registries and centralized collections/disbursements
- Stronger federal role with National Child Support Enforcement Clearinghouse; expanded IRS role; stronger federal technical assistance; more performance based, "state friendly" auditing process.
- Broader, more universal provision of services, monitoring of all cases, elimination of welfare/non-welfare distinctions.
- New funding formula and emphasis on performance-based incentives. (← MORE)

→ Mandatory paternity estab for AFDC + other govt programs

- Revised payment and distribution rules that strengthen families.

- Much improved data and performance measures.

Paternity

→ Mandatory P/E for other govt. benefits

- Universal Establishment Approach - new universal paternity measurement and performance standards, performance based paternity incentives, education and outreach efforts.

- Simplified Paternity Establishment Process - expanded voluntary acknowledgement program, streamlined process for contested cases.

- Clear Paternity Establishment Responsibility - clearer, stricter cooperation requirement; clearer responsibility and tight timeframes for agency.

Appropriate Payment Levels

- Universal, periodic, administrative updating of awards.

- National Guidelines Commission.

→ INNOVATION FUND: Loans for CSE Improvements
→ GET GOVS. ON BOARD
→ STATE OPTIONS: Licenses, etc.

Tougher Enforcement

- Expanded uniform interstate procedures, adoption of UIFSA.

- IV-D administrative power to take many enforcement actions.

- Expanded access and matching with other state data bases.

- A variety of tough enforcement tools. (→ FISHING + DRIVERS LICENSES, ETC.) ← MORE

Child Support Assurance

GO TO NON CUSTODIAL

- *OPTION: Suspend all or a portion of child support payments for unemployed fathers participating in JTPA or JOBS activities. During this period, the suspended payments would be paid by the State.* NO

- *OPTION: States would advance up to $50 per month, per child of child support payments owed by the absent parents to custodial parents not on AFDC. Payments and arrearages would continue to accumulate.* Belle: bards at m-class NO
  - MSB: why would states want?

- *OPTION: Child support assurance with annual benefits of $2,500 ($1,700) for one child, plus $500 per child. Full offset of AFDC. State demos possible.* Means-tested NO

- *OPTION: Same as above but without full offset of AFDC in low benefit States.* NO

- *OPTION: CSA coordinated with EITC and/or Social Security.* NO

- *OPTION: As a phase-in strategy and as part of the safety net, provide CSA benefits to children receiving food stamps.* NO

- *OPTION: Increase child support disregard or increase incentives for low-income fathers to pay.* NO

NONCUSTODIAL PARENTS

- Multi-site demonstration(s) of expanded training, peer support and other support for noncustodial parents, including job training and parenting classes, which increase ability to meet child support obligations. States would be given considerable flexibility in their design.

- National Commission on Access and Visitation. → Work Programs

- *OPTION: PSE or CWEP job slots or Wisconsin (full-time or part-time) allocated for noncustodial parents who have failed to, or are unable to, pay child support.* NO — No $ (WISC.)

- *OPTION: Subsidize State demonstrations of programs designed to increase paternity establishment by identifying putative fathers through referrals from health and early childhood education programs/facilities and educating them about their rights and responsibilities in preparation for birth.*

- *OPTION: JOBS made available to noncustodial parents at State option.* NO

TRANSITIONAL ASSISTANCE

Intake/Case Management

- Require most new applicants to engage in supervised job search from the date of application for benefits. plus sanctions ← encourage? flexibility? GOOD

- Require all applicants to sign a social contract specifying the responsibilities of both the State agency and the recipient and to develop, in conjunction with the caseworker, an individualized case plan. ← GOOD ← NO

Participation

- Phase-in increase in participation standards for JOBS from the current level (20% of nonexempt caseload in FY 1995).

- Broaden definition of participation to include substance abuse treatment and possibly other activities (parenting/life skills classes). ?

- Increase flexibility for States in the operation of the JOBS program, i.e., relax requirement that work supplementation jobs be new jobs, extend limit on participation in job search (currently eight consecutive weeks). / good

- Reduce criteria for exemptions. ?

Belle - combine

Jobs 1st, AFDC 2nd = boldest change in our lifetime

- ~~OPTION:~~ *Increase participation standard for JOBS to 100 percent of the non-exempt caseload; essentially, replace AFDC with JOBS.* / YES

- *OPTION: Broaden definition of participation further to include additional human development activities (immunization of children, domestic violence counseling, parent-teacher conferences).* community service / ?

Sanctions

- Similar to current law sanctions, which gradually increase in severity and are 'curable' upon compliance, with some additional State flexibility. / TOUGHER

Time Limits

- Limit cash assistance for non-exempt recipients to two years, after which participation in a work program would be required.

- Permit one-time extensions of the time limit for completion of an education/training program which is expected to lead directly to employment (extensions limited in duration) or for completion of high school. (Overall limit on # and duration of extensions) / 1-2 yr. extension for state-approved program / NOT NECESSARILY (H. School)

- Allow recipients who have left the rolls to earn additional months of assistance for months working and/or not on assistance. / MAYBE

- *OPTION: Establish a 6 month grace period during which a recipient could be inactive without penalty; limit cash assistance to maximum permitted length of participation in JOBS (as defined by States), plus grace period.* / NO

- *OPTION: Exempt low-income working families from time limits.* / ? LIKY

  STATE OPTION: Require work sooner

Funding

- Enhance funding for JOBS commensurate with the increase in participation standards, increase federal match rate for JOBS.

- *OPTION: Increase match rate for case management and/or provide additional funding to States for case management.*

Performance Standards

- Establish new performance standards designed to focus training and placement as the primary goal of transitional assistance, for example, the percentage of recipients placed in private sector employment (and the immunization rate for recipient children) / YES

- QC and audits focus on participation rates and performance standards, as opposed to eligibility and benefit levels.

DAVID: Simplify - include Training
MJB: Already in an EIT entitlement, Pell Grants - capacity-bldg.

Consolidation

- Permit States to integrate other employment and training programs (i.e., Food Stamp ETP) into the JOBS program. GOOD

- *OPTION: Encourage States to implement "one-stop shopping" education and training models.*

POST-TRANSITIONAL ASSISTANCE

Structure → JOB SEARCH LAST

- Require recipients who have reached the time limit for cash assistance to participate in a public sector work program; require States to place all recipients who have reached the time limit in public work program positions. — Community service

- Public work program positions to be for at least 20 hours and no more than 35 hours per week (state option) and compensation to be at the minimum wage.

- No time limit on participation in public sector work program positions (although individuals might change positions several times). / NO

- Public sector work program positions to be either within government entities or created through contracts with non-profits; encourage States to employ work supplementation and on-the-job training (private sector) as part of the post-transitional assistance program. / YES

- *OPTION: Permit States to contract out the entire work program to a non-profit or for-profit concern.* / YES

- Provide incentives for States to place public work program participants in private sector employment; encourage States to enter into performance-based contracts with private firms and to make performance payments to local IV-A agencies (compensation based on the number of work program participants placed in private sector employment). YES.

- Encourage States to explicitly consider the labor market in designing the work program, i.e., which occupations are or are expected to be in demand. !!

- Encourage States to involve the private sector in the operation of the work program, i.e., public-private job councils to identify and develop private sector jobs. / STRONGER

- *OPTION: Increase incentives to employers to hire, train and retain families who are on cash assistance.* ?

- Require persons in the public sector work program to engage in job search either concurrently (i.e., 8 hours per week) or periodically (i.e., two weeks every 120 days, or for a fixed period after completing a public work program assignment). YES

- Unemployment Insurance, Worker's Compensation, and FICA would apply to public work program positions; the EITC would not.

Sanctions

- Not working required number of hours would result in corresponding reduction in 'wages'.

Funding

- Provide matching funding for public sector work program positions at the FMAP rate.

ALTERNATIVE MODELS FOR POST-TRANSITIONAL ASSISTANCE

Model I

Wisconsin amdts.

- Limit participation in the work program to a fixed period; permit States to reduce or eliminate benefits for recipients who reach this limit.

- Reduce the federal match rate for any cash assistance to persons who have reached the limit on work program participation.

- Create an in-kind benefit (housing and food stamps) for those who have reached the time limit and are no longer eligible for cash benefits.

Model II

- Create a fixed number of public work program positions (not necessarily sufficient to meet the demand); require recipients who have reached the time limit for cash assistance to apply for public work program positions; positions provided on a first-come, first-served basis or according to need. Declining match

- Recipients on a waiting list for public work program positions required to find self-initiated volunteer work/community service activities outside the work program to continue receiving aid.

- *OPTION: Recipients on the waiting list required to engage in continuous job search.* / YES

- *OPTION: States to absorb the full cost of cash assistance for those on the waiting list; allow high-benefit States to reduce the benefit level by a set percentage.* / ?

- *OPTION: Reduce benefits after time limit exceeded to AFDC plus food stamps. AFDC is offset dollar for dollar by housing benefits.* / ?

AMENDMENTS TO ASSISTANCE PROGRAMS

- Asset rules simplified and liberalized between AFDC and food stamps.

- Treatment of children in welfare system made consistent with treatment of children in tax system.

→ More REGO

- Adopt APWA regulatory and legislative proposals, including application, redetermination, and reporting streamlining.

- All benefits (including AFDC, food stamps, housing, child support assurance, and possibly SSI) taxable to custodial parent.

- Eliminate 100-hour rule and quarters-of-work rule in AFDC.

- States required to determine a need standard according to a standard methodology and update it annually. The level of AFDC payments set by each State as a percentage of this need standard (including food stamps). / ?

- State flexibility to increase AFDC earnings disregards so long as definitions within the food stamp program are used.

- Change housing subsidy to provide less assistance to a greater number of households by having housing count for food stamps, by designating part of AFDC as housing assistance, or by some other method (e.g. reducing percentage of FMR paid). / ?

- State option, when calculating countable resources, to disregard up to $10,000 in savings designated for the purchase of a home, a car, or for education or a microenterprise.

- Audits and errors based on samples of actual mispayments (both under- and overpayments) identified rather than a failure to have certain records or materials.

- *OPTION: Eliminate the $50 passthrough for child support and replace with increase in benefit level.* / NO

- *OPTION: Filing units for AFDC and food stamps standardized.*

- *OPTION: Determine time-limited cash assistance as a percentage of the food stamp benefit.*

TARGETING TEENS

- Teen parents subject to the same requirements under the transitional and post-transitional programs, with appropriate incentives and sanctions to encourage compliance. Intensive case management. State option to delay time limit to allow teen recipients to finish high school.

PREVENTION

OPTIONS:

→ P/E estab for AFDC others
→ Family cap

Parental Responsibility/Strengthening Families

- *Eliminate welfare eligibility for minor mothers, require them to live with their parents or in other supervised settings. Establish well-defined exceptions.* No AFDC for mother

- State Options/Demo *Make case heads accountable for their family members' participation in education and training activities, e.g., reduce benefit level.*

- *Calculate a teen parent's AFDC benefit based on their parents' ability to contribute to their support.*

- *Allow States the option of requiring welfare recipients to enroll in parenting classes, ensure immunizations, etc.*

- *Provide comprehensive case management focused on all family members as a means to help a welfare recipients' children never go on welfare as well as helping keep existing recipients off. Target teens.* demo ↑ ?

Pregnancy Prevention

- *Require or encourage schools receiving Chapter 1 grants to establish school-based or school linked clinics that provide counseling, health screening, and ~~family planning~~ services to adolescents.* teen pregnancy prevention — Health Bill Version

- *Require all adolescents in a family receiving AFDC to participate in family planning; make family planning services available to adults.*

- *Encourage voluntary use of Norplant.*

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

- *Provide support to non-profit community-based organizations to foster responsible attitudes and behavior.*
- A national campaign to prevent teen pregnancy: Innovation Fund/Responsibility Fund
- *Utilize media/entertainment industry to promote messages about responsible sexual behavior. Encourage sensitive and responsible television advertising for contraception.*

Other Promotion of Responsibility Options

- *Hold schools accountable for "tracking" at risk youth and drop-outs.* — TIE TO EDUC. DEPT.

- *Utilize mentors from business or colleges in the community.*

FRAUD AND ABUSE

- *OPTION: Coordination of tax, welfare, UI, Social Security and child support enforcement data in national data base.*

DEMONSTRATIONS, RESEARCH AND EVALUATION

- A thorough evaluation of all aspects of the proposal to be conducted after full implementation of time-limited assistance and post-transitional work.

- In addition to child support assurance, noncustodial parent and work support agency demos previously mentioned, other demos would be designed to test various concepts and ideas including America Works, school attendance incentives, serving persons with disabilities, etc.

November 11, 1993

MEMORANDUM FOR WENDELL PRIMUS

FROM: BRUCE REED

SUBJECT: Additions to Welfare Reform Options Paper

You've probably gone through a few drafts by now, and already incorporated many of the changes raised at our last meeting. But here are some of our concerns and suggestions. Thanks for pushing this along.

General Comments

1. We strongly believe (and David may agree) that the Parental Responsibility / Prevention section should come first, in both the Introduction and the detailed outline. We think we should talk about our values before we talk about our programs. This section should stress the social contract and parental responsibility, not simply welfare prevention.

2. We would like to see a Reinventing Government section that includes simplification, asset rules, performance incentives, etc. We also recommend that this section give the VP's Community Enterprise Board the interagency waiver authority described in the Republican bill (I think David likes this idea, too).

3. The Introduction needs a few paragraphs that put this whole issue in the broader context -- the explosion of out-of-wedlock births, the need to restore basic values to our social programs, the importance of the social contract, the decline of opportunity, responsibility, and work, etc. I will take a shot at this; others should as well.

Section-by-section

1. Make Work Pay -- changes were suggested at the retreat.

2. Child Care -- I still think we need explicit mention here of using (not just training) post-transitional recipients as child care workers. The more we use our child care dollars to hire people off welfare, the more jobs we can say we're creating, and/or the less money we'll need overall. Can we claim some of the Title XX money that is designated to Empowerment

Zones for this explicit purpose?

3. CSE

Paternity: Include mandatory paternity establishment as a condition of AFDC and other government benefits. Can we set 90 or 100% P/E as a goal by 2000?

Enforcement: It wouldn't hurt to say what that "variety of tough enforcement tools" actually includes.

CSA: We stand by our insistence that any child support assurance demonstrations must be linked to work requirements for the fathers.

4. Noncustodial Parents -- The PSE/CWEP option should also include the option of providing unsubsidized community service slots, as in the Wisconsin program and the Republican bill.

5. Transitional Assistance

Job Search: We still want to require most new applicants to engage in supervised job search -- not simply encourage them as Mary Jo suggested (although we would like to do that, too, by offering an enhanced match for job search). We like Howard's idea of required job search plus a sanction for nonparticipation. We would be willing to go further, and require job search before a person can receive benefits -- with a state option to provide benefits during job search to those who really need it. Required job search will give us scorable savings -- and more important, send a clear message that our whole program is about work.

Social Contract: We should require the social contract, which is simple and the same for everybody. We have doubts about requiring "individualized case plans," which sound bureaucratic and paperwork-intensive. Many recipients don't need case management; they need opportunities and expectations. If states want to emphasize case management, fine; they can choose to make individualized plans part of their social contracts.

Participation: The definition should be broadened to include self-initiated community service. We should make clear that everybody does something. We should require participation for all new applicants by a date certain.

Exemptions: There should be an overall limit on the number and duration of exemptions/extensions. There shouldn't be an extension to finish a college degree.

Job Search Last: We would like to require job search for the last 90 days before the time limit expires. We may also want to offer work supplementation vouchers to go with it.

6. Post--Transitional: MORE TO FOLLOW LATER TODAY

7. Personal/Parental Responsibility (and Prevention)

As mentioned above, we believe this section should come first, and should mention the Social Contract.

Paternity Establishment: requirement for AFDC and other government benefits. We also support giving states the option to make payment of child support a requirement on fathers who seek other government benefits.

Family cap: state option to limit additional benefits for additional children born while on welfare.

Responsibility Fund: a pot of money available in challenge grants to states for innovative ways to reward and require responsible behavior.

Teen Pregnancy: A national campaign to reduce and prevent teen pregnancy.