EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

ROUTE SLIP

TO Bruce Reed	Take necessary action ☐
	Approval or signature ☐
	Comment ☐
	Prepare reply ☐
	Discuss with me ☐
	For your information ☐
	See remarks below ☐
FROM Bella	DATE 10-21

REMARKS

Thought you would be interested in the attached - We need to do a lot more work on this but I feel like we're making good progress -

*U.S. Government Printing Office: 1991 — 296-539

OMB FORM 4
Rev. Jul 91

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

20-Oct-1993 10:16am

TO: Isabel Sawhill

FROM: Richard B. Bavier
Office of Mgmt and Budget, HRVL

SUBJECT: RE: state data on AFDC/FS

Wendell and I missed each other's phone calls yesterday.

Sara told me IMB had obtained a model that CBO has been using and would be looking it over.

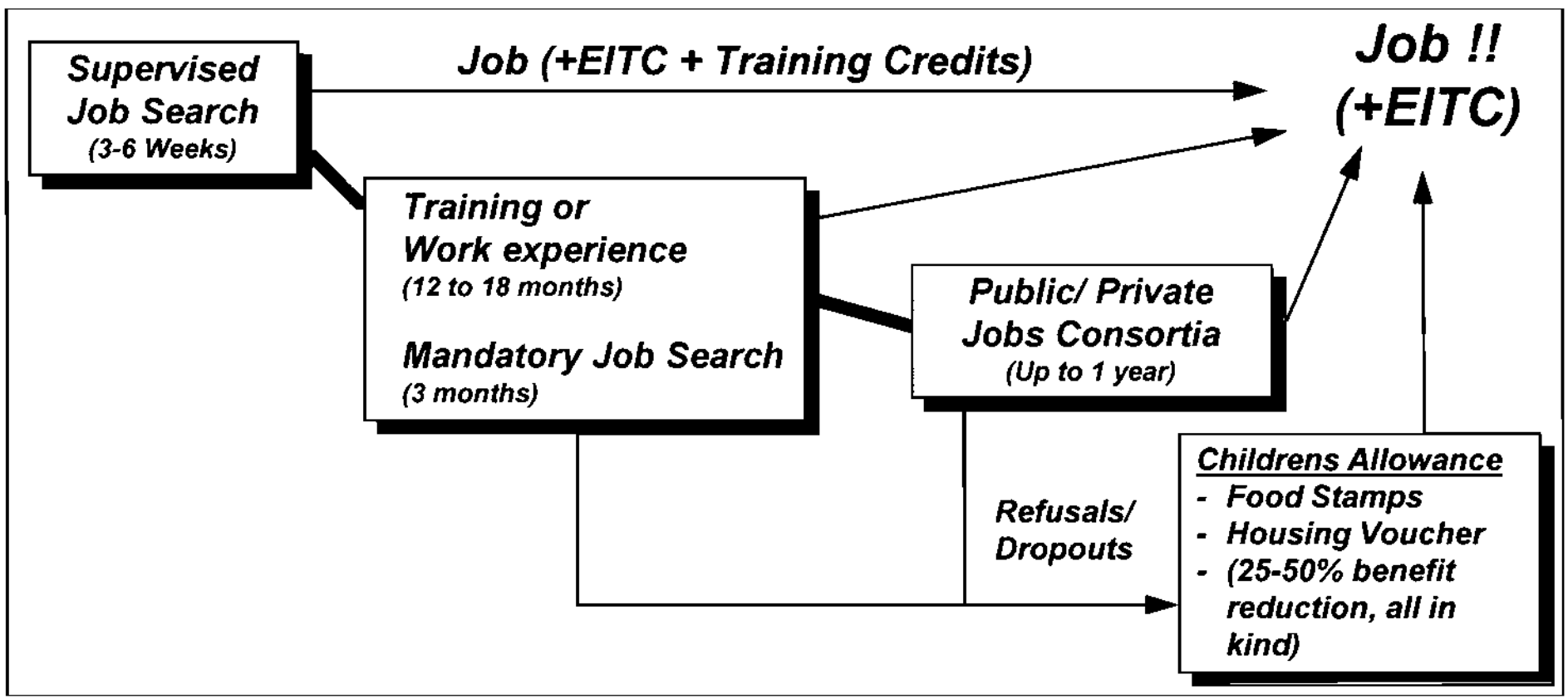
I'm pretty satisfied with the structure of my little spreadsheet model. (Based on a administrative data about first-time applicants and total caseload, and Donna Pavetti's exit and return rates, it generates a steady state caseload of about the right size.) Assuming about the same exemption and participation parameters ASPE has been using, a two-year transition period followed by one year of work (I haven't modeled the half-time minimum wage yet. The one year of work currently is just the AFDC benefit plus the ASPE cost of CWEP estimate.) then food stamps and the a housing voucher to get up to 75 percent of the median AFDC + food stamps is about cost-neutral when fully implemented.

There are several big uncertainties about the estimate at this stage. The housing vouchers really need to be done state-by-state. At this point a national voucher is in the model. The half-time minimum wage may raise the cost. No behavioral effects are modeled, although they could be easily.

Maybe more importantly, implementation would have up-front costs because the savings come from the in-kind safety net while the costs come from the transition program and the CWEP.

On the other hand, some other potentially large savers, particularly ending federal matching for children with no paternity established, are not modeled either.

NEW JOBS FIRST



Relatives not foster payment eligible

JOBS PROBLEMS: K, L, and M

K) end of the time limit for graduates without employment.

This is substantially different from two other work problems:

L) ongoing job search and placement efforts at the beginning and throughout the two years.

M) providing a "work for benefits" arrangement as a last resort to the walking wounded or other who don't cut it in the employment and training programs.

Private Sector Jobs Consortia as a solution

Jobs Consortia can be a screening mechanism at the end of the two years to identify problem K. It provides for i) job offer commitments from employers or placement companies using subsidies and bounties; and ii) commitments from recipients to work with a guaranteed job offer.

This is not the sort of arrangement you want to offer before the two years (Problem L) because it is too expensive, administratively cumbersome, and heavy handed. You don't want to offer it for the walking wounded (Problem M) because you will undermine the employer commitment to the program. You are asking the employers to do the dirty work by either firing or keeping the walking wounded.

Other Solutions to Other problems:

It seems like the solutions to Problems L and M are just common sense: Provide good job search earlier on with bounties and subsidies if you have $$. Don't expect to guarantee jobs or create a major checkpoint before the time limit. Only provide PRIVATE SECTOR jobs guarantees as a reward for people who live up to rigorous expectations. For dropouts, PUBLIC SECTOR job guarantees will have to be the checkpoint if at all before hitting the bottom line. (Self-initiated volunteer work is nice. You could get a letter of reference to help with job search, but SELF-INITIATED VOLUNTEER WORK IS NOT ENOUGH TO EARN A GUARANTEED JOB IN THE PRIVATE SECTOR!! You have to work for benefits or do well in school to get a real job offer at the end.)

WR NOTES
SUMMIT 11.1.93

EITC/Child Care
-- No open-ended entitlement
-- Revolving loan fund (Wendell)
-- Train welfare recips to be child care workers (Wendell)

Job Search
-- Howard's sanction: 50% w/no offset in FS/Housing for failure to cooperate w/job search or turning down/quitting job

CSE
-- no minimum monthly payment
-- CSA demos must include work reqt
-- no mandated staff floors
-- Paternity cooperation across govt programs: AFDC, housing, child care, and children's tax deduction
-- NCPs should work off their obligations, not be given full time min. wage jobs (Wendell is wrong) -- GOP proposal
-- 100% P/E goal

Transition
-- Use existing E&T programs open to all (David)
-- Performance incentives for participation, placement, yrs on AFDC
-- Flexible training dollars
-- Private sector placement agencies (David)
-- combine funding from FS E&T program (Wendell)

Time Limit/Jobs Program
-- 8 hrs/wk of job search during post-transitional job (Howard)
    -- or every 3-4 mos (David)
-- 10% cap on supervision & admin expenses (Jeremy)
-- Reduce state match after 2 yrs (David)
-- NO grace periods
-- Fired = whole family sanction (Wendell)
-- We need inventory of job opps (housing projects, c.care, etc)
-- performance incentives for job placement/creation (Wendell)
-- SWIM kept costs low ($1500/yr) by letting community agencies supervise; coordinating work schedules w/school hrs so no c.care

Exemptions/Extensions
-- no easy out for 4-yr college
-- % cap?
-- make the exemptions state options
-- NO big loopholes for substance abuse

-- Sanction FS + AFDC (GOP)

Phase-in

-- New applicants, then mothers w/kids over 6, etc
-- begin work program in 96

REGO

-- Eliminate rules (see Howard_
-- Fraud Elimination Data Base
    -- Mass. Fraud ideas (Wendell): fraud hotline

The F Plan

I. Consensus areas --

Social Contract: signed by all

Parental responsibility: no minor cases, paternity mandatory

Child support enforcement improvements, anti-fraud.

Working family support: EBT, special treatment for working families on AFDC before and after two years.

Two year transitional program -- As in other plans with the following principles:

i) Supervised job search in first 3 months for all able bodied.
This should reduce the cost of the program in budget terms.
Make the job search component part of an emergency assistance package.
Encourage preventative job search by waiving the means tests for services.
Provide income support during the initial job search phase only if necessary.

ii) State flexibility with accountability.
Performance standards and incentives for placement rates, recidivism, and tenure.
Match rates decline over time: e.g. 70% for initial job search, 55% up to 3 yrs and 30% for four or more years.
Let states choose workforce attachment model, education model, or any other as long as they are held accountable for success.

iii) Everyone does something with few exemptions.
Exempt for disability or temporary medical condition
Caring for disabled relative or child under 1 can be a recognized activity if performed up to a standard.
Self-initiated volunteering should be encouraged as a community building activity.

iv) All new applicants must participate. Phase-in schedule needed for current caseload.

v) Exempt those who meet a standard for recent work history from rigorous oversight.
Saves cost of intensive case management for "cyclers."
Provides recognition for those who are trying to be independent.
Access to services such as job search or training allowed, but not mandated.

vi) Months 21 to 24 should be reserved for job search.
Individuals should be notified when their time-limit is about to expire.

II. F plan options

Jobs of last resort

i) Allow every state or locality to form a board to oversee competition for contracts to provide jobs for welfare recipients. Governance board establishes the eligibility of each organization to participate based on their performance record.

ii) Let recipients choose at the end of three years: e.g. use a placement service, take a PSE job for 1 year or take a subsidized private sector job for one year. Each locality must provide recipients with at least three choices.

iii) Money follows AFDC recipient.

iv) Block grant the full year of funding for job or placement to the local board.

Ultimate safety net

After 3 yrs: Child allowance, low state match rate
No child assurance

19-Oct-93

Housing voucher varies by state median income

Family of three	AFDC	w/food stamps no rahabar	total	max food stamps	housing voucher	total		variation from U.S. median AFDC + food stamps	in-kind safety net
Median	$367	$224	$591	$295	$148	$443	75.0%		
Alabama	$164	$285	$449	$295	$122	$417	93.0%	-24%	-6%
Alaska	$923	$57	$980	$295	$189	$484	49.3%	55%	9%
Arizona	$347	$230	$577	$295	$138	$433	75.0%	-2%	-2%
Arkansas	$204	$273	$477	$295	$109	$404	84.7%	-19%	-9%
California	$624	$147	$771	$295	$159	$454	60.2%	30%	5%
Colorado	$356	$228	$584	$295	$149	$444	76.1%	-1%	0%
Connecticut	$680	$130	$810	$295	$209	$504	62.2%	37%	14%
Delaware	$338	$233	$571	$295	$108	$403	81.1%	-3%	4%
District of Columbia	$409	$212	$621	$295	$143	$438	70.6%	6%	-1%
Florida	$303	$243	$546	$295	$140	$435	79.5%	-8%	-2%
Georgia	$290	$250	$530	$295	$140	$435	82.0%	-10%	-2%
Hawaii	$693	$126	$819	$295	$176	$471	57.5%	38%	6%
Idaho	$315	$240	$555	$295	$123	$418	75.3%	-6%	-6%
Illinois	$367	$224	$591	$295	$163	$458	77.4%		3%
Indiana	$286	$248	$536	$295	$144	$439	82.0%	-9%	-1%
Iowa	$426	$207	$633	$295	$135	$430	87.9%	7%	-3%
Kansas	$429	$206	$635	$295	$141	$436	88.7%	7%	-2%
Kentucky	$228	$266	$494	$295	$115	$410	82.9%	-16%	-8%
Louisiana	$190	$277	$467	$295	$109	$404	86.4%	-21%	-9%
Maine	$453	$198	$651	$295	$141	$436	66.9%	10%	-2%
Maryland	$359	$227	$586	$295	$187	$482	82.3%	-1%	9%
Massachusetts	$539	$173	$712	$295	$187	$482	67.8%	20%	9%
Michigan	$489	$188	$677	$295	$156	$451	66.7%	14%	2%
Minnesota	$532	$175	$707	$295	$161	$456	64.5%	20%	3%
Mississippi	$120	$295	$415	$295	$105	$400	96.3%	-30%	-10%
Missouri	$292	$247	$539	$295	$136	$431	79.9%	-9%	-3%
Montana	$390	$217	$607	$295	$117	$412	67.9%	3%	-7%
Nebraska	$364	$225	$589	$295	$134	$429	72.9%	-0%	-3%
Nevada	$348	$230	$578	$295	$152	$447	77.3%	-2%	1%
New Hampshire	$516	$180	$696	$295	$175	$470	67.6%	18%	6%
New Jersey	$424	$207	$631	$295	$201	$496	78.6%	7%	12%
New Mexico	$324	$237	$561	$295	$112	$407	72.0%	-8%	-8%
New York	$577	$161	$738	$295	$166	$461	62.5%	25%	4%
North Carolina	$272	$253	$525	$295	$134	$429	81.7%	-11%	-3%
North Dakota	$401	$214	$615	$295	$122	$417	67.7%	4%	-0%
Ohio	$341	$232	$573	$295	$145	$440	76.8%	-3%	-1%
Oklahoma	$324	$237	$561	$295	$120	$415	74.0%	-5%	-6%
Oregon	$460	$196	$656	$295	$137	$432	65.9%	11%	-3%
Pennsylvania	$421	$208	$629	$295	$151	$446	70.8%	6%	0%
Rhode Island	$554	$168	$722	$295	$166	$461	63.8%	22%	4%
South Carolina	$200	$274	$474	$295	$129	$424	89.3%	-20%	-4%
South Dakota	$404	$213	$617	$295	$118	$413	67.0%	4%	-7%
Tennessee	$185	$279	$464	$295	$125	$420	90.6%	-22%	-5%
Texas	$104	$279	$483	$295	$132	$427	92.1%	-22%	-4%
Utah	$402	$214	$616	$295	$131	$426	69.1%	4%	-4%
Vermont	$669	$137	$796	$295	$148	$443	55.7%	35%	-0%
Virginia	$354	$228	$582	$295	$158	$453	77.7%	-2%	2%
Washington	$546	$171	$717	$295	$154	$449	62.7%	21%	1%
West Virginia	$249	$260	$509	$295	$111	$406	79.7%	-14%	-8%
Wisconsin	$517	$179	$696	$295	$151	$446	64.1%	18%	1%
Wyoming	$380	$226	$606	$295	$134	$429	73.2%	-1%	-3%

These ought to be re

Principles

Declining fed. match

Only in-kind benefits after 3 yrs.

Public/Private Partnerships for Welfare Reform

Investing in people should pay off. Not just in an abstract, long-term way, but in immediate, bottom-line dollars.

Federal, state and local governments currently spend billions of taxpayer dollars to support families on welfare. We would all be better off--especially the families themselves--if these families could support themselves with employment instead of welfare. It makes sense for the government at all levels to team up with the private sector, to harness the entrepreneurial spirit, and to pull families from welfare to work. It makes sense that the reward for saving taxpayers billions of dollars should be a share of the dollars saved--not just a good citizenship button. The federal government could share the financial benefits of reduced welfare rolls with state governments, non-profits, profitmaking entrepreneurs and even welfare recipients.

For too long, those who tried hardest to save taxpayer dollars were not rewarded. Companies who hired welfare recipients face a complex, paper intensive process to collect their tax rebates. States who put in the extra effort to reduce their rolls received no extra funds from Washington--despite the fact that the federal government would be the biggest winner. Contractors who trained welfare recipients would receive about the same payment regardless of whether or not the training led to a job and self-sufficiency. Caseworkers who are exceptionally good at helping recipients might be rewarded with a heavier caseload. Individuals who try to get jobs are often sabotaged by a system which cuts their supports during the first wobbly steps forward.

Local ingenuity and entrepreneurial spirit can tackle the goliath of welfare dependency. So far, local ideas, individual motivation and the entrepreneurial spirit have been buried under endless systems, budget procedures, and bureaucratic regulations. When investing in people pays off--we will all be better off. Help us understand how to unleash and reward creative, local solutions.

- WHAT WORKS? What are the strengths and weaknesses of the examples listed below? Do you have other ideas? Can you develop these ideas more fully?

- WHAT IS THE FEDERAL ROLE? What is needed to support the development of public-private partnerships for welfare employment? Grant diversion authority? Block grants to public-private partnerships? Competitive partnership grants? Regulatory changes? What legislative framework is required to support many different arrangements?

- OUTREACH. How can we encourage business leaders and associations to formulate and support such a proposal?

Examples: We have received numerous proposals for public/private partnerships. Such partnerships could be implemented statewide or on a local labor market basis. They could be managed by private councils, government entities or PICs. We would like your feedback on the ideas we have heard.

- **Jobs Consortia.** A small pool of temporary jobs (6–12 months) could be provided by a local consortia of public and private employers. Employers would commit a certain number of jobs in exchange for wage subsidies or benefits coverage. Administrative overheads can be minimized by pooling resources for hiring, screening, and providing initial orientation level training. The summer jobs challenge is a good example of a joint effort to create temporary jobs. Many companies--non-profits and profit-based--have expressed an interest in forming consortia for hiring, training, and recycling funds invested in welfare recipients.

- **Employer Partnership:** An employer partnership could also be formed without requiring commitments for specific numbers of jobs. The purpose of such a partnership would be to negotiate a local agreement on the inducements necessary to attract local employers to the welfare hiring system. Rather than blanketing the country with a one size fits all tax incentive, the federal government could provide block grants and allow state and local governments to negotiate with employers at the local level.

  Just as in the Job Consortia model above, the partnership can provide incentives for companies through subsidies of wages or benefits. In addition, overheads can be reduced by coordinating recruiting, screening, and initial orientation services. If the partnership helps to manage the employees in the pool of temporary jobs, then effectively the partnership is acting as a temporary help service.

- **Employee Consortia:** The federal government could provide seed money for a revolving fund to place welfare recipients. Bounties for successfully placing welfare recipients are paid out of this fund. The individual must repay the bounty payment on an income contingent basis. Governor Wilder already has requested permission to set up a revolving trust fund which could provide a menu of rewards to employers including tax breaks, reimbursements for training, or one year of health insurance payments.

Social Contract: consensus?

Parental Responsibility: not consensus.
a) Paternity, minors

Working family support:
a) EBT
b) FUI
c) Cash-out of safety net

① J.S. Search First
② EDS, but state partic. - GOP phase in
③ Declining match w/ for perf. stds.
- financial incentives tied to achievement

Job search first: consensus?

GOP partic. scale
- give states options

State flexibility

JOBS participation options: Consensus? — self-initiated comm. service
a) All inclusive — everyone does something
b) two tier — high expectations v drop-outs & social service

Exemptions: doubled to choose self
child under one

Declining match - 80-70-60-50

Job creation
a) limits on cost of jobs through time-limit ~~or # limits~~
b) shift cost to states over time
c) how to test whether job is available?
d) For those who fall off the edge--mandate benefits, optional, or reduced value?

Placement, retention, recidivism rate
- OR: we can do these as well
high match for job search

Sanctions/ultimate safety net — all in kind - 65% of AFDC, FS for medicaid state
a)
b) child allowance — cf: Wisconsin

Stalking horse for One-Stop

Exemption for people who've worked recently

Re-go, anti-fraud: consensus?

Child support assurance
a) pick one model and have a national phase-in plan
b) allow several state-wide demos of different models
c) create a state option for all states if their collections are high
d) allow one or two state demos with no phase-in plan
e) no allowance demos
Models: Cadillac, camel's nose, and from the beginning with time-limits?

Other child support issues: consensus?

KEY OPTIONS DECISIONS -- WR SUMMIT

Social Contract
Parental Responsibility options
EITC/FS/Working Family Support
Job Search First
JOBS participation options
Job Creation and development options: private & public
Sanctions/ultimate safety net
Reinventing govt issues, performance stds
Child support assurance
Other child support issues
Child care

- **Placement Specialist Consortia:** Rather than trying to attract private employers, the government could try to attract those who are in the business of attracting employers. If the federal and state governments put up the cash rewards for placing welfare recipients in long-term jobs, private investment capital will form companies to invest in people and find jobs. As a result, placement specialists will work with employers to screen employees and package incentives for their needs---one on one. Employers will hire based on relationships with placement specialists instead of direct contact with the government. Even JTPA or non-profits such as Project Match could compete for the reward money.

- **Employee Bonuses:** The federal government could offer welfare recipients a bonus for finding their own job and staying in it. Thus, we could be more sure that they would try to hunt for a job in earnest. In addition, we would know that individuals would try to find their own job before going to a placement specialist (headhunter). If the government paid less to an individual than a headhunter for the same tenure (i.e. stays in job for 180 days), we could be confident that we were saving money when we paid to individuals.

- **Investment Partnership:** The federal government could provide block grants for localities to invest in businesses which commit to hiring welfare recipients. This follows the Canadian HRDA model. It is different than other types of consortia in that the government provides investment capital not wages or operating costs. The companies are then owned and managed by a public/private investor partnership and committed to hiring welfare recipients insofar as possible.

- **Government contractors partnership:** The federal government could support states which choose to require government contractors in the state to hire welfare recipients (i.e. 2 percent) to undertake the work.

Plan F

Post Transition Model I

Jobs guarantee program

- *Supervised job search* first (during last three months of the 2 year program)
- If a private sector job cannot be found (strict test, as in Wis. plan) the individual is eligible for a *one year job*.
- States may opt to require graduation from a short work-orientation program or a drug test before offering subsidized private or public jobs.
- States will receive enough money at the appropriate match rate (60%) to fund enough jobs at the minimum wage for 20 hours or up to a capped level determined by formula. States are required to competitively bid contracts to administer the jobs (See Jobs consortia, below). If the demand for jobs is greater than the supply, individuals will be able to undertake self-initiated volunteer jobs while waiting for a job slot to open up. States will pay a larger share of the cost for individuals on the waiting list.
- Individuals can stay in job slots up to three years if no one is on the jobs waiting list.

Safety net: Child allowance.

- After the two year program and one to three years of job guarantee, families will receive less federal assistance. A package of in-kind assistance (e.g. health, food, housing) will be offered which ranges from 50% to 95% of the previous benefit level. States wishing to add more to the package may do so.
- Individuals who drop out or become ineligible for the two year transitional program may receive the child allowance.

Public-Private Partnership Proposal: Jobs Consortia

States will be required to form a quasi-private corporation which will put out an RFP for the requisite number of jobs in each community where they will be required. Non-profits, temp agencies, public employers and private employers will be allowed to respond to the bid with contract to hire a specific number of workers in exchange for a fixed amount of money. Employers may specify in the contract that referred employees pass a test for literacy, drugs, or other basic skills. Federal guidelines governing termination or replacement of employees will be developed. Exact rules should be set locally or by state in the contract.

To the extent possible, individuals should be given a choice between several employers; firms also should be able to choose between several employees. The corporation should have the right to oversubscribe the contracts in order to provide choice to the workers.

If states or localities wish to do so, public-private councils such as PICs can be set up to oversee the job corporation and encourage business participation.

If no employers are interested in contracting for employees at any price below the equivalent of the minimum wage, the jobs corporation must administer the jobs directly. Job corporations will be eiligible for cheap government loans to create more meaningful jobs which earn enough money to cover costs.

Public-Private Partnership Proposal: Investment Challenge

Here's the challenge:

- Provide low interest loans to states or localities for development of jobs or for building a state of the art, child support enforcement system.

- Have a bonus/reward program for states which use the loan to meet specific targets such as significant employment gains for welfare recipients or 75% paternity establishment. If targets are met, some or all of the loan is paid off.

- Result: states and localities which are willing and able to take full responsibility and accountability will get extra resources.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

ROUTE SLIP

TO Wendell Primus	Take necessary action ☐
Bruce Reed	Approval or signature ☐
	Comment ☐
	Prepare reply ☐
	Discuss with me ☐
	For your information ☐
	See remarks below ☐
FROM Belle	DATE 11-3

REMARKS

FYI and I think we should include in our plan somehow -

*U.S. Government Printing Office: 1991 — 298-530

OMB FORM 4
Rev. Jul 91

November 4, 1993

MEMORANDUM FOR ISABEL SAWHILL

FROM: Richard Bavier

SUBJECT: "One-pager" on current prevention initiatives

The attached ran onto two pages, even with a small font. I can try chopping some more if you want.

Note that the Head Start paragraph represents Sec. Shalala's request.

I'm trying to find out whether a Job Corps expansion is in the DoL request, and, if so, will add something about it.

November 4, 1993

Current initiatives with a welfare prevention potential

Early prevention

Health care coverage: The President's health care reform proposal provides for universal access to health services, including family planning services, prenatal care, and preventive health services essential to early child development. In 1992, nearly eight million children in families were not covered by any health insurance at any time during the year, 2.4 million under the age of six.

Family preservation and support services: In 1994, HHS will implement the new sub-part of title IV-B of the Social Security Act authorizing a capped entitlement for family preservation and support services. By 1998, those grants will grow to $255 million, and are intended to avoid foster care, strengthen families, and improve parenting skills that research has shown are critical to development in children of trust and character.

Head Start: Secretary Shalala has proposed to increase funding for children and family services programs, including Head Start, from $3.3 billion in 1994 outlays to $7.2 billion in 1998. Evaluation of the Perry Preschool Program established that such early interventions can have welfare prevention effects. The report of the Secretary's Head Start Advisory Committee is expected to provide guidance on closing the gap between the promise of Perry Preschool and the performance of Head Start.

Chapter 1: The profile of adolescents most at-risk of teenage parenthood and subsequent welfare dependency includes early academic and behavioral problems in school. The Administration's "Improving America's Schools Act of 1993" (IASA) would increase the educational opportunity of disadvantaged children by sending more of the available funds to the schools that need it most. Schools with the highest poverty levels among their students would see a 15 percent increase in Chapter 1 funding. But, as evaluations have consistently shown, to improve educational outcomes, all students must be subject to higher expectations, and parents must become more involved in the educational progress of their sons and daughters. IASA promotes both these objectives by requiring states to develop content and performance standards and measure schools and local education agencies against them, and by encouraging parental involvement in school policy development and school-parent compacts setting out the responsibilities of parents in reaching performance standards. For 1993, Chapter 1 compensatory education grants reached $6.9 billion in outlays.

Prevention initiatives for at-risk youth

Several other Administration efforts will contribute to greater educational and economic opportunity for older children and youth. To prevent under-funding of middle- and high-schools, IASA would require Chapter 1 funding be available to all schools with student poverty rates of at least 75 percent before funding other schools.

"School-to-Work Opportunities Act of 1993": The Administration's school-to-work bill provides "venture capital" to states to develop school-to-work systems built around school-based learning, work-based learning, and connecting activities. The transition from school-to-work is critical for all youth, not just at-risk youth. However, special grants will be available for urban and rural areas characterized by high unemployment and poverty. For 1995, $300 million is requested for the whole school-to-work initiative.

New JTPA youth title II-C: Year-round training and employment services will be available to disadvantaged youth under the new title II-C of the Job Training Partnership Act. Amendments in 1992 set aside half the funds for drop-outs, who have been found to be hard to serve effectively.

One-Stop Career Centers: The proposal would make it much more likely that at-risk youth, and others, would successfully negotiate the tangle of government program rules to identify and obtain the education and training opportunities most appropriate for them. Outlays are proposed to reach $250 million by 1996 (most funds for operation would come from appropriations for employment services, JTPA, EDWAA, and the comprehensive dislocated worker program). The centers would provide easy access to customer-driven services and information on education and training resources, jobs, labor market information, and career planning, and job search services. Coverage would be universal. All individuals and all employers would be potential customers.

School-based and school-linked clinics: The President's health reform bill includes authorization for $50 million per year for the initial costs of planning and establishing statewide comprehensive school health education programs and amounts increasing from $100 million in 1996 to $400 million in 1999 for the development and operation of school-related health services programs.

Empowerment zones: One of the most widely held beliefs about teenaged childbearing is that lack of economic opportunity is an important contributing factor. Employment opportunities within some of the most disadvantaged urban neighborhoods with concentrations of at-risk youth will be expanded by the authorization of nine empowerment zones (and over 100 less-richly funded enterprise communities), including six urban zones (each with a population of no more than 200,000 and a poverty rate of at least 20 percent in each census tract) that will each receive $50 million block grants in each of the first two years of designation. They also will share most of $2 billion in tax incentives over the first five years of operation, and gradually declining tax incentives over the remainder of their ten years' duration. Under the largest tax incentive, employers locating within a zone will receive up to $3,000 in tax credits for each zone resident employed. (It is expected that most of the employees covered by the credit will not represent net employment gains for the neighborhood.)

A medium-sized urban zone of 100,000, with a poverty rate of 25 percent, might, over the first five years, receive $300 million in grants and credits, or $3,000 per person, or $12,000 for every poor person. Although the internal distribution of these funds will vary from zone-to-zone, clearly, empowerment zones have the potential to provide a rare large infusion of private capital and employment subsidies into inner-city neighborhoods where local employment opportunities are very limited and attachment to the regular labor force is not strong.

To be designated an empowerment zone, an area must submit a strategic plan that describes the coordinated economic, human, community, and physical development proposed for the zone.

N T
N T

E X E C U T I V E O F F I C E O F T H E P R E S I D E
E X E C U T I V E O F F I C E O F T H E P R E S I D E

12-Nov-1993 09:58am

TO: Bonnie L. Deane
TO: Bruce N. Reed

FROM: Isabel Sawhill
Office of Mgmt and Budget, HRVL

CC: Wendy C. New

SUBJECT: Here is a crack at this. Feel free to change.

Model I: Posttransitional Jobs

o The basic principle is that everyone who has successfully completed training will be assured a job offer in either the public or private sector.

o Anyone who turns down such an offer will be terminated from the program and will be eligible for Food Stamps only.

o States will be given a block grant to help participants find jobs. The block grant will be distributed by a formula that reflects local labor market conditions and performance (placement, retention, and wage levels).

o The funds may be used for supervised job search, job development, wages or wage subsidies, microenterprise grants or loans, work support, or temporary stipends (up to 6 months) for those participating in job search or unpaid community service. States will be encouraged to contract out these activities to a variety of profit and not-for-profit groups with a good track record of success in working with this population.

o Up to 10 percent of the funds may be used for social services or supervised living arrangements for the most disadvantaged portion of the caseload (not eligible for SSI).

Good for Amer. Works

o The block grant could be set at any funding level. For starters, we suggest that it be no more than the annualized amount now spent on AFDC for each participating cohort. (For most participants, it will be assumed that job offers can be generated in the first year but there is no time limit in this plan, only a funding limit. The higher costs of serving those who are more difficult to place should be offset by the lower costs of serving the easiest to place.)

OK
4-6 mos

o Those who lose their jobs may cycle back through the program at least once (more at state option).

o Stipends and wages (in subsidized jobs) will be geared to the minimum wage in each state. Health care and child care will be provided to those who need it while searching for a job and for at least the first year on a new job (longer at state option). No one will remain eligible for AFDC.

6. Post-Transitional

Work Program: States should have the option to put a time limit on community service work (including self-initiated community service as well as work slots).

Job Search: Require continuous job search for people in work slots and especially in self-initiated community service.

Work Supplementation: We believe employer incentives -- work supplementation, OJT, etc -- are essential in order to find enough private sector jobs. The provisions in the Republican bill are a start, but we should look for others.

Private Sector: We should do more than "encourage states to involve the private sector in the operation of the work program"; we should require cooperation with the private sector and community organizations -- as we did with Empowerment Zones.

State Match: We favor a declining federal match that goes down the longer individuals are in the program.

Administrative Costs: There should be a cap on administrative and supervision costs.

Jobs: We should develop an inventory of job opportunities available through existing federal initiatives — housing, child care, public safety, empowerment zones, etc. Perhaps we could require that a certain percentage of new child care funds (for example) go to hire people off welfare.

Summary Outline
JOBS First
October 15, 1993

DRAFT

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3. States will be required to teach these principles to every teenager.

4. Assistance can include job search, job placement, education, training, child care, community service, parenting, and family planning. Responsibilities can include a commitment to participate in an agreed-upon plan of job search, training, high school, drug treatment, parenting classes, community service, deferred childbearing, and work.

TITLE II: PARENTAL RESPONSIBILITY

1. Child Support

a. Several of the reforms recommended by the Child Support issue group, but not full-scale child support insurance.

b. States can require non-custodial parents with children on AFDC to pay up or work off their obligations. Any child support insurance demonstrations must have this component.

c. States can also make payment of child support a condition of other government benefits.

2. No AFDC for Minors: No one under the age of 19 will be eligible to receive AFDC as a case head. Minors will be expected to live with their parents or in other supervised settings.

3. Parenting: States will have the option to require parents on welfare to fulfill their parental responsibilities, including enrolling in parenting classes, attending parent-teacher conferences, and ensuring that their children (including adolescent children) are immunized and receive annual checkups.

4. Pregnancy Prevention

a. Schools receiving Chapter I concentration grants will be required to establish school-based or school-linked health clinics that provide counseling, health screening, and family planning services to adolescents.

b. Older welfare recipients who went on welfare as teen mothers will be recruited and trained to serve as counselors as part of their community service assignment.

c. Support will be provided to non-profit community-based organizations to foster responsible attitudes and behavior.

d. Family planning services will be made available for adults.

5. Paternity Establishment

a. States will be required to establish as many paternities as possible at the time of birth, regardless of welfare or income status. Voluntary in-hospital programs and civil procedures that offer multiple opportunities for voluntary consent will be strongly encouraged for all out-of-wedlock births. States will have the option to make acknowledgment of paternity mandatory for all births paid for with public funds, and/or allow hospitals to require blood or saliva tests for every out-of-wedlock birth.

b. We should seek 100% paternity establishment by the year 2000. After that date, states will lose funds for failing to meet the target, and will have the option to restrict government benefits to those with two legal parents. A national media campaign will be used to emphasize the benefits of paternity establishment.

c. No child born one year after the enactment of this law will be eligible for AFDC until paternity has been established. In cases where paternity has not been established, mothers will be expected to cooperate in identifying the father, and a presumptive determination of paternity will be made at the time of application, except where the putative father appears for a blood or saliva test and can prove otherwise. Emergency assistance will be provided in cases where the determination of paternity is delayed for reasons beyond the mother's

control. Exceptions will be made for cases of rape, incest, or endangerment of the mother and child.

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1. All new applicants will be required to do supervised job search (potentially through the Labor Dept.'s One-Stop program) for 90 days before receiving benefits. Emergency assistance and other support services will be available if necessary during that period. (States have the option to relax asset rules for emergency assistance.)

2. After 90 days of job search, applicants may receive benefits, but everyone must do something in return -- work, education, training, job search, community service, etc. States can choose from a variety of models:

a. Everyone Does Something: Under this option, the definition of activities can be loose, but everyone has to do something for 20-30 hours a week.

b. Work First: States may instead put recipients to work immediately in community service jobs, where they can earn generous training credits.

c. Work or Train: States can assess each individual's needs, and assign recipients either to training or community service.

Under each of these options, job search, job placement, and work support must be available at any time. Training programs should require a high school degree or lead to a high school degree.

3. After 21 months on AFDC, every able person will receive notice that they are approaching the time limit and must begin three months of job search. (States will have the option to require work and/or job search sooner.)

4. Anyone still on AFDC after 2 years must apply to the local public-private jobs consortia for a private sector or community service job.

a. A jobs consortium will have broad flexibility to find and create jobs:
-- One-year OJT vouchers that would pay employers 50% of wages and training up to $5,000, provided the employee is still working after one year.
-- Private employers receive one-year health care subsidy for new employees they hire through the jobs consortia.
-- Work supplementation or grant diversion.

-- Performance-based payments to private companies, non-profits, and state welfare agencies for successful placement in private sector jobs.
-- Block grants to jobs consortia for child care and other work support services, so that a consortium can use the social service funds to create community service jobs. Community organizations, churches, and other non-profit institutions willing to provide community service jobs can compete for block grants and/or jobs consortium status. Perhaps use national service state councils to help identify community service employers.
-- Strict limits on administrative costs, based on national service legislation.

b. All community service jobs will be on a pay per hour basis; 20-30 hours minimum (state option). If no job slot is available, state must pay recipient to do supervised job search, and will receive a lower federal match.

c. Community service jobs will be limited to one year. At the end of that time, states have the option to reduce or eliminate benefits. They will receive a reduced match for anyone still on the rolls.

d. States have the option to block grant AFDC for the post-transitional period. They would receive one year's worth of benefit payments (at a reduced federal match) for every able-bodied recipient on the rolls after two years, provided they guarantee those recipients a private or community service job for a year.

e. States have the option to contract out the entire post-transitional period to a statewide public-private consortia or an organization like America Works, along the same terms as the block grant.

5. Sanctions/Refusals: Anyone who refuses to show up for required activities during the two-year period, refuses to work at the end of the time limit, or reaches the end of the one-year post-transitional community service job will no longer receive AFDC cash benefits. Instead, their children will be eligible for an in-kind Children's Allowance -- food stamps and a housing voucher which together represent no more than 50-66% (state option) of their pre-sanctioned benefits.

TITLE IV: REINVENTING GOVERNMENT

1. Welfare Simplification: Adopt APWA regulatory and legislative proposals, including application, redetermination, and reporting streamlining (one income/asset/verification requirement).

2. Performance Incentives: Move to a performance-based system in which states are reimbursed for clear performance measures, such as the number of people moved off welfare

into private work; reduction in rate of teen or out-of-wedlock births; EITC payouts; percentage of children immunized; rate of paternity establishment; etc.

3. Fraud Reduction: Expand EBT to include AFDC payments, and crosscheck benefits against W-4 wage withholding records.

4. Community Empowerment: Use existing social service funding streams to create jobs and stimulate economic development in communities with high welfare populations. Give microenterprise grants to new or expanding businesses that agree to hire half or more of their new employees off of welfare. Require public housing authorities to spend a portion of their housing rehab money to hire welfare recipients.

5. State Flexibility: Allow waivers for states to consolidate employment, training, and JOBS resources.

→ cf. Illinois EARNFARE

4.25
40
17000
52
88400.00

Chicago-Spokane
8/12

WR-IDEAS

2 yrs @ ~~$7,500/yr~~ 4000

Min wage = $8800

↓

TJTC

~~Tell employer~~

Give AFDC ~~[illegible]~~ $ to employer to hire worker
(worker still gets FS)

Feds pay half your wages (half min wage), up to 40 hrs/wk

- Has to ~~be new job~~ fill opening - can't lay someone else off
  - If you quit, or fired for cause, no welfare (or HC?)
  - ~~If fired: 1/2~~ UI for x wks, then
  - If laid off, or fired for no good reason, 1/2 welfare level - or CWEP job if based
- Wages based on # of hours (at least 30 if employee wants)
- Wage credit lasts 1 yr., but still eligible for TJTC
- Feds pay HC for 1 yr. (exempt from mandate) (longer? 2 yrs?)
- Govt also provides worker support: morale, c. care

-OR: State can use $ as bounty for Pover. Works

Employer view

- 1/2 price worker
- escape HC mandate
- save up to $7,500 in labor costs

Workers view

- paycheck
- job
- off welfare
- qualify for EITC (+FS??)
- choose # of hrs. they work

- Any job is good job w/HC + EITC

Govt's view

- ~~Tax~~ Reduction in overall benefits
- Displacement not an issue
  (who's fighting over min wage jobs?)
  - so what if they get priority at MED's?

Issues:

- Low benefit states where AFDC is well below 4400
  - Either: include FS - or: limit fed wage credit - or supp w/TJTC
- What if no jobs available?
- High benefit states
  - Allow them to supp w/state EITC
- What level of worker support - e.g. child care
  - Use CWEP to shift worker support
- Limit immigration to protect low-wage jobs? (would divide blacks + Hispanics)
  - Might win black support for plan
- Limit to new applicants?
  - 2m/yr. what % will be left after 2 yrs?
- Exempt people no employer will take?
- How long should people qualify for this?
- Will this increase EITC costs?
  - But it will increase FICA receipts
- Could non-profits also hire them?
- CWEP for dualbeats: req to work, take away half

States

- Saves $
- Requires coop w/private sector
- Let states do d/r regards etc.

Summary Outline
JOBS Plus
October 15, 1993

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4. Assistance can include job search, job placement, education, training, child care, community service, parenting, and family planning. Responsibilities can include a commitment to participate in an agreed-upon plan of job search, training, drug treatment, parenting classes, community service, deferred childbearing, and work.

TITLE II: PARENTAL RESPONSIBILITY

1. Child Support

a. paul's reforms, but not child support insurance

b. States can require non-custodial parents with children on AFDC to pay up or work off their obligations. Any child support insurance demonstrations must have this component.

c. States can also make payment of child support a condition of other benefits, including access to health insurance.

2. No AFDC for Minors: No one under the age of 19 will be eligible to receive AFDC as a case head. Minors will be expected to live with their parents or in other supervised settings. Good cause exceptions will be permitted.

3. Parenting: States will have the option to require parents on welfare to take parenting classes, attend parent-teacher conferences, and ensure that their children are immunized. (use HIPPY funds??)

4. Teen Pregnancy Prevention

a. All schools receiving Chapter I concentration grants will be required to establish school-based health clinics that provide counseling, health screening, and family planning services to adolescents.

b. Older welfare recipients who went on welfare as teen mothers will be recruited and trained to serve as counselors as part of their community service assignment.

c. Support will be provided to non-profit community-based organizations to foster responsible attitudes and behavior.

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b. We will expect 100% paternity establishment by the year 2000. After that date, states will lose funds for failing to meet the target, and will have the option to restrict government benefits to those with two legal parents. (A national media campaign will be used to emphasize the benefits of paternity establishment.)

c. No child born one year after the enactment of this law will be eligible for AFDC until paternity has been established. In cases where paternity has not been established, mothers will be expected to cooperate in identifying the father, and a presumptive determination of paternity will be made at the time of application, except where the putative father appears for a blood test and can prove otherwise. Emergency assistance will be provided in cases wehre the determination of paternity is delayed for reasons beyond the mother's control. Exceptions will be made for cases of rape, incest, or endangerment of the mother and child.

6. Family Limits: States have the option to reduce benefits, increase work

requirements (on both parents), or shorten time limits for parents who have additional children while on AFDC.

Title III: JOBS PLUS

1. All new applicants will be required to do supervised job search through the Labor Dept.'s One-Stop program for 90 days before receiving benefits. Emergency assistance will be available in special cases during that period. (States have the option to relax asset rules for emergency cases.)

2. After 90 days of job search, applicants may receive benefits, but everyone must do something in return -- education, training, job search, work, community service, etc. The definition of activities can be loose, but mandatory participation is essential. Benefits will be paid in the form of a paycheck for hours of activity; the number of required hours will be benefits divided by the minimum wage. Additional JOBS funds will be provided in the form of a higher match to states that meet high participation targets. Job search and placement will be available at any time.

[Phase in ... new applicants???]

3. After 21 months on AFDC, every able person will receive notice that they are approaching the time limit and must begin three months of job search. (States will have the option to require work and/or job search sooner.)

4. Anyone still on AFDC after 2 years must apply to the local public-private jobs consortia for a private sector or community service job.

a. A jobs consortium will have broad flexibility to find and create jobs:
-- One-year OJT vouchers that would pay employers 50% of wages and training up to $5,000, provided the employee is still working after one year.
-- Private employers receive one-year exemption from health care mandate (or increased small business subsidy) for any new employee they hire through the jobs consortia.
-- Work supplementation or grant diversion.
-- Performance-based payments to private companies, non-profits, and state welfare agencies for successful placement in private sector jobs.
-- Block grants to jobs consortia for child care and other work support services, so that a consortium can use the social service funds to create community service jobs. Community organizations, churches, and other non-profit institutions willing to provide community service jobs can compete for block grants and/or jobs consortium status. Perhaps use national service state councils to help identify community service employers.
-- Strict limits on administrative costs, based on national service legislation.

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c. Community service jobs will be limited to one year. At the end of that time, states have the option to reduce or eliminate benefits. They will receive a reduced match for anyone still on the rolls.

d. States have the option to block grant the entire post-transitional period. They would receive one year's worth of benefit payments (at a reduced federal match) for every able-bodied recipient on the rolls after two years, provided they guarantee those recipients a private or community service job for a year.

e. States have the option to contract out the entire post-transitional period to a statewide public-private consortia or an organization like America Works, along the same terms as the block grant.

5. Sanctions/Refusals: Throughout the process, sanctions will be imposed on the whole family. In cases where this endangers children, they will be placed in foster care or in group homes. Anyone who can work who refuses to work at the end of the time limit -- or refuses to show up for required activities during the two-year period will no longer receive cash benefits. They will still be eligible for an in-kind Children's Allowance -- food stamps and a housing voucher which together represent no more than 50-66% (state option) of their pre-sanctioned benefits.

Title IV: Reinventing Government

* EBT anti-fraud
* Welfare simplication
* Performance incentives. Move to performance-based system.
* Require % of money to go into community
* Waiver ideas

Title VI: Financing

* Existing funding streams: Title XX, JTPA, Pell, etc.
* Welfare for aliens
* Prop school crackdown

Welfare Reform Ideas
September 13, 1993

Welfare Prevention

* Require hospitals (and pre-natal care) to ask paternity (Require paternity estab. for all o/w births)
* LEAP-style reward/sanction proposals
* Require parenting agreements for divorce (and desertion)
* No AFDC for teens under 18 (state option)
  -- require to live in household -- or get married
* No second-generation AFDC: if your mother's on AFDC, you can't be.
* Noisy public service campaign re: EWAWKI
* Birth control for adults over 18
* Drug treatment plus permanent (5-year?) loss of eligibility for going back on drugs

Cutting Edge:

* Phase out AFDC at 8-10 instead of 18 (for o/w?)
* Phase out AFDC for o/w births in states that have aggressive teen pregnancy/birth control campaigns
* Make other federal programs conditional on avoiding unwed pregnancy
* ~~Immediate CS support order in o/w births~~

Men to work
Child care w/daycare.

Reforms

* ReGo title:
-- simplification of rules, paperwork, manuals, forms;
-- review programs to redeploy caseworker overlap
-- broader waiver authority for Labor, other programs
* Lift asset rule
* Change CS pass-through
* Reduce work & marriage disincentives
* EBT anti-fraud initiative

Welfare-to-Work

* Two tracks: Fast-track off in 6 mos.; work support off in 2 yrs.
* Social contract (work plan):
-- Acknowledge paternity
-- Agree to immunize, attend parent-teacher confs, keep kids in school
-- Sanction if your kid drops out for no good reason, or has a child of her own
-- Parenting classes
-- State has right to reduce benefits if you have more kids

* Give states the option of either: job thru Job Consortia

1. Work Supplementation program to guarantee that we'll pay half your salary and provide HC for a year if you take a ~~private sector minimum wage job~~. (Saves employer $7,500/yr.)

-- Only available after 6mos-1yr on AFDC. Has to be opening or new job.

-- If you quit or are fired for cause, you can't go back on AFDC. If you're laid off, you can get UI and/or CWEP.

2. OR states can use same money ($4,000) for America Works-style bounty so long as majority in program are LTers and stay in job 6 mos. or longer.

* Amend E-zone jobs credit to give preference to AFDC?

* States have option to cut off CWEP job after 2 yrs.

* Mandatory participation, phased in by county

* Children's allowance or deduction? (only if paternity established; only if working/earning?)

* Sanction: No work, no HC?? (or other benefits?)

* One-stop shopping Welfare-to-work training card

Child Support

* No CS, no HC (or no health security card)
* No CS, no drivers license, professionals licence, credit card
* Require states to reinvest CS incentive $
* mandatory wage withholding
* Limits on lawyers fees in divorce cases
* State registry
* No one who can pay should be able to leave family on AFDC (or make fathers with kids on AFDC liable to pay govt back)

Summary Outline
JOBS First
October 15, 1993

DRAFT

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-- Strict limits on administrative costs, based on national service legislation.

b. All community service jobs will be on a pay per hour basis; 20-30 hours minimum (state option). If no job slot is available, state must pay recipient to do supervised job search, and will receive a lower federal match.

c. Community service jobs will be limited to one year. At the end of that time, states have the option to reduce or eliminate benefits. They will receive a reduced match for anyone still on the rolls.

d. States have the option to block grant AFDC for the post-transitional period. They would receive one year's worth of benefit payments (at a reduced federal match) for every able-bodied recipient on the rolls after two years, provided they guarantee those recipients a private or community service job for a year.

e. States have the option to contract out the entire post-transitional period to a statewide public-private consortia or an organization like America Works, along the same terms as the block grant.

5. Sanctions/Refusals: Anyone who refuses to show up for required activities during the two-year period, refuses to work at the end of the time limit, or reaches the end of the one-year post-transitional community service job will no longer receive AFDC cash benefits. Instead, their children will be eligible for an in-kind Children's Allowance -- food stamps and a housing voucher which together represent no more than 50-66% (state option) of their pre-sanctioned benefits.

TITLE IV: REINVENTING GOVERNMENT

1. Welfare Simplification: Adopt APWA regulatory and legislative proposals, including application, redetermination, and reporting streamlining (one income/asset/verification requirement).

2. Performance Incentives: Move to a performance-based system in which states are reimbursed for clear performance measures, such as the number of people moved off welfare

into private work; reduction in rate of teen or out-of-wedlock births; EITC payouts; percentage of children immunized; rate of paternity establishment; etc.

3. Fraud Reduction: Expand EBT to include AFDC payments, and crosscheck benefits against W-4 wage withholding records.

4. Community Empowerment: Use existing social service funding streams to create jobs and stimulate economic development in communities with high welfare populations. Give microenterprise grants to new or expanding businesses that agree to hire half or more of their new employees off of welfare. Require public housing authorities to spend a portion of their housing rehab money to hire welfare recipients.

5. State Flexibility: Allow waivers for states to consolidate employment, training, and JOBS resources.

(Not Finished)

Summary Outline
Work First Option
October 15, 1993

Principles
* No more welfare checks, only paychecks
* Governments don't raise children; parents do
* Any job is better than welfare
* No federal benefits for parents who refuse to work

Title I: The New Social Contract: O-R-C
* Everyone required to sign social contract
* Welfare Prevention: Belle's list plus immunization, school attendance, parenting classes
* Sanctions/rewards for behavior

Parenting agreements: immunize, p-teach, keep kids in school
↑ State design

Title II: Parental Responsibility
* No CS w/o paternity
* Required work/boot camps for ncps w/kids on afdc
* Eliminate federal benefits for ncps [cost savings?]

100% paternity by 2000

Title III: Work First
* 3-6 mos. supervised job search before entering JOBS program. Paycheck for hours of search. [Budget savings]
* 12-18 mos. in JOBS. States have option to base JOBS around training, work, etc. Pay for performance
* Phase-in: begin with new applicants.
* States can designate up to 10% disabled

Title IV: Job Banks
* After 2 yrs, all who can work must work. First, 3 mos. supervised job search. Must take private job if offered.
* Remaining recipients must take job for 1-2 yrs. from public-private jobs consortia. States can run or contract out to America Works. Give pools money for child care. OJT vouchers for up to 1 yr. or wage supplementation.
* If no jobs available, they can receive pay for supervised job search.
* Dropouts and refusers receive in-kind Children's Allowance, which cannot exceed 75% of pre-offense benefits.

Title V: Reinventing Government
* EBT anti-fraud
* Welfare simplication
* Performance incentives. Move to performance-based system.
* Require % of money to go into community
* Waiver ideas

Title VI: Financing
* Existing funding streams: Title XX, JTPA, Pell, etc.
* Welfare for aliens
* Prop school crackdown

Title I: Prevention

Minor Parents

- No one under the age of 19 will be eligible to receive AFDC as a case head. Minors will be expected to live with their parents or in other supervised settings. Good cause exceptions will be permitted.

Paternity Establishment

- States will be required to establish as many paternities as possible at the time of birth, regardless of welfare or income status. Voluntary in-hospital programs and civil procedures that offer multiple opportunities for voluntary consent will be strongly encouraged for all out-of-wedlock births. The benefits of paternity establishment will be emphasized, including the restriction of most government benefits in the future to those with two legal parents. A media campaign would be used to disseminate this message.

- No child born one year after the enactment of this law will be eligible for AFDC or other federal benefits until paternity has been established.

- In cases where paternity has not been established, mothers will be expected to cooperate in identifying the father, and a presumptive determination of paternity will be made at the time of application, except in cases where the putative father, upon notification, appears for a blood test and an immediate hearing to prove otherwise.

- Emergency assistance will be provided in cases where the determination of paternity is delayed for reasons beyond the control of the mother.

- Exceptions will be made for cases of rape, incest, or endangerment of the mother and child.

A New Social Contract

- All parents applying for AFDC will be required to sign a contract specifying the types of assistance to be provided and their obligations. Assistance can include job placement, education, training, child care, social services including family planning, and community service opportunities. Obligations can include a commitment to participate in an agreed-upon plan of job search, training, drug treatment, parenting classes, community service, and deferred childbearing.

- States that do not live up to their part of the plan will be required to provide benefits without obligations. Individuals

that do not live up to their part of the plan can be sanctioned (denied benefits).

- Sanctions will be imposed on the whole family. In cases where this endangers children, they will be placed in foster care or in group homes. ?

At-risk Teenagers

- All schools receiving Chapter I concentration grants will be required to establish, in conjunction with the Public Health Service (?), school-based or school-linked health clinics that provide couselling, health screening, and family planning services to adolescents.

- Older welfare recipients who began a welfare spell as a teen mother will be recruited and trained to serve as counsellers and aides in the clinics as part of their training and community service assignment.

- Funding for these services will be provided so that they can be made available free of charge to everyone attending a Chapter I concentration school.

- Support will also be provided to nonprofit community-based organizations that establish innovative programs that use peer-group activities to foster responsible attitudes and behavior among this group.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

12-Oct-1993 04:57pm

TO: Sara B. Walters
TO: Stacy L. Dean
TO: Richard B. Bavier

FROM: Isabel Sawhill
Office of Mgmt and Budget, HRVL

CC: Keith J. Fontenot
CC: Barbara S. Selfridge

SUBJECT: welfare reform

I have set up a meeting on Thurs. at HHS at 3 p.m. (details to come from Wendy) with the cost estimating staff.

In the meantime, you may want to ponder the following plan as one that I would be interested in costing out in a rough way and discussing tomorrow. (I realize you would need much more time and many more details to get a decent estimate; I'd just like to make whatever progress we can.)

1. No AFDC for anyone under age 19 (although a new baby can become part of the grandparents' grant, if she is on AFDC).

2. No AFDC for anyone for whom paternity is not established.

3. Structured job search assistance for all new applicants before they are accepted on to the rolls. (Note the estimates and sources in DOL memo on worker profiling which I will send over.) This should reduce the "entry rate."

4. Education, training, and CWEPs for up to two years for those who do not find a job -- similar to JOBS but funded more generously (can use different assumptions here). Requirement that everyone reenroll in structured job search at the end of the two year period (or earlier if appropriate).

5. No AFDC after two years; guarantee of one year of a minimum wage job at an average of 30 hours a week for all those who reach the time limit without finding a private sector job. Health care and child care provided (if necessary) but no EITC.

6. Beyond three years, an in-kind package (equal to 75% of average AFDC benefit for the country as a whole) including Food Stamps and a housing voucher. Some social services and health care would also be available (but not paid for in this plan).

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

12-Oct-1993 06:03pm

TO: Bonnie L. Deane
TO: Bruce N. Reed
TO: Kathryn J. Way

FROM: Isabel Sawhill
Office of Mgmt and Budget, HRVL

SUBJECT: welfare reform

FYI, I'm having my staff try to cost out the attached. It can be amended once we have a basic plan to work from.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

21-Sep-1993 11:23am

TO: Isabel Sawhill

FROM: Isabel Sawhill
Office of Mgmt and Budget, HRVL

SUBJECT: welfare options

Responsibility Options

1. Minor mothers should live under adult supervision
   a. mandate states to require
   b. eliminate AFDC eligibility entirely for this group

2. Require participation by teens in education, training, work, school, parenting education immediately

3. Make time limits simple, predictable, and certain

4. Prvide strong incentives for paternity establishment
   a. lower federal match rate for cases without
   b. lower benefit levels for cases without
   c. carrots (instead of sticks) for both of above

Opportunity Options

1. Family Planning (including abortion/adoption)

2. Enterprize Zones

3. Head Start, Education, Training Initiatives

4. Jobs Program similar to YIEPP

5. I Have A Dream Type Programs (Rewarding success not failure)

3:30
Prevention

October 4
A Wish list: Bold indicates topics discussed so far

I. Change the universal social contract: Responsibility and opportunity.

- **Universal, opportunity/responsibility framework** with a specific contract for recipients of cash assistance
- **Sign the contract**. (Mother, Father, Children?)
  Outlines individual responsibilities, gov't responsibilities
  Obtain samples from MI, NJ
- **National campaign** to inform people of new contract, esp teens
  Use rap singers, movie stars, peer groups

II. Responsibilities:

Prevention

- Free birth control for all adults over 18.

- **Parenting requirements:** immunization, school attendance, drug free home, etc.

- **Minor mothers cannot receive welfare;** an adult must supervise and apply on their behalf. (do teens get welfare if parents make $100,000?)

Don't include

- **Require teens to participate** from day one in a employment, home management or parenting activity immediately as a condition for receiving benefits. (Progress or participation requirement?)
  ~~reward/sanctions on grandmother heading case~~
  cut daycare if teen drops out of school
  ~~require summer~~ participation in job or school
  set aside summer jobs slots, let teen keep pay (enough slots?)
  require state to enforce school attendance, eg. limit driver's license

- **Paternity and child support payments should be effectively mandatory.**
  All federal aid programs involving children must ask paternity at application time.
  Set objectives and let states choose the path:

Not for individuals either!

Sticks:	No match funds for cases with no paternity establishment.
	States can recoup retroactive match when paternity is established.
Options:	States can change judicial to administrative procedure
	States can lower/deny benefits to individuals with no paternity.
	Medicaid babies must have DNA paternity establishment in hospital.
	Streamline determination and modification of child support payments.
	Fathers can be supoenaed for spit test
	Provide separate checks for child support and AFDC

- Paternity
- good cause exceptions
- Rebuttable presumption

Fathers can be penalized by withholding Health security card, drivers licence, credit reporting agency
States should re-invest incentive dollars
Wage withholding/State registry
Limits on divorce fees
Require child support plan for every divorce
Fathers liable for entire cost of AFDC?

- **Marriage disincentives:** Single parents should not have preferential treatment.
  We should focus on learning through waivers and experimentation.
  – Refundable child care credits for working parents are preferable to child support assurance for single parents. UI for child support payers (split between parent and child) is even more preferable as an insurance scheme. Work related, no marriage penalty.

Work able

- **Family Unemployment Insurance (FUI):** If you have worked recently and are now looking for work you have met your responsibility and should receive income support. OMB/DOL/NEC to develop 3 options: deficit neutral, ideal and mid-range.

  If you have not recently worked, getting your first two years of welfare should be like a public job. You show up and GET PAID ONLY FOR THE HOURS YOU PUT IN.

  Parents are given two years of initial opportunity for a "Public Job" which helps them to become more employable. You may be asked to watch children, job hunt, do community service, or get training.

  Yes

  If you are not capable of performing to expectations in a pay per hour program, you have much less freedom: residential boot camp, in-kind assistance only, or other remedial options. No able bodied person can collect cash and watch TV all week.

  No pay for providers of E&T services until after placement in a job lasting 90 days

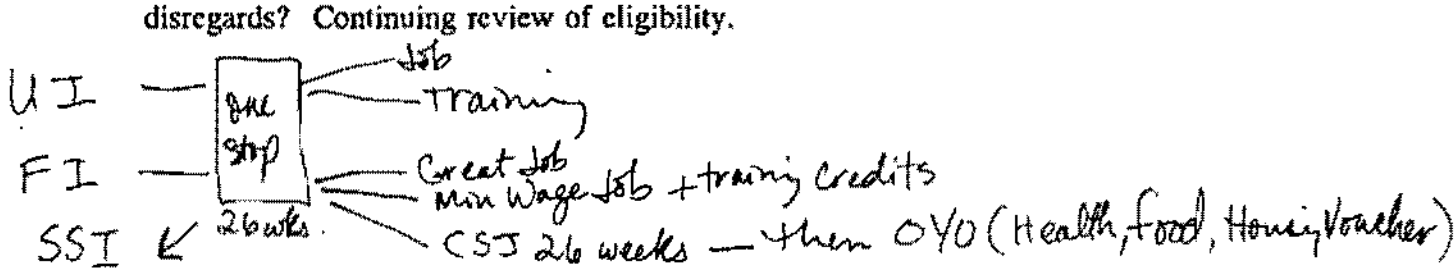
  Make time limits simple, predictable, certain. (Different limits for different people?)

  If you do not take a temp job from the Jobs Consortia after the time limit, then...

  What happens after the time limit: state choice, national minimum?

Disabled permanently or temporarily

Different expectations/system for the temporarily or permanently disabled. Don't have to work, but can try to work without punishment. Need different program with better disregards? Continuing review of eligibility.



III. Opportunities:

In the welfare program

60–90 day reprieve from asset limits with strong job search (family UI program? Give generous cash assistance, with job search, few other strings to those with a work history?)

Raise and index asset limits for many current opportunity programs.

Up to six months of an intensive program (residential, comprehensive family, crisis intervention, etc.) for adults who drop out of the mainstream, 2 yr, pay per hour program.

Team based approaches to community service work requirements, other services.

Pay bounties for placing and keeping welfare recipients in jobs (America Works, Project Match, welfare department...)

Offer employers one year of welfare check as a wage supplement

Consortia: Small pool of public, private and mixed jobs. For end of time limits

Outside of the welfare program

Family planning (abortion, adoption, norplant)

Jobs program similar to YIEPP, I have a dream type programs (Reward success not failure)

Enterprise Zones

One stop shop for employment and training assistance

Head Start, Education, Training Initiatives (School to Work)

A Wish list: Is this inclusive? Can we prioritize it?

I. Change the social contract: Responsibility and opportunity.
- offer second chance in exchange for commitment to use it.
- get new applicants to sign the contract.
- national campaign to inform people of new contract, esp teens.

II. Responsibilities:

Minor mothers cannot receive welfare; an adult must supervise and apply on their behalf. (I think we all strongly agree on this one--it was on everyone's list.)

Require teens (why not everyone without UI?) to participate from day one in a employment, home management or parenting activity immediately as a condition for receiving benefits. Pay for hours worked only.

If you are not capable of performing to expectations in a pay per hour program, you have much less freedom: residential boot camp, in-kind assistance only, or other remedial options. No able bodied person can collect cash and watch TV all week.

Single parents should not have preferential treatment.
- Child support payers should be eligible for re-employment plan, EITC and other supports. Where are all the marriage penalties?
- A parental UI system should not have a marriage penalty.
- Refundable child care credits for working parents are preferable to child support assurance for single parents. UI for child support payers (split between parent and child) is even more preferable as an insurance scheme. Work related, no marriage penalty.

Community service requirements may be a condition of benefits.

Parenting requirements: immunization, school attendance, drug free home, other?

Make time limits simple, predictable, certain. (Different limits for different people?)

What happens after the time limit: state choice, national minimum?

Provide for paternity and child support payments should be effectively mandatory.
lower match rates and benefit levels for cases with no paternity.
carrots for both states and individuals with paternity.
medicaid babies require paternity establishment.
administrative process for gearing support payments to income level. Make it easier for men & women to do the right thing.
100% of payments to children (unless benefits are high in 2yr program?).

III. Opportunities:

60-90 day reprieve from asset limits with strong job search (Is this similar to the family UI program? Give generous cash assistance, with job search, few other strings to those with a work history?)

Raise and index asset limits for many current opportunity programs.

Up to eight months of an intensive program (residential, comprehensive family, crisis intervention, etc.) for adults who drop out of the mainstream, 2 yr, pay per hour program.

Pay bounties for placing and keeping welfare recipients in jobs (America Works, Project Match, welfare department...)

Offer employers one year of welfare check as a wage supplement

Small pool of public, private and mixed jobs.

Family planning (abortion, adoption, norplant)

Enterprise Zones

One stop shop for employment and training assistance

Head Start, Education, Training Initiatives (School to Work)

Jobs program similar to YIEPP

I have a dream type programs (Reward success not failure)

Team based approaches to community service work requirements, other services.

① National PR campaign targeting potential "new" teen applicants. or all new applicants

② Everyone at application signs social contract stipulating client responsibilities, and govt. responsibilities
client responsibilities: paternity, immunization, pursuit of child support, parenting/lifeskills... (give training $ to companies to train welfare clients, who work) and then job search, ed., training.
Govert. gives: job search, ed/training, child care list of incentives to encourage work.
temporary cash assistance.

③ 60-90 day reprieve from assets test, combined w/ strong job search component

④ limited # of public sector jobs, private sector job at end of 2 years business can have your next years check towards your salary.
Do America Works - somebody gets paid for finding jobs & assuring people stay.

⑤ required community service

⑥ If "NO" sanction grant.

---

① Paternity at the prenatal clinic hospital for coverage for babies

② must I.D. dad for welfare application

③ Child support push hard, operation fatherhood options.

A Wish list: Is this inclusive? Can we prioritize it?

I. Change the social contract: Responsibility and opportunity.
- offer second chance in exchange for commitment to use it.
- get new applicants to sign the contract. - indiv. K.
- national campaign to inform people of new contract, esp teens. - Rap stars

II. Responsibilities:

- PREVENTION

Minor mothers cannot receive welfare; an adult must supervise and apply on their behalf. (I think we all strongly agree on this one--it was on everyone's list.)

Provide for paternity and child support payments should be effectively mandatory.
lower match rates and benefit levels for cases with no paternity.
carrots for both states and individuals with paternity.
All (medicaid) babies require paternity establishment in hospital.
administrative process for gearing support payments to income level. Make it easier for men & women to do the right thing.
100% of payments to children (unless benefits are high in 2yr program?).

Require teens to participate from day one in a employment, home management or parenting activity immediately as a condition for receiving benefits. (w/ LEAP-style reward/sanctions.)

Single parents should not have preferential treatment.
- Child support payers should be eligible for re-employment plan, EITC and other supports. Where are all the marriage penalties?
- A parental UI system should not have a marriage penalty.
- Refundable child care credits for working parents are preferable to child support assurance for single parents. UI for child support payers (split between parent and child) is even more preferable as an insurance scheme. Work related, no marriage penalty.

- WORK ABLE

If you have worked recently and are now looking for work you have met your responsibility and should receive UI or a special family UI support.

If you have not recently worked, getting your first two years of welfare should be like a public job. You show up and get paid for the hours you put in. Parents are given two years of initial opportunity for a "Public Job" which helps them to become more employable. You may be asked to watch children, job hunt, do community service, or get training.

If you are not capable of performing to expectations in a pay per hour program, you have much less freedom: residential boot camp, in-kind assistance only, or other remedial options. No able bodied person can collect cash and watch TV all week.

Parenting requirements: immunization, school attendance, drug free home, other?

Make time limits simple, predictable, certain. (Different limits for different people?)

If you do not take a temp job from the Jobs Consortia after the time limit, then...

What happens after the time limit: state choice, national minimum?

- DISABLED PERMANENTLY OR TEMPORARILY
  Different expectations/system for the temporarily or permanently disabled. Don't have to work, but can try to work without punishment. Need different program with better disregards? Continuing review of eligibility.

III. Opportunities:

- In the welfare program

60-90 day reprieve from asset limits with strong job search (family UI program? Give generous cash assistance, with job search, few other strings to those with a work history?)

Raise and index asset limits for many current opportunity programs.

Up to six months of an intensive program (residential, comprehensive family, crisis intervention, etc.) for adults who drop out of the mainstream, 2 yr, pay per hour program.

Team based approaches to community service work requirements, other services.

Pay bounties for placing and keeping welfare recipients in jobs (America Works, Project Match, welfare department...)

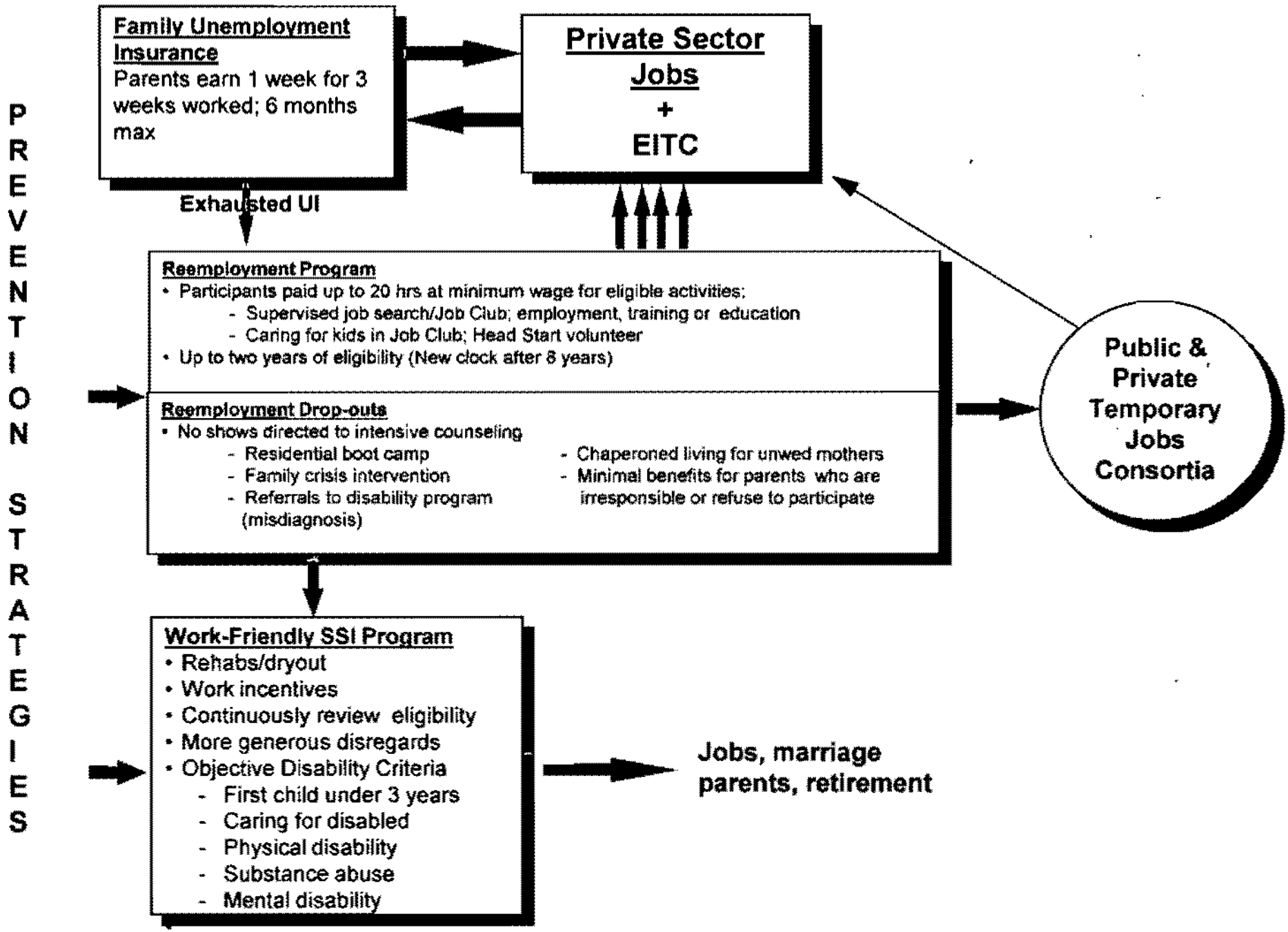
Offer employers one year of welfare check as a wage supplement

Consortia: Small pool of public, private and mixed jobs. For end of time limits

- Outside of the welfare program

Family planning (abortion, adoption, norplant)
Jobs program similar to YIEPP, I have a dream type programs (Reward success not failure)
Enterprise Zones
One stop shop for employment and training assistance
Head Start, Education, Training Initiatives (School to Work)

AFDC AS A REEMPLOYMENT SYSTEM



September 30, 1993

MEMORANDUM FOR BONNIE DEANE

FROM: BRUCE REED

SUBJECT: Comments on NEC Jobs Group Draft Issues Paper

Here are a few written suggestions to add to my general praise of your group's recommendations.

I like your basic approach at the front end of focusing on immediate reemployment. My suggestions concern what happens at the back end.

A. Jobs Consortia

1. You should highlight the Jobs Consortium idea (p. 13) as a recommendation, not one of two options. This jobs bank is not an alternative to creating public sector jobs; it's a way to make sure that those jobs are meaningful, well-run, and a last resort. It's as big an idea at the back end as FUI is at the front end. Put it in capital letters so people will take notice.

2. You should stress that as Paul Dimond and I learned this week, community service jobs should be administered through non-governmental organizations wherever possible and should have minimal administrative costs -- just wages and child care. (National Service actually makes community organizations pay 15% of wages.)

3. You might raise the possibility that we could make challenge grants directly to the Consortia, based on the number or percentage of people they place in jobs (esp. private sector jobs). The Consortia could also be given a lump sum to cover child care, and use the funds to create jobs for child care workers.

B. Job Creation and Incentives

I wish you wouldn't come down so hard on employer incentives (pp. 17-18). The TJTC hasn't worked, but the idea has never been coupled with a work requirement before. The basic argument against employer incentives -- that they're stigmatizing -- is beside the point here: Anyone who has been on welfare for 2 years will have to overcome that stigma anyway, and some kind of incentive might help. You don't have to endorse the idea, but you

shouldn't devote your strongest language (in bold on p. 18) to denouncing an idea we might need later.

I like your suggestion of paying wage subsidies to employees. I would phrase the "less than minimum wage" option another way: Tell long-term recipients that we'll pay up to half their salary for a year if they get a permanent private sector job (the cap could be half the minimum wage for 40 hours a week, which would equal the average AFDC grant in most states).

We also may have a powerful tool we never had before: the ability to exempt employers from the health care mandate for a year if they hire people off AFDC.

It's not fair to characterize these incentives as a windfall to employers: if they work, they're a windfall for government, which doesn't lose anything because it would be paying to support the same people anyway. (Besides, if we think these incentives are a windfall for employers, why did we just ask for $2 billion in employer incentives in Empowerment Zones?)

Your suggestions on private groups and on performance bonuses are very good. You might give America Works a more ringing endorsement.

Thanks for all your hard work. You have done a remarkable job on the toughest assignment.

THE WHITE HOUSE

WASHINGTON

October 14, 1993

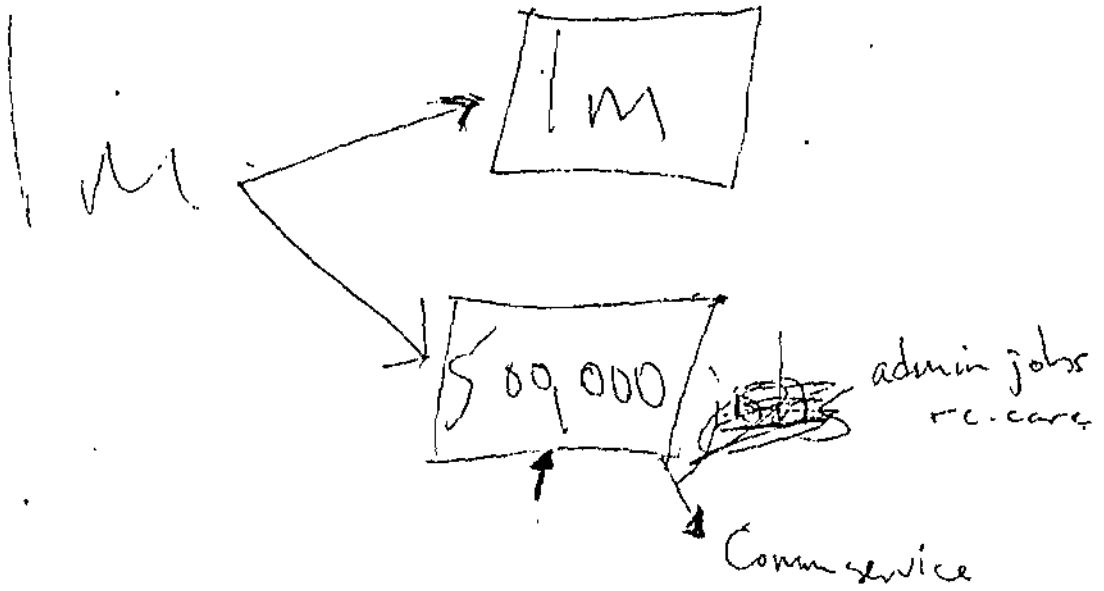
MEMORANDUM FOR DISTRIBUTION

FROM: BONNIE DEANE

Please critique the attached draft for possible inclusion in Bruce's Welfare option. Thank you.

Distribution

Paul Dimond
Judy Greenstone
Belle Sawhill
Doug Ross
Kathy Way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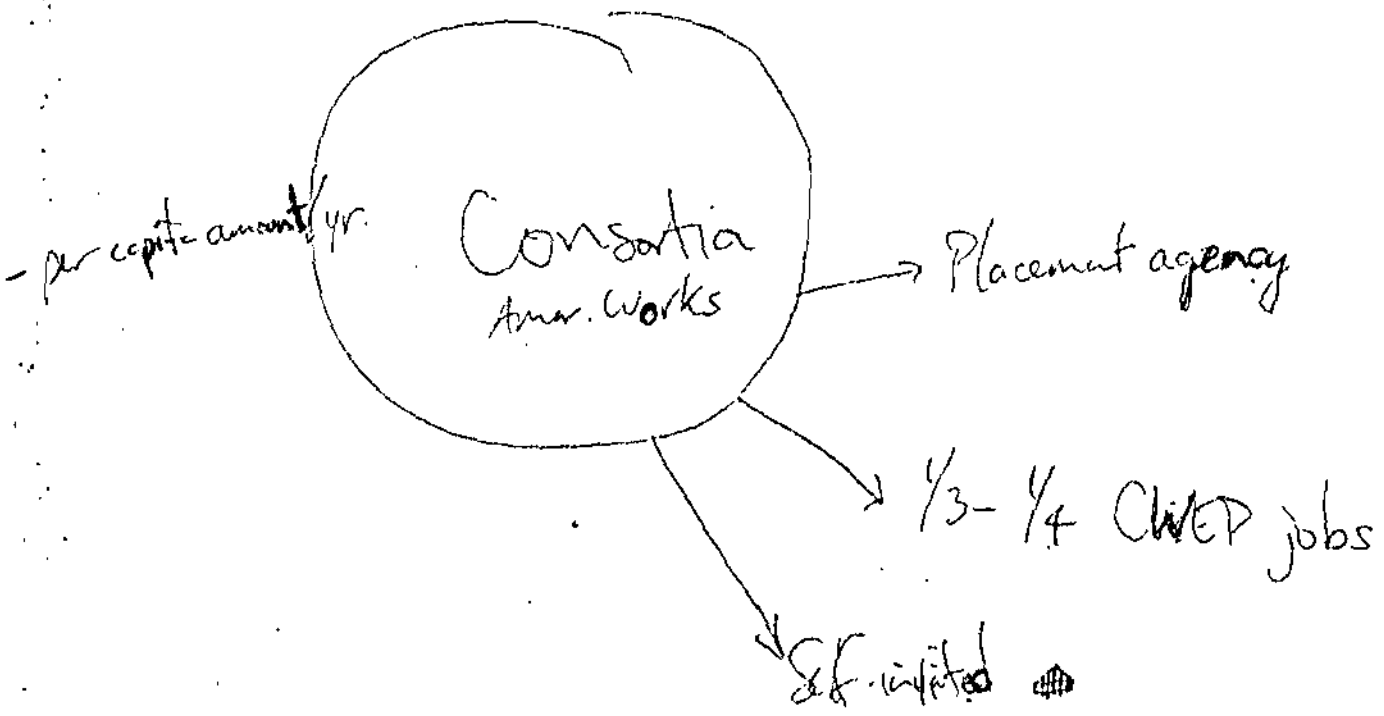
- per capita amount/yr.
Consortia
Amer. Works
Placement agency
1/3 - 1/4 CWEP jobs
S.E. initiated

An End to Welfare As We Know It

In your campaign, you set forth two ideas with the potential to transform the lives of millions of Americans: that people who work shouldn't be poor, and that no one who can work should stay on welfare forever.

These ideas represent a sweeping political, economic, and moral imperative for your Administration: to reward work and family, demand personal responsibility, and build broad and lasting support for programs that empower people and break the cycle of dependence.

We know the problem: over most of the past three decades, Washington has burdened the poor with social policies that penalize work and reward failure, economic policies that favor the rich and punish the poor, and a welfare system that saps initiative and undermines personal responsibility. The Los Angeles riots last year proved that the greatest risk of all is doing nothing.

In other chapters, we address empowering the poor by improving the communities in which they live: community development banks, tenant management of public housing, community policing to put 100,000 cops on the beat fighting crime. This chapter is about what the Clinton Administration can do to make work pay, inspire personal responsibility, and end welfare as we know it.

Political Background

During the campaign, you put forward an empowerment agenda that is pro-family and pro-work, including pledges to expand the Earned Income Tax Credit (EITC), make affordable health care available to all, crack down on child support enforcement, and reform the welfare system to educate and train people, and require them to move from welfare to work within two years.

Many of these proposals will be well received in the Congress, where there is much support for an expanded EITC and tougher child support enforcement. The centerpiece of your welfare reform plan -- the two-year time limit -- will be more controversial.

Four years ago, even though both the Reagan Administration and the congressional Democrats supported welfare reform and organized opposition was scarce (the Senate vote was 97-1), the issue tied up Congress for over a year. This time the task will be more difficult. Public employee unions and most advocacy groups oppose work requirements, and some on the Hill share that view. These opponents will not attack the new Administration directly if they can help it, but behind the scenes they will work to expand the exemptions, weaken the sanctions, and undermine the work

requirement.

Due to these impediments, the support of the states will be critical -- even more important than it was in 1988. Gov. Romer has offered his help, and Carol Rasco has asked the NGA to set up a working group to help us develop a bill they can support. Sen. Moynihan and Rep. Matsui (the new head of the Ways & Means subcommittee) have told us they support this strategy of enlisting state support.

Significantly, the Republican members of the Ways and Means Committee are drafting a welfare reform bill that implements major parts of the Clinton proposal. These Republicans are actually prepared to spend some real money on the program ($3 billion a year in the out years), so it should be possible to develop a bill with bipartisan and nationwide support.

Strategy

We believe the key to building public support for fundamental reform is time-limited welfare. The key to getting the political support necessary to pass time-limited welfare is to expand the EITC and strengthen child support. And the key to making sure time-limited welfare work is to support and encourage flexibility, creativity, and innovation at the state level.

We believe that you have an opportunity to enact the most sweeping changes in poverty policy since the 1930s: a series of reforms that over the next 5-10 years will replace welfare with work. We envision a plan that takes effect in stages: first, by making work pay, eliminating work disincentives, and strengthening child support enforcement; second, by giving people on welfare up to two years of education, training, and job search assistance; and finally, by requiring all those who can to work, either in the private sector or community service.

In the meantime, we would be building the pillars across the country to support this system: a national service program with community service placement councils at the local level; a health care system that makes affordable care available to all who work; fully-funded early childhood intervention, nutrition, and health programs that make sure all children, regardless of income, can come to school ready to learn; housing programs that give families a stake in how and where they live; and a child support system that enforces personal responsibility through the tax code, not the courts.

That, at least, is the vision. Here are the hard realities of how to get there.

Expanding the Earned Income Tax Credit to Make Work Pay

The guarantee that no one who works full time should have to raise their children in poverty involves two variables — the minimum wage and the earned income tax credit. On the one hand, the higher the minimum wage, the smaller the EITC needs to be in order to bring full-time workers and their families up to the poverty level. But the EITC is a much more effective tool to fight poverty than the minimum wage. While a larger EITC may cost more in direct outlays, its cost to the economy — and to poor people — is much less.

With indexing of the minimum wage at 1992 levels, it will take a $4 billion increase in the EITC to lift all working families of average size out of poverty. If the minimum wage is not indexed, it will cost another $500 million. This is a small price to pay compared to the effects of an indexed minimum wage.

A National Crackdown on Deadbeat Parents

The Family Support Act of 1988 required states to 1) ask unwed mothers for both parents' Social Security numbers; 2) begin mandatory withholding; and 3) establish uniform state guidelines for child support payments. The law is working, so far as it goes (collections are rising 10% a year), but the system is still a mess: Wages are withheld in only one of five cases where they should be. One absent parent in four is a deadbeat. It takes one to three years of red tape to track down a deadbeat, and even then he may not pay.

The Bush administration has been slow to carry out the 1988 law. The federal enforcement bureaucracy is a nightmare — one state complained to Congress about cases it had referred to the IRS for collection in the late 1970s that still had not been enforced.

We propose the following these steps to follow through on your campaign pledge to "do almost anything to get tough on child support enforcement" and restore the notion that governments don't raise children, people do.

IRS Collection of Unpaid Support

The current enforcement system performs poorly, and federalizing it would create a unified system in place of the current fragmented one which involves every branch and level of government. But turning the existing child support system over to the IRS would be a massive, costly, and unpopular undertaking. Even the staunchest advocates of full federalization believe it is years away. They recommend that we fix the problems with the current system before considering full federal control.

As an interim step, we recommend keeping most enforcement activities at the state level, but asking child support agencies to report unpaid child support obligations to the IRS at the end of the year, to be collected through the tax system. We should probably limit IRS intervention to interstate cases, where the states are least successful.

Tom Downey and most child support advocates would support expanding the IRS role, but some think that going halfway would further fragment an already unworkable bureaucracy. (David Ellwood, for instance, prefers experiments in child support assurance, as described below.) The argument for moving toward IRS collection is that it has enormous long-term potential, and any additional enforcement would be better than nothing.

Other Child Support Reforms

In October, Congress passed one of your campaign proposals into law, making it a felony to cross state lines to avoid paying child support. But much more needs to be done. We recommend the following changes, which should attract bipartisan support:

- Requiring states to report deadbeat parents to major credit agencies.
- A national registry which would allow states to find non-custodial parents who have moved to other jurisdictions.
- National guidelines so that child support awards do not differ markedly from state to state.
- A streamlined paternity process involving paternity determination in hospitals, use of a simple affidavit, and use of the administrative process for contested cases.
- Tougher enforcement of medical support, including elimination of the existing statute that allows self-insured companies to avoid providing health coverage for the non-custodial children of their employees.
- A requirement that all states have central registries of all child support orders and a central mechanism for collecting and disbursing payments; also, employers should be required to report all new hires to the child support agency; and
- Eliminating the current confusing incentives system, with money used for this purpose folded into the regular I child support match so that the federal government picks up 85 percent of administrative costs; at the same time, requiring states to spend their federal child sup port enforcement funds on child support enforcement, instead of using

them to subsidize other programs.

Child Support Assurance Demonstration Projects

Many experts, including Ellwood, believe that time-limited welfare will work only if it is linked to some form of child support assurance, which would guarantee that single-parent families receive a certain amount of money per child, in return for identifying the missing parent and helping track him down.

The advantages of child support assurance are clear: It would help the thousands of children who go hungry when their fathers don't pay, and it would give welfare mothers a greater incentive to cooperate in seeking child support orders.

But the drawbacks are also clear: A national system of child support assurance would be expensive ($2-5 billion a year), and we don't know whether it will work. Many argue that fathers will be even less likely to meet their child support obligations if they know that government will provide for their children whether they pay or not, and that child support assurance could encourage parents to have children or families to break up in order to receive money In any case, government shouldn't promise to make child support payments until it proves it can collect them.

We recommend a series of demonstrations to see whether child support assurance works before committing to a national program. At the same time, we can measure how much our other initiatives do to improve child support enforcement.

Ending Welfare As We Know It

The heart of your promise to those on welfare is a radical transformation of AFDC from a program that provides income maintenance to one that provides transitional support and work. This proposal has three components: (1) everyone who needs help can get up to two years of transitional assistance (job search, education, training, child care) aimed at getting them off welfare; (2) cash benefits will be limited to two years; (3) after two years, all those who can work will have to work.

Below, we outline three possible ways to fulfill the vision laid out in the campaign. You should judge them on at least four criteria:

1. **Feasibility** – Can the states make the program work in the time frame demanded, under the constraints imposed and within the available funding? This is no small challenge; as many as 1.5 million AFDC recipients could be required to work under this program, and even CETA at its peak never topped 800,000 participants. CWEP, the work component of JOBS, currently has only 13,000 participants nationwide.

2. **Results** – Does the reality match the rhetoric? Have we ended welfare as we know it? The reforms have to have wide impact to satisfy public expectations of a real change and to prevent criticism of the program as ineffective. Many will judge success by the toughest standard: the number of people who have moved from welfare to work.

3. **Cost** – Can we afford it? Can the states afford it? And what will we really get for our money?

4. **Flexibility** — It is up to the states to prove that time-limited welfare can work. Surprisingly little research has been done on the overall effects of work requirements on AFDC recipients. Any national program must encourage all manner of experimentation at the state level.

OPTIONS FOR TIME-LIMITED WELFARE

Option 1: Universal Workfare

The most literal implementation of your promise would be to seek an immediate two-year limit on all AFDC benefits and to move as rapidly as possible to implement a nationwide work program for those who pass the limit. States would be required to provide two years of education and training to all who need it, and comply with a relatively rapid timetable for phasing in a work program that would apply to all AFDC recipients after two years, subject most likely to current JOBS exemptions.

Advantages: The best argument for this approach is that it would be a shock to the system, and send a clear, immediate signal that you're serious about ending welfare. Some reformers, including Mickey Kaus, believe that a two-year limit is itself too lenient, and that phasing it in over a long period of time will dilute any impact. This option would affect the largest number of people most quickly, and would give you the best chance to point to large numbers of people moving from welfare to work. The cost per person would also be lower, because most states would turn to workfare rather than public jobs programs.

Disadvantages: This approach would require a massive, rapid phase-in of a program with which the states have little successful experience. The faster the implementation and the larger the number of participants, the higher the cost and the greater the odds that the program will be plagued by poor implementation, the appearance of make-work, and so on.

This approach would also have a chilling effect on state experimentation with creative welfare reform. The more the program demands of states, the less they will be able to take on other challenges. Finally, because of the large scale programs, it would be very expensive — at least $4 billion a year by 1995 on jobs programs alone — and the

federal government would have to pick up most of the cost.

Perhaps the most compelling argument against universal workfare is that it moves us no closer to your real goal, which is to move people from welfare to real work, not just make them work for their welfare.

Option 2: Demonstration Projects

David Ellwood initially proposed a modest transition to time-limited welfare, starting with ambitious experiments in a handful of states and gradually adding more states over time as we learn what works. He fears that moving too quickly to a two-year time limit nationwide will discourage innovation, overwhelm the capacity of the system, and ultimately lead to workfare, which he opposes. He has outlined a more cautious strategy:

1. Choose a dozen states that are eager to reform their welfare systems, and require them to design policies that will reduce the fraction of recipients who receive welfare for more than 2 years by 25% without cutting benefits. Give the states considerable latitude to experiment and redirect existing funds, so long as their plan clearly encourages work and independence.

2. Require participating states to design a system that can track recipients' participation in employment and training. A comprehensive evaluation plan will have to accompany the state proposal.

3. Require participating states to adopt some form of time-limited cash assistance for those who can work. Some states could adopt CWEP, while others could try time-limited welfare followed by a public/private jobs program.

4. Require all 50 states to dramatically improve their child support enforcement system. Some would be encouraged to adopt child support assurance; all would have to move rapidly to adopt a series of major reforms.

5. Entice states to participate by offering a high federal match — 90% or more. Eventually, all states would be required to participate. In the meantime, we could enact other changes that will help reduce the welfare rolls and make work pay: an expanded EITC, tougher child support enforcement, and national health care.

Advantages: This approach has some appeal. It will encourage state experimentation, produce useful results, and perhaps build both a political and academic consensus for further action. It avoids the risk of creating a CETA-style workfare program that could turn welfare reform into a national embarrassment – and it could be achieved for a lot less money ($500 million to $1 billion) and very little political capital. Ellwood believes that the best time-limited welfare system is one where no one reaches the limit,

and it would be a mistake to focus all our attention on making people work instead of moving them off welfare.

Disadvantages: There are obvious drawbacks to any effort to slow-dance the problem. First, asking a few states to conduct experiments in welfare reform without enacting a two-year time limit will not end welfare as we know it. Many observers will consider this issue the key test of whether you are willing to take on the status quo, and pilot projects will be viewed as at best a broken promise and at worst a concession to narrow interests. More important, without a two-year time limit and a work requirement, the Clinton Administration will put off progress in the majority of states and won't move many people from welfare to work.

Option 3: Phased-In Time Limits

This is the "modified demonstration" option. Some aspects of the program would be universal: all AFDC recipients would be guaranteed up to two years of education and training, and all new AFDC cases would have to go to work after two years. But sweeping welfare reform experiments would be funded in a handful of states most interested in reform while phasing in national implementation of time limits for all recipients over the next decade.

Here are the key elements:

1. All AFDC recipients would be guaranteed education and training services during the first two years of welfare receipt.

2. As of the effective date of the legislation, all individuals coming onto the AFDC rolls would be subject to a two-year time limit, after which they would have to work (in other words, the time limit would apply to all new cases).

3. A handful of states would be funded to run five-year demonstration projects to test and evaluate ways of implementing the work requirement and creative welfare alternatives that are broader in nature. As in Ellwood's plan, states would be allowed to redirect existing funds for AFDC, food stamps, and other aid so long as the plan encourages independence without reducing the incomes of most recipients. Rigorous evaluations would be required, and the results of these would be made available to all other states for use in designing their programs.

4. Five years after the legislation becomes effective, all other states will submit plans to the Secretary of HHS for phasing in the work requirement for those long-term recipients already on the rolls on the bill's effective date. This phase-in must, in all cases, be completed by year 10.

Advantages: This option gives states more time to gear up for the work require-

ment. Rather than forcing states to find work for 1.5 million people in a short time frame, applying the requirement only to new applicants would affect a much smaller group, according to unofficial CBO estimates:

Year 3	179,214
Year 4	422,979
Year 5	609,543

This option establishes the principles of time limits and work requirements. It fulfills your campaign commitment, since in time all AFDC recipients will be subject to the work requirement.

Disadvantages: This approach will cost more than Ellwood's option — $4 billion a year by 1997. As with Option 1, states will still be hard pressed to find meaningful work for large numbers of AFDC recipients.

Summary

We favor Option 3 as the best way to encourage experimentation while requiring broad participation. We believe this proposal can attract a wide range of support from academics like Ellwood, policymakers like Senator Moynihan, and reform-minded governors across the country. The details of such a compromise option may be tough to figure out, but we would like to explore these options and others in more depth with the NGA and state welfare directors.

OTHER ISSUES

Whichever option is chosen as the overall framework for welfare reform, a number of thorny design issues will confront us in drafting a bill and affect how labor, the states, and liberal advocacy groups ultimately view the program. Some of these issues are mentioned below.

Should education and training during the first two years be mandatory?

Some will argue that the goal of welfare reform should be to increase human capital investment. They advocate making JOBS participation mandatory during the first two years. This would be expensive and increase the burden on states. Furthermore, as many as 30 percent of new AFDC recipients leave the rolls within the first six months, so a mandatory program would spend resources on individuals who are in the process of leaving welfare anyway. We recommend leaving it up to the states to decide whether participation should be mandatory for particular groups, although we should consider mandatory participation for teen mothers. We also urge job search

programs, on the grounds that job placement is better than training.

What form should the work program take?

There are numerous models for work programs, and no definitive research as to which is best. We recommend maximum state flexibility in designing the work program. Options would include:

Community Work Experience (CWEP), or workfare, which involves working in a community job for a number of hours determined by dividing the welfare grant by the minimum wage. CWEP is relatively cheap and easy to target, but is unpopular with public employees and advocacy groups.

Public Service Employment (PSE), in which those who work are paid an hourly wage, and those who do not work get nothing. Some allowance would undoubtedly have to be built in to continue providing for the children, but AFDC itself would end. PSE feels more like a real job, and is more popular with labor. It's also more expensive, as labor will likely push for at least 125% of the minimum wage.

Subsidized private sector employment would clearly be the preferred model. For years, AFDC law has permitted diversion of welfare grants to employers who hire recipients. While states have never taken to this approach (employers complain about the administrative burden), groups like America Works have been very successful in moving people off welfare into private sector jobs.

We recommend letting states decide for themselves which kind of work program to use for those who remain on the rolls after two years — Community Work Experience (CWEP); Public Service Employment; subsidized private sector employment; or a combination. That will assure a range of evidence for researchers to study.

Where will we find 1.5 million new jobs?

As with the national service program, community service jobs for AFDC graduates should not displace existing public employees. A Ford Foundation study in 1986 identified some 3.5 million potential labor-intensive jobs that could meet unmet public needs. But it still won't be easy to find jobs for welfare recipients. We will work with AFSCME and service organizations to identify the types of work that should qualify, and develop guidelines for dealing with the difficult issues of displacement that will come up consistently throughout the country.

To reduce bureaucracy, the same local councils described in the national service chapter could be asked to find community service work for welfare recipients. One day, it may be possible for those who are earning their national service vouchers and those who have moved off welfare into public sector jobs to work side by side.

How much work will be required?

Currently, in low-benefit states, the CWEP work obligation is so short as to make the program of little value (in some states it's under 10 hours a week). As a result, about half the states have eliminated the program altogether. We recommend adding the value of food stamps to the AFDC grant in computing hours of work, or setting a floor on the number of hours recipients have to work. While this will be highly controversial, it will also result in a more meaningful work obligation in all states (for mothers with children under six, the work obligation would still be 20 hours/week, as under current law).

What is the sanction for not working?

The sanction for not working after two years needs to be more meaningful than under the present CWEP structure. In Ohio, for instance, the average recipient assigned to CWEP is supposed to work 80 hours per month. If she doesn't, she loses $60. Since a third of this is made up by an increase in food stamp benefits, the net loss is around $40. In effect, for every hour she misses, she loses 50 cents. We recommend that the states be required to design more meaningful sanctions, perhaps in the range of 30-50 percent of AFDC benefits. This should probably be designed as an automatic reduction in benefits rather than a sanction to make the program less unwieldy to administer.

Who should be exempt from work requirements?

The Family Support Act currently exempts mothers with children under 3, pregnant women in the last two trimesters of pregnancy, and several other smaller categories from JOBS participation. We recommend exempting these same groups from the new work requirement with two exceptions: mothers who have an additional child while on welfare would only be exempt until the child is one, and teen parents should be exempted as long as they remain in school and are under 18 (it makes little sense to force a 17-year-old welfare mother to drop out of high school because she has been on AFDC for two years so that she can go to work). Finally, the two year grace period ought to be a one-time matter — recipients would not get another two years every time they return to the AFDC rolls.

How should federal funding be structured?

Welfare reform of the magnitude being discussed will cost around $4 billion when fully phased in — plus another $4 billion to expand the EITC. We can hardly expect states to provide much of that welfare money when they have only been able to spend two-thirds of the funds available to them in the existing JOBS program. One option, of course, is to provide 100% federal money, but this reduces the states' incentive to manage the money carefully (or so it is said). A workable funding structure

should be the subject of a working group with representatives of the states (NGA & APWA) prior to submission of legislation.

Should states be allowed to impose their own time limits on community service?

Some Republicans may propose taking your idea one step further, by calling for a time limit on public works programs as well. They will argue that our community service proposal will prove to be a disincentive to working in the private sector, and that instead of moving people off the welfare rolls, we will simply be paying them to stay there. We can rebut this argument by making sure that mandatory job searches are a component of any works program.

Other Empowerment Initiatives

We should raise the AFDC asset limit from $1,000 to $10,000 for assets retained for improving the education, training, or employability of family members, or for the purchase of a home or change of residence. In particular, the value of an automobile that AFDC recipients are permitted to own needs to be raised from its present $1000.

You may also want to consider some kind of experiment in Individual Development Accounts to help the poor save — either Tony Hall's demonstration bill ($100 million in federal matching funds for "the poor man's IRA"), or a more conservative pilot project that allows welfare recipients who lose benefits when they go to work to keep some portion of those benefits in an escrow account that could be used for an education or first home.

Finally, we can begin to reduce the marriage penalty, by allowing mothers to keep a portion of their welfare benefits when they get married (but only for the two-year time limit).

A Note on Budget Estimates

We assume that these policies will result in roughly an 8 percent reduction in AFDC payments by the fourth year. This is in the range of reductions that have been experienced in other welfare reform demonstrations, particularly those administered by MDRC. Some will argue that there is no evidence that work requirements, as such, reduce welfare caseloads. On the other hand, the Clinton program includes a range of policies that goes well beyond simply mandating work. Indeed, this is a more ambitious set of policy changes than has been attempted previously.

Advisers Consulted

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Nancy Ebb, Children's Defense Fund
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Jan Peskin, Congressional Budget Office
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BUDGETARY EFFECTS
(In Billions)

WELFARE REFORM							
PROGRAM	**FY93***	**FY94**	**FY95**	**FY96**	**FY97**	**FY98**	**94-98**
Expanded EITC	.700	1.000	2.000	4.000	4.200	4.400	15.6
Expanded JOBS	0	.600	1.500	2.600	3.800	4.000	12.5
Child Support	0	.200	.300	.400	.500	.600	2.0
Caseload Reduction	0	0	-.400	-.800	-2.000	-2.200	-5.400
WELFARE SUBTOTAL	**.700**	**1.800**	**3.400**	**6.200**	**6.500**	**6.8**	**24.700**

Bruce -

Here's a draft memo on the "Hill" alternative. Any feedback on this would be appreciated.

Bonnie 2471

WR-WH PLAN

Welfare Reform Option: The Hill
One Page Summary Description

We can provide an increasing incentive to move from welfare to work by slowly reducing the benefit levels over time after the first two years. In lieu of the cash benefit, eligible recipients will be entitled to an equivalent level of investment in their human capital. States could organize various investment options (as they do now) such as job search, work experience or on the job training. Over time, recipients would be forced to invest more in themselves if they have not been able to get off welfare. Those who are employable will have a greater incentive to take advantage of the "Make work pay" policies such as the EITC.

Example: Benefits could be cut by 10% after years 2, 4, and 6. For those on welfare more than six years, the benefit level would be only 70% of that for first time recipients. The attached cost estimates suggest:

$12 to $15 billion dollars over four years could be invested in the most disadvantaged welfare mothers without increasing the deficit.

Additional features could include:

- **Participant choice.** In the first two years, participants could choose to receive 1) cash only, 2) a mix of cash and services, 3) services only in a residential setting. Those that opt to give up cash and invest in themselves should get extra matching federal dollars to enrich their opportunity. In later years participants could still choose to invest more than the mandated level and receive additional federal matching funds.

Training = work ok

- **Mandatory Work.** Work could be required at any or every stage for those who are able.

- **Bounties/subsidies.** Creative uses could be designed for the investment entitlement to serve as a temporary wage subsidy, an employment bonus or a job placement service fee.

- **Services to fathers, children.** The entitlement for investments could be transferrable to fathers, husbands, or children.

- **Savings.** The money could be saved in an Individual Development Account.

- **Unused funds.** States should be required to spend the entire pool of money created with benefit reductions. Since the take up rate for investment entitlements is unlikely to be 100%, this money could be used for other forms of assistance. For example: target intensive assistance to potential long term recipients earlier, offer child care and transport to those exercising their investment entitlement, or enrich the quality of the entitlement based services.

- **Encouraging work.** In addition to the investment services and the make work pay strategies, recipients could be encouraged to work through disregards. Recipients could make up their benefit reduction with a special disregard of 50-100% of income up to the benefit level for new applicants. Such a work experience could be coordinated with other training or assistance to offer a supported work opportunity.

Budget Impact (Above Reconciliation Level)

	FY93	FY94	FY95	FY96	FY97	FY98	94-98
The CLIFF							
EITC	0	0	0	0	0	0	0.000
Expanded JOBS	0	0.600	1.500	2.600	3.800	4.000	12.500
AFDC	0	0	-0.400	-0.800	-2.000	-2.200	-5.400
Total	**0**	**0.600**	**1.100**	**1.800**	**1.800**	**1.800**	**7.100**

This is a modification of the estimate in the transition document on welfare reform.
Note: Scoring of this alternative would depend on the extent
that caseload reduction assumptions are accepted.
Without credit for caseload reductions, the total would be $12.5 billion

The HILL							
EITC	0	0	0	0	0	0	0.000
Expanded JOBS	0	1.272	2.172	2.838	2.838	2.838	11.958
AFDC	0	-1.272	-2.172	-2.838	-2.838	-2.838	-11.958
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**

In this alternative, the "hill" is phased in over three years.
Benefits are reduced by 10% after 2,4 and 6 years.
For those on AFDC for more than 6 years, benefits would be 70% of the initial level.
Note: Caseload reductions are not counted, but would reduce the deficit.
Caseload reductions would reduce both AFDC expenditures
by more than indicated and reduce JOBS expenditures.

The HILL-- A Steeper version

EITC	0	0	0	0	0	0	0.000
Expanded JOBS	0	1.272	2.344	3.244	4.020	4.020	14.900
AFDC	0	-1.272	-2.344	-3.244	-4.020	-4.020	-14.900
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Note: In this version, 10% cuts are taken each year for four years after the two year limit. In the sixth year of welfare reciept and beyond, only 60% of the benefit level would be paid in cash.

"The Hill": Supporting Analysis

The following observations provide the basis for the welfare option summarized above. Each of these observations is detailed at greater length below.

- **Two years of training opportunities will not end dependency.** Although small gains can be made with relatively small sums of money, there is no evidence that we know how to design programs at any price which will offer a permanent transition to self-sufficiency for everyone on welfare. Training, education and other investments in people make a positive contribution...but training is not a quick fix.

- **Although the returns to training are not large, we can still maximize them.** Redirecting funds from consumption into self-investment as time passes is compatible with what we know about the returns to training investments.

- **Subsidized work is important, but not a magic bullet.** Providing work for those who are not capable or cannot find jobs will be more expensive than continuing to pay AFDC. Whether we provide high quality job experiences or just workfare, organizing, supervising and monitoring will add cost. Will we allow public jobs to become a way of life?

- **A strongly enforced work requirement may be either too cruel to those who need the most help or unconvincing to the general public.** What do you do with a woman when she gets pregnant while working in a public job after two years of welfare? What do you do with someone who gets off drugs within the first two years, but still cannot keep a steady job? Although exemptions can balance the humane and punitive aspects of the system, exemptions may also create a feeling inside and out that welfare is still a way of life for certain people. Leaving a safety net for such contingencies in which people get less cash and more help should resonate with the public sentiment without excessive cruelty to children.

- **Most poor, single mothers with little education cannot support a family.** A self-sufficiency policy should invest in the work potential of fathers or husbands who ultimately will support many current recipients.

- New taxes to pay for services to welfare mothers are unlikely to pass on the heels of health care reform taxes: **a balanced budget option is needed.** Shifting the burden of investment from society to the individual over time is budget neutral and couples opportunity with responsibility.

I. *Training or education during a two year period will not be sufficient to free all mothers of welfare dependency.*

The evaluations of welfare and training programs show that we do not yet know how to design a program that will create a large exodus from the welfare rolls. In the twenty plus programs evaluated by MDRC,[1] low cost interventions ranged from $118 per person in Arkansas to $953 in Baltimore. Low cost services generally include job search and/or short term work experience. High cost services, such as on the job training or supported work, ranged from about $2,000 to $17,000 (See Table A.1 attached). Returns on the investment (to taxpayers and recipients) tend to be roughly proportional to what is invested, although more expensive services are typically targeted on a select or voluntary segment of the caseload (See Graphs: "High-Cost Services versus Low-Cost Services).[2]

The result of these investments is typically a modest rise in the propensity to work. The participant sees a modest rise in income and the government gets a small savings in welfare grants. Very few recipients, however, actually leave welfare after the service intervention. Table 4.2 summarizes a range of results from various programs. Only San Diego and Arkansas managed to raise exit rates more than a percentage point or two. Even a seven or eight percent increase in exit rates will not be sufficient to help all mothers permanently leave welfare in two years.

Traditional classroom education assistance for basic skills and GED completion has not been thoroughly tested. Despite the lack of evidence, the Family Support Act mandates that education rather than training should be the mandatory activity for those with no diploma or low literacy levels. Practitioners, on the other hand, stress that many high school dropouts do not want to return to schooling activities and often fare better when encouraged to work first. The two year limit will make education oriented programs even less practical. It is difficult to imagine that we could bring someone from illiteracy to a high school diploma in two years even if there were no health or childcare crises intervening. Although education may be a reasonable choice, we have no evidence that mandating educational activities for adults will substantially improve their short term prospects of self-sufficiency.

In sum, we have no evidence that we can design a training program that could prepare a cross section of welfare recipients for self sufficiency within two years. Flexibility to try work, training or education in any order and rebound from failures seems to be a better model than a strict linear progression from formal education or training to work. Spending significant new money on a national scale training program for welfare mothers cannot be a recommended course of action.

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[1] Gueron and Pauly, From Welfare to Work.

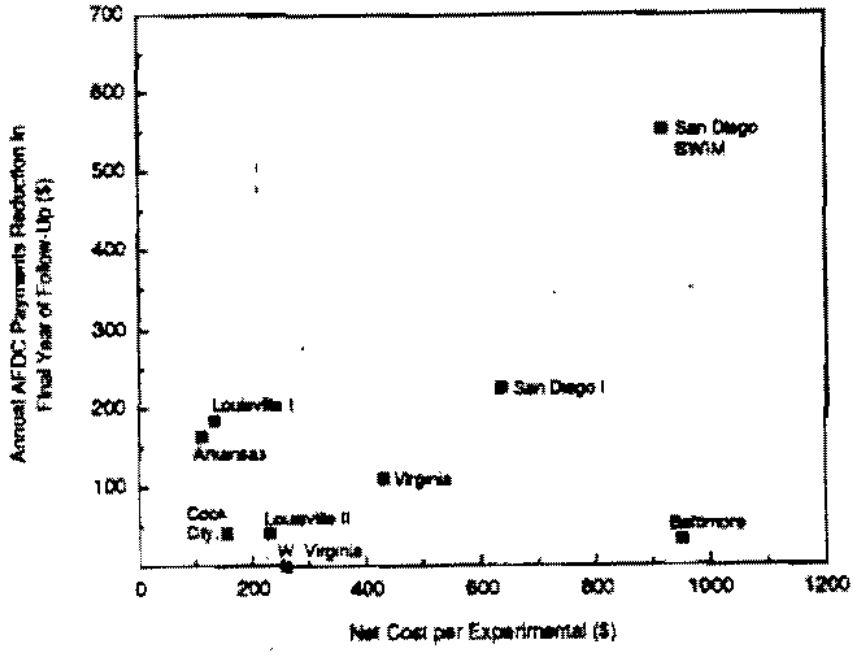
[2] Friedlander and Gueron, "Are High-Cost Services More Effective Than Low-Cost Services?" in Manski and Garfinkel, *Evaluating Welfare and Training Programs*.

TABLE A.1 ESTIMATED COSTS PER EXPERIMENTAL OF SELECTED WELFARE-TO-WORK PROGRAMS

Program	Direct Costs		Direct and Indirect Costs		Data Sources
	Gross	Net	Gross	Net	
Broad-Coverage: AFDC					
Arkansas	$122	**$118**	$162	**$158**	A,J
Baltimore	1,050	**953**	N/A	N/A	A
Cook County: Job search only[a]	107	**102**	391	**127**	A,J,C
Cook County: Job search/ work experience	154	**149**	421	**157**	A,J,C
Louisville Group Job Search	552	**230**	N/A	N/A	A
Louisville Individual Job Search	171	**136**	N/A	N/A	A
San Diego I: Job search only[a]	673	**562**	835	**510**	A,S,O
San Diego I: Job search/ work experience	761	**636**	875	**577**	A,S,O
San Diego SWIM	842	**643**	1,545	**919**	A,J,C,E
Virginia	451	**412**	611	**430**	A,J,C,E
West Virginia	459	**260**	N/A	N/A	A
Broad-Coverage: AFDC-UP					
Baltimore[b]	643	**552**	N/A	N/A	A
San Diego I: Job search only[a]	699	**586**	809	543	A,S,O
San Diego I: Job search/ work experience	850	**727**	836	672	A,S,O
San Diego SWIM	801	**604**	1,292	**817**	A,J,C,E
West Virginia[b]	537	**136**	N/A	N/A	A
Selective-Voluntary: AFDC					
AFDC Homemaker-Home Health Aide	9,505	**9,505**	N/A	N/A	A
Maine	2,679	**2,019**	2,813	**2,286**	A,J
New Jersey	1,197	**787**	1,642	**860**	A,J
Supported Work	17,981	**17,981**	N/A	**17,528**	A,S

SOURCES: Direct costs were estimated using program accounting and tracking data (A). Indirect costs were estimated using sources indicated in the last column of the table: program accounting and tracking data (A); surveys of the research sample (S); JTPA data (J), which covers only selected training programs for Arkansas; community college data (C); adult education data (E); and other records (O). N/A indicates that indirect cost estimates are not available. Estimates are calculated from data in Friedlander et al., 1985b (Arkansas); Friedlander et al., 1985a (Baltimore); Friedlander et al., 1987 (Cook County); Goldman, 1981 (Louisville); Goldman, Friedlander, and Long, 1986 (San Diego I); Hamilton and Friedlander, 1989 (San Diego SWIM); Riccio et al., 1986 (Virginia); Friedlander et al., 1986 (West Virginia); Orr, 1987 (Homemaker-Home Health Aide); Auspos, Cave, and Long, 1988 (Maine); Freedman, Bryant, and Cave, 1988 (New Jersey); Kemper, Long, and Thornton, 1981 (Supported Work); unpublished MDRC data for Arkansas, San Diego I, Virginia, and West Virginia.

NOTES: "Direct costs" are those incurred by the operating agency, while "indirect costs" were incurred by other agencies; "gross costs" are the full costs per experimental, while "net costs" subtract from gross costs the costs of serving controls. Cost estimates shown in boldface type best reflect the net cost of services in the intended service sequence; these are the costs cited in this volume (see Appendix A text for details).


Annual AFDC Payments Reduction in Final Year of Follow-Up ($)
700
600
500
400
300
200
100
0
200
400
600
800
1000
1200
Net Cost per Experimental ($)
San Diego SWIM
San Diego I
Louisville I
Arkansas
Virginia
Cook City
Louisville II
W. Virginia
Baltimore

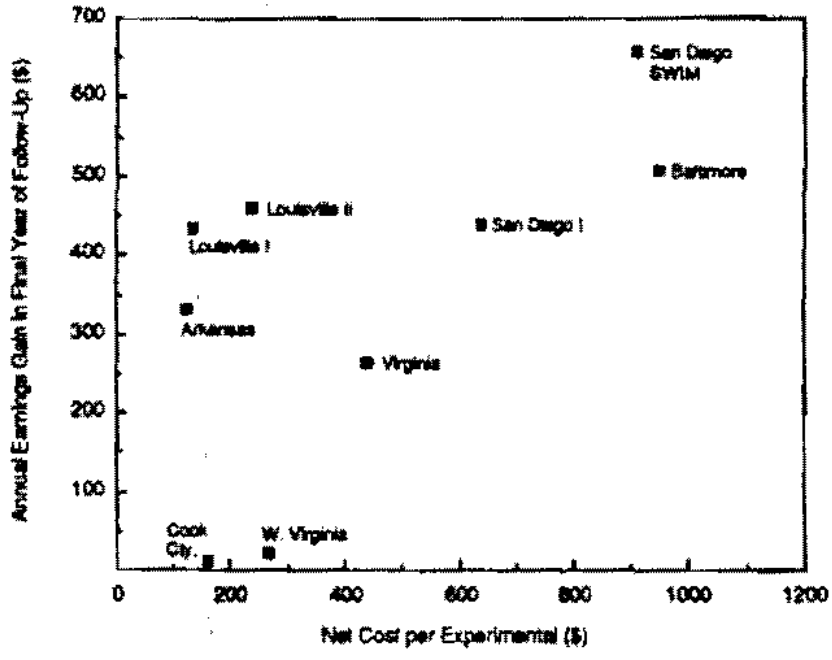

Annual Earnings Gain in Final Year of Follow-Up ($)
700
600
500
400
300
200
100
0
200
400
600
800
1000
1200
Net Cost per Experimental ($)
San Diego SWIM
Baltimore
Louisville II
San Diego I
Louisville I
Arkansas
Virginia
Cook City
W. Virginia

TABLE 4.2 IMPACTS OF SEVEN WELFARE-TO-WORK PROGRAMS ON AFDC ELIGIBLES

Location, Outcome, and Follow-Up Period		Experimental Group Mean	Control Group Mean	Difference	Percentage Change
Arkansas					
Average Earnings	Year 1	$ 674	$ 507	$167**	33%
	Year 2	1,180	957	223	23
	Year 3	1,422	1,085	337**	31
Employed at End of	Year 1	20.4%	16.7%	3.7*	22%
	Year 2	23.9	20.3	3.6	18
	Year 3	24.5	18.3	6.2***	34
Average AFDC Payments	Year 1	$998	$1,143	-$145***	-13%
	Year 2	793	982	-189***	-19
	Year 3	742	910	-168***	-18
On Welfare at End of	Year 1	51.0%	59.1%	-8.1***	-14%
	Year 2	38.1	46.0	-7.9***	-17
	Year 3	32.8	40.1	-7.3***	-18
Baltimore					
Average Earnings	Year 1	$1,612	$1,472	$140	10%
	Year 2	2,787	2,386	401***	17
	Year 3	3,499	2,989	511***	17
Employed at End of	Year 1	34.7%	31.2%	3.5**	11%
	Year 2	39.5	37.1	2.4	6
	Year 3	40.7	40.3	0.4	1
Average AFDC Payments	Year 1	$2,520	$2,517	$2	0%
	Year 2	2,058	2,092	-34	-2
	Year 3	1,783	1,815	-31	-2
On Welfare at End of	Year 1	72.0%	73.3%	-1.4	-2%
	Year 2	58.7	59.0	-0.3	-1
	Year 3	48.2	48.4	-0.2	0
Cook County					
Average Earnings	Year 1	$1,227	$1,217	$10	1%
Employed at End of	Year 1	22.6%	21.4%	1.3	6%
Average AFDC Payments	Year 1	$3,105	$3,146	-$40	-1%
On Welfare at End of	Year 1	78.9%	80.8%	-1.9**	-2%
San Diego I (Applicants Only)					
Average Earnings	Year 1	$2,379	$1,937	$443***	23%
Employed at End of	Year 1	42.4%	36.9%	5.5***	15%
Average AFDC Payments	Year 1	$2,524	$2,750	-$226***	-8%
On Welfare at End of	Year 1	45.8%	47.9%	-2.0	-4%

(continued)

TABLE 4.2 (continued)

Location, Outcome, and Follow-Up Period		Experimental Group Mean	Control Group Mean	Difference	Percentage Change
San Diego SWIM					
Average Earnings	Year 1	$2,029	$1,677	$352***	21%
	Year 2	2,903	2,246	658***	29
Employed at End of	Year 1	34.7%	26.9%	7.7***	29%
	Year 2	34.7	29.3	5.4***	18
Average AFDC Payments	Year 1	$4,424	$4,830	-$407***	-8%
	Year 2	3,408	3,961	-553***	-14
On Welfare at End of	Year 1	66.0%	72.4%	-6.4***	-9%
	Year 2	51.3	58.7	-7.4***	-13
Virginia					
Average Earnings	Year 1	$1,352	$1,282	$69	5%
	Year 2	2,268	1,988	280**	14
	Year 3[a]	2,624	2,356	268*	11
Employed at End of	Year 1	34.7%	31.0%	3.8**	12%
	Year 2	39.3	33.3	6.0***	18
	Year 3[b]	38.7	34.1	4.6***	13
Average AFDC Payments	Year 1	$1,961	$2,029	-$69	-3%
	Year 2	1,480	1,516	-36	-2
	Year 3[b]	1,184	1,295	-111**	-9
On Welfare at End of	Year 1	59.8%	59.4%	0.4	1%
	Year 2	44.0	44.9	-0.9	-2
	Year 3[b]	36.6	39.3	-2.6	-7
West Virginia					
Average Earnings	Year 1	$451	$435	$16	4%
Employed at End of	Year 1	12.0%	13.1%	-1.0	-8%
Average AFDC Payments	Year 1	$1,692	$1,692	$0	0%
On Welfare at End of	Year 1	70.9%	72.5%	-1.5	-2%

SOURCES: Data from Friedlander and Goldman, 1988; Friedlander, 1987; Friedlander et al., 198 Goldman, Friedlander, and Long, 1986; Hamilton and Friedlander, 1989; Friedlander, 1988. Friedlander et al., 1986; and additional MDRC estimates of annual values.

NOTES: The earnings and AFDC payments data include zero values for sample members n employed and for sample members not receiving welfare. Estimates are regression-adjusted usin ordinary least squares, controlling for pre-random assignment characteristics of sample member There may be some discrepancies in experimental-control differences because of rounding.

In all programs except the San Diego SWIM program, year 1 begins with the quarter of rando assignment. For employment and earnings, the quarter of random assignment refers to the calend quarter in which random assignment occurred. As a result, "average earnings" in year 1 may inclu up to two months of earnings prior to random assignment. For AFDC payments, the quarter random assignment refers to the three months beginning with the month in which an individual w randomly assigned. In the San Diego SWIM program, where all outcomes were calculated f calendar quarters, year 1 begins with the quarter following the quarter of random assignment.

II. *Redirecting funds from consumption into self-investment as time passes is compatible with what we know about the returns to training investments.* Although the returns to training are not large, we can still maximize them.

Surprisingly, our interventions with long term recipients are most successful. There is a significantly better return on investment to training interventions for applicants with a prior history of welfare receipt and recipients on a spell for longer than two years.[3] Note that new AFDC applicants returning to welfare were helped by services far more than those applicants arriving for the first time. Among current recipients, those on AFDC for more than two years and with no work history benefited from extra help more than the average recipient. What Table 4.3 does not show are the percentage changes in earnings or welfare receipt which would show that the intervention was even more successful among lower tiers in the system who tend to earn less on average.

It is not surprising that the returns to interventions for all first time applicants are relatively low. We know that within two years half will get off by themselves anyway and a third of all newcomers will get off never to return.[4] What the data in Table 4.3 do not show, however, are returns to investing in target groups of potential long term recipients at the time of their first application. Even without experimental data to prove it, it seems that investing early in the most at-risk new entrants would pay off. The net present value of benefits we can expect to pay to a never married mother is about **$38,000 for AFDC payments alone.** When average levels of food stamps, housing and medicaid are included, the present value of benefits for the average never married mother is almost **$97,000.**[5]

In the "Hill" option, we can take advantage of what we know about returns to investments in welfare recipients. We can target the more expensive training interventions on those who probably have the biggest skills or emotional problems: those who stay despite significant decreases in the benefit level. We can use modest interventions to help those who have stayed longer than two years and may simply need an extra nudge. Surplus funding from unused investment entitlements could be directed toward early intervention for these at-risk groups. For the majority of first time applicants, however, the best service is probably providing the maximum level of cash assistance, some help to get on their feet if they want it, and a guarantee that their current cash income is not a way of life. Mandatory activities such as work or education should be required at every stage for whom it is appropriate.

Using the "Hill" option we can start making sensible investments that work without increasing the deficit. Instead of just cutting people off or letting them stay, we can shift slowly and sensibly from billions of consumption dollars to billions of investment dollars.

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[3] Table 4.3, From Welfare to Work.

[4] See Ellwood 1986, "Targeting the Would Be Long Term Welfare Recipients" or Ellwood and Bane 1983. More recently updates on tenure data have been presented to the Working Group on Welfare reform.

[5] Calculations based on the Ways and Means Green Book and the Working Group's tenure data.

TABLE 4.3 PROGRAM IMPACTS ON QUARTERLY EARNINGS AND AFDC PAYMENTS FOR MAJOR SUBGROUPS OF AFDC APPLICANTS AND RECIPIENTS

Subgroup and Outcome	San Diego I	Baltimore	Virginia	Arkansas	Cook County[a]
First Tier					
Applicants with No Prior AFDC:					
Earnings	$37	$121	-$13	$26	$ —
AFDC Payments	-5	-9	-28	-31	—
Second Tier					
Applicant Returnees:					
Earnings	$158**	$188***	$114*	$211***	$ —
AFDC Payments	-47	-15	-16	-19	—
Applicant Returnees with Less than $3,000 Prior Earnings:					
Earnings	151**	253***	20	202**	—
AFDC Payments	-63*	-19	-29	-22	—
Third Tier					
All Recipients					
Earnings	$ —	$37	$69*	$19	$46**
AFDC Payments	—	5	-24	-60***	-13
Recipients with More than 2 Years on AFDC:					
Earnings	—	0	110**	14	—
AFDC Payments	—	19	-48**	-44*	—
Recipients with No Prior Earnings:					
Earnings	—	104**	70	29	12
AFDC Payments	—	1	-26	-63***	-6
Recipients with No Prior Earnings and More than 2 Years on AFDC:					
Earnings	—	88	94*	26	—
AFDC Payments	—	-1	-48**	-48*	—
Full Sample					
Quarterly Impact:					
Earnings	$118**	$96***	$72**	$70**	$19
AFDC Payments	-33	-5	-23*	-40***	-13
Average for Control Group:					
Earnings	773	634	541	257	451
AFDC Payments	469	501	345	232	646

SOURCE: Data from Friedlander, 1988b.

NOTES: Tiers are mutually exclusive; subgroups within tiers overlap. All values are quarterly averages for the fourth through the last quarter of follow-up. Estimates include zero values for sample members not employed and for sample members not receiving welfare.

A two-tailed t-test was applied to differences between experimental and control groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

[a]The definitions of "applicant" and "recipient" for Cook County are not strictly comparable to those of the other programs. See the text of Friedlander, 1988b, for discussion.

III. *Providing jobs for those who cannot find them will be more expensive than continuing to pay AFDC. Whether we provide high quality job experiences or just workfare, organizing, supervising and monitoring will add cost.*

The cost of a job equivalent to those offered under CETA would be $17,000 today. At minimum wage it would still cost $9,000 to $10,000. If this sort of job were offered to all welfare recipients who were on welfare for more than two years, we would need over 2 million jobs at a cost of about $10 billion more than what we currently pay for welfare. In addition, we would need to pay for day care, transportation and the alleviation of other obstacles to work if we expect mothers with young children to work or starve. Why would anyone leave this system when they can receive almost $8,000 per year in a completely secure job with no obstacles to work? Subsidized work is not necessarily the end of welfare.

The attraction of CWEP (Community Work Experience Program), a synonym for workfare, is that the recipient receives no more and no less than their welfare entitlement. Overheads may be very low because the welfare agency can simply require recipients to show up and work at the parks and recreation service or a non-profit organization. Workfare providers, recipients and their sympathizers tend to be very critical of workfare because it does not allow people to earn a pay check for an honest hour's work. Nor does workfare provide anything to put on a resume in order to gain future employment. Proponents of workfare tend to see it more as a deterrent to staying on welfare than a curative for the negative aspects of welfare.

A middle ground in this debate is a 20 hour per week job at minimum wage for all AFDC recipients who reach the end of the two years and cannot find a job. The benefit level would then be over $320 per month (80 hours per month at $4) for everyone in every state. Since this is a lower level than the current average benefit level, the Federal government ought to be near indifferent to this proposal especially if it reduces the caseload. States however, may not want to lower or raise their benefit level so dramatically. Perhaps states could be allowed to offer 10, 20 or 30 hours of work. This low cost option would not be incompatible with the "Hill."

Work requirements in any form leave a number of open questions. Would recipients find this secure job more attractive than private sector work? After the two year mark, what would happen to those who have problems such as children under 1, illness, or emotional problems? Are we willing to let those people and their children slip off the edge if they cannot manage to work regularly? This leads to the fourth observation which is on work requirements.

IV. *A work requirement will be difficult to enforce in a way that would be meaningful to the public without severe hardship on many poor children.*

"..no program can achieve a participation rate even close to 100%" [6] The San Diego Saturation Work Incentive Model (SWIM) had one of the strongest enforcement systems of all the full participation, mandatory programs that were monitored by the MDRC. However, 38% to 62% still became ineligible due to illness, pregnancy, or other circumstances

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[6] Gueron and Pauly, *From Welfare to Work.*

recognized by the program. Among the eligible population a great deal of staff effort was required to obtain participation rates varying between 35% and 60%. "About half of about half" is equal to about 25% of the caseload. Would the average voter believe that a universal work requirement only affected 25% at any given time? Would AFDC recipients believe it?

Even without taking into account disabilities, the normal emotional and personal crises will make work requirements difficult to enforce in a way that is comprehensive enough to convince the average voter and yet responsive to the real problems of people with no alternatives or resources. How do you treat a woman who becomes pregnant while working in a public job after two years of welfare? When she can't work, does she get nothing? If you exempt her for a year, aren't you dramatically increasing the incentive to continuously bear children?

The "Hill" option will encourage those who can to leave. Those who stay will need--and get--more help. After the two years, those who have emotional problems, substance abuse problems, an additional child or other crises that prevent work should be allowed to have a safety net...**but not at the same rate as first time recipients.**

Work requirements are compatible with the notion that benefits should fall over time. If a cost effective, humane work program can be designed, why not start on day one for those who can work but cannot find a job? As the individual stays in the system longer, work exemptions will get harder to come by and the number of hours offered will be fewer. In a high benefit state, the minimum wage job could start at 40 hours then fall to 30 or 20. In the end, a subsidized job is just another form of welfare. Neither cash payments nor subsidized work should become a permanent way of life.

Is it fair to "sanction" people over time just because they cannot find a job in a weak economy? If a poor mother cannot find a job for two years, it is probably her location (or skill level) rather than the economy. She should be expected to move (or train) just as other working parents are expected to move in order to find work. The Bureau of Labor Statistics projects than over 24 million net new jobs will be created in the U.S. by 2005. Over 10 million people find work in a given year that did not work the year before.[7] The economy is not so bad that a person can stay on welfare for six years and claim there are no jobs.

motivation, self esteem

V. *It is very difficult for a poor, single mother with little education to support a family. A self sufficiency policy should invest in fathers or husbands as well as mothers.*

Ellwood and Bane have presented to the working group supporting data on this subject which I will not reproduce here. To summarize, low earnings for women and the need to cover child care, housework and paid work make two parent families a much more economically viable solution. Marriage or child support is a more likely route to self sufficiency for many welfare mothers. For these reasons, an entitlement for investment services should be transferrable to husbands, fathers or children. We could encourage family formation. Women with very young children or other work obstacles could still take advantage of opportunity enhancing services.

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[7] For more detail on the aggregate economic situation for those leaving welfare there is a CEA/NEC background paper. It includes more information about service sector jobs, turnover, unemployment and labor force participation rates.

VI. *New taxes to support more services to welfare mothers are unlikely to pass on the heels of health care reform taxes:* ***a balanced budget option is needed.*** *Lowering cash and forcing self investment resonates with the social compact of opportunity and responsibility.*

In addition to being budget neutral, the program is compatible with our mainstream social values. If welfare is a hand up rather than a hand out, it is not unreasonable to expect the assistance to be more generous to a first time applicant than a ten-year, backslider. The "Hill" sends a very concrete, predictable message to those inside and outside the system: long term welfare stays are not a sign of success. The system no longer becomes a cops and robbers game of trying to enforce work on the one hand and obtain trumped up exemptions on the other. As a person relies on welfare longer, one receives less cash and more help. This is a tough love approach.

With such a system in place, the public may become more interested in providing assistance to disadvantaged families. States might be more likely to raise the initial benefit level knowing that long term recipients will not receive the maximum cash grant. As people leave welfare because work becomes marginally more attractive, the ensuing budget reductions may also stimulate greater generosity for the basic grant level. The public will feel more comfortable with a system that does not pay out over $12 billion in cash annually to people who have been on welfare in excess of 4 years. Those who play by the rules and use welfare as a temporary measure would be treated unambiguously better.

A dramatic, immediate change in the social contract would take place in states that opt for the "hill." In the first year of operation, a ten percent reduction in benefits could be implemented for all those who have been on welfare for more than two years. This entire pool of funding would be immediately available to fund job related programs for those on reduced benefit. Additional increments to the investment entitlement could be added in later years (See cost estimates for the hill). The speed of implementation would not be limited by the budget, as other front end loaded programs would be (See cost estimate for the cliff). There would be no reason to insist on a grandfather clause if the minimum level of the safety net is phased in over 3 to 4 years and is not draconian. Overnight, welfare as an accepted, permanent way of life for 5 million families would be over.

4,500 avg ben. level AFDC

33% cut 3,000 not working or 4400 min wage

Avg FS + AFDC 7,500

33% cut @ 3rd yr 5,000 work 6,750 work 10% cut

20 hrs 4420 2900

WR - Ideas

July 17, 1993

Appendix A. Job Development Case Studies: America Works and TEE

I. **What are these programs?** Both America Works and TEE (Transitional Employment Enterprises) function as temporary help agencies. Employers are able to "test drive" welfare mothers for six months at a reduced wage before deciding whether to employ them permanently. During the trial period, the program collects money from both the employer and the welfare agency and provides a paycheck to the job candidate. Both TEE and America Works are paid a lump sum bonus when the job candidate is hired permanently and stays in the job for a specified period of time.

Job development and placement, however, is not all they do. These programs resemble the Work Support Agency being described in the current welfare reform effort. At America Works the staff helps job candidates before and after placement to solve problems that could impact their jobs. America Works representatives will help with almost anything: rearrange welfare appointments outside work hours, represent the candidate at child support court hearings, find child care, avoid having the recipient's electricity shut off, etc.

What makes America Works and TEE truly unique are their organizational status. Both organizations are private, whereas the work support agency is generally conceived as a public entity. TEE is a non-profit organization. America Works is a for-profit, private enterprise.

II. **Do they work?** The success of these programs is a controversial point. America Works claims to place about 2/3 of their trial workers in permanent jobs. Critics have accused the program of creaming the best applicants in order to increase profits. While non-profit TEE has received less criticism, it has also received less publicity. Neither program has been rigorously evaluated with control groups.

These programs rely in part on the principle of supported work which has been extensively evaluated by MDRC. Significant, positive impacts were found in programs that allowed AFDC recipients to experience increasing responsibility and stress as they were transitioned gradually from a totally supported work environment to self sufficiency. In the area of supported work, these programs are based on concepts that are known to work well.

III. **What Lessons Can We Learn?** There are three design features incorporated in America Works of which we do not know the effectiveness:

1) pay for performance incentives
2) using a private rather than a governmental institution
3) profit making

Since job development could be organized with any combination of these design features, it would be worth evaluating each of these components individually.

- *Pay for performance:* This is a critical, yet untested design feature in both the TEE and America Works programs. The state governments using their services pay a fee equivalent the foregone AFDC payments after the recipient has been self sufficient for a given period of time. There is no reason, however, that this incentive structure needs to be linked with either privatization or profit-making. An evaluation of pay for performance incentives should include a controlled experiment using public employees with the same incentives as, for example, America Works. Furthermore, we should test the provision of similar incentives to the recipients themselves. A sound evaluation would cover a range of institutional structures with similar incentive schemes.

Certain minimum design standards for the incentives should be met in order to provide a fair test. If the fee is always the same no matter how difficult to place the employee is, there is a clear incentive for creaming. Even without creaming, a flat fee is unfair to taxpayers. Some individuals, such as divorced mothers over 25, are much more likely to get off welfare within a year without help than others. To pay a large bounty for this group is not likely to save tax dollars. In addition, safeguards against churning should be in place. Whether bonuses are paid to government employees, private employees or the AFDC recipients themselves, there must be some disincentive to recirculate the same people through the system every year. Before evaluating the pay for performance principle, we should ensure that we are evaluating it in its best possible form.

- *Private v. public:* An evaluation that compares private organizations for job development to government job development assistance should shed light on two important open questions. Can private organizations win the trust of the local employers more easily and thereby provide better job development services than a public entity? Can private institutions increase their effectiveness with more flexibility in organizing employee incentives because they do not have to comply with government employee regulations? If pay for performance is found to be effective, this may be an argument to encourage the role of private institutions.

One potential disadvantage of relying on private institutions is the inability to guarantee uniform quality or broad national coverage.

- *Profit making:* The importance of profits to job development effectiveness can be evaluated in isolation from pay for performance and non-governmental status. With similarly designed incentive structures, is a for profit enterprise more effective than a non-profit? Competition could lead to higher quality and higher placement rates at the lowest cost to employers and taxpayers. On the other hand, the desire to maximize profits may exacerbate the moral hazards of creaming and churning to increase the number of bonuses.

Until a careful evaluation is undertaken that evaluates these three components of the America Works and TEE programs, the controversy that surrounds them will continue.

February 22, 1994

MEMORANDUM FOR DAVID, MARY JO, AND WENDELL

FROM: BRUCE

SUBJECT: Comments on 2/22 a.m. drafts

I. WORK

1. Nice try, but I hate the name TAP. I'm not convinced we need to change the name of the JOBS program at all (remember who thought it up in 1988), but we certainly should wait until we can agree on an alternative name we all like and that means something. Otherwise a new acronym just adds to the confusion rather than clarifying it (cf. WORK). Remember we have also just added the JOBS Preparation phase.

2. The brief section on pp. 1-2 about JOBS needs to make clear that we are 1) requiring recipients to sign a Personal Responsibility Contract that lays out their obligations; 2) asking everybody to do something; and 3) changing the culture of the welfare office to move people into work and help them stay there. Those points came through in the December document but are lost here. With all the talk about deferrals, extensions, preparations, etc., it would be a mistake not to stress loudly that we're raising expectations on everybody.

3. Job search: We're not going to let this one go. If you don't want to include a detailed discussion on this issue, at least describe the true state of play. For example: "Much stronger focus will be placed on immediate job search, job placement, and worker support. One option would be to require all applicants to go through supervised job search as a condition of eligibility for benefits; another option would be to give states the option to require immediate upfront job search for all. Those who are offered work will be expected to take it."

4. Job Placement Bonus and Worker Support: We're not going to let this go, either. Let me explain it again: Our suggestion was to set aside a certain percentage of JOBS (say, 25%) for the specific purpose of encouraging states to establish incentive plans that will reward caseworkers and welfare offices for helping people find work and keep it. Nothing like this happens under current law -- perhaps it could (although I'm not sure), but it doesn't and probably won't unless we figure out a way to encourage it. This is not meant as a privitization idea at all; on the contrary, the goal is to reward performance within the public system. We can quarrel over the exact percentage, and we can argue over whether the bonuses should go to caseworkers who find jobs for people who've been on the rolls for 1 year or just for people who've been on for much longer. But I don't see why we can't agree on the principle that we want to encourage, even require, states to explicitly develop and submit to HHS plans for how they intend to reward performance and worker support.

5. Choice and Standards: The Labor Dept.'s Workforce Security plan has two other ideas to encourage choice, competition, performance, etc. One is easy: require that welfare offices provide recipients with consumer information on the job placement records of the various programs and services available to them. The other is worth a significant demonstration: giving governors the option to create charter welfare offices, which would allow for the possibility of competition between two or more JOBS programs in one market.

6. Sanctions: Somewhere in the discussion of the JOBS program, it's necessary to have a reference to the sanctions issue. This isn't a Specs issue; it is fundamental to whether we can actually get everybody to do something. We prefer the APWA recommendation to impose a 25% sanction on AFDC and Food Stamps.

7. Part-Time Work: These arguments as written are unfairly biased toward the result you want (e.g., suggesting that not counting part-time work will lead to 600,000 more WORK and JOBS slots for full phase-in by 2004 -- when we're not even contemplating full phase-in). I also believe that with our current phase-in, stopping the clock indefinitely for part-time work is no longer a relevant cost factor in the near term, and only a modest one in the intermediate term. Since this is sure to be a contentious issue, and looks to us like one more loophole than we need, there must be a way to make it a state option to stop the clock for part-time work (at a level of hours -- 20-30/week -- set by the state), rather than mandating it nationwide. Some states like Michigan will think your idea is great; others will think it squish-headed.

8. Food Stamps: The idea I was trying to explain earlier is to make it a state option for states to do what Oregon is doing, which is use both Food Stamps and AFDC (in the WORK program) to subsidize private sector jobs. I know cash-out is always a battle, but it's one the President has been willing to fight before.

9. Requiring acceptance of any private sector job offer: This requirement should apply throughout the program -- to JOBS participants as well as people in the WORK program.

10. Time Limits for WORK: Again, the arguments are somewhat skewed. The draft says that a 3 year limit on WORK placements could push up to 50% of WORK participants off of support, when those of us who favor such a limit are not suggesting pushing them off of support at all, but rather reducing their support. (I also think it's dangerous, not to mention misleading, to concede that 50% of the people in WORK might still be there after 3 years, while implies that we're having no impact on long-term dependency after all.)

11. Work Opportunities in Existing Programs: Since this document is for the Cabinet, we should go out of our way to point out that we would like to use existing Administration initiatives to find jobs for people leaving welfare. The top candidates are child care/Head Start, housing rehab, Empowerment Zones, National Service, etc.

12. Minor line edits:

-- October 1996 should read simply 1996 or FY97

-- Born After 1970 should read Born Since 1970

-- Don't forget to mention that we're reducing the number of extensions over current law

-- We should be careful about promising to increase the match, offer more money, or make other amends to areas of high local unemployment until we figure out what we're really talking about. It's safer to refer to "times of recession".

II. PARENTAL RESPONSIBILITY

1. Paternity: This section is quite good, but we would like to allude to the option of using this new, tougher and smarter cooperation requirement to help determine the queue for other non-universal entitlements, like housing and possibly child care for the working poor.

2. Child Support Assurance: It's misleading to say that a number of states have expressed a strong interest in implementing a CSA program, when it's a small number and many states have argued strongly against it. In any case, it is still necessary to put the same disclaimer on this that we used for the December document: "The President has never endorsed child support assurance, and there is considerable debate within the Working Group about its merits."

3. Demonstrations on Prevention: These demos sound too broad and too vague to prove much. They still sound like the kinds of service-based programs you so effectively debunk. I suggest we say in the paper that we're still looking for the right approach.

Minor line edits:

-- Tone down rhetoric on dooming society (p. 1) and "cruelly hypocritical" (p. 2)

-- First sentence of Noncustodial section should say that "the needs and concerns [add: and responsibilities] of noncustodial parents are often ignored."

-- I could go either way on comparisons to the GOP bills, but our approach should be standard across sections.

III. MAKING WORK PAY/CHILD CARE

1. Targeting: I think it's a mistake, when we are trying to persuade young people to delay childbearing until they are ready for it, to reward or convenience very young mothers with children. It makes more sense to target the assistance to the age of the child, as Head Start did -- starting with 5-6, then 4-6, 3-6, etc.

2. Child Care Workers: It's great that you mention this as a source for WORK slots, but is a fraction of 5% all we'll have to spend on training them?

LVR 2/7/94

NEED TO DO

1. BUDGET OPTIONS
2. DECISION MEMOS
3. BC MTGS.
   - Overview/Dynamics/Costs/Financing
   - WORK (Jobs/time limits)
   - Child care
   - Child support
   - Parental responsibility
4. REGULAR WH BUDGET MTGS. (present 7:30)
   - Not just spec mtgs - Comments on paper
5. WORK MTGS
   - where the jobs are
6. LEWIS STRATEGY
   1. Other bills?
   2. GOP
7. ROLLOUT PLAN
8. POLICY GAPS
   1) Fraud
   2) State innovation
   3) Sanctions
9. WORKING GRAD
10. PARENTAL RESPONSIBILITY
11. CONNECTIONS TO SSI, IMMIGRATION
12. PERSONNEL
13. AFSCME
14. DISPLACED WORKERS

mtgs BC

① DETAILED CS + PATERNITY SPECS
② TECH GUIDANCE RE WHS TECH REQUIREMENTS
③ CONG MTGS: 1) Breaux 2) Ford 3) Matsui 4) Kennedy 5) H. Ford
④ 7:30 SHARON MTGS. (JEREMY)
⑤ H. CARE: LIAISON
⑥ WRITER

Key Cost Issues by mon wk.

1. CHILD CARE. 1) Working poor 2) work program 3) public workers
2. PARENTAL RESP: 1) Paternity 2) Formula 3) Demos: NCPs + CSA
3. MAKE WORK PAY: 1) Advance Payment 2) HC subsidies
4. JOBS: 1) Exemptions (APWA) 2) Volunteers 3) Upfront Job Search 4) Part-time work.
5. WORK: 1) Pay rate (FS + AFDC) 2) Time limit 3) EITC 4) Econ conditions, 5) Child care 6) System tracking
6. PHASE-IN
7. DEMO

CAROL
① One set of numbers: one estimating team

?

SSI drug ||

APRIL 1

- FINISH SPECS DURING MARCH
- PUBLIC NEGOTIATIONS IN MARCH

① DETAILED SPECS BY MARCH 1
② COST + FUNDING PLAN BY MARCH 1
- Key Cost Issues next wk
- Financing memo
- Phase-in document

BY FRIDAY
① Jeremy
② Costs outline
③ Phase-in strategy
④ WORK/JOBS

1) Draft Cost Issues Memo by next Wed.
2) mtgs w/BC
   - Overview/Cost/¶
   - Pare Resp/Child Support
   - Jobs/TL/WORK
   - C. Care etc.
3) Decision memos
4) Personnel, Roll out, Vetting, Congress

WR -- TO DO 2.13.94

Random Ideas
-- Fraud hotline, bonuses to recips who identify fraud
-- Family development accounts
-- Job: child support/custody mediator (missouri)
-- Sanctions: Allow total termination of benefits if determined it won't hurt kids (Md.)
-- pay for performance in JOBS
-- possible alternative to tracking: payments in 3 consec yrs
-- require addicts to get treatment or lose benefits
-- Waiver authority??
-- Time limit Drug SSI

Research
-- How many due CS are on AFDC?
-- Moynihan 1986 study on dynamics of teen welfare (Md or Missouri reference?)
-- Are kids required to attend school?

Give NGA document to BC
** Take full specs to Boca

DRAFT

February 13, 1994

cc: Kathi
Belle
Bonnie
Paul
+ return to me

MEMORANDUM FOR WELFARE REFORM TEAM

FROM: BRUCE

SUBJECT: JOBS AND WORK

Here is another attempt to summarize the DPC/OMB/NEC vision of the JOBS and WORK program.

I. Personal Responsibility: Preventing Welfare Dependency

All recipients will be required to sign a Personal Responsibility Contract that makes clear up front the terms of their assistance -- what they can expect from government and what responsibilities will be expected of them in return.

The Personal Responsibility Contract must include the following conditions:

1. Upfront Job Search: Applicants must go through 30-60 days of supervised job search before receiving benefits. Emergency assistance may be granted in some cases.

2. Paternity Establishment: Require mothers to cooperate with paternity establishment as a condition of benefits. Reduce federal match to 50% for cases in which paternity is not established. Require states to streamline paternity process, provide expedited hearings, and establish rebuttal presumption of paternity..

OPTION 1: State option to reduce or delay benefits until paternity has been established. Limit good cause exceptions to 10% of out-of-wedlock cases (still subject to 50% match). Goal is 90% paternity establishment for new births by the year 2000.

OPTION 2: National requirement that any mother who has a child one year after enactment of this law will not be eligible for AFDC until paternity has been established. (Emergency assistance available if delay is the state's fault.)

OPTION 3: In addition to Option 1 or 2, apply paternity establishment requirements to public housing.

OPTION 4: In addition to Option 1 or 2, require birthing hospitals and prenatal clinics which receive public funds to ask about paternity.

3. Teen Mothers at Home: Minor mothers must live at home and stay in school. Teens shouldn't be allowed to drop out to have a child.

4. No Additional Benefits for Additional Children: Preliminary estimates from New Jersey suggest 10-15% reduction in additional children born on AFDC. Wisconsin projects $141 million in state/federal savings from family cap over next five years (out of $5.4 billion five-year total).

OPTION 1: National rule of no additional benefits for additional children, with some of the savings used to make sure recipients receive adequate family planning information and advice, and some of the savings used for a national campaign against teen pregnancy.

OPTION 2: State option to no longer provide additional benefits for additional children, so long as states also provide family planning information and counseling.

OPTION 3: In addition to Option 1 or 2, prohibit Medicaid reimbursement for fertility drugs while on AFDC (currently paid for in 40 states).

5. Rewards and Sanctions: Give states broad flexibility to condition AFDC grants on responsible behavior: a) requiring parents to make sure their children are immunized; b) requiring teen recipients and teen parents 13-17 to stay in school (state option to reward them for doing so); c) requiring young parents to attend parenting classes; etc.

II. JOBS: Changing the Culture of Welfare

Our biggest challenge is to change expectations for recipients and caseworkers at the same time. As we expand the JOBS program, we need to change the culture of the welfare office to reward work and results.

1. Performance-Based Match: We need to change incentives within the welfare system to get people off welfare as soon as possible they are job-ready.

OPTION 1: A declining federal match (for example, 80% in 1st year, 70% in 2nd year, 60% in 3rd year; 50% in 4th year and beyond) that will encourage states to spend money upfront, and reward states for moving people quickly into the workforce.

OPTION 2: In addition to Option 1, give states the flexibility to reduce benefits over time for long-term recipients. For example, a state might have three tiers of benefits: one for recipients in the 1st 2 years; another for recipients in years 3-5; and a third for recipients still on the rolls after 5 years.

2. Job Placement Bonuses: To change the culture of the welfare office, we need to reward those who find people work and help them stay there.

OPTION 1: Set aside 25% of JOBS money for Job Placement Bonuses. To qualify for the money, states must design a plan to reward caseworkers and placement firms for

successful job placement and retention. State plans would require HHS approval. Bonuses would only be paid if former recipient was still on the job 6-9 months later, and might be limited to placement of recipients on the rolls 6 months or longer. The bonuses could be used for recipients in either the JOBS program or the WORK program.

3. Choice and Competition: In a time-limited system, many welfare recipients will want to move off as quickly as possible. We should follow the Labor Department's Workforce Security model in two areas: a) by creating Charter Welfare Offices, nationwide or on a demonstration basis, which would enable Project Match and other programs to compete to become JOBS programs; and b) by ensuring that welfare offices provide recipients with consumer information on the job placement records of the various programs and services available to them.

4. Everybody Does Something: The definition of activities can be flexible, but everyone in the JOBS program has to do something from Day One. In general, it is better to limit the number of extensions and phase in age groups more slowly than to let the size of the cohort dictate a looser extension policy. No "deferrals" -- everyone must be participating in some way.

5. Work First: State option to require work or community service at any time in the JOBS program, even for those in training. National requirement that anyone who is deemed job-ready be required to work right away. Similarly, anyone who comes back onto the rolls employable should be required to work, even if they haven't reached the time limit.

6. Any Job Is a Good Job: Anyone who is offered a job at any time on AFDC -- in the JOBS program or the WORK program -- must accept the job or lose eligibility.

7. Sanctions: APWA recommendation to impose 25% sanction of AFDC and Food Stamps for non-compliance. Even that won't be enough to change behavior.

8. Job Search Last: The last three months of the two-year time limit must be spent on supervised job search. Recipients must take a job if offered.

III. WORK, Not Welfare

1. Guarantee a Job Offer, Not a Job: The WORK program is not a guaranteed job for life; the only guarantee is that recipients will be offered a job -- in the private sector, in a subsidized public or private sector job, or in community service. Anyone who is offered a job in the private sector must take it.

2. Let the States Decide: The only way to make the WORK program work is to give states broad discretion in designing and administering it. We don't know the right answer, so we should let them experiment:

a. WORK Program Block Grant: Local job markets vary dramatically, and different states will have different needs. The WORK program will provide states a lump sum for each WORK-mandatory individual (including that person's benefits), which will be enough to help pay wages, child care, and perhaps limited administrative costs. States will make money on some recipients and lose money on others. States can use the money to find, subsidize, or create jobs. States will be expected to set up or make use of governing boards with representation from government, business, and labor.

b. Set Their Own Time Limit: Every state should be required to provide WORK positions to recipients for at least 2 years beyond the time limit. Beyond that, states could choose to: 1) provide WORK slots indefinitely; 2) end WORK after 2 years (4 years total on welfare), with some basic safety net; 3) make the WORK program voluntary, with same benefits for those who choose to work, but dramatic (50+%) reduction in benefits for those who don't. Long-termers will still qualify for Job Placement Bonus.

c. Set Their Own Wages: If we gave states the flexibility to set differential benefit levels for short- and long-termers, they could also determine their own wage scales for WORK jobs.

3. Private Sector Subsidies: Wage supplementation should be made easier and encouraged. State option to use both Food Stamps and AFDC to subsidize private sector jobs, and to calculate both in determining wages and minimum hours of required work.

4. Job-Readiness Standards: State option to demand high standards from recipients as a way to increase employer confidence. For example, the WORK program could require drug testing and other basic job screens. Anyone who is fired from the WORK program should get one chance to come back, not several.

5. Spell Out Where the Jobs Are: When we propose legislation, we should make clear where the WORK jobs will be in the public and private sectors:

a. Child Care: Option 1 -- award the IV-A child care money for JOBS and WORK participants to the WORK program, which can use the money to set up child care cooperatives staffed by participants in the WORK program.
Option 2 -- give JOBS and WORK participants vouchers and a choice of child care providers, but require those providers to hire a certain percentage of WORK participants.

b. Housing: Require public housing authorities to spend a portion of their housing rehab money to hire welfare recipients. Work with construction unions to develop nationwide apprenticeship program for residents of public housing.

c. Child Support Enforcement: Missouri wants to use AFDC recipients as child support mediators. They would also make excellent enforcement investigators to relieve the crushing burden on child support caseworkers.

d. Other Federal Initiatives -- Head Start, immunizations, lead-paint removal, Empowerment Zones, family preservation: We need a solid estimate for each.

e. Private sector commitments: We should require that at least 50% of the WORK slots be in the private sector.

6. Mixing Work and Welfare: We should encourage recipients to work, but at some point, we should encourage them to leave the welfare system:

a. Count the EITC as income for AFDC purposes: Once we have advance payment of the EITC, it will be income.

b. A time limit on mixing work and welfare: The clock should slow down for recipients who work, but it shouldn't stop altogether. Perhaps a 4-year limit.

c. Limit earn-back to 3 months: The purpose of earning back eligibility should be to allow a brief cushion in hard times, not welcome people back onto the welfare rolls. No one who has left welfare should be able to earn back more than 3 months of eligibility at any time.

1. Advance payment of the EITC
2. Liberalizing the assets test/Conforming Food Stamps and AFDC filing units or other program simplification
3. Services to non-custodial parents
4. Up front job search requirements
5. Participation rate and federal match rate assumed in JOBS
6. Participation rate and federal match rate assumed in WORK
7. Treatment of part-time work
8. Exemptions
9. Sanctions
10. Time limiting the WORK program and providing an in-kind safety net at some fixed percentage of current benefits
11. Whether additional time on welfare can be earned once a recipient leaves the system
12. Capping administrative costs in the WORK program at a different level assuming more will be borne by employers
13. Eliminating the 100 hour rule, the quarters of work test, or the state option to provide benefits for only 6 months for two parent families
14. Interaction costs with SSI, Food Stamps, Child and Feeding Programs
15. Systems Costs (i.e., AFDC tracking, WORK program and CSE)
16. Fraud
17. Child Support assumptions
18. Child Care assumptions
19. Demos

WELFARE/WORK IDEAS
February 11, 1994

Job Search First
Declining match 90 1st year, 80 2nd yr, 70 3rd yr, 60 4th yr...
(applies only to new applicants)
20% of JOBS $ set aside for bonuses to placement firms and caseworkers.

year 1: job search followed by training
year 2: job search followed by part-time work at state option
year 3: job search followed by work or no benefits
year 4: job search followed by work or no benefits
year 5: job search followed by voluntary work or reduced benefits
-- state option to make work program mandatory
-- people still eligible for placement bonus at any time

phase-in 23-25 & up in 95 or 96 = 2m phased-in; 300k in work
-- don't phase in beyond age 30

size of JOBS/work program: assume max of 2.5m phased in

parallel program for DADS?

Bills. Score
P/G
EITC as income
Job Search 1st

Stemming the flow on to AFDC

*Job search first
*Child support enforcement
*EITC/Healthcare
Additional childcare for working poor (could score as savings if used as jobs)
*No citizenship for children of illegal entrants to U.S.
*Paternity requirements in medicaid plus
*State bonus–match rate for cases in first 2 years with paternity
*Rebuttable presumption of fatherhood with DNA testing

Increasing the flow out:

*Bonus for placement (Designed to score as savings, eg through targeting on first time entrants under 23, bonus increases with number of months on AFDC up to 36)

*States can count federal monies (eg. CCGDB, medicaid, headstart, PHA modernization, etc.) against welfare benefits if paid to provide temporary on–the–job–training.

*Everything counts after 3 years: Cap on federal dollars paid to AFDC recipients at the poverty level. (For example, if a family receives AFDC the total of child support, earnings, EITC, housing, LIHEAP, food stamps, general assistance, etc. cannot be greater than $11,000)

*Federal match falls after year 2 to ??. After year 4 it falls again.

Federal Responsibilities

- **Make work pay** – Only the federal govertment can set up the rules of the game (taxes, health, daycare) so that working is a sensible choice for a single parent.

- **Hold mothers and fathers equally responsible for supporting the children they create** – The federal government can require the non–custodial parent to contribute to their child's support by tracking across state lines, forfeiting tax rebates, allowing wage garnishing and ultimately requiring the non–custodial parent to work.

- **Enforce immigration laws** – Require all parents present at birth to provide proof of legal entry and residence in order to obtain a birth certificate for the child. Children will receive only a "notification of birth" until proof is provided. Children of illegal aliens should not become citizens—they should be deported.

- **Transitional support** – Any of us may be down on our luck for a little while and need a hand up. As a nation, we should insure ourselves and our children against temporary difficulities. The goal should be getting back to work and having a long term plan for building skills and employability through work or education.

  Up to two years: Training (counselling, placement, and skill building services)
  Up to two years: OJT, (community work experience or subsidized private work)
  Three years maximum Training plus OJT.
  Lifetime access to learning while working (One stop/Income contingent grant).

- **Post–transitional maintenance** – Once we have provided all of the above, our only responsibility should be to support children. No federal dollars should be paid to raise families above the national poverty level after they have been on welfare for more than three years. States may require both parents to work in exchange for benefits.

State Responsibilities

- **Maximize number of paternities** – Only states can implement a system in hospitals or through medicaid which maximizes the number of paternities. Not every individual can be held accountable for paternity.

- **Maximize number of child support orders** – Only states can make the process of getting a child support order streamlined and automatic. (Is that true?)

- **Maximize the number of people who receive job offers, who have long term success plans, and who leave welfare as early as possible.**

- **Minimize the number of people who hit the time limit** and are unable to support themselves.

- **Enforce a cap on the total benefits paid to AFDC parents after three years.**

Decide whether a work requirement at that stage is worthwhile.

Individual Responsibilities

- Mother must identify father (or set of likely fathers) at time of medicaid birth, application for AFDC, FS, etc.

- Fathers can be held liable for child support unless they cooperate with DNA testing and it proves negative paternity.

- Parents must show proof of legal residence at birth in order to obtain birth certificate for child.

- Non–custodial parent must pay or work. Wages, tax rebates, or any other federal payment can be garnished and remitted to child's caretaker.

- Custodial parent is expected to work at least part–time as soon as possible (except for high school students.) Those who are in training, college, etc. are still expected to work at least 10 hours per week ASAP.

- JOBS program participants should have a menu of providers to choose from. Since they have only a limited resource (3 yrs), they should have a say in how to spend it. The money must follow the customer choice.

- After three years of training and OJT, the parent may not collect more than the poverty level in assistance while on AFDC.

Gerry Whitburn, 2.11.94

family cap 70%
-- 1m to counties for creative family planning needs and reqmts
-- MOU with every understanding with new recip
-- teach county workers sex education
-- mail twice a year descriptive info family planning
-- face to face assessments twice a year/ must talk about it

birthrate 8% reduction -- $235 million/ $141m - 60 state, 80 fed
federal over 5 yrs; 5.4b over 5 -- 4% reduction
-- pay for performance in JOBS program
-- mandatory upfront job search for 100% -- pause 30 days
-- lagrande OR --
-- divert a certain group/

-- child support enforcement
-- streamline paternity establishment: hypocrisy of arrearages; 49%; didn't want to do at same time as family cap
-- trouble with professional license

NJ -- no spike in abortions. 10-13% since August
fewer babies, not pay benefit, 1 yr less on

8th highest to 31st, 19%
-- economy ...
-- every county is down; 70% are down 30% or more
-- regenerating the stigma

40% of longtermers had 1.4 babies
13,000 babies for
FRAUD...
-- fingerprinting

Children 1st...
-- doubling of child support collections
--
Declining benefits
-- for those who are able bodied, benefits must end sometime

jobs performance...
-- require federal approval of bonus plan

charles murray... jfk message to congress re welfare

welfare shouldn't pay for graduate school and masters degrees;
-- 40 states pay for fertility drugs -- if you're on AFDC
-- Wisc had 59 AFDC recipients last year
-- 3400 Norplants last year...
-- until 1990, you were required

1950s -- increased 110k, 17% (Calif 5x that in 2 yrs)
1960s -- increased 800k, 100%

26 wks of UI vs 2600 wks -- which would you choose

no money for teens -- will turn people to prostitution

diminishing benefits

25% sanction is not enough

2 yrs and off vs 25 years is too long

charles murray -- another book on IQ

stigma... = why murray is so effective ...

any job is a good job... where do mfgs hire their $9-11/hr jobs? From the ranks of $6-8/hr jobs.

1969 , 14% of recips had work; now it's 7% -- 93% aren't doing a damn thing.

our proposal requires work after month one if someone is job-ready. If someone is deemed job-ready, require them to go to work right away. -- 80% are job ready

earning benefits back is bullshit -- it's a crutch
-- 35% of people accessing it over 10 yrs.

608-831-7151 (H)

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

09-Feb-1994 07:40pm

TO: Isabel Sawhill
TO: Kathryn J. Way
TO: Paul R. Dimond
TO: Bonnie L. Deane

FROM: Bruce N. Reed
Domestic Policy Council

SUBJECT: Making WORK work

The more I think about our caseload projections and the prospect of 800,000 people in public sector job slots for life, the more I fear we're headed for political disaster. I'm not worried that Congress would actually pass such a program -- they couldn't pass a stimulus program to create real jobs, so why would they pass a makework jobs program for people on welfare? -- but I am afraid that this administration might make the mistake of proposing it. If we do, we will soon see our allies vanish: the moderates won't want to spend that kind of money, the GOPs will think we're being too generous, the left will think we're being mean-spirited, and AFSCME will use every resource to kill us.

So, we need to come up with an alternative plan unless we want to go down with the ship. Paul, Bonnie, and I have been discussing a few options that could save money and save face:

1. Require that 1/2 the work slots be in the private sector. Subsidizing a private sector job is sure to be cheaper than creating a public one, b/c there will be no administrative costs. The average welfare benefit ($5000/yr) is more than enough to subsidize a full-time minimum wage job, let alone a 20 or 30 hr a week job. (We'll still have to pay child care no matter where the slot is.) This option would come as a great relief to AFSCME -- and also to state govts, which want no part of public jobs programs. We could even include some kind of waiver provision for high-unemployment cities that really want to create more public jobs. Not many would take us up on it.

2. At the same time, require that the other 1/2 of the work slots be in areas where the federal govt is already expanding spending: child care, Head Start, Empowerment Zones, housing, etc. This has the double benefit of saving money we don't have to spend twice, and ensuring that we don't displace existing public sector workers. The states would like it b/c these are all areas where the feds are already picking up most of the tab, so we won't be dumping them with some costly new CETA program. Moreover, doing

this would save us so much money we could even give a little ground on the wage issue if we wanted. We could afford to pay the prevailing wage for child care workers so long as we're paying it to the same people we're trying to move off welfare.

Belle, can we cost out such a proposal? Maybe we could get a time limit for the private sector subsidies, at least -- although I think we should also fight for an overall time limit on the work slots.

Of course, we still need to fight for all our measures that will keep people from going on in the first place -- paternity establishment, teen pregnancy prevention, job search. And we need a way to move people off quicker, whether it's bonuses to America Works style job placement services or a state option to phase in the work requirement even sooner.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

09-Feb-1994 07:46pm

TO: Isabel Sawhill
TO: Kathryn J. Way
TO: Paul R. Dimond
TO: Bonnie L. Deane

FROM: Bruce N. Reed
Domestic Policy Council

SUBJECT: Cash for Addicts

Belle, we need to look hard at possible savings in SSI from cracking down on fraud and abuse in the SSI drug addiction and alcoholism program. You may have seen the story in the Post about Bill Cohen's study finding $1.4 billion/yr in waste, and the Dateline report last night showing footage of addicts walking out of the welfare office and using the money to buy drugs.

The natural inclination at HHS will be to say that these addicts are very deserving, and cutting their benefits will put their children at risk, etc. But we ought to be able to propose a time limit for cash benefits, or an ATM card that prohibits fraud. We can keep paying for their treatment without paying for their habit.

One other thought: has your staff analyzed the House GOP bill to see whether we can squeeze additional savings beyond HHS's numbers on immigration, paternity establishment, substance abuse, etc.? That would be helpful as we lay this out for the President?

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

10-Feb-1994 05:53pm

TO: Kathryn J. Way
TO: Isabel Sawhill
TO: Paul R. Dimond
TO: Bonnie L. Deane

FROM: Bruce N. Reed
Domestic Policy Council

SUBJECT: WORK Alert!

David agrees that we've got to wrestle

utility... public housing is big user of energy
lead paint abatement ...
insurance cos. to set up non-profits. Home Insurance Co. $25 out of every sale they make in public housing.

$2.8 bill for housing renovation...
ed gorman ... school to work to university

indianapolis... building trades agmt with pic/jtpa/building trades/ 200 people a year for 16 yrs 98% placement rate... 2700 in LA... some came back and taught in the program...

upfront stipend... tools for kids ... need help saving $ to buy a car, b/c transp is key to construction industry... 60% of journeyman's wage... $12/hr...

expand in the south ... self-reliance, macho, black women, how do we build upper body strength for women...

talk to cisneros... quality corporate sponsorship ...

we missed the civil rights movement...

white paper ...
national non-profit foundation to run this problem ... broad coalition...

joe shuldiner... likes it ...
$100 m/yr ... jumpstart training....
1000 per city per year

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

10-Feb-1994 10:41am

TO: Bruce N. Reed

FROM: Kathryn J. Way
Domestic Policy Council

CC: Isabel Sawhill
CC: Paul R. Dimond
CC: Bonnie L. Deane

SUBJECT: RE: Cash for Addicts

1) Time Limit Drug SSI

Bruce--Good thoughts on two important issues. Let me add my concerns to each.

SSI-- We need to look at coordination of time limit requirements between AFDC and SSI. If not States will move their substance abusers and other "marginal" disabled clients to SSI. Then they will have no state $$ requirements and won't have to include them in the participation rates. The child-only cases will climb even higher. Right now the two programs are in conflict. Now, the incentives for SSI encourage you to use drugs. Once you s-top you're no longer eligible for SSI. Of course, we are not monitoring that program very well and in many cases the physical damage done while abusing drugs/alcohol has created a physically disabled person. There are no time limits on this type of eligibility in SSI currently so people continually go throught the rehab/recovery revolving door. I think one more conversation on ways to coordinate these two programs would be helpful. Of course, some time linits on this type of disability would also result in some additioal cost savings.

WORK--Agree that a public works program for 800,000+ is not attrative to propose, forget whether or not it will pass. Targeting child care and home helath aides in particular makes good sense. I would prefer to not have these count in the WORK program, rather be "private sector " jobs that will give the client job stability and the EITC in addition. Child care wages and home helath aides wages are at the very low end of the scale. Seems if that could be combined with some EITC $$ it would be a real boost to the child care industry and assist with some job stability in a field where there currently is none. THis could also help moving people "off" before the two years are up. For the WORK program, I think we have to let the states come up with the answers for the most part. I think we have lost sight of the notion that our efforts are to get people off BEFORE two years. If we use the child care, home health aides and some HUD jobs we can show some results early. This will also require the welfare offices to be prepared to explain to clients the advantage of leaving early, EITC and saving some"months of welfare" for times of emergency.

Two more things, on the work for wages, Mike mentioned we have to build in some "slack" for people who have transportation, child care problems etc. I think that is exactly wrong. The purpose is for people to experience the real world of work. JOBS counselors need to work with clients before they take those jobs to explain back up plans for emergencies and how to talk with employers when an emergency does arise. Remember the lady from Marriott who talked about clients thinking a sick day was appropriate because of a headache or cold. , Finally, we have to talk about forever excepting part time work as O.K. It is one thing to allow people currently working part time to continue for some amount of time until a full time position is available(maybe 4 years or 3 years) but to allow people to meet the requirement by obtaining a part time position sets up different problems. If for some reason health reform does not happen the way we envision it, a greater number of employers will structure part tiem work for entry level. Recipients will continue to receive welfare, medicaid and in addition they will never accumulate pension benefits, etc.

That's it for now.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

10-Feb-1994 12:35pm

TO: Bruce N. Reed

FROM: Isabel Sawhill
Office of Mgmt and Budget, HRVL

CC: Kathryn J. Way
CC: Paul R. Dimond
CC: Bonnie L. Deane

SUBJECT: RE: Making WORK work

I've been worrying about the caseload projections, too. Yesterday, I met with my staff and they pretty much convinced me that we're not talking about 800,000 but rather about 1.5 million WORK slots (and this excludes the part-timers, people with children under 1, etc.). I tend to agree with HHS that there won't be this many in practice but there will still be a lot and we won't be able to convince CBO or the Jason de Parles of the world about a different scenario.

With respect to your proposed solution, I think it has the right feel to it, and we'll be glad to try to cost it out. But here are a few issues to consider:

1. Will private sector subsidies work? The TJTC (which includes welfare recipients as one target group) doesn't have a great record of success. (Moreover, Reich has made a number of public statements to this effect.) Suppose the private sector doesn't absorb half the caseload? Under the Youth Incentive Entitlement Program of the late 1970s, employers were offered 100% wage subsidies to hire disadvantaged youth and very few were willing to participate. On the other hand, the plan might work if one combined finacial inducements along with appeals to business to do their part to help "end welfare as we know it."

2. Are there enough low-skilled jobs associated with the expansion of federal spending that welfare recipients could fill? We need some analysis of where, specifically, such jobs might be, and what the consequences might be of filling them with former welfare recipients.

In thinking about the problem of trying to create so many jobs, I keep coming back to the need to guarantee people not a job, but the offer of a job. Last night I read the draft specs for the WORK program, and I was horrified by the extent to which we seemed to be going through contortions to give people second, third, and fourth chances. A better approach, in my view, would be to pour

lots of money into helping people find jobs that already exist, give them some moral and practical support while they are adjusting, create a limited number of jobs along the lines you suggest in areas where private jobs are genuinely scarce, but then be prepared to really end welfare if this doesn't work. If welfare is to be a second chance and not a way of life, then the same needs to be true of workfare as well.

What I really dislike is the idea that states have to create a certain number of work slots. I would much prefer to give them funds tied to their success in finding jobs for people. We should simply say that we will reimburse them for every person they move off the rolls, whether into a public or private job, and leave it up to them how they do this. If the job-finding/work creating bonus were, say, $15,000 per person, and states and their communities were allowed the flexibility to use this in any way they wished, my guess is they would be creative and they would succeed. They would make money on some people and lose them on others. (Some people would find jobs quickly; others would remain on assistance but at state expense.) The only federal requirement would be that they couldn't leave mothers and children destitute. Either they find people jobs or they provide a state-funded safety net. There must be some number (like, $15,000) that would make the states willing to sign on to such a plan and that would be cheaper than an unlimited workfare program. I will have my staff play around with this a little more.

WR- WH GROUP

THE WHITE HOUSE

WASHINGTON

February 22, 1994

MEMORANDUM FOR BO CUTTER
GENE SPERLING

FROM: BONNIE DEANE
PAUL DIMOND

SUBJECT: WELFARE REFORM

Summary: As you know, several agencies are concerned about the current state of the welfare proposal and the inter-agency process for reaching closure. The chief concerns of the economic agencies and working group members are summarized below. In addition, we have attached a memo from Bruce Reed to the senior staff at HHS summarizing specific options which certain White House offices (DPC/NEC/OMB) would like to keep on the table during the next round of working group and principals meetings. Also attached is a chart showing our best estimate of the timeline for decisionmaking.

Next Steps: We can arrange a time for Belle and Bruce to brief both of you together with Larry Katz. You may also want to invite Roger Altman to participate in the briefing.

Issues:

- **Gene and others have argued that the President's welfare proposal must look and sound tough on day one.** Either we start tough and let others soften it, or we start soft and let others toughen it. Gene (the world's greatest softie) would prefer that we start tough. As the specifications for legislation have been developed, HHS staff have eroded most of the toughness of the plan in numerous little ways. In Bruce's attached memo, he argues for the inclusion of tough options (e.g. no separate apartment for teen mothers on welfare and no increase in checks for having a baby).

- **Reducing the flow of new applicants into welfare and increasing the flow of welfare recipients off welfare is the most important good-policy, low-cost issue.** In addition to us, Belle, Bruce, and Heather are concerned that the working group will present a plan based on an assumption of caseload expansion continuing at its current rate because the CBO won't score behavioral change. At the end of the day, **<u>if we cannot argue that our policies will reduce the number of people on welfare and the costs of supporting them, who will believe that we have reformed welfare?</u>**

Three main factors are likely to affect the flow rates:

- Message: There is some preliminary evidence that a tough message reduces the flow onto welfare while a kinder message of help and training can increase the flow even if the actual policy framework is the same. This make us extremely vulnerable in 1996 if our kinder message dominates and the caseload swells. We must ensure that our message centers on a tough parental responsibility (governments don't support children, parents do; deadbeat dads will get caught; and defer having children until you can support them).

- Illegitimate birth rates: Without strong action to halt the illegitimate birth crisis, we will have little credibility with the public on reducing welfare rolls. Almost all of the dramatic increase in the welfare caseload in the last four years can be attributed to the increase in early, out of wedlock childbearing. Furthermore, some analysts claim that over half of the total costs go to support mothers who began welfare as a teen parent. Anyone who is active in their community, even business, is aware that this issue is the heart of the problem.

- Direct actions to reduce the caseload: For example, upfront, supervised job search before signing up for welfare or letting states reduce or eliminate welfare support for the job-ready adults after four years would have direct, easily scorable impacts on flow rates and caseload size.

- **Gene is also very concerned about the entitlement offsets in the budget.** Naturally, we are scraping the bottom of the barrel for cuts to fund anything. To find entitlement cuts in the HHS budget to fund welfare involves some very unpalatable choices between one group of poor people and another. Many of these issues and ideas are already leaking, to our great embarrassment. One alternative to cutting other programs for the poor is reducing the cost of Welfare Reform program itself. Which leads to the next issue...

- **Belle Sawhill, Alicia Munnell, Joe Stiglitz, and Larry Katz have expressed grave concerns about the unwillingness of HHS to share cost estimates associated with various policy choices.** While HHS is justifiably concerned about leaks, the lack of cost data makes an intelligent discussion of the policy options difficult. We all agree that we cannot afford a solution which is not driven by cost considerations. Yet, we are not providing some of our best

policy experts with the relevant cost information. How can we get their advice on how to balance cost and policy trade-offs? How can they help design a program for re-employment and work which is driven by cost considerations without cost estimates?

- **To the extent that these experts can judge the costs on a back of the envelope basis, they are advocating several ideas which <u>save money and are good policy</u>.** Bruce's memo outlines many of these "tough love" cost savers. There is resistance by the HHS staff to include these ideas. For example:

  - Mandatory supervised job search before signing up for welfare. This may provide scorable savings of up to $2 billion over 5 years.

  - Minor mothers cannot have independent status. If they cannot live with parents, they must live with another adult guardian who will teach parenting skills. This saves money because their welfare checks will be based on their parent's income or AFDC check.

  - Count the EITC as income for AFDC purposes. Once the EITC is paid in advance, it should replace AFDC as a non-stigmatizing support. Encouraging families to collect both will undermine support for the EITC.

  - We can employ people off welfare in the jobs we will create with new federal money in child care, health care, child support enforcement, housing refurbishment, etc. This dramatically lowers the cost of a public sector jobs program, allows communities to help themselves more, and clarifies "where the jobs are" for concerned unions and other interested parties.

  - Bruce's memo contains many more tough-love and cost saving policies.

- **Alicia, David, Bruce, Belle, and others are very concerned about the provision of work AFTER THE TWO YEAR TIME LIMIT.**

-Phase-in. The rate of phase-in affects the number of jobs needed at the end. Slow phase-in would be easier to fund, but looks less like an end to welfare. Starting with those under 24 could be the right compromise. It all depends on the numbers.

-Job Quality and Length. Putting people to work in anything better than workfare or make-work jobs is very expensive. Most of the senior staff agrees that we should provide better quality, real jobs right after the time-limit for up to a maximum of two years. Paul, however, believes that a one-year work program would be more feasible, effective, and likely to launch workers into the private sector. There is significant disagreement about the extent to which subsidized private sector jobs can be or should be an alternative to public jobs. The deepest disagreements, however, arise over what to do after two years on welfare and one or two years of work:

a) Return to welfare as we know it. (Maximum cost)

b) Let individuals return to welfare or the JOBS program, but lower the state match rate for long term cases so that states try harder to get people off welfare sooner. (Less cost; but it may be an unfunded mandate)

c) In addition to option b, allow states to reduce benefits for the job ready adults still on welfare after 3 or 4 years but exempt a certain number of people who will never work in the private sector. (Minimum cost, allows states a way out, and provides an exemption for certain individuals.)

Assuming that CBO and other commentators will not give us any credit for changing the behavior of welfare recipients, deciding between a, b, and c above will determine the steady state costs and the ultimate size of the public jobs program.

-Unions and others are concerned about displacement. Strong anti-displacement provisions tend to leave make work as the only option. Yet, without displacement provisions, critics will claim that welfare reform will drive people from jobs and onto welfare.

-Bonnie and Paul are concerned that none of the design features for the JOBS or WORK programs will help if the flow on and off of welfare in the first two years isn't drastically changed. We will shoot ourselves in the foot in 1996 and 1998 if our welfare reform proposal serves only to increase the attractiveness of getting on welfare. After all, wouldn't lots of people want two years of free education and training (with daycare included) and then a guaranteed job afterwards for two years or more?

cc: Bruce Reed, Larry Katz

Bo-nie

February 18, 1994

MEMORANDUM FOR WELFARE REFORM TEAM

FROM: BRUCE

SUBJECT: JOBS AND WORK

Here is an attempt to summarize the DPC/OMB/NEC vision of the JOBS and WORK program, and where we stand on the key questions. Please include these ideas in your draft of the cost/financing/key issues document.

I. Personal Responsibility: Preventing Welfare Dependency

All recipients will be required to sign a Personal Responsibility Contract that makes clear up front the terms of their assistance -- what they can expect from government and what responsibilities will be expected of them in return.

The Personal Responsibility Contract must include the following conditions:

1. Upfront Job Search: Applicants must go through 30-60 days of supervised job search before receiving benefits. Emergency assistance may be granted in some cases.

2. Paternity Establishment:
* Require mothers to cooperate with paternity establishment as a condition of benefits.
* Reduce federal match to zero for cases in which paternity is not established within 6 months.
* Apply paternity establishment requirements to public housing.
* Require birthing hospitals and prenatal clinics which receive public funds to ask about paternity.

3. Teen Mothers at Home: Minor mothers must live at home and finish high school. Minor mothers in AFDC households should not qualify as a separate casehead. Teens who have babies must go right back to school, and shouldn't be allowed to drop out for a year to have a child.

4. National Campaign Against Teen Pregnancy: We would like to consider setting aside a small percentage of JOBS money for this purpose, to set National Prevention Goals and challenge the states to come up with school- or community-based plans to meet those

goals (90% paternity establishment by the year 2000; an illegitimacy rate that is flat or declining by the year 2000; etc.).

5. No Additional Benefits for Additional Children: Preliminary estimates from New Jersey suggest 10-15% reduction in additional children born on AFDC. Even without that caseload impact, a family cap will generate significant, scorable benefit savings.

OPTION 1: National rule of no additional benefits for additional children, with some of the savings used for a national campaign against teen pregnancy and to make sure recipients receive adequate family planning information and advice.

OPTION 2: State option to no longer provide additional benefits for additional children, so long as states also provide family planning information and counseling. (Assume half the states will take this option.

* In any case: Prohibit Medicaid reimbursement for fertility drugs while on AFDC (which I'm told are currently paid for in 40 states).

6. Rewards and Sanctions: Give states broad flexibility to adjust AFDC grants for responsible behavior: a) requiring and/or rewarding parents to make sure their children are immunized; b) requiring and/or rewarding parents of teenagers for staying in school; c) requiring young parents to attend parenting classes; etc.

II. JOBS: Changing the Culture of Welfare

Our biggest challenge is to change expectations for recipients and caseworkers at the same time. As we expand the JOBS program, we need to change the culture of the welfare office to reward work and results.

1. Performance-Based Match: We need to change incentives within the welfare system to get people off welfare as soon as possible, with a declining federal match (highest % in 1st 2 years, slightly lower in years 3 and 4; 50% in 4th year and beyond) that will encourage states to spend money upfront, and reward states for moving people quickly into the workforce.

2. Job Placement Bonuses and Worker Support: To change the culture of the welfare office, we need to reward those who find people work and help them stay there:

* Set aside 25% of JOBS money for Job Placement Bonuses and worker support. To qualify for the money, states must design a plan to reward caseworkers and placement firms for successful job placement and retention. State plans would require HHS approval. Bonuses would only be paid if former recipient was still on the job 6-9 months later, and might be limited to placement of recipients on the rolls one year or longer. The bonuses could be used for recipients in either the JOBS program or the WORK program.

3. Choice and Competition: In a time-limited system, many welfare recipients will want to move off as quickly as possible. We should follow the Labor Department's Workforce Security model in two areas: a) by giving governors the option to create Charter Welfare Offices, which would enable Project Match and other programs to compete to become JOBS programs; and b) by ensuring that welfare offices provide recipients with consumer information on the job placement records of the various programs and services available to them.

4. Everybody Does Something: The definition of activities can be flexible, but everyone in the JOBS program has to do something from Day One. In general, it is better to limit the number of extensions and phase in age groups more slowly than to let the size of the cohort dictate a looser extension policy. No "deferrals" -- everyone must be participating in some way.

5. Any Job Is a Good Job: Anyone who is offered a job at any time on AFDC -- in the JOBS program or the WORK program -- must accept the job or lose eligibility.

6. Sanctions: Follow APWA recommendation to impose 25% sanction of AFDC and Food Stamps for non-compliance.

7. Job Search Last: The last three months of the two-year time limit must be spent on supervised job search. Recipients must take a job if offered.

III. WORK, Not Welfare

1. Guarantee a Job Offer, Not a Job: The WORK program is not a guaranteed job for life; the only guarantee is that recipients will be offered a job -- in the private sector, in a subsidized public or private sector job, or in community service. Anyone who is offered a job in the private sector must take it or lose eligibility.

2. Let the States Decide: We strongly favor work-for-wages, and are open to suggestions on how to make it a viable option. On other questions, we believe the only way to make the WORK program work is to give states broad discretion in designing and administering it. We don't know the right answer, so we should let them experiment:

> a. WORK Program Block Grant: Local job markets vary dramatically, and different states will have different needs. The WORK program will provide states a lump sum for each WORK-mandatory individual (including that person's benefits), which will be enough to help pay wages, child care, and perhaps limited administrative costs. States will make money on some recipients and lose money on others. States can use the money to find, subsidize, or create jobs. States will be expected to set up or make use of governing boards with representation from government, business, and labor

We believe that it is vital to block grant the benefits as well as the administrative costs -- otherwise work for wages will be too onerous (with too many monthly hassles) for the private sector.

b. Time Limit the WORK Program: The WORK program should be limited to 2 years, with periodic job search during and between assignments. After 2 years, states will make an assessment of WORK graduates. If they are unable to work, the state can place them back on extension status, where they will receive regular AFDC benefits and the state will receive its regular match, but where they will count against the state's overall cap on extensions. If they are able to work, the state can declare them job-ready and reduce their benefits as much as half. The state will receive a lower match for job-ready long-termers. These long-termers will still qualify for Job Placement Bonus.

3. Private Sector Subsidies: Wage supplementation should be made easier and encouraged. State option to use both Food Stamps and AFDC to subsidize private sector jobs, and to calculate both in determining wages and minimum hours of required work.

4. Job-Readiness Standards: State option to demand high standards from recipients as a way to increase employer confidence. For example, the WORK program could require drug testing and other basic job screens. Anyone who is fired from the WORK program should get one chance to come back, not several.

5. Spell Out Where the Jobs Are: When we propose legislation, we should make clear where the WORK jobs will be in the public and private sectors. We believe that it is reasonable to assume that 20% of the new jobs could come from expansions related to welfare reform:

a. Child Care: Option 1 -- award the IV-A child care money for JOBS and WORK participants to the WORK program, which can use the money to set up child care cooperatives staffed by participants in the WORK program.
Option 2 -- give JOBS and WORK participants vouchers and a choice of child care providers, but require those providers to hire a certain percentage of WORK participants.

b. Housing: Require public housing authorities to spend a portion of their housing rehab money to hire welfare recipients. Work with construction unions to develop nationwide apprenticeship program for residents of public housing.

c. Child Support Enforcement: Missouri wants to use AFDC recipients as child support mediators. They would also make excellent enforcement investigators to relieve the crushing burden on child support caseworkers.

d. JOBS Workers: As Sen. Moynihan told us, in many welfare offices there isn't much that separates people on either side of the table. As we expand the JOBS program, some of the new hires should be to hire people off welfare.

e. Other Federal Initiatives -- Head Start, immunizations, lead-paint removal, Empowerment Zones, family preservation: We need a solid estimate for each.

f. Private sector commitments: We should set a goal that 50% of the WORK slots be in the private sector. We believe that we should consider allowing the EITC for WORK participants in subsidized private sector jobs, not only to make those jobs more attractive but also because it will be difficult for the IRS to tell who's getting a subsidy. (Why allow it for TJTC-subsidized but not WORK-subsidized? etc.)

6. Mixing Work and Welfare: We should encourage recipients to work, but at some point, we should encourage them to leave the welfare system:

a. Count the EITC as income for AFDC purposes: Once we have advance payment of the EITC, it will be income.

b. A time limit on mixing work and welfare: The clock should slow down for recipients who work, but it shouldn't stop altogether. Perhaps a 4-year limit. Counting the EITC as income for AFDC purposes would mitigate this issue.

c. Limit earn-back to 3 months: The purpose of earning back eligibility should be to allow a brief cushion in hard times, not welcome people back onto the welfare rolls. No one who has left welfare should be able to earn back more than 3 months of eligibility at any time.

7. Work Programs for Non-Custodial Parents Who Don't Pay Child Support: If we're going to have a sizable work program for AFDC mothers, we should have a sizable CWEP program for fathers to work off their child support. We would like to include the option of a more expansive mandatory work program for non-custodial parents. We believe these programs are a much better investment than child support assurance, and should be funded at the same or significantly higher levels. States should have flexibility to design their own programs, but here the emphasis should be on CWEP, not work-for-wages.

IV. Reinventing Government

We need to think more about whether and how these and other possible changes can help reduce welfare fraud. If we don't come up with our own anti-fraud provisions, we may end up with fingerprinting or something like it.

→ Give NGA doc to RC — Forget Phase in, no deferrals or exceptions
→ Take full specs to Boca

Social K
- List

w/phase in, reduce 1st kid to 3-6 mos. (at least for teens)
Alternative to tracking: 3 consec. yrs
3 tier system (N. Dakota)
Paternity estab - state option - delay until estab (6 mos.) w/o good cause except.
- condition for AFDC-up
- burden on states + moms
Expedited hearing
- 90% if new cases
Upfront bonuses to reduce caseload size
20% for job placement bonus + worker support
Mandatory work or school for teens (Ark.) 13-17
- can't drop out to have a child
- sanction adults/parents? / bonus
- lower mandatory age for JOBS to 13
→ Charters
→ List specific #'s of jobs created in nursing, care, immunization (stimulus)
Immunize (creates jobs)
Reg. addicts to get treatment or lose benefits
Count parenting classes as JOBS partic.
Waiver Authority?
Legal Aliens - AFDC - 1.0 in GOP bill State options - 1.3

330 EAST MAIN STREET · ASPEN, COLORADO 81611

Anyone who comes back employable be required to work
25% sanction FS + AFDC

1. Review GOP plan (microenterprise)
2. How many due CS are on AFDC?
3. Fraud 800 #, bonuses to recips.
4. Family Devel. Accts.
5. Job: Child support/custody mediator (Moynihan)
6. Dynamics of Fam Welfare (Moyn. study)
7. Sanctions: allow total termin. if determined, if won't hurt kids (MA)
8. Family Preserv. ??
9. Perf. measures
10. Mix FS + AFDC for wages, work supp.

Plot the WR Debate

Welfare Reform
Policy Checklist
May 25, 1993

A. Keeping People Off Welfare

1. Making Work Pay
   -- How much will the expanded EITC reduce the welfare rolls?
   -- What other incentives can we offer to make work a better deal?

2. Health Care Reform
   -- How much will health care reform reduce the welfare population?

B. Welfare to Work

1. Education and Training
   -- Does it work? What model programs should we follow?
   -- How can we do more with existing federal programs (JTPA, Dislocated Workers, Unemployment Insurance, etc.)?

2. Job Placement and Worker Support
   -- How can we accelerate placement into private sector jobs?
   -- What do we need to do keep them there?

3. Public and Private Sector Jobs
   -- What kind of private sector jobs will be available for people leaving welfare?
   -- What kind of public sector jobs can we create, how many will we need, and how much will they cost?

C. Time-Limited Welfare

1. Designing a Universal System
   -- How can we cover the most people with the fewest exemptions, without bankrupting the states or creating an enormous bureaucracy?
   -- Who should be exempt?
   -- How should we sanction those who refuse to work?
   -- How quickly should we phase in this new system?

2. Workfare vs. Work Instead of Welfare
   -- Should people work off their benefits (like CWEP), or should we guarantee them full-time minimum-wage public-sector jobs, or should we use their benefits to subsidize private-sector employment?

3. Bold, Persistent Experimentation

-- How do we streamline the welfare system (AFDC, food stamps, housing, etc.)?

-- How do we encourage bottom-up experimentation while still insisting on fundamental reform?

D. Other Issues

1. Child Support Enforcement

-- What incentives can we use to demand responsible behavior?

2. Building Support

-- What do the states need to make these reforms work?

-- How can we attract support from community groups and the private sector?

3. Money

-- How much will welfare reform cost?

-- Where can we find the money?