WR Rollout

ROLLOUT SCHEDULE

WEEK OF JUNE 6–10

POTUS:	Interviews with TIME, US News, Newsweek Meeting with Rasco et al to brief him on the plan?
CONGRESS:	Meetings with key Congressional leadership Meeting with House GOP WR Task Force
OTHERS:	Release of Child Support background paper Briefing for NGA, DGA, NACO, NLC, NCSL, USCM, APWA Briefing for Labor

WEEK OF JUNE 13–17

POTUS:	Announcement speech at Georgetown (or outside DC) -- Meet with mothers who testified at our WR hearings Possible field trip to LINK program in Kansas City Interviews with major newspapers
CONGRESS:	Briefings begin for caucuses, Dem Policy Comm., etc. Transmittal of bill? (or when cleared)
OTHERS:	Background briefings for press Briefings for advocacy groups, others Editorial boards, morning shows, etc. Brief Cabinet at DPC June 13 Brief WH staff

WEEK OF JUNE 20–24 AND BEYOND

POTUS:	Possible NAACP speech in Chicago July 9
CONGRESS:	Subcommittee hearings begin after July 4 recess
OTHERS:	Teen pregnancy, child support, and other events with Shalala, other interested Cabinet members

WR-Poiner

June 10, 1994

MEMORANDUM FOR MACK MCLARTY

FROM: BRUCE REED

SUBJECT: WELFARE REFORM ROLLOUT

Here is a preliminary summary of next week's anticipated announcement of the President's welfare reform plan. We still need firm confirmation of the date (Tuesday) and the site (Delaware).

I. ANNOUNCEMENT

The President is scheduled to announce his welfare reform plan on Tuesday, June 14, at a successful welfare-to-work program in Delaware. The actual legislation is in clearance at OMB, and should be ready to introduce by the end of next week. Beyond Tuesday, the rollout will primarily involve Secretary Shalala, Director Panetta, Carol Rasco, and the rest of us involved in welfare reform.

The Presidential announcement will take place at one of two sites in Delaware -- either the lobby of a bank in Wilmington that has hired a number of workers through the state's welfare-to-work program, or a nearby technical college that runs that training program. The event will showcase people who have been through the program and been hired; if there is time, the President could lead a roundtable discussion with them before giving his speech.

We explored several other possible sites, including a speech at Georgetown (where the President made the initial campaign promise to end welfare) or a trip to Kansas City (which has an excellent welfare-to-work program). Delaware was chosen because it has the best welfare-to-work program within close range of Washington. Moreover, its current Governor, Tom Carper, is head of the Democratic Governors' welfare reform task force and our most outspoken ally among Democratic governors on this issue -- while the previous Governor, Congressman Mike Castle, was the President's Republican counterpart and ally in passing the Family Support Act of 1988. Wilmington's mayor is African-American, as is the CEO of the bank we're considering as a site, and the state's program has a broad racial mix.

In preparation for the announcement, Carol has asked for time on the President's schedule Monday to review the details of the plan. Don Baer assigned the speech to me and

Bill Galston. Legislative Affairs will invite key members to the event, including Moynihan; we do not expect many from outside the Delaware delegation to come.

II. LEGISLATIVE AND POLITICAL OVERVIEW

Under the direction of Pat Griffin and Susan Brophy here at the White House and Jerry Klepner at HHS, we have consulted extensively with members in both houses and both parties. Our bill is positioned in the center of the debate, with two or more liberal bills to our left and the Republican and Mainstream Forum bills to our right. There is overwhelming popular support for virtually every element of our plan. The major flashpoints in Congress will be over financing (the Hispanic Caucus will complain about our $4 billion immigrant provision, although they much prefer it to the $21 billion provision in the Republican and Mainstream Forum bills), time limits (the liberal bills have none), and the state option to limit additional benefits for additional children conceived on welfare (a sore point for the left).

We are relying on leadership and committee chairs to sponsor the President's bill. In the House, Sam Gibbons and Bill Ford have agreed to be sponsors; Gephardt is considering it. We had hoped to get Harold Ford as well, but after months of consultation, he has developed serious problems with our bill, which will have to move through his subcommittee of Ways and Means. We also anticipate a chilly reception from the CBC. Moderate members like McCurdy and Alan Wheat will say nice things about the President's plan, while continuing to sponsor their own. House Republicans like many elements of our bill, and so far have been willing to say so publicly.

In the Senate, Moynihan seems delighted with the arrival of our bill, and raved about it at the Senate Democratic Policy luncheon on Thursday. We hope that he and Breaux and possibly Mitchell will sponsor it in the Senate. Most Senate Democrats should speak out in favor of our bill. We do not expect much activity in either house until after the 4th of July recess, when subcommittees may begin hearings.

The other major source of support for our plan will be from governors. The NGA is preparing a strong letter of support. We hope that most Democrats and some Republicans will react positively, including Engler (but probably not Thompson). The only thing that stands in the way of unqualified support from the states is concern that certain financing provisions (cuts in immigrant benefits and emergency assistance) may shift some costs their way, but on balance our plan should be a good deal for them. They strongly oppose the Republican proposal on immigrants as a substantial cost shift.

Many groups on the left will oppose or withhold support from our plan. Alexis Herman has held meetings here at the White House with African-American leaders, who expressed some reservations about the plan but whose main concern was that the President strike a positive tone with this issue. We need to continue that outreach effort. Organized labor is reasonably happy, and may even consider endorsing.

III. COMMUNICATIONS

In Rahm's absence, I have been working with Avis LaVelle at HHS and Mark Gearan and others here at the White House to prepare a well-targeted communications plan for the rollout. We want to ensure favorable coverage for the President's plan, while recognizing that most of his time in coming weeks will be taken up with other issues.

When Rahm returns, he will run the communications effort, in collaboration with DPC and HHS. Here is a tentative schedule for the first two weeks:

Friday, June 10, 1994

Possible short telephone interview of POTUS by US News and World Report (requested; Ricki is doubtful). US News to run cover story on welfare reform in next week's issue. Time is also running a cover on welfare and has asked for an interview Friday or Saturday.

Welfare reform team will hold press briefing at HHS to release study identifying a $34 billion child support enforcement gap.

Sunday, June 11, 1994

White House officials appearing on Sunday talk shows will preview upcoming announcement.

Monday, June 12, 1994

Short preview interview with USA Today on announcement.

US News and Time cover stories appear.

Tuesday, June 13, 1994

Presidential announcement in Delaware.

Secretary Shalala, Director Panetta, and welfare team available for morning shows to preview announcement, as well as evening talk shows (Crossfire, Larry King).

Background briefing for White House press corps on plan after speech with Secretary Shalala and welfare team.

"Nightline" segment on teen pregnancy and welfare reform.

Wednesday, June 14, 1994

Shalala and Panetta host background interview at White House with columnists on plan. POTUS drops by.

Shalala will do satellite feeds to selected markets.

Target state and regional press for follow-up stories on how welfare reform will affect existing state plans.

June 15 and beyond

Shalala and welfare reform team will concentrate on:

- Extensive outreach to radio talk shows outside the Beltway
- Targeted editorial boards
- Media with interested members of Congress

Shalala has pending requests to appear on "Evans and Novak" and weekend shows to explain plan.

National Press Club has requested Shalala speech on plan for June 24.

IV. FOLLOW UP

1. We need to decide <u>today</u> whether to go forward on Tuesday in Delaware.

2. We've asked Ricki to see that there is time on the schedule Monday to discuss the plan with the President and make sure that he is fully briefed.

3. David Gergen, Mark Gearan, and I will pull together a meeting today to go over the communications and message aspects of the rollout.

4. We need to talk with Pat Griffin and Susan Brophy to make sure that we've done all we can to smooth the way for this on the Hill.

5. OMB has called a meeting for this afternoon to nail down any remaining policy questions. If there are any last-minute financing details, Leon will let you know.

Why combined?

→ Reg. work-study for AFDC/Pell Grant?

WR-working Papers

EVIDENCE FROM EMPLOYMENT, EDUCATION, AND TRAINING PROGRAMS: BACKGROUND RELEVANT TO WELFARE REFORM

→ Work hours coincide w/school hours?

→ Expand NCP work program

OVERVIEW

The nation has many years of experience attempting to help disadvantaged adults and families become self-sufficient. Much of the experience emanates from programs, demonstrations and initiatives that provide education, training and employment services to working-age individuals. A number of books and articles have summarized in detail the findings of major demonstrations and evaluations. The purpose of this paper is to synthesize what is known about these services, as it relates to welfare reform and provide major conclusions that can be drawn from more comprehensive reviews. Evidence on the impact of these programs is briefly summarized and policy-relevant issues are highlighted.

MAJOR FINDINGS

For three decades federal policy and funding have supported various education, training and employment activities targeted on welfare recipients and other economically-disadvantaged persons. Specific interventions can be categorized into four groups: direct employment services, job training, education, and subsidized employment.

Such interventions are intended to achieve many different objectives, but three are most important for welfare policy: (1) assist public assistance recipients in obtaining regular employment, (2) invest in skill development to improve the chances that an individual or family can become economically self-sufficient, and (3) provide public sector employment for those who cannot obtain work in the private sector or, as has been the case more recently, assure that recipients perform some work activities as a condition for receiving welfare.

The research evidence in general shows that programs have made modest, but only modest, progress toward these objectives. Reviews of employment and training programs for AFDC recipients have led to the following conclusions:

- Programs that involve employment-oriented activities of low to medium intensity and cost (like job search assistance and short-term work experience) can increase employment and earnings and, in some cases, reduce welfare costs.

- More intensive and costly training programs can produce even greater positive impacts on employment and earnings.

- The most effective programs include a combination, or integration, of various employment, education, training and support activities and services.

- A major key to effective program performance is high quality management and implementation.

- Even the best interventions, though, produce small gains. Employment and training programs have not generally been able to move individuals, children and families out of poverty and permanently off of welfare.

- Society can impose work-oriented obligations on welfare recipients at a fairly low cost and in ways that recipients feel are fair

More specifically, the impact of these programs reveal a few common patterns:[1]

- Rates of employment increased on a range of about 2 to about 10 percentage points. A number of programs, though, have shown no impact on employment, even though they may have other positive impacts, such as increased wages.

- Programs have generally had more consistent positive net impacts on earnings than employment. Net impacts are generally positive and range from about $250 to $700 a year for low-intensity services to as much as $1000 or $1500 a year for more intensive services, such as the Homemaker-Home Health Aide and Supported Work Experience demonstrations.

- Some substantial portion of increases in earnings reflects an increase in hours of work rather than higher wages.

- Even when programs show positive impacts on employment and earnings, there is little consistency in their impact on welfare dependency, either in terms of duration on welfare or grant levels. Earnings and employment impacts have not always produced concomitant welfare savings; in fact, in some cases participants have stayed on welfare longer. When there is a short-term reduction in welfare, it generally does not remain over time.

IMPACTS OF DIFFERENT TYPES OF SERVICES

There is much variation in impacts across programs and demonstrations, as evident from the above summary. But in general, the programs with the greatest employment and earnings impacts tend to provide more intensive and costly services, or an integrated mix of services.

The smallest impacts, even though generally positive and statistically significant, have been for job search assistance and for unpaid work experience. The greatest impacts have been found for intensive programs such as supported work experience or the Teen Parent Demonstration that combine staff counselling and case management with provision of, or access to, education, training and/or work preparation (Gueron, 1992).

The most common types of services are job search assistance, occupational or vocational training (in classes and on-the-job), education (remedial and post-secondary), and subsidized employment (paid and unpaid). There is a great volume of information about the effectiveness of low-intensity services, much less about high intensity services, and even less about the impacts of education for adults.

Job Search Assistance

Job search assistance components are often sufficient to move large numbers of clients into jobs. Those that are more intensive in terms of pre-employment counselling and provision of labor market information and occupational planning may also contribute to longer employment retention. Those that are less intensive and mainly self-directed increase the rate and speed of employment, but often have little clear and consistent long-term impact. There is no evidence that job search assistance significantly reduces welfare dependency.

The top priority in many programs has been to maximize the number of welfare recipients who enter employment. Before the mid 1970s, programs used a variety of counselling and job development to help clients identify job openings and sometimes contact employers directly about possible jobs. About 10 to 15 percent of program clients became employed. Starting in the mid-1970s, there was a proliferation of group instruction on how to find jobs, some of which increased the job entry rate to 25 percent or higher. In aggregate numbers this seemed like a substantial improvement but sophisticated net impact studies found that many of the people who found jobs through these programs probably would have gotten jobs on their own even without assistance.

Since then, various models of job search assistance have been implemented, ranging from low-intensity efforts (e.g., 1-5 days of counselling or group instruction followed by 1-8 weeks of independent job search often found in food stamp job search programs) to more intensive efforts

(e.g., 2-4 weeks of class instruction followed by up to eight weeks of assisted job search, as in Job Clubs and in the Employment Opportunities Pilot Projects (EOPP). These types of programs also resulted in small increases in employment rates (less than 10 percentage points) and modest initial increases in earnings ($150-$700 a year), which tend to decay somewhat over time.

Most of the MDRC work-welfare demonstrations conducted in the 1980s included job search assistance as a major component. MDRC concluded that job search assistance generally increased employment, but had no significant net effect on wages or hours of employment. (Gueron and Pauly, 1991)

Several Food Stamp demonstrations that emphasized either mandatory independent job search activity or provided job search instruction and assistance for non-AFDC food stamp recipients found greater net increases in employment than AFDC employment programs (up to 40 or 50 percentage points), but smaller increases in earnings (e.g., $100-200 a year). It has been suggested that one of the positive effects of aggressive job search requirements is that it purges the caseload of persons who are already engaged in employment, either formally or informally, and persons who have no intention of working.

More recent programs have job search assistance as a central component but also offer other services such as work experience or access to education or training. The SWIM program in San Diego, for example, required job search assistance and then work experience if the individual did not become employed or participate in an approved education or training program. Over half of the clients participated in job search assistance. Early results of the evaluation suggested impacts after two years were similar to those noted above; about $500 a year net impact on earnings, about a 7 percent lower AFDC rate, and about 9 percentage points higher employment rate. The positive impacts remained for the next two years, but then declined and were not significant by the fifth year. (Friedlander and Hamilton, 1993)

More instructional and assistive job search components, such as the Job Club, have had more positive impacts on earnings. The EOPP demonstration in the late 1970s, which emphasized intensive job search and supportive services found fairly significant earnings impacts for welfare women, nearly $1500 per year per participant. Like other studies, though, even in EOPP there was no reduction in welfare dependency, and some evidence that welfare entry may have increased slightly as a result of the perceived attractiveness of EOPP. A positive benefit/cost ratio was found for the program. (Burtless, 1989)

Occupational Training

Of all the education and training approaches tried over the years, the most positive net impacts are found for vocational training, particularly on-the-job training (OJT). The earnings impacts, though, are still not high enough to move people off of welfare and out of poverty, nor are they strong enough to reduce welfare expenditures.

Vocational job skills training is available through a variety of federally-funded programs, especially JTPA and vocational education. The two major methods for providing occupational instruction are (1) in a classroom and (2) in publicly-subsidized on-the-job training, mainly in the private sector.

Classroom Vocational Skills Training. Vocational education programs traditionally provide job skills training to adults and high school students in a classroom setting. According to the Department of Education, persons who participate more intensively in vocational education or complete programs are more likely to be employed and more likely to get a job in their field of training. They therefore earn higher wages. However, low income persons have lower rates of program completion than more advantaged groups. In addition, low income persons are more likely to enroll in propriety schools, which tend to charge higher tuition and offer lower quality shorter-term training than public institutions. Those from proprietary schools are more likely to subsequently experience periods of unemployment. (USED, 1989) Thus, vocational education can have positive employment effects, but effects vary depending on a number of programmatic factors.

There is somewhat more specific impact data from work-welfare and job training programs, which also fund vocational training that also suggests positive impacts of vocational training, especially for women. For example, the evaluation of the Massachusetts ET Choices program found that occupational training (classroom and OJT) produced strong impacts on all measures analyzed--earnings, employment, welfare duration, and welfare grant levels. In addition, the recent JTPA evaluation found that classroom training, which in that study included both basic education and vocational training, increased earnings for women, even though it had no impact for men. (Bloom, et al, 1993). Another review of employment and training programs suggests that longer training programs may have greater impacts, citing one study which found that the impact on earnings for persons who were in training that lasts 40 weeks were five times as high as earnings impacts for persons in the more typical 10-12 week programs. (Barnow, 1987)

Of the various types of occupational training, on-the-job training (OJT) has generally been found to have the strongest impacts. OJT provides subsidies to employers who agree to provide training in the workplace. For those participating in the CETA program, participation in OJT had a greater impact than classroom training -- classroom training raised earnings by about $500 a year (in 1985 dollars) and OJT, by about $750. (Barnow, 1987) As early as the mid 1970s, an evaluation of WIN found the largest impacts for participants came from OJT--$1800 a year after one year and about $1200 after three years. (Burtless, 1989)

On-the-Job Training (OJT). OJT increased the earnings of adult women by 8 percent according to the results of a 18 month follow-up in the National JTPA Study. A quarter of the women in the OJT same were AFDC recipients. Results for adult men were roughly the same for women. Preliminary results from the 30 month follow-up indicate that OJT's positive effects on adult males persist, but the effects on adult females wane. The benefits of OJT, however, most likely will still outweigh the costs even for adult women.

Two early MDRC demonstrations that included an on-the-job component, in Maine and New Jersey, also found large earnings impacts primarily due to increasing wage rates or hours worked. Neither program had much impact on increasing the number of enrollees with jobs.[7] The results of the JTPA, Maine, and New Jersey evaluations suggest that, while OJT may be cost-beneficial in terms of earnings gains, it does not have a large impact on increasing the longer-term employment rates of participants. MDRC researchers have suggested that counselors may pre-select the best candidates for OJT, and thus end up serving persons who would have done well even in the absence of the program (Gueron and Pauly, 1991). It may make sense, then, to concentrate on job-search or additional schooling for more educated enrollees, and to reserve OJT for more disadvantaged recipients. Efforts could also be made to operate higher quality OJT programs than those that have been evaluated thus far.

It is not clear what features of OJT produce the positive impacts. For example, WIN OJT contracts, unlike CETA or JTPA, included an employer commitment to hire the individual. This employer commitment probably increased the rate of employment after the subsidy period which may have contributed to higher earnings impacts, at least in the short run. Another theory is that the actual work experience may be at least as important as any formal training that might be provided. In any case, the positive impacts of OJT appear consistently. The benefits, though, come at a fairly high cost; employers generally receive a subsidy equal to about half of the individual's wages for up to one year.

Short-term Work Experience. Similar to OJT, work experience is a cross between public service employment and job training. Enrollees are paid for public sector work, but are expected to become more employable in the private sector as a result of the experience. Short-term work experience generally lasts about 13 weeks and provides a real-world opportunity for enrollees to get accustomed to the world of work--regular hours, supervision, attitudes, and routine. There is little evidence about the impact of work experience, but one study found that under CETA, adult women had a net increase in earning in 1977 of between $500 and $800 a year.

Short-term work experience typically has been targeted on women who have no real job experience or no recent job. Under WIN, welfare clients participating in a work experience activity received their regular welfare checks plus an allowance of $30 a week. This type of work experience has been a very small component both under WIN and its replacement, JOBS. JTPA, and CETA before it, also funds a form of short-term work experience for adults and youth, but individuals generally receive minimum wage compensation.

Education

Given the low educational levels of many AFDC recipients, education activities have, in fact, been an important component of programs aimed at improving self-sufficiency. There is very little empirical research on the employment effects of adult education. Much of the research to date on welfare recipients' experiences in adult education suggest little

effect on employment and earnings. This is not particularly surprising, however, given that traditional adult education programs, though, do not have employment outcomes as a goal.

The economic returns to education have been extensively analyzed. Persons who complete 12 years of school earn more in their lifetimes than persons without high school diplomas, and persons with college degrees earn more than persons with no education beyond high school. Not surprisingly, there is also a clear correlation between low literacy levels and poverty. According to the National Adult Literacy Survey, adults in the lowest level of literacy are ten times more likely to be in poverty than adults in the highest literacy level. (USED, 1992) This further suggests the importance of education in increasing economic security.

According to the Department of Education, about 43 percent of all students in adult basic education (ABE) and 14 percent of English as a Second Language (ESL) students receive some form of public assistance (or have within past year). Reasons adults give for going to GED and ABE programs are mainly employment-related: to help them keep their current job or to get a better job. Many educationally-deficient adults, then, are clearly motivated and interested in furthering their education and believe it will help them in the labor market.

In addition, over 300,000 persons in AFDC families receive Pell Educational grants for post-secondary education. This represents 10 to 15 percent of all Pell Grant recipients. And another 170,000 AFDC recipients receive higher education loans under the Stafford Loan Program. The Department of Education's "TRIO" programs provide support services to help economically disadvantaged students to enter and succeed in post secondary education. (USED, 1991) Thus, a significant number of AFDC recipients participate in federally-funded adult and post-secondary education activities.

In the work-welfare program evaluations in Washington State and Massachusetts, participation in basic education and ESL had no net impact on employment or earnings. It also tended to increase the length of time spent on welfare, which makes some sense since persons in education may delay entry into a job. These evaluations did not, however, distinguish between persons who enter education versus those who actually complete an educational program; impacts are probably higher for the latter category.

Analyses using large scale data bases also suggest that there the impact of a GED on employment is limited. One analysis of AFDC recipients found that while AFDC women with higher basic skills are more likely to leave welfare and stay off welfare, acquiring a GED had no independent net effect on these welfare outcomes. (Pavetti, 1993) Another study found similar results for men--obtaining a GED had no effect on basic skills development and no net effect on earnings. (Cameron and Heckman, 1991) However, still another study, suggests that secondary education--either obtaining a high school diploma or a GED--can significantly increase an AFDC woman's employment and through that reduce welfare receipt. (Maloney, 1992) A number of other studies are now underway to clarify the relationship between adult education, GED and employment.

Case studies and program analyses suggest that a number of operational factors within the decentralized adult education system may limit its potential. Most importantly, the median hours an individual spends in an adult education program is only about 43 hours, and slightly higher for welfare recipients. About 20 percent of those who enroll never start instruction. Employed students, who make up about 40 percent of all students, are even more likely to drop out; ESL students are more likely to complete their programs. Skill levels are so low, especially for those who enter ABE classes (8th grade level and below), that even completing some ABE programs cannot substantially raise skill levels. Adult education in the past has been particularly limited because of the minimal funding available. Since 1990, federal funding for adult education under the Adult Education Act more than doubled, from $133 million to $304 million. Currently slightly less than $300 is spent per student.

There is much discussion about the difficulties the adult education system has serving their target population. Several hypotheses have been suggested: Persons who have had difficulty in traditional schools are not likely to do well in adult schools using traditional methods. A sizable proportion of persons in adult education--as many as 80 percent according to some estimates--are learning disabled and thus unresponsive to traditional instructional approaches. Finally, many adults have family and work responsibilities which divert their attention away from education.

The Department of Education is implementing strategies to improve the quality of programs for adults and considering ways to better serve the most disadvantaged populations. These strategies include encouraging courses that integrate basic skills with occupational training, more contextual learning, and more work-relevant courses, and by providing supportive services. The current federal focus on improving the skills of the future workforce are reshaping the role that education plays in preparing individuals for productive employment. The types of improvements being initiated by the Department of Education may mean that more adults complete and benefit from education programs in the future.

Subsidized Employment

There are several ways to subsidize employment. OJT and work-experience are forms of subsidized employment which provide training experiences aimed to lead to employment. Tax credits are fundamentally different from OJT payments in that OJT is premised on the employer providing training to the new worker in exchange for the subsidy received, while tax credits are simply a way of buying a job for a worker. Public works programs create subsidized jobs while at the same time build or fix public (such as new parks and roads) while public service employment adds workers to existing socially useful programs and pays them a wage and benefits. Community Work Experience Programs (CWEP) specifically targeted to welfare recipients, require recipients to work in socially useful projects in exchange for receiving a welfare grant. **A review of these programs suggest that it is possible to implement a large publicly subsidized employment program; society can impose work-oriented obligations on welfare recipients in ways that recipients feel are fair; and, there is little evidence that short-term subsidized employment assignments will necessarily result in private sector**

employment.

Public Works Programs. The nation's largest public subsidized employment initiative occurred in the 1930s during the Great Depression. The most notable of the Depression-era programs were the Works Progress Administration (WPA), the Civilian Conservation Corps (CCC), the National Youth Administration (NYA), and the Public Works Administration (PWA).

- The WPA was the New Deal's principal work relief program. It provided federal funds for work projects operated by State and local governments. A wide variety of work projects were funded, but primary emphasis was placed on public works construction. Over the course of its existence, the WPA built or reconstructed 617,000 miles of new roads, 124,000 bridges and via ducts, and 35,000 buildings, including New York's Central Park Zoo, the Philadelphia Art Museum, and LaGuardia Airport. (Briscos, 1972)

  Almost all WPA participants came from the relief (i.e., welfare) rolls, although being on relief was not a prerequisite for being eligible to participate in WPA. Enrollment was limited to one person per poor family. At it's peak, enrollment was 3.3 million. Over $10 billion in federal funds were spent on WPA over its eight year history. (Kesselman, 1978)

- The CCC was a residential program aimed at providing work to young men from families receiving government relief. The Army was responsible for food, shelter, and discipline at the CCC work camps, while agencies such as the Forest Service, Interior Department, and Soil and Conservation Service were responsible for administering the work projects. Work projects included reforestation, building national and state parks, and soil conservation. The CCC had a peak enrollment of 500,000 and close to $3 billion was spent on the program over its 10 year life. (Kesselman, 1978)

- In addition to the CCC, a much smaller work program providing relatively cheap, non-residential projects for both in-school and out-of-school youth was administered by the NYA. Peak enrollment for this program was 808,000 and cost $534 million in federal funds over its seven-year existence. (Kesselman, 1978)

- The PWA funded federal, state, and local construction projects conducted through private contractors. The primary purpose of this program was to generally increase employment as opposed to provide employment assistance to the needy. Once the WPA was established, the PWA focused on conducting projects involving heavy construction through private contractors while the WPA concentrated on light construction and service projects. The PWA's peak enrollment was 540,000 and cost $4.5 billion in federal funds over the course of its lifetime. (Kesselman, 1978)

President Roosevelt and Congress understood that providing direct cash support was cheaper than work relief but opted instead to pursue a work relief strategy that included the various programs described above. Despite arguments that direct cash relief could serve more people than work relief and estimates that the latter was almost a third (30 percent) more expensive, putting substantial resources into work relief programs prevailed because there existed such antipathy toward simply paying cash welfare to able-bodied employable persons. (The AFDC program was created during the same period to provide direct cash assistance to children in poor female-headed families.)

It was also recognized that trade-offs existed between achieving the twin goals of providing income support through work programs and producing useful work. The conflict between these goals was evident in decisions on how selective to be in hiring workers, what projects to conduct, whether to use private contracts, and how much funding could be spent on supervision, equipment, materials, and supplies. Work relief programs varied in the amount of emphasis given to each of these two goals. The WPA aimed mainly at providing income support and thus a high proportion of its funds went to wages for the participants. By contrast, the PWA and CCC spent a much greater proportion of the their funds than the WPA on supervision, equipment, and materials--less than 40 percent of total CCC expenses were spent on wages.

Work relief programs accounted for a large amount of the federal budget and of GNP during the Great Depression and provided employment for significant numbers of people. The WPA's $1.36 billion annual budget made up over 10 percent of the federal government's budget and over 1 percent of the country's GNP. An equivalent expenditure today would amount to over $60 billion in federal funds per year spent on a publicly subsidized works program. Recreating the CCC today, with some of the light and medium construction that it did in building state parks, would probably cost about $30,000 per slot. When combined, the New Deal work relief programs employed over 4 million individuals a year out of a total population of less than 130 million. This would be the equivalent of employing 8 million people today in public service employment.

Public Service Employment. After a 30 year lapse, the federal government again began to operate a publicly subsidized employment program in the 1970s. The Public Employment Program (PEP) and its successor, the Comprehensive Employment and Training Act (CETA), were both public service employment (PSE) programs created under the Nixon and Ford Administrations. Public service employment peaked in the late 1970s under the Carter administration at which time CETA-PSE was funded at about $4 billion and placed about 700,000 persons were subsidized jobs. Under PSE, unemployed and disadvantaged adults could be placed in fully-subsidized job in the public or non-profit sector, receiving regular pay.

Like the work programs in the 1930s, public service employment was intended to counter high unemployment and pump money back into the economy. There was also an expectation that disadvantaged persons would benefit from the job experience and these programs became increasingly targeted on the economically disadvantaged over time. However, it should be

underscored that public service employment did not serve a high proportion of AFDC recipients. Public service employment in the 1970s differed fundamentally from the depression-era programs in that it simply added workers to existing programs and was not a public works program that actually created its own projects.

PEP, the predecessor of CETA, was enacted in 1971 and funded at $1 billion in FY 1971 and $1.25 billion in FY 1972. At its peak, it provided employment for about 185,000 persons. Most jobs were located within State and local government agencies. Eligibility was open to anyone who was: (1) unemployed for a week or more, (2) working less than full-time involuntarily, or (3) working full-time at wages that provided less than a poverty-level income. The typical PEP participant was a white male with at least a high school diploma--sixty-four percent of participants were white, 72 percent were male, 74 percent had high school diplomas and 31 percent had some post-secondary training or education. Only 12 percent were welfare recipients. The average wage for PEP participants was $2.87 an hour.

CETA was enacted in 1973 and contained a (PSE) component under Title II of the Act which replaced PEP. Title II was designed to counteract structural unemployment. A PSE program was added a year later to counter cyclical unemployment under Title IV.

In 1975 combined enrollments in the two CETA-PSE programs stood at 280,000, with each program serving roughly the same number of individuals. Both programs were required to spend all but 10 percent of their funding on wages and participant benefits. Participants were generally placed in state and local government agency jobs. Similar to PEP, participants were typically white, male, and high school graduates. Only 36 percent were economically disadvantaged; roughly 5 percent were AFDC recipients.

Amendments to CETA made in 1976 increased the funding and size of PSE and directed more of its resources towards the economically disadvantaged. In an effort not to displace locally paid workers with federally subsidized workers, any PSE worker hired to fill positions that exceeded existing PSE levels were assigned to one year special projects. Special one year project enrollees were more likely to be minority, high school dropouts, and welfare recipients than those hired for the State and local "sustainment" PSE slots. Between 1975 and 1978, the number of AFDC recipients engaged in publicly subsidized jobs through CETA almost doubled--increasing from 5 percent to almost 10 percent.

Job slots in the sustainment component of PSE tended to be in the areas of property maintenance, public works street repair, aides in police and fire departments, and park maintenance. Special project slots also included work in park and street maintenance, but more often were in social service positions such as teacher's aids, library assistants, hospital attendants, and clerks in social welfare agencies.

During the spring of President Carter's first year in office, Congress authorized another $4 billion for PSE programs. Enrollment increased from 300,000 in May 1977 to 755,000 in April 1978. The proportion of job slots going to community based organizations also increased greatly

during this period, making up 25 percent of all PSE slots.

In 1977, PSE wages averaged $4.41 per hour. In comparison, the minimum wage stood at $2.30 at that time. In 1978, amendments to CETA further tightened eligibility requirements, lowered the limits on what PSE workers could be paid, and required job training to be provided to participants. In FY 1980, 85 percent of PSE participants had incomes below the poverty line at intake and 17 percent were AFDC recipients. As more disadvantaged persons were served by PSE, the wages paid in real terms declined. By 1980, the average PSE wage was only 26 percent higher than the minimum wage of $3.10 an hour.

It is difficult to derive a cost per slot figure for PSE programs under CETA--the programs fluctuated so much from year to year that a steady state was never achieved. Based on restrictions on how much could be used for purposes other than wages and employee benefits, a rough estimate is that the cost per slot was around $10,000 in 1980. Corrected by the CPI, this would amount to about $17,250 today. However, pegged instead to changes in the minimum wage--which has not kept up with the CPI, this would amount to about $13,200 per slot. If PSE jobs only paid the minimum wage, the equivalent today would cost $10,200 a slot.

The Carter Administration envisioned using PSE as a key feature in its welfare reform initiative and proposed placing heads of AFDC households in minimum-wage PSE jobs if employment through the private sector could not be obtained. Although the Carter Administration's welfare reform initiative was never enacted, a large demonstration project designed to field test the jobs component of the proposal was implemented. The demonstration--Employment Opportunities Pilot Project (EEOP)--had a public service employment component which served primarily AFDC mothers.

The EOPP demonstration operated in 10 sites over a 27 month period from mid-1979 to mid-1981. PSE wages were funded through CETA. Between January 1980 and February 1981, the demonstration enrolled an average of 1,600 clients per month, and all told, over 24,000 persons were enrolled in the demonstration. As originally conceived, persons eligible for EOPP included both AFDC recipients and the principal earners of low-income families. Over time, the scope of the demonstration narrowed and the program was increasingly targeted on AFDC recipients. Of all EOPP enrollees, 16,000 were unmarried females, 3,000 were married females, and 5,000 were males.

Program services provided under EOPP included an intensive job search component of up to 8 weeks, and then a subsidized employment or training component that could last up to one year. Child care and transportation assistance were the major support services available, although some sites also offered counselling. Of those who enrolled in EOPP, less than a fifth (17 percent) actually received employment or training services. Roughly two-thirds of the employment and training participants were placed in a PSE job. The average participant stayed in employment or training activities for 5 months, at a cost of approximately $5,400. A person staying a full year would have cost roughly $13,000 and the cost for the PSE component was slightly higher. PSE wages and fringe benefits amounted to $8,270 for a person staying a full

year, less than 60 percent of PSE costs in EOPP.

CETA PSE was increasingly surrounded by controversy mainly because of administrative problems encountered in mounting such a large-scale program in a short period of time. Reports of misuse of funds, favoritism in hiring, and substitution of jobs led to major program changes in 1978 that limited wages, targeted jobs on the most disadvantaged and tightened fiscal accountability. By then, though, the public image of CETA PSE was quite poor. Funding for PSE declined sharply in 1979 and 1980. When Congress enacted JTPA to replace CETA in 1982, PSE was eliminated.

Despite the management problems, CETA PSE had fairly positive impacts, especially for low-income women. A review of a number of non-experimental studies (that is, one that did not use random assignment) found (in 1977 dollars) overall positive net impacts on earnings (about &700 a year), with the strongest impacts for white women (as much as $1200 a year) and women on welfare (as much as $1700 a year). Impacts for men were not consistent, with some studies finding small negative impacts and others finding modest positive impact (Barnow, 1987).

On a much smaller scale, subsidized jobs continue to be provided in the JTPA Summer Youth Employment programs, and in several programs for dislocated workers. It is also being formally evaluated, among other components in the Milwaukee New Hope Project.

Community Work Experience. Beginning in the 1980s a very different form of work experience emerged in welfare programs. CWEP was proposed by the Reagan administration as workfare--welfare recipients were to work in public assignments as a condition of receiving their welfare checks. The number of hours spent participating in a work assignment was determined by dividing the welfare grant by the minimum wage. The main difference between PSE and CWEP is that under PSE, participants are paid a wage and fringe benefits, while under CWEP participants are still paid their AFDC grant and are essentially working for free to pay off their grant.

In reality, while most states have a component called CWEP, it is generally quite similar to the work experience program provided under WIN, the work-welfare program that preceded JOBS. CWEP assignments generally last about 13 weeks and involve only a small number of clients. While the concept of CWEP has aroused much criticism from advocates, unions and others, there is less vocal opposition to the small version that has actually been implemented at the local level.

Some of the major Manpower Demonstration Research Corporation (MDRC) work-welfare demonstrations of the 1980s included short-term work experience or CWEP, usually in combination with some form of job search assistance. MDRC reports that these programs were nearly always operated on a limited scale (an exception was the San Diego SWIM demonstration described below), served only a small percentage of the eligible welfare population, and

generally lasted for three-month periods. Most did not target AFDC mothers with pre-school children. (Brock, Butler, and Long, 1993)

MDRC's review of CWEP also concluded that there is little to no evidence that these programs, either alone or after job search assistance, leads to reductions in welfare receipt or increases in employment or earnings. It should also be noted, however, that the goal of CWEP is not increase the employability of participants, although some have argued that it can help prepare welfare recipients for the labor market by teaching them good work habits and skills and developing a work ethic.

MDRC found that the costs of unpaid work experience per participant ranged from approximately $700 to almost $2,100 (1993 dollars). Different factors, such as the length of the assignment, the target population and if the assignment was offered alone or in combination of other activities account for the variation in estimated costs. It was also estimated that if the assignments were on-going, the annual cost per filled slot for welfare recipients ranged from approximately $700 to nearly $8,200 (the relatively large-scale CWEP programs cost less per participant than programs that operated on a limited basis). From the perspective of society at large, MDRC found that most of the CWEP programs they evaluated provided benefits to taxpayers that outweighed the costs of operating the program.

The overall consensus of participants and supervisors involved in these CWEP programs was that while the work assignments may not have taught welfare recipients new skills, neither was it meaningless "make work". At the same time, most participants would have preferred a "real job" even though they though the work requirement was fair.

The Saturation Work Incentive Model (SWIM), discussed earlier in relation to evidence on job training is particularly relevant because it aimed to involve large proportions of both new and existing welfare recipients in job training *and* CWEP activities. SWIM was operated by the County of San Diego in selected welfare office from July 1985 to September 1987. The program provided a combination of two-weeks of job search activity; three months of unpaid work experience for 20 to 30 hours per week (including a job club), and education and job training. The community work component included positions as teacher's aides, clerks within the Department of Social Service, aides in health clinics and park maintenance.

Participation in SWIM was required for the AFDC "WIN mandatory" population--unmarried female heads of households with children age six and older and male heads of households in AFDC two-parent families. The initial participation goal was to have 75 percent of the WIN-mandatory caseload in one of the three employment and training components at any given time. SWIM never reached its participation goal but it did succeed in getting a large proportion of the mandatory caseload involved in employment and training activities. In a given month during the program's second year of operation, about a fifth SWIM enrollees fulfilled their work requirement by being employed at least 15 hours a week in an unsubsidized job, a little over a fifth were enrolled in SWIM sponsored work or training activities while about a tenth were enrolled in education and training programs outside of SWIM.

According to the MDRC evaluation of SWIM, the costs of SWIM were $1,545 for AFDC enrollees and $1,292 for AFDC-U enrollees. This includes operating costs, support services, stipends, and education and training services. It does not include the AFDC payments made to participants in the community work projects. These costs would need to be taken into account if welfare reform included an expanded CWEP component. Currently the average AFDC family in California receives over $7,500 a year in AFDC payments, which would bring the total cost of a SWIM program today to over $9,000 per enrollee per year. The costs in SWIM were kept low by having community agencies provide supervision for the work projects and by having work schedules coincide with school hours so that child care would not need to be provided.

Early results of the evaluation were encouraging with higher earnings of about $500 a year, a 9 percent higher employment rate and a decreased welfare dependence rate of about 7 percent. The positive outcomes remained for the two years, but all but disappeared by the fifth year (Friedlander and Hamilton, 1993). The convergence between the two groups may in part have been caused by the introduction of enhanced employment and training services under another work-welfare program (i.e., the State administered GAIN program) mid-way in the SWIM demonstration period. Overall, the benefit/cost analysis of SWIM showed positive gains to society.

Combinations of Services

The current understanding of those in the field is that the most effective education, training and employment programs include a combination, or integration, of various activities and services.

Historically, the Job Corps program for disadvantaged youth has been the model of comprehensive education, training and support services, and that program has been found to have positive impacts. Other programs with a comprehensive mix of services plus staff case management or counselling have also shown positive impacts: the CET program in San Jose, the Supported Work Experience Demonstration, Project Redirection for pregnant and parenting teens, the Teen Parent Demonstration, the San Diego WIN Demonstration, and the Massachusetts ET Choices Program. Project Chance in Chicago is a prime example of a client-oriented intensive services model where all participants engage in some activities that will move them forward on a path to self-sufficiency. (Herr and Halpern, 1991)

Such programs recognize that (1) many welfare recipients require supportive services if they are to succeed in education or training or in a job, and (2) programs should have a number of different components (e.g., not just job search assistance or CWEP) to meet the needs of the diverse population.

There is also a trend toward integrating vocational and basic education training in one program, like the CET program in San Jose. (Gordon and Burghardt, 1991) This type of instruction

builds on the concepts of work-based learning, which describes education and job training provided within a work context, either on the job (work experience) or in a classroom. The expansion of work-based learning efforts is based on past research originally focused on literacy in the military. According to one study, training that included job-specific materials produced more positive competency outcomes and performance than did training that used general academic material and traditional curricula and "six weeks of intensive job-reading training translated into a two-year increase in specific job-reading skills." (Adelman, 1991) Presumably, students also had better attendance and higher rates of course completion.

In the civilian sector, workplace literacy projects funded in the last decade by the Department of Labor and the Department of Education emphasize developing work-related skills in a functional context, both for vocational training, worker skill improvement and worker retraining.

The concept of work-based learning is now also expanding as the nation aims at improving the skills of the future workforce. The Clinton administration's proposed School-to-Work Opportunities Act would provide apprenticeship style paid work experience that combines basic education, job training, work experience on the job, mentoring, case management and job development.

There is also increasing attention on the needs of children in welfare families and the interactive effects that education, training and work have on both the mother and her children. (Zaslow, 1993) Some policy analysts are calling for more intergenerational services to assure that the needs of children and families are considered simultaneously. (Smith, et al, 1990)

There is very little research on the effect of intergenerational services. Evidence that does exist suggests that intergenerational programs can be effective for children, even if there are no positive impacts reported yet for their parents. Even Start, for example, is a federally-funded program that provides high quality early childhood education to children in low-income families (50 percent are on AFDC), and adult education to their parents. Early research shows positive development and cognitive impacts for the children. There have been no positive impacts for their parents in terms of educational outcomes, but some evidence that they remain in the program longer, presumably because they respond to the positive experiences they feel their children are having. They want their children to remain in the high quality early childhood education program, so they remain in the adult education program to assure their children can continue. (USDOE, undated) Presumably, improvements in adult education programming, as described above, would improve outcomes for Even Start parents.

PROGRAM PARTICIPATION AND POPULATIONS SERVED

While several demonstrations have shown promising results at actually placing recipients into work or education/training activities, most programs have not engaged substantial portions of the welfare caseload. Substantially increasing participation in employment, education, and training program remains a significant challenge. Demonstration and

program evaluation reports also provide a growing, albeit still limited, body of information about serving specific population groups among the welfare and disadvantaged population. Still, there is fairly clear evidence that national policy must allow for a broad range of services—education, training, employment, counselling and supportive services—and program flexibility to ensure that any unique circumstances or needs of particular groups can be considered.

Program Participation

The Work Incentive Program (WIN) (1968-1989) was targeted on about one-third of all recipients, those designated to mandatorily register with the program, mainly women with no children under six years of age. WIN actively served about 25 percent of its registrants or about 10 percent of all AFDC adults. Most of the MDRC work-welfare demonstrations of the 1980s also served between 5 and 15 percent of all AFDC adults.

It is important to note, however, that there was no federal policy emphasis on achieving high rates of participation before the mid to late 1980s. There are now several examples of programs that serve substantially higher proportions of the AFDC caseload than generally were served in the 1970s. The San Diego SWIM program, for example, engaged 64 percent of the mandatory population (i.e., those with no children under six), or a little over 20 percent of the total AFDC caseload.

In general, though, the participation by AFDC adult women overall has been quite low because most of the programs and demonstrations served primarily, or only, those persons mandatorily required to register with the work program (i.e., excluded about two-thirds of the caseload which consists of cases headed by women with young children). This means that even programs for the mandatory population that served a high percentage of the target group, say 50 or 60 percent (like SWIM), reached only about 15 or 20 percent of all AFDC mothers.

Some programs do better with men--West Virginia, for example, registered 100 percent of the males in AFDC-UP cases in their WIN demonstration program that included a workfare obligation.

There has been somewhat more success with new teen mothers on AFDC, as evidenced from the Teen Parent Demonstration Program. Ninety percent of the teen mothers required to participate in the program did enrol. Sixty-five percent went through assessment, 60 percent participated in at least one major activity (school, training, or employment) and 27 percent became employed within two years.

There is recent evidence, then, that mandatory work-welfare programs can serve significant portions of the mandatory population. SWIM, the Teen Parent Demo, and other programs like Kenosha, Wisconsin's have shown that it can be done. One important aspect of mandatory programs is that the requirement undoubtedly reaches individuals who might not otherwise, on

their own, enter the program or, as with the non-custodial parent demonstrations, behave in desired ways.

But voluntary programs can also attract large numbers of participants. It seems that marketing and information are key if voluntary programs are to engage high proportions of the population. While the EOPP program in the 1970s and the more recent Washington State FIP program did not substantially increase participation in employment, training or education, there is some evidence that many clients did not know about or fully understand the availability of program services. In the well-publicized voluntary Massachusetts ET Choices program, though, with a heavy emphasis on information and aggressive marketing, higher percentages participated--about 70 percent of all AFDC adults in 1987 (not just the mandatory pool) had enrolled in ET and about 50 percent of all AFDC adults participated in at least one major activity.

There is ongoing discussion about whether the financial incentives in AFDC can be changed to encourage more participation in education, training or employment. Several states currently are making various changes to the benefit reduction rates in AFDC and are testing the effects of cash incentives and penalties. According to labor economic theory, one would expect that by providing individuals with incentives for certain behaviors should have the desired effect. But the evidence is not that clear. In New York State, the Child Assurance Program which had employment incentives was expected to also have some impact on participation in education and training, as individuals desired to become more employable. Evaluators, however, found that CAP had no effect on participation in education or training--about one third of CAP participants and controls participated in some education or training in a year. Similarly, in Washington State's Family Independence Program (FIP), which had incentives for either employment or education/training, there was a slight initial increase in education, but no substantial difference over time. (Long, et al, 1993).

In part, clients may not respond to incentives because they do not understand them. Evaluators suggest that this may have been one of the problems in FIP. In Ohio's LEAP program which pays cash bonuses to teenagers who attend education and penalizes those who do not, many clients may not have really understood the "carrots and sticks." Staff feel that the positive effect LEAP had on increasing school attendance may have reflected other aspects of the program and not the incentives and bonuses.

Specific Populations

Even though we know that the welfare population in not homogeneous, the literature on the effectiveness of education and training for specific population groups is much more limited that the effectiveness of services or the effectiveness of general intervention programs. A few populations are of particular interest, even though we still know little about how to improve their employment prospects.

Non-Custodial Parents. There is much evidence linking the rise in female-headed

households--and thus the increase in welfare--to the declining economic position of non-college males. William Julius Wilson (1987) developed a "male marriageable pool index" that looks at the number of females within different age cohort relative to the number of males with sufficient earnings to support a family. He finds that currently among non-whites there are less than 50 employed men in the 20-24 age cohort for every 100 women. Another study using census data shows that declining marriage rates for non-college males as their earnings power has decreased. Sociologists and demographers have also documented the link between unemployment rates and marital delays and out-of-wedlock births.

Enhancing the labor market position of non-custodial fathers plays an important role within the context of welfare reform for several reasons, including: increasing child support payments to AFDC households, preventing AFDC households from forming in the first place, promoting marriage between noncustodial fathers and women on AFDC caseloads, and helping to improve the economic base of males, particularly African-American males, and thus help restore the two-parent African-american family.

Currently, there are no net impact results of job training programs aimed specifically at noncustodial fathers. However, several demonstrations are now focusing on non-custodial parents (usually fathers) to both increase regular payments of child support and increase their earning potential.

Children First, operating in selected Wisconsin counties, is designed to motivate non-custodial parents who are delinquent in child support payments to find jobs. It has a heavy mandatory work requirement--pay child support, perform community service, or go to jail. One county (Racine) also provides skills development.

Early reports from Children First indicate that there is a high "smoke out" effect. The requirement evidently identifies fathers who have "hidden income" and motivates others to find jobs when they are faced with the threat of jail. (DHSS, 1991)

The Parents Fair Share Demonstration program is also targeted on non-custodial parents. It also has strong child support enforcement along with intensive support and training. The training includes parenting skills as well as job skills. Like Wisconsin's program, Parents' Fair Share has found a large smoke effect. About 35 percent of the fathers referred to Parents' Fair Share actually have to be served; the rest find jobs or already have jobs and start paying child support regularly. (MDRC, undated)

Both Racine and Parents' Fair Share suggest that support services may be important for non-custodial parents just as they are for custodial parents. Fathers reportedly enjoy and benefit from regular support groups, parenting classes and counselling if the components are designed to be sensitive to the needs of men. This presumably will translate into positive impacts on their relationships with their children, their parenting skills and regular compliance with their child support obligations.

Other programs that have tried to work with non-custodial fathers have had difficulty recruiting and keeping fathers in the program (Watson, 1992) Children First and Fair Share suggest that a strong threat is one way to gain the cooperation of fathers. If a high proportion of non-custodial fathers of AFDC children can be "smoked out" by strong enforcement, then limited resources can be devoted to more intensive training and services to improve the earning potential of the rest.

Persons With Disabilities. Education and training programs have gradually recognized that many persons with disabilities can work. As evident from the long history of vocational rehabilitation programs, persons with disabilities, particularly medical or physical disabilities, generally need special services during their rehabilitation. Some may also need reasonable accommodations on the job, and are entitled to such accommodations according to federal law. The Department of Education estimates that about half of the persons with disabilities have learning disabilities possibly as well as medical disabilities.

The AFDC population probably has few persons with medical or physical disabilities, but the caseload may include many persons with learning disabilities. HHS estimates that nearly 20 percent of AFDC women may have a self-reported physical disability of some type, but only six percent have a "severe" disability, as measured by their ability to perform certain daily living activities. The vast majority of these physical disabilities involve back problems, which may temporarily impede some training or employment. Although there is little information on the severity of such disabilities, as many as 40 percent of AFDC adults may be learning disabled. (Nightingale, et al, 1991)

There is much research about what employment-related services are needed for persons with a range of medical and physical disabilities, but considerably less about what is needed for adults with learning disabilities. Counselors in vocational rehabilitation and developmental disabilities programs, though, offer several suggestions. First, once the disability is correctly diagnosed, case management is critical to assure a proper course of rehabilitation. When a person begins a job, follow-up services can help make a successful adjustment. Some period of supported employment with job coaches helps many people with disabilities.

Other vocational training programs are just beginning to address the needs of persons with learning disabilities. Programs like CET in San Jose and in many community colleges now emphasize contextual instruction, integrate vocational and basic skills instruction, and use multi-sensory instructional approaches to reinforce diverse learning styles (e.g., video and hands-on instruction as well as paper and pencil work).

If the proportion of persons on AFDC with physical and learning disabilities is as high as current estimates suggest, their special circumstances must be considered if work-welfare programs are to succeed in making large numbers of persons permanently self-sufficient. To date, however, there is very little understanding about what specific services persons with learning disabilities may need.

Housing Assistance Recipients. Welfare recipients who are also receiving housing assistance may face additional barriers and disincentives to work. Rents are pegged at 30 percent of countable income, posing an (at least symbolic) disincentive to increase work effort. Persons living in large public housing projects may have multiple barriers, including geographic and social isolation, crime, and lack of support services.

In the past decade especially, more attention has been paid to this population. One approach that program operators feel may be promising is to have the training and work program operate on-site. Family Support Centers, with HUD, JTPA and HHS funds, are operating in many housing projects and provide a range of support services that should help people participate in employment-oriented activities. Project Chance in the Cabrini-Green housing project in Chicago combines intensive client-oriented assistance with individual initiative and empowerment. A series of HUD initiatives from Family Self-Sufficiency to Operation Bootstrap and Economic Empowerment Demonstrations link housing assistance to participation in programs that can include education, training and work experience--the Self-sufficiency and Bootstrap projects were targeted on both public housing residents and recipients of Section 8 rent subsidies, and the Economic Empowerment Demonstration was limited to public housing residents.

Unlike general work-welfare and employment and training programs, there are still no rigorous evaluation findings on programs for housing assistant recipients.

ORGANIZATION, MANAGEMENT AND IMPLEMENTATION

The major evaluations of the past twenty years clearly show that well-executed employment, training and education programs can have positive impacts on individuals and can be cost-effective. The important point, though, is that they must be well-executed. Not all demonstrations and programs evaluated have been found to have positive impacts, and the impacts on programs that appear similar vary across sites and over time. The local economy and labor market play some role, but successful implementation and management may be a major key to success.

In a study of high- and low-performing WIN programs in the late 1970s, between 30 and 50 percent of the variation in performance could be explained by labor market and demographic conditions; most of the rest of the variation was due to program operations and management distinctions.[4] (Mitchell, et al, 1979) High-performing programs were more likely to:

- have a broad range of employment, training and supportive services available;
- have clear management and staff consensus on program goals and purposes;
- emphasize a balance between obtaining a high quantity of job placements and seeking high quality jobs;

- have program managers who understood the priority for the program within their host agency and adapted accordingly (e.g., buffer and protect integrity of the program in hostile agencies, leverage organizational resources in friendly agencies); and

- be client-oriented, both in staffing and services delivery.

Experiences in many recent programs are echoing some of these findings. Some of the success of SWIM, Riverside GAIN, Kenosha County, Massachusetts ET Choices, New York CAP, and the Teen Parent Demonstrations, for example, has been attributed to organizational culture, management, clear objectives, goal consistency, and management priority.

Based on their evaluations of CWEP programs, MDRC suggest the following are essential ingredients of running a successful CWEP program on a large scale: sufficient funding; strong staff commitment to the program; adequate worksite capacity; clearly articulated procedures for assigning clients to worksites, monitoring client participation; exempting clients who cannon work and sanctioning those who do not comply; and support for the program (or at least lack of opposition) from labor unions, welfare advocacy groups, and others in the community. (Brock, Butler, and Long, 1993)

The importance of management and implementation may help explain why programs that seem similar have different impacts in different sites, but it may also explain why different types of programs have similar impacts. Transferring the technical management expertise across programs can help improve programs even if the specific service models are different. Technology transfer may be one means by which the federal government can improve program management.

CONCLUSIONS

The clear conclusion of work-welfare and education and training studies to date is that programs can increase earnings some, and maybe increase the rate of employment initially, but they have less effect on welfare receipt, and no real effect on poverty.. Furthermore, some of the earnings and employment impacts are short-term, dissipating over time.

A number of factors contribute to the limited impact of employment and training programs, including labor market conditions, resource constraints, implementation problems, and barriers that make interprogram coordination difficult. (Ellwood, 1989)

Much of the program impact evidence comes from demonstrations and evaluations of programs that primarily focused on direct employment services, particularly job search assistance. Many analysts and program operators feel that more intensive interventions, particularly those that include supportive services, more staff-client interaction and a combination of training,

education, supportive services and work may show somewhat stronger positive impacts. The empirical research, however, on more comprehensive programs and on programs that emphasize education is limited.

There is still room for optimism. The management, operational and research experience suggests many ways that services and programs could be improved. For example, it could be that components like OJT and public service employment which have fairly positive net impacts could be even more effective if targeted on less-skilled persons and combined with case management, post-employment follow-up, and other work supports. The Departments of Health and Human Services, Education, Labor and Housing and Urban Development are making progress in developing comprehensive interventions that should help improve education and training outcomes.

With regard to publicly subsidized employment programs, past experience also suggests that it is difficult but not impossible to implement a large public service employment and that publicly subsidized employment can take different forms, each associated with different goals and costs. For example, although some of the depression-era programs were geared to more heavily to provide income support than others, these were all essentially public works programs which created their own projects, many of which are still used today. Public service employment, in contrast, provides jobs to those who would otherwise be on welfare or unemployed by simply adding workers to existing agencies and therefore costs less than public works programs. CWEP also puts welfare recipients to work in socially useful projects but participants still remain on welfare, and do not receive a paycheck or fringe benefits.

Finally, we have no evidence yet that education, training and employment programs are very successful at actually moving poor adults out of poverty. There are undoubtedly a number of reasons for this, including less than optimal program operations as well as limited wage opportunities in the labor market. Regardless of the reason, it seems clear that employment, education and training alone is not enough. Public service employment or community work experience programs is an alternative but not a replacement to private sector employment and there is little evidence that six months or a year of either PSE or CWEP alone will necessarily result in private sector employment. Thus, it is critically important to view these interventions in combination with other strategies to "make work pay" and raise income levels. Education and training cannot alone be the engine that moves substantial numbers of people off welfare and out of poverty.

→ Work is diff. from E+T

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Endnotes

1. Formal evaluations of employment, training and work-welfare programs use various methodologies in estimating net impacts. Most experimental design evaluations measure net impacts by comparing the impact for treatment-group members to the impact for control groups members, regardless of whether an individual actually participated in any activity. Unless otherwise noted, this is the measure of net impact reported.

2. Note that the JTPA, Maine, and New studies did *not* test OJT training versus no training at all. Rather, the studies examine the marginal, or add-on, impact of having a OJT program.

3. A weighted index of performance was created using the WIN program's standard criteria: job entries per staff, starting wage rate, job retention rate, and welfare grant reduction. Statistical analysis controlled for state and local socio-economic conditions to estimate expected performance given those conditions. High-performers were programs where performance was at least one standard deviation above expected, low-performers were those one standard deviation below expected.

Bruce

4/19/94

WR - BILL LANGUAGE

A B I L L

To amend the Social Security Act, the Food Stamp Act and other relevant statutes to redesign the program of aid to families with dependent children to establish a program that provides time limited, transitional assistance, prepares individuals for and requires employment, prevents dependency, overhauls the child support enforcement mechanism at both the State and Federal level, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Comprehensive Welfare Reform And Family Support Amendments of 1994".

NO-WORK and RESP. ACT. OF 1994

SEC. 2. TABLE OF CONTENTS; REFERENCES

(a) Table of Contents.--This Act contains the following titles and sections:

TITLE ~~I~~ II - JOBS

TITLE ~~II~~ I - TIME LIMITED ASSISTANCE

TITLE III - WORK

TITLE IV - CHILD CARE

TITLE V - PREVENTION OF DEPENDENCY

TITLE VI - CHILD SUPPORT ENFORCEMENT

TITLE VII - INFORMATION SYSTEMS

TITLE VIII - IMPROVING GOVERNMENT PROGRAMS

TITLE IX - MISCELLANEOUS

NAMES + ORDER

IN THE YEAR 2000, UNDER REFORM:

* 2.4 MILLION ADULTS WILL BE SUBJECT TO THE NEW RULES, INCLUDING TIME LIMITS AND WORK REQUIREMENTS.

* AND ALMOST ONE MILLION PEOPLE WILL EITHER BE OFF WELFARE OR WORKING:

  * 330,000 PEOPLE WHO WOULD HAVE BEEN ON WELFARE WILL HAVE LEFT THE WELFARE ROLLS.

  * 220,000 PARENTS WILL BE WORKING PART-TIME IN PRIVATE SECTOR JOBS.

  * 390,000 PEOPLE WILL BE IN THE WORK PROGRAM: EITHER IN SUBSIDIZED PRIVATE SECTOR JOBS OR WORKING IN THE PUBLIC SECTOR.

* ANOTHER 870,000 YOUNG RECIPIENTS WILL BE IN TIME-LIMITED SCHOOL OR TRAINING PROGRAMS LEADING TO EMPLOYMENT.

* FEDERAL CHILD SUPPORT COLLECTIONS WILL HAVE MORE THAN DOUBLED, FROM $9 BILLION TO $20 BILLION.

* TEEN PREGNANCY PREVENTION PROGRAMS WILL BE OPERATING IN 1000 MIDDLE AND HIGH SCHOOLS IN DISADVANTAGED NEIGHBORHOODS.

* ALL HOSPITALS WILL HAVE PATERNITY ESTABLISHMENT PROGRAMS IN PLACE.

* A NATIONAL CLEARINGHOUSE WILL BE IN PLACE, TRACKING FATHERS WHO OWE CHILD SUPPORT ACROSS STATE LINES.

WELFARE REFORM: ENCOURAGING WORK

Under the President's reform plan, welfare will be about a paycheck, not a welfare check. To reinforce and reward work, our approach is based on a simple compact. Support, job training, and child care will be provided to help people move from dependence to independence. But after two years, anyone who can work, must work--in the private sector if possible, in a subsidized job if necessary. Reform will make welfare a transitional system leading to work: a second chance rather than a way of life.

This central message of work and responsibility is reinforced by two other Clinton Administration initiatives: health care reform and the expansion of the Earned Income Tax Credit (EITC). Universal health care will allow people to leave welfare without worrying about coverage for their families, while the expanded EITC will lift millions of workers out of poverty. Both will provide bold new incentives for AFDC recipients to leave welfare for work.

A Reformed JOBS Program

The core of our transitional approach is an expanded, improved JOBS program. Created by the Family Support Act of 1988 and championed by then-Governor Clinton, the JOBS program offers education, training, and job placement services--but to too few families. Our proposal would expand and improve the program from day one to include:

- **Additional federal funding.** To ease state fiscal constraints and ensure that JOBS really works, our proposal raises the federal match rate and provides $2 billion of additional JOBS funding. The federal JOBS match will increase further in states with high unemployment.

- **A two-year time limit.** The first time limits ever imposed on welfare will restrict most AFDC recipients to a lifetime maximum of 24 months of cash assistance.

- **A personal employability plan.** From the very first day, the new system will focus on making young mothers self-sufficient. Working with a caseworker, each woman will develop an employability plan identifying transitional services and specifying her speediest path to work. Because 70 percent of welfare recipients already leave the rolls within two years, states can also design shorter time limits for people who are job-ready, and require them to work sooner.

- **Limited exemptions and deferrals.** Our plan will reduce existing exemptions and ensure that from day one, even those who can't work still have to meet certain expectations. Mothers with disabilities and those caring for disabled children will initially be exempt from the two-year time limit, but will be required to develop employability plans detailing the steps, such as finding appropriate medical care, necessary to work. Another exemption allowed under current JOBS rules will be significantly narrowed: mothers of infants will receive only short-term deferrals (12 months for the first child, three months for the second). At state discretion, a very limited number of young mothers completing education programs may receive appropriate extensions.

- **Job search first.** Participants who are job-ready will immediately be oriented to the workplace. Anyone offered a job will be required to take it.

- **Integration with mainstream education and training programs.** JOBS will be linked with job training programs offered under the Jobs Training Partnership Act, the new School-to-Work initiative, and other mainstream programs.

- **Guaranteed child care for those in education and training.** A expanded investment in

child care will help eliminate a primary barrier to work for single parents.

•**Tough sanctions.** Parents who refuse to stay in school, look for work, or participate in the JOBS program will be sanctioned, generally by losing their share of the AFDC grant.

The WORK Program

The WORK program will enable those without jobs after two years to support their families through paid employment. The WORK program emphasizes:

•**Work for wages.** Unlike traditional "workfare," recipients would only be paid for hours worked. Most jobs would pay the minimum wage for between 15 and 35 hours of work per week.

•**Flexible, community-based initiatives.** State governments can design programs appropriate to the local labor market: placing recipients in subsidized private sector jobs, in public sector positions, or with community organizations.

•**A Transitional Program.** To constantly push people to enter unsubsidized private sector jobs as quickly as possible, participants will be required to go through extensive job search before entering the WORK program, and after each WORK assignment. No WORK assignment will last more than 12 months. Participants in subsidized jobs will not receive the EITC. Anyone who turns down a private sector job will be removed from the rolls, as will people who refuse to make good faith efforts to obtain available jobs.

Targeted, Meaningful Change

To reform the system in a realistic, meaningful way, the plan's new requirements will apply first to women born after December 31, 1971. Phasing in the new system will target limited resources on young, single mothers with the most at risk; send a strong message to teenagers that welfare as we know it has ended; most effectively change the culture of the welfare office to one focused on work; and allow states to develop effective service capacity. Each year, a larger percentage of recipients will be covered, and states that want to accelerate will be able to use federal matching funds to do so. In addition, enhanced federal funding will help states provide increased job opportunities and basic skills training to older recipients under current JOBS rules.

Other Provisions to Encourage Work

To further reinforce work and responsibility, our proposal will:

•**Let states reward work.** Currently, AFDC recipients who work lose benefits dollar-for-dollar, and are penalized for saving money. Our proposal allows states to reinforce work by setting higher earned income and child support disregards. We also implement demonstration projects to support saving and self-employment. And states will be able to work with the Treasury Department to get the EITC out on a monthly basis.

•**Expand child care subsidies for the working poor.** To further encourage young mothers to work, our plan would guarantee child care during the WORK program and for one year after participants leave welfare for private sector employment. Increased funding for other federal child care programs would bolster more working families just above the poverty line and help them stay off welfare in the first place.

WELFARE REFORM: REQUIRING RESPONSIBILITY

Our current welfare system often seems at odds with core American values: work, family, opportunity, responsibility. Overlapping and uncoordinated programs seem almost to invite waste and abuse. Non-custodial parents frequently provide little or no economic or social support to their children. And the culture of welfare offices often seems to reinforce dependence rather than independence. The President's welfare plan reinforces American values, promoting parental responsibility and ensuring accountability for taxpayers.

The President's proposal includes several tough, smart measures to inspire personal and parental responsibility and prevent people from coming onto welfare in the first place. These include the first time limits ever imposed on welfare, coupled with the broadest and most serious work requirements; a nationwide crackdown on child support enforcement, which will give states an arsenal of ways to keep absent parents from getting off the hook; extensive efforts to detect and prevent welfare fraud as well as strong sanctions to prevent gaming of the welfare system; a national campaign against teen pregnancy, targeted to the most troubled schools; and a broad array of incentives that the states can use to encourage responsible behavior, from limiting additional benefits for additional children to rewarding teenagers for staying in school.

Accountability for Taxpayers

To eliminate fraud and ensure that every dollar is used productively, welfare reform will coordinate programs, automate files, and monitor recipients. New fraud control measures include:

- **State tracking systems.** States will verify the income, identity, alien status, and Social Security numbers of new applicants and assign national identification numbers. JOBS and WORK participants will be monitored to ensure both access to services and accountability.

- **A national public assistance clearinghouse.** Using identification numbers, the clearinghouse will follow people whenever and wherever they use welfare, monitoring compliance with time limits and work. A national "new hire" database will monitor earnings to check AFDC and EITC eligibility, and identify non-custodial parents who switch jobs or cross state lines to avoid paying child support.

- **Electronic Benefits Transfer (EBT).** Under a separate plan developed by Vice President Gore, states will be encouraged to move away from welfare checks and food stamp coupons toward Electronic Benefits Transfer, which provides benefits through a tamper-proof ATM card. EBT systems will reduce welfare and food stamp fraud, and lead to substantial savings in administrative costs.

Parental Responsibility

The Administration's plan recognizes that both parents must support their children, and establishes the toughest child support enforcement program ever proposed. In 1990, absent fathers paid only $14 billion in child support. But if child support orders reflecting current ability to pay were established and enforced, single mothers and their children would have received *$48 billion*: money for school, clothing, food, utilities, and child care. As part of a plan to reduce *and* prevent welfare dependency, our plan closes this $34 billion gap by providing for:

- **Universal paternity establishment.** Hospitals will be required to establish paternity at birth, and each applicant will be required to name and help find her child's father before receiving benefits.

- **Regular awards updating.** Child support payments will increase as fathers' incomes rise.

- **New penalties for those who refuse to pay.** Wage-withholding and suspension of driver's, professional, and occupational licenses will enforce compliance.

- **A national child support clearinghouse.** Three registries--containing child support awards, new hires, and locating information--will catch parents who try to evade their responsibilities by fleeing across state lines. Centralized state registries will track support payments automatically.

- **State initiatives and demonstration programs.** States will be able to make parents who fail to meet their obligations work off the child support they owe. Demonstration grants for parenting and access programs--providing mediation, counseling, education, and visitation enforcement--will foster non-custodial parents' ongoing involvement in their children's lives. And child support assurance demonstrations will let interested states give families a measure of economic security even if child support is not collected immediately.

- **State options to encourage responsibility.** States can choose to lift the special eligibility requirements for two-parent families in order to encourage parents to stay together. States will also be allowed to limit additional benefits for children conceived by women on welfare.

Rewarding Performance, Not Process

The Administration's plan demands greater responsibility of the welfare office itself. Unfortunately, the current system too often focuses on simply sending out welfare checks. Instead, the welfare office must become a place that is fundamentally about moving people into the workplace as quickly as possible. Our plan offers several provisions to help agencies reduce paperwork and focus on results:

- **Program coordination and simplification.** Conforming AFDC and Food Stamp regulations and simplifying both programs' administrative requirements will reduce paperwork requirements.

- **Additional funding.** Our proposal eases state fiscal constraints to ensure that JOBS, child support, and prevention programs really work.

- **Improved incentives.** Funding incentives and penalties will be directly linked to state performance in provision of services, job placement, and child support collection. States will also be encouraged to run demonstrations that offer job placement bonuses as an incentive to caseworkers and welfare offices for helping recipients get and keep jobs.

5

Ending Welfare for the Next

WELFARE REFORM: ~~REACHING A NEW~~ GENERATION

Preventing teen pregnancy and out-of-wedlock births is a critical part of welfare reform. *Each year, 200,000 teenagers aged 17 and younger have children. Their children are more likely to have serious health problems—and they are much more likely to be poor. Almost 80 percent of the children born to unmarried teenage parents who dropped out of high school now live in poverty. By contrast, only eight percent of the children born to married high school graduates aged 20 or older are poor.*

To reduce poverty and welfare dependency and improve child health, we must send a clear and unambiguous message to adolescents: you should not become a parent until you are able to provide for and nurture your child. The President's plan includes a variety of approaches to address this critical issue.

Linking Responsibility with Opportunity

Today, minor parents receiving welfare can form independent households; often drop out of high school; and in many respects, are treated as if they were adults. Such a policy gives adolescents exactly the wrong incentive: to have children and move out of their parents' homes while they are still children themselves. Our plan changes the incentives of welfare to show teenagers that having children is an immense responsibility rather than an easy route to independence. At the same time, we offer hope: providing resources so that teen parents can take charge of their lives, find jobs, and become self-sufficient. Our approach relies on:

- **New requirements for teen parents.** From the first day, custodial teen parents receiving benefits will be required to finish school and enter the JOBS program, and unmarried minor mothers will be required to identify their child's father and live at home or with a responsible adult.

- **Intensive case management.** Caseworkers will offer encouragement and support, assist with living situations, and help teens access JOBS services such as parenting classes and child care. Caseworkers will also involve young mothers in other appropriate programs, such as Pell Grants, National Service, and School-to-Work. Selected older welfare mothers will serve as mentors to at-risk school-age parents.

- **A phase-in focusing on young recipients first.** Initial resources are targeted to women under age 25: those with the most to gain and the most at risk.

- **Carrots and sticks.** States will be allowed to use monetary incentives to keep teen parents in school.

Supporting Local Prevention Activities

- **A national campaign against teen pregnancy.** Emphasizing the importance of delayed sexual activity and responsible parenting, the campaign will bring together local schools, communities, families, and churches. Teenagers must get the message that staying in school, postponing pregnancy, and planning to work are the right things to do.

- **Mobilization grants and comprehensive demonstrations.** Roughly 1000 middle and high schools in disadvantaged areas will receive grants to develop innovative, ongoing teen pregnancy prevention programs targeted to young men and women. Broader initiatives will seek to change the circumstances in which young people live and the ways that they see themselves, addressing health, education, safety, and economic opportunity.

DRAFT June 9, 1994

THE PRESIDENT'S WELFARE REFORM PLAN

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

[The following (pp. 1-7) is Bruce's rewrite of the introduction (with minor revisions). Melissa will be editing it from a Public Affairs' perspective, but other edits are welcome.]

The current welfare system is at odds with the core values Americans share: work, family, opportunity, responsibility. Instead of rewarding and encouraging work, it does little to help people find work, and punishes those who go to work. Instead of strengthening families and instilling personal responsibility, the system penalizes two-parent families, and lets too many absent parents who owe child support off the hook. Instead of promoting self-sufficiency, the culture of welfare offices seems to create an expectation of dependence rather than independence. And the ones who hate the welfare system most are the people who are trapped by it.

It is time to end welfare as we know it, and replace it with a system that is based on work and responsibility. We need to move beyond the old debates over "something for nothing" on the one hand and "every one for him/herself" on the other, and offer a new social contract [do we want to use word 'contract' repeatedly?] that gives people more opportunity in return for more responsibility. Work is the best social program this country has ever devised; it gives hope and structure and meaning to our daily lives. Responsibility is the value that will enable individuals and parents to do what programs cannot--because governments don't raise children, people do.

The President's welfare reform plan is designed to reinforce these fundamental values. It rewards work over welfare. It signals that people should not have children until they are ready to support them, and that parents--both parents--who bring children into the world must take responsibility for raising them. It gives people access to the skills they need, but expects work in return. Most important, it will give people back the dignity that comes from work and independence.

WORK

We don't need a welfare system based on writing welfare checks. We need a work program built around helping people earn paychecks. The President's plan will transform the culture of the welfare bureaucracy to get out of the business of writing people checks for life and into the business of helping people find jobs and keep them. We want people not to need us anymore.

Two-Year Time Limit. The President's reform plan will end welfare as a way of life. Everyone who can work will be expected to go to work within two years. To the poor and those outside the economic mainstream, the Administration's plan will say two things: No one who works full-time with a child at home should be poor, and no one who can work should stay on welfare forever.

- A new social contract: Everyone will be required to sign a Personal Responsibility Agreement that spells out what they can expect and what is expected of them in return.

- No more something for nothing: Under the current system, only a small portion of welfare recipients are required to do anything in return for assistance. Our plan will significantly reduce the number of exemptions, and ensure that from day one, those who are able to work will be required to meet certain expectations.

- Job search first: Job search will be required immediately of anyone who can work. Anyone offered a private sector job will be required to take it or be removed from the welfare rolls.

- A clear focus on work: We need to change the culture of the welfare office to focus on moving people toward work and independence. Most people will be expected to enter employment well before the two years are up. States can also design shorter time limits for people who are job-ready, and require them to work sooner.

- A second chance, not a way of life: People should have an incentive to leave welfare quickly and not use up their months of welfare eligibility. The time limit is a lifetime limit: people who have been off welfare for long periods of time will be able to get a few months of assistance to tide them before moving into the work program, but they will not be able to start over with a new two-year clock. This will make welfare what it was meant to be--a second chance, not a way of life.

Requiring and Providing Work: Anyone who can work will have to go to work within two years, in the private sector if possible, in community service if necessary.

- Work for wages: People will work for a paycheck—not a welfare check. If people don't show up for work, they won't get paid. There will also be strong, escalating sanctions for people who quit or get fired.

- Flexible, community-based jobs: States will be able to use the money they would otherwise spend on welfare to create subsidized, non-displacing jobs in the private sector, with community organizations, or in public service positions. The plan is designed to promote strong ties to the private sector, without red tape, and to create real, meaningful jobs in fields ranging from home health care to child care to public safety.

- No one who can work should stay on welfare forever: This is a transitional program, designed to constantly push people toward unsubsidized work in the private sector. People will be required to go through intensive job search before entering the work program, and after each work assignment. No work assignment will last more than 12 months. No one will receive the EITC unless they leave the program and take an unsubsidized job. Anyone who turns down a private-sector job will be removed from the welfare rolls, as will people who refuse to make a good-faith effort to find a job when jobs appropriate to their skill level are available.

- A dramatic increase in work: Today, fewer than 15,000 welfare recipients are required to work. Under our plan, approximately 400,000 people will have hit the time limit and be working in the WORK program by the year 2000.

- Ending welfare as a way of life: The combined impact of welfare reform, health reform, and the expansion of the Earned Income Tax Credit will be dramatic. Reform means that by the year 2001, three quarters of the projected welfare caseload under the age of 30 will either be off welfare, working, or in a program leading to work. Without reform, only a small fraction would be working; and 20 percent would be in education or training.

Other Provisions to Reward Work. To further reinforce work and responsibility, our proposal will:

- Let States reward work and saving: Currently, welfare recipients who work lose a dollar in benefits for every dollar in wages, and are penalized for saving money. Our proposal lets States reinforce work by setting higher earned-income disregards. We will also allow families to set up Individual Development Accounts to save money for specific purposes, such as starting a business, owning a first home, or promoting a child's education. To move people from welfare to work, we will change outdated asset rules so that they can own a reliable car that can get them to work.

- Expand child care for the working poor: To further encourage young mothers to work, our plan will guarantee child care during the JOBS and WORK programs and for one year after participants leave welfare for work. The plan will also double funding for other Federal child care programs that help working families stay off welfare in the first place.

RESPONSIBILITY

We could have all the programs in the world, and they won't do any good if people behave irresponsibly and take advantage of government largess. The President's welfare reform plan includes measures to inspire personal and parental responsibility and prevent people from coming onto welfare in the first place. These include the broadest and most serious work requirements imposed on welfare recipients after a time period of becoming job ready; a nationwide crackdown on child support enforcement, which will give States an arsenal of ways to keep absent parents from getting off the hook; extensive efforts to detect and prevent welfare fraud, and strong sanctions to prevent gaming of the welfare system; a national campaign against teen pregnancy, targeted to the most troubled schools; and a broad array of incentives that States can use to encourage responsible behavior, from limiting additional benefits for additional children to rewarding teenagers for staying in school. In the long run, the only way to end welfare is to reduce the number of people who need to come onto it.

Accountability for Taxpayers. The Administration's reform plan includes several measures to reduce welfare fraud, crack down on child support collection, and improve efficiency:

- State tracking systems: States will verify the income, identity, alien status and Social Security numbers of welfare applicants. The plan will make it easier for States to coordinate programs, automate files, and monitor recipients. We will encourage States to run demonstrations that offer job placement bonuses as an incentive to caseworkers and welfare offices for helping recipients get and keep jobs.

- A national public assistance clearinghouse: The clearinghouse will keep track of people whenever and wherever they use welfare, and monitor compliance with time limits and work. A national "new hire" database will monitor earnings to check AFDC and EITC eligibility, and identify noncustodial parents who switch jobs or cross State lines to avoid paying child support.

- Electronic Benefits Transfer (EBT): Under a plan developed by Vice President Gore, States will be encouraged to move away from welfare checks and food stamp coupons toward electronic benefits transfer, which provides benefits through a tamper-proof ATM card. EBT systems will reduce welfare and food stamp fraud, and lead to substantial savings in administrative costs.

- Rewarding performance, not process: This plan will change the culture of the welfare office by providing clear incentives to States and caseworkers to move people from welfare to work, improve child support collection, and provide effective services. The plan includes dozens of measures to simplify, coordinate, and conform the rules and regulations of the AFDC and Food Stamp programs to reduce paperwork and focus on results.

The Toughest Child Support Enforcement Ever Proposed. Both parents must support their children. In 1990, absent parents paid only $14 billion in child support. But if child support orders reflecting current ability to pay were established and enforced, single mothers and their children would have received $48 billion. Closing this $34-billion child support gap will help move thousands of families off welfare and keep them off. It's time to say to those parents: If you're not paying your child support, we'll garnish your wages, suspend your license, track you across State lines, and even make you work off what you owe. If this country did a better job of enforcing child support, the need for a welfare system would diminish significantly. The Administration's proposal includes important measures to strengthen the child support enforcement system:

- Establishing paternity for all out-of-wedlock births: Hospitals will be required to establish paternity at birth--when the father is most likely to be present, and mothers who apply for welfare will be required to name and help find the child's father before receiving benefits.

- Tracking down those who don't pay: Three registries -- containing child support awards, new hires, and locating information -- will catch parents who try to evade their responsibilities by fleeing across State lines. Central State registries will monitor and enforce support payments automatically.

- New penalties for those who refuse to pay: States will be able to use wage-withholding, credit reporting, and suspension of professional, occupational, and drivers' licenses to make delinquents pay.

- State initiatives and demonstration programs: States will be able to make parents who fail to meet their obligations work off the child support they owe. States will also run demonstration programs to help noncustodial parents with no skills get training, access and parenting programs to help absent parents get involved in their children's lives, and child support assurance demonstrations to give families a measure of economic security even if child support is not collected immediately.

Ending Welfare for the Next Generation. The current welfare system sends young people exactly the wrong message. Today, minor parents get a check for leaving home, and are free to drop out of high school even though the long-term consequences for themselves and their children will be devastating: Unwed teen mothers who drop out of school are 10 times more likely to raise a child in poverty than young people who finish school, get married, and wait until their twenties to have children. Our plan changes the incentives of welfare to show teenagers that having children is an immense responsibility rather than an easy route to independence. At the same time, we offer ways to help teen parents take charge of their lives, finish school, find jobs, and become self-sufficient:

- New requirements for teen parents: Teen parents will be required to finish school and enter the JOBS program. Unwed minor mothers will be required to identify their father's child and live at home or with a responsible adult--not set up an independent household to receive their own check.

- A national campaign against teen pregnancy: We will bring the media, the private sector, churches, schools, and other groups together in a broad-based campaign to send a strong message that it is wrong to have children outside marriage, and that no one should have a child until they are able to provide for and nurture that child. We will launch school-based prevention programs in 1,000 schools with the worst teen pregnancy problems, set up a national clearinghouse on teen pregnancy to identify successful programs and help replicate them elsewhere, and target a handful of at-risk neighborhoods for intensive prevention efforts.

- A phase-in focusing on young recipients first: The welfare reform plan initially targets recipients under 25--those with the most to gain and the most at risk. Under our plan, anyone born after 1971 will know that the world has changed, and that welfare can no longer be a way of life.

Other Provisions to Promote Responsibility and Innovation. Overcoming generations of dependency will not be easy, and one thing we've learned in the last 30 years is that Washington doesn't have all the answers. This plan gives States unprecedented flexibility to innovate and learn from new approaches. Much of what once required waivers will become available to States as State options.

- A plan that works for States: To give States a chance to do this right, our plan is phased in beginning with those born after 1971—anyone age 25 and under by late 1996, when States begin to implement the program. That represents a third of the adult caseload initially, and will grow steadily to include nearly two-thirds by 2004. States can phase in faster if they want.

- Extending assistance to two-parent families: Current welfare rules discriminate against two-parent families, instead of encouraging them to stay together. States will be able to waive rules that penalize two-parent families for working.

- Rewards and sanctions to keep teen parents in school: States will be able to design their own monetary-incentive programs like the Learning, Earning and Parenting (LEAP) program in Ohio.

- No additional benefits for additional children conceived on welfare: Welfare recipients don't have more children on average than other women, but those who do make it harder for themselves and their families to escape poverty. States will have the option to limit benefit increases for additional children conceived by parents on welfare.

- Advance payment of the EITC: States will be able to work with the Treasury Department to develop plans to get the EITC out on a periodic basis, instead of as a lump sum at the end of the year.

- Continued waiver authority: We will help States with existing waivers to adapt them once the new law passes. The broad waiver authority in current law will continue.

THE ADMINISTRATION'S RECORD ON WELFARE REFORM

Tax Credits for Working Families. Last year's economic package went a long way toward ending welfare by giving 15 million working families a tax cut through a $21 billion expansion of the Earned Income Tax Credit (EITC). The EITC turns a minimum wage, $4.25-an-hour job into a $6-an-hour job, and makes good on the President's campaign promise that no one who works full-time with a family at home will be poor. With the expanded EITC and health reform, every job can be a good job.

Health Reform. Health reform will move an estimated one million women and children off welfare. A recent survey of welfare recipients in Charleston and Nashville found that 83 percent would take a minimum wage job if it offered health coverage for them and their families. Another study found that only 8 percent of people who leave welfare for work get jobs that provide health insurance. **[do we have cites for these two facts?]**

Waivers. Since January 1993, the Administration has granted waivers to 14 States to experiment with time limits, extending assistance to two-parent families, limiting additional benefits for additional children, and other new initiatives.

Other Empowerment Initiatives. In addition to welfare and health reform and the EITC, the Administration has sought to reward work and empower people through a number of initiatives, including National Service, Empowerment Zones, community development banks, enforcement of the Community Reinvestment Act, community policing and public safety.

PAYING FOR REFORM

The following two tables illustrate the cost and financing of the Work and Responsibility Act of 1994. These tables clearly demonstrate that:

- The proposal is fully financed. About two-thirds of the financing provisions are further reforms to means-tested programs which would remove from the welfare rolls immigrants with well-off sponsors and drug addicts and alcoholics who are not complying with treatment requirements. In addition, savings will accrue by collecting child support from parents who have failed to accept financial responsibility for their children.

- Approximately ___ percent of the entire cost of the plan is additional funding for child care to enable individuals to work or to obtain the training or other services they need to enter the labor force.

- The plan will not impose new costs upon states. As can be seen in Table 1, only ___ million more dollars will come from States. This amount will primarily result from State decisions to expand eligibility for two-parent families, offer higher earnings disregards or cover a higher proportion of their caseload.

  While the limit on Emergency Assistance will reduce State reimbursement, some $1.3 billion of savings will accrue to the States in lower SSI spending for State supplements. On balance, States will be asked to finance very little of this plan. There are no unfunded mandates.

Table 1 provides a detailed summary of the major cost elements within the proposal. A detailed cost table is found at the end of the document. Table 2 provides a summary of the financing used to pay for reform. A longer description of the financing provisions and a detailed table are provided at the end of the document.

TABLE 1

SUMMARY OF COST ESTIMATES

Proposal	Five-year Federal	Five-year State	Five-year Total
Parental Responsibility			
Teenage Pregnancy Prevention Grants			
Comprehensive Demonstration Grants			
Child Support Enforcement			
Noncustodial Parent Provisions			
Child Support Assurance Demonstrations			
State Option to Limit Additional Benefits to Additional Children			
Other			
Subtotal, Parental Responsibility			
Making Work Pay			
At-Risk Child Care Expenditures			
State Flexibility on Earned Income and Child Support Disregards			
Subtotal, Making Work Pay			
Transitional Assistance Followed by Work			
Additional JOBS Spending			
WORK Spending			
Additional Child Care Spending			
Computer Costs			
Other			
Subtotal, Transitional Assistance			
Improving Government Assistance (IGA)			
Remove Two-Parent (UP) Restrictions			
IDA/Microenterprise Demonstrations			
Conform Resource Limit and Exclusion Rules			
Other			
Subtotal, IGA			
TOTAL			

TABLE 2

SUMMARY OF FINANCING PROVISIONS	
Proposal	Five-Year Total (in billions)
Entitlement Reforms	
Limit Emergency Assistance	1.60
Tighten Sponsorship and Eligibility Rules for Non-Citizens	
Five-Year Deeming and Limit Eligibility to Sponsors below Median Income	3.06
Establish Similar Eligibility Criteria for Four Federal Programs	0.89
Time Limit Benefits for Drug Addicts and Alcoholics (H.R. 4277)	0.60
Income Test Meal Reimbursements to Family Day Care Homes	0.52
Extend Expiring Provisions	
Hold Constant a Portion of Food Stamp Overpayment Recoveries for States	0.05
Extend Fees for Passenger Processing and Other Customs Services	0.00
Extend Railroad Safety User Fees	0.16
Extend Corporate Environmental Income (Superfund) Tax	1.60
Tax Compliance Measures	
Deny EITC to Non-Resident Aliens	0.13
Require Income Reporting for Department of Defense Personnel	0.16
Other (Not yet described)	0.53
TOTAL	**9.30**

THE IMPACT OF REFORMS

Making all these changes overnight would severely strain the ability of Federal and State governments to implement the new system. To avoid this problem the plan is phased in by starting with young people, to send a clear message that we are ending welfare for the next generation. The attached tables are based on starting with the youngest third of the projected caseload—persons born after 1971, who will be age 24 and under in fiscal year 1996 when the new system is implemented.

Anyone born after 1971 who is on welfare today, and anyone born after 1971 who enters it subsequently, will face new opportunities and responsibilities. By the year 2004, this group will represent about two-thirds of the projected caseload, as older cohorts leave and new persons born after 1971 enter. States wanting to move faster would have the option of doing so.

Table 3 indicates the number of persons in various parts of the program by year, assuming this phase-in and the implementation of health reform after fiscal year 1999. Note that because the States will need up to two years to pass legislation and implement their systems, the program would not be fully implemented until late 1996. Thus, fiscal year 1997 is the first full year of implementation. The initial JOBS program starts up rapidly and grows somewhat over time as more and more people are phased in. The WORK program grows over time starting with roughly 250,000 jobs in the first year when people in all States begin to hit the limit (fiscal year 1999), rising to roughly 570,000 by fiscal year 2004.

TABLE 3

PROJECTED CASELOADS UNDER THE ADMINISTRATION'S WELFARE AND HEALTH REFORM PROPOSAL ASSUMING IMPLEMENTATION FOR PERSONS BORN AFTER 1971						
	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2004
Projected Adult Cases With Parent Born After 1971 Without Reform	1.03 million	1.63 million	1.87 million	2.12 million	2.37 million	3.43 million
Off welfare with Reform (Health reform after 1999, EITC, Child Care, JOBS, WORK, etc.)	.00 million	.03 million	.09 million	.12 million	.33 million	.85 million
Program Participants	1.03 million	1.60 million	1.78 million	2.00 million	2.04 million	2.58 million
Working While on Welfare	.10 million	.17 million	.20 million	.21 million	.22 million	.27 million
JOBS Participants	.58 million	.90 million	1.00 million	.99 million	.87 million	.97 million
WORK Participants	.00 million	.00 million	.07 million	.26 million	.39 million	.57 million
Pre-JOBS--disability/age limits work	.11 million	.18 million	.23 million	.24 million	.26 million	.44 million
Pre-JOBS--severely disabled child	.02 million	.03 million	.03 million	.03 million	.04 million	.07 million
Pre-JOBS--caring for child under one	.22 million	.32 million	.25 million	.27 million	.26 million	.26 million

Notes on Table 3:

Numbers assume modest behavioral effects that increase over time. These behavioral effects include employment and training impacts similar to San Diego's SWIM program, a modest increase in the percentage of recipients who combine welfare and work and a modest increase in the percentage of recipients who leave welfare when they hit the time limit. Estimates also assume behavioral effects from the implementation of health reform after fiscal year 1999. Figures for fiscal year 2004 are subject to considerable error since it is difficult to make caseload projections or to determine the impact of WORK requirements on behavior this far into the future.

These estimates assume the policy will be implemented in all States by Federal law by October 1996. In addition, the estimates assume that for 75 percent of the caseload, States will implement the policy by October 1995.

Table 4 shows the impact of these changes for the phased-in caseload, compared with what we project would be the caseload without welfare and health reform.

Under the plan, we will go from a situation where almost three-quarters of the persons are collecting welfare and doing nothing in return--neither working nor in training--to a situation where three-quarters are either off welfare, working with a subsidy, or in time-limited training. Only those unable to work are outside the time limits, and even these persons will have greater expectations and opportunities under the proposed system. In addition, we expect the reform proposal to significantly increase paternity establishment rates, to increase child support payments and to lower child poverty.

TABLE 4

Projected Welfare, Work and Training Status of Phased-in Group With and Without Reforms in Fiscal Year 2000

	Without Reforms	With Reforms
Working and/or Off of Welfare		
Off of welfare	0%	14%
Combining work and welfare	5%	9%
In WORK program	0%	17%
Total	5%	40%
In Time-limited, Mandatory Training, Education and Placement Program with High Participation Standards	0%	37%
Required to Participate in Training, Education, and Placement Program but No Time Limits and Low Participation Standards	22%	0%
Not Required to Participate in Training, Education and Placement Programs Due to Illness, Caring for Disabled Child, Young Child, or other Exemptions	73%	23%
TOTAL	100%	100%

Transforming the social welfare system to one focussed on work and responsibility will not be an easy task. A welfare system that has evolved over fifty years will not be redesigned overnight. The social and economic forces that have contributed to our current situation go well beyond the welfare system and impact the poor and non-poor alike. While the obstacles are formidable, undertaking reform of the current welfare system is essential in order to engender work and responsibility and to improve the well-being of our children now and into the future.

A description of the major elements of the plan follows.

-DRAFT- BR 6/3

Send to
Jonathan Prince
Rm 167
+ return to me

THE PRESIDENT'S WELFARE REFORM PLAN

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

The current welfare system is at odds with the core values Americans share: work, family, opportunity, responsibility. Instead of rewarding and encouraging work, it does little to help people find work, and punishes those who go to work. Instead of strengthening families and instilling personal responsibility, the system penalizes two-parent families, and lets too many absent parents who owe child support off the hook. Instead of promoting self-sufficiency, the culture of welfare offices seems to create an expecation of dependence rather than independence. And the ones who hate the welfare system most are the people who are trapped by it.

It is time to end welfare as we know it, and replace it with a system that is based on work and responsibility. We need to move beyond the old debates over something for nothing on the one hand and every man for himself on the other, and offer a new social contract that gives people more opportunity in return for more responsibility. Work is the best social program this country has ever devised; it gives hope and structure and meaning to our daily lives. Responsibility is the value that will enable individuals and parents to do what programs cannot -- because governments don't raise children, people do.

The President's welfare reform plan is designed to reinforce these fundamental values. It rewards work over welfare. It signals that people should not have children until they are ready to support them, and that parents -- both parents -- who bring children into the world must take responsibility for raising them. It gives people access to the skills they need, but expects work in return. Most important, it will give people back the dignity that comes from work and independence.

WORK

We don't need a welfare system based on writing welfare checks. We need a work program built around helping people earn paychecks. The President's plan will transform the culture of the welfare bureaucracy to get out of the business of writing people checks for life and into the business of helping people find jobs and keep them. We want people not to need us anymore.

Two-Year Time Limit: The President's reform plan will end welfare as a way of life. Everyone who can work will be expected to go to work within two years. To the poor and those outside the economic mainstream, the Administration's plan will say two things: No one who works full-time with a child at home should be poor, and no one who can work should stay on welfare forever.

* A new social contract: Everyone will be required to sign a Personal Responsibility Agreement that spells out what they can expect and what is expected of them in return.

* No more something for nothing: Under the current system, only a small portion of welfare recipients are required to do anything in return for assistance. Our plan will significantly reduce the number of exemptions, and ensure that from day one, even those who are not able to work still have to meet certain expectations.

* Job search first: Job search will be required immediately of anyone who can work. Anyone offered a private sector job will be required to take it or get thrown off the rolls.

* A clear focus on work: We need to change the culture of the welfare office to focus on moving people toward work and independence. Most people will be expected to enter employment well before the two years are up. States can also design shorter time limits for people who are job-ready, and require them to work sooner.

* A second chance, not a way of life: People should have an incentive to leave welfare quickly and not use up their precious months of welfare eligibility. The time limit is a lifetime limit: people who have been off welfare for long periods of time will be able to get a few months of assistance to tide them before moving into the work program, but they will not be able to start over with a new 2-year clock. This will make welfare what it was meant to be -- a second chance, not a way of life.

Requiring and Providing Work: Anyone who can work will have to go to work within 2 years, in the private sector if possible, in community service if necessary.

* Work for wages: People will work for a paycheck, not a welfare check. If people don't show up for work, they won't get paid. There will also be strong, escalating sanctions for people who quit or get fired.

* Flexible, community-based jobs: States will be able to use the money they would otherwise spend on welfare to create subsidized, non-displacing jobs in the private sector, with community organizations, or in public service positions. The plan is designed to promote strong ties to the private sector, without red tape, and to create real, meaningful jobs in fields ranging from home health care to child care to public safety.

* No one who can work should stay on welfare forever: This is a transitional program, designed to constantly push people toward unsubsidized work in the private sector: People will be required to go through extensive job search before entering the work program, and after each work assignment. No work assignment will last more than 12 months. No one will receive the EITC unless they leave the program and take an unsubsidized job. Anyone who turns down a private sector job will be removed from the rolls. So will people who refuse to make a good faith effort to find a job when jobs they could get are available.

* A dramatic increase in work: Today, fewer than 15,000 welfare recipients are required to work. Under our plan, more than 400,000 people will have hit the time limit and be working in the WORK program by the year 2000.

* Ending welfare as a way of life: The combined impact of welfare reform, health reform, and the expansion of the Earned Income Tax Credit will be dramatic. Reform means that by the year 2001, three quarters of the projected welfare caseload under the age of 30 will either be off welfare, working, or in a program leading to work. Without reform, only a small fraction would be working, and 20% would be in education or training.

Other Provisions to Reward Work: To further reinforce work and responsibility, our proposal will:

* Let states reward work and saving: Currently, welfare recipients who work lose a dollar in benefits for every dollar in wages, and are penalized for saving money. Our proposal lets states reinforce work by setting higher earned income disregards. We will also allow families to set up Individual Development Accounts to save money for specific purposes, such as starting a business, owning a first home, or promoting a child's education. To move people from welfare to work, we will change outdated asset rules so that they can own a reliable car that can get them to work.

* Expand child care for the working poor: To further encourage young mothers to work, our plan will guarantee child care during the JOBS and WORK programs and for one year after participants leave welfare for work. The plan will also double funding for other federal child care programs that help working families stay off welfare in the first place.

RESPONSIBILITY

We could have all the programs in the world and it won't do any good if people don't do right. The President's welfare reform plan includes several tough, smart measures to inspire personal and parental responsibility and prevent people from coming onto welfare in the first place. These include the first time limits ever imposed on welfare, coupled with the broadest and most serious work requirements; a nationwide crackdown on child support enforcement, which will give states an arsenal of ways to keep absent parents from getting off the hook; extensive efforts to detect and prevent welfare fraud, and strong sanctions to prevent gaming of the welfare system; a national campaign against teen pregnancy, targeted to the most troubled schools; and a broad array of incentives the states can use to encourage responsible behavior, from limiting additional benefits for additional children to rewarding teenagers for staying in school. In the long run, the only way to end welfare is to reduce the number of people who need to come on it.

Accountability for Taxpayers: The Administration's reform plan includes several measures to reduce welfare fraud, crack down on child support collection, and improve efficiency:

* State tracking systems: States will verify the income, identity, alien status, and Social Security numbers of welfare applicants and assign national identification numbers. The plan will make it easier for states to coordinate programs, automate files, and monitor recipients. We will encourage states to run demonstrations that offer job placement bonuses as an incentive to caseworkers and welfare offices for helping recipients get and keep jobs.

* A national public assistance clearinghouse: Using identification numbers, the clearinghouse will keep track of people whenever and wherever they use welfare, and monitor compliance with time limits and work. A national "new hire" database will monitor earnings to check AFDC and EITC eligibility, and identify noncustodial parents who switch jobs or cross state lines to avoid paying child support.

* Electronic Benefits Transfer (EBT): Under a plan developed by Vice President Gore, states will be encouraged to move away from welfare checks and food stamp coupons toward electronic benefits transfer, which provides benefits through a tamper-proof ATM card. EBT systems will reduce welfare and food stamp fraud, and lead to substantial savings in administrative costs.

* Rewarding performance, not process: This plan will change the culture of the welfare office by providing clear incentives to states and caseworkers to move people from welfare to work, improve child support collection, and provide effective services. The plan includes dozens of measures to simplify, coordinate, and conform the rules and regulations of the AFDC and Food Stamp programs to reduce paperwork and focus on results.

The Toughest Child Support Enforcement Ever Proposed: Both parents must support their children. In 1990, absent parents paid only $14 billion in child support. But if child support orders reflecting current ability to pay were established and enforced, single mothers and their children would have received $48 billion. Closing this $34 billion child support gap will help move thousands of families off welfare and keep them off. It's time to say to those parents: If you're not paying your child support, we'll garnish your wages, suspend your license, track you across state lines, and even make you work off what you owe. If this country did a better job of enforcing child support, we almost would not need a welfare system.

* Establish paternity for all out-of-wedlock births: Hospitals will be required to establish paternity at birth -- when the father is most likely to be present -- and mothers who apply for welfare will be required to name and help find the child's father before receiving benefits.

* Tracking down those who don't pay: Three registries -- containing child support awards, new hires, and locating information -- will catch parents who try to evade their responsibilities by fleeing across state lines. Central state registries will track support payments automatically.

* New penalties for those who refuse to pay: States will be able to use wage-withholding, credit reporting, and suspension of professional, occupational, and drivers' licenses to make delinquents pay.

* State initiatives and demonstration programs: States will be able to make parents who fail to meet their obligations work off the child support they owe. States will also run demonstration programs to help noncustodial parents with no skills get training, access and parenting programs to help absent parents get involved in their children's lives, and child support assurance demonstrations to give families a measure of economic security even if child support is not collected immediately.

Ending Welfare for the Next Generation: The current welfare system sends young people exactly the wrong message. Today, minor parents get a check for leaving home, and are free to drop out of high school even though the long-term consequences for themselves and their children will be devastating: Unwed teen mothers who drop out of school are 10 times

more likely to raise a child in poverty than young people who finish school, get married, and wait until their twenties to have children. Our plan changes the incentives of welfare to show teenagers that having children is an immense responsibility rather than an easy route to independence. At the same time, we offer ways to help teen parents take charge of their lives, finish school, find jobs, and become self-sufficient:

* New requirements for teen parents: Teen parents will be required to finish school and enter the JOBS program. Unwed minor mothers will be required to identify their father's child and live at home or with a responsible adult, not set up an independent household to receive their own check.

* A national campaign against teen pregnancy: We will bring the media, the private sector, churches, schools, and other groups together in a broad-based campaign to send a strong message that it is wrong to have children outside marriage, and that no one should have a child until they are able to provide for and nurture that child. We will launch school-based prevention programs in 1,000 schools with the worst teen pregnancy problems, set up a national clearinghouse on teen pregnancy to identify successful programs and help replicate them elsewhere, and target a handful of at-risk neighborhoods for intensive prevention efforts.

* A phase-in focusing on young recipients first: The welfare reform plan initially targets recipients under 25: those with the most to gain and the most at risk. Under our plan, anyone born after 1971 will know that the world has changed, and that welfare can no longer be a way of life.

Other Provisions to Promote Responsibility and Innovation: Overcoming generations of dependency will not be easy, and one thing we've learned in the last 30 years is that Washington doesn't have all the answers. This plan gives states unprecedented flexibility to innovate and learn from new approaches. Much of what once required waivers will become available to states as state options.

* A plan that works for states: To give states a chance to do this right, our plan is phased in beginning with those born after 1971 -- anyone 25 and under by late 1996, when states begin to implement the program. That represents a third of the adult caseload initially, and will grow steadily to include nearly two-thirds by 2004. States can phase in faster if they want.

* Extending assistance to two-parent families: Current welfare rules discriminate against two-parent families, instead of encouraging them to stay together. States will be able to waive rules that penalize two-parent families for working.

* Rewards and sanctions to keep teen parents in school: States will be able to design their own monetary incentive programs like the LEAP program in Ohio.

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PAYING FOR REFORM

[This section needs to be written...] Points to make:

* Conservative cost estimates
* Savings from immigrants, drug addicts, polluters, and deadbeats.
* Potential for caseload reduction, child support collection, and fraud detection
* No unfunded mandates: Our plan will not impose major new costs upon the states. Over time, in fact, states should save money from increased child support collections and reduced welfare caseloads. This plan offers states an enhanced federal match, and gives states considerable flexibility in how much to spend beyond the basic elements of child support enforcement, JOBS, and WORK. States that want to spend more on welfare reform can expand eligibility for two-parent families, offer higher earnings disregards, or phase in more of their caseload.

TO NAOMI FROM BRUCE

Draft 6/11 9:30pm

THE WORK AND RESPONSIBILITY ACT OF 1994

The current welfare system is at odds with the core values Americans share: work, family, opportunity, responsibility. Instead of rewarding and encouraging work, it does little to help people find work, and punishes those who go to work. Instead of strengthening families and instilling personal responsibility, the system penalizes two-parent families, and lets too many absent parents who owe child support off the hook. Instead of promoting self-sufficiency, the culture of welfare offices seems to create an expectation of dependence rather than independence. And the ones who hate the welfare system most are the people who are trapped by it.

It is time to end welfare as we know it, and replace it with a system that is based on work and responsibility. We need to move beyond the old debates over "something for nothing" on the one hand and "every one for ~~him/herself~~" on the other, and offer a simple compact that gives people more opportunity in return for more responsibility. Work is the best social program this country has ever devised; it gives hope and structure and meaning to our daily lives. Responsibility is the value that will enable individuals and parents to do what programs cannot--because governments don't raise children, people do.

The President's welfare reform plan is designed to reinforce these fundamental values. It rewards work over welfare. It signals that people should not have children until they are ready to support them, and that parents--both parents--who bring children into the world must take responsibility for supporting them. It gives people access to the skills they need, but expects work in return. Most important, it will give people back the dignity that comes from work and independence.

WORK NOT WELFARE

Under the President's reform plan, welfare will be about a paycheck, not a welfare check. To reinforce and reward work, our approach is based on a simple compact. Each recipient will be required to develop a personal employability plan designed to move her into the workforce as quickly as possible. Support, job training, and child care will be provided to help people move from dependence to independence. But time limits will ensure that anyone who can work, must work--in the private sector if possible, in a temporary subsidized job if necessary. Reform will make welfare a transitional system leading to work.

The combination of work opportunities, the Earned Income Tax Credit, health care reform, child care, and improved child support will make the lives of millions of women and children demonstrably better.

Created by the Family Support Act of 1988 and championed by Sen. Moynihan & then-Governor Clinton, the JOBS program offers education, training, and job placement services--but to few families. Our proposal would expand and improve the current program to ~~include~~ put a clear focus on work:

- **A personal employability plan.** From the very first day, the new system will focus on making young mothers self-sufficient. Working with a caseworker, each woman will sign a personal responsibility agreement and develop an employability plan identifying the education, training, and job placement services needed to move into the workforce. Because 70 percent of welfare recipients already leave the rolls within 24

months, and many applicants are job-ready, most plans will aim for employment well within two years.

- **A two-year time limit.** Time limits will restrict most AFDC recipients to a lifetime maximum of 24 months of cash assistance.

- **Job search first.** Participants who are job-ready will immediately be oriented to the workplace. Anyone offered a job will be required to take it.

- **Integration with mainstream education and training programs.** JOBS will be linked with job training programs offered under the Jobs Training Partnership Act, the new School-to-Work initiative, Pell Grants, and other mainstream programs.

  Rather than creating an employment training system for welfare recipients alone,

- **Tough sanctions.** Parents who refuse to stay in school, look for work, or attend job training programs will be sanctioned, generally by losing their share of the AFDC grant.

- **Limited exemptions and deferrals.** Our plan will reduce existing exemptions and ensure that from day one, even those who can't work must meet certain expectations. Mothers with disabilities and those caring for disabled children will initially be exempt from the two-year time limit, but will be required to develop employability plans that lead to work. Another exemption allowed under current JOBS rules will be significantly narrowed: mothers of infants will receive only short-term deferrals (12 months for the first child, three months for the second). At state discretion, a very limited number of young mothers completing education programs may receive appropriate extensions.

- **Let states reward work.** Currently, AFDC recipients who work lose benefits dollar-for-dollar, and are penalized for saving money. Our proposal allows states to reinforce work by setting higher earned income and child support disregards. We also help fund demonstration projects to support saving and self-employment.

- State flexibility. This plan gives states incentives. Flex to innovate & learn from new approaches. Much of what once required waivers will become available to states as state options.

- **Additional federal funding.** To ease state fiscal constraints and ensure that JOBS really works, our proposal raises the federal match rate and provides additional funding. The federal JOBS match will increase further in states with high unemployment.

The WORK program will enable those without jobs after two years to support their families through subsidized employment. The WORK program emphasizes:

- **Work, not "workfare."** Unlike traditional "workfare," recipients will only be paid for hours worked. Most jobs would pay the minimum wage for between 15 and 35 hours of work per week.

- **Flexible, community-based initiatives.** State governments can design programs appropriate to the local labor market: temporarily placing recipients in subsidized private sector jobs, in public sector positions, or with community organizations.

- **A Transitional Program.** To move people into unsubsidized private sector jobs as quickly as possible, participants will be required to go through extensive job search before entering the WORK program, and after each WORK assignment. No WORK assignment will last more than 12 months. Participants in subsidized jobs will not receive the EITC. Anyone who turns down a private sector job will be removed from the rolls, as will people who repeatedly refuse to make good faith efforts to obtain available jobs.

To reinforce this central message about the value of work, bold new incentives will make work pay and encourage AFDC recipients to leave welfare.

No one who works full-time with a family at home shall be poor.

- **The Earned Income Tax Credit (EITC).** The expanded EITC will lift millions of workers out of p[illegible]. Already enacted by Congress, the EITC will effectively make any minimum wage job pay $6.00 an hour for a typical family with two children. States will be able to work with the Treasury Department to issue the EITC on a monthly basis.

We can't have serious welfare reform without serious health care reform.

- **Health care reform.** Universal health care will allow people to leave welfare without worrying about coverage for their families. People should be able to get health care by going to work, not have to go on welfare.

- **Child care.** To further encourage young mothers to work, our plan will guarantee child care during education, training, and work programs, and for one year after participants leave welfare for private sector employment. Increased funding for other federal child care programs will bolster more working families just above the poverty line and help them stay off welfare in the first place. Our plan also improves child care quality and ensures parental choice.

MUTUAL RESPONSIBILITY

Our current welfare system often seems at odds with core American values, especially responsibility. Overlapping and uncoordinated programs seem almost to invite waste and abuse. Non-custodial parents frequently provide little or no economic or social support to their children. And the culture of welfare offices often seems to reinforce dependence rather than independence. The President's welfare plan reinforces American values, while recognizing the government's role in helping those who are willing to help themselves.

Our proposal includes several provisions aimed at creating a new culture of mutual responsibility. We will provide recipients with services and work opportunities, but implement tough, new requirements in return. These include provisions to promote parental responsibility, ensuring that both parents contribute to their children's well-being. The plan also includes incentives directly tied to the performance of the welfare office; extensive efforts to detect and prevent welfare fraud; sanctions to prevent gaming of the welfare system; and a broad array of incentives that the states can use to encourage responsible behavior.

The Administration's plan recognizes that both parents must support their children, and establishes the toughest child support enforcement program ever proposed. In 1990, absent fathers paid only $14 billion in child support. But if child support orders reflecting current ability to pay were established and enforced, single mothers and their children would have received *$48 billion*: money for school, clothing, food, utilities, and child care. As part of a plan to reduce *and* prevent welfare dependency, our plan provides for: OK

- **Universal paternity establishment.** Hospitals will be required to establish paternity at birth, and each applicant will be required to name and help find her child's father before receiving benefits.

- **Regular awards updating.** Child support payments will increase as fathers' incomes rise.

- **New penalties for those who refuse to pay.** Wage-withholding and suspension of professional, occupational, and drivers' licenses will enforce compliance.

- **A national child support clearinghouse.** Three registries--containing child support awards, new hires, and locating information--will catch parents who try to evade their responsibilities by fleeing across state lines. Centralized state registries will track support payments automatically.

- **State initiatives and demonstration programs.** States will be able to make young parents who fail to meet their obligations work off the child support they owe. Demonstration grants for parenting and access programs--providing mediation, counseling, education, and visitation enforcement--will foster non-custodial parents' ongoing involvement in their children's lives. And child support assurance demonstrations will let interested states give families a measure of economic security even if child support is not collected immediately.

- **State options to encourage responsibility.** States can choose to lift the special eligibility requirements for two-parent families in order to encourage parents to stay together. States will also be allowed to limit additional benefits for children conceived by women on welfare.

To eliminate fraud and ensure that every dollar is used productively, welfare reform will coordinate programs, automate files, and monitor recipients. New fraud control measures include:

- **State tracking systems to help reduce fraud.** States will be required to verify the income, identity, alien status, and Social Security numbers of new applicants and assign national identification numbers.

- **A national public assistance clearinghouse.** Using identification numbers, the clearinghouse will follow people whenever and wherever they use welfare, monitoring compliance with time limits and work. A national "new hire" registry will monitor earnings to check AFDC and EITC eligibility, and identify non-custodial parents who switch jobs or cross state lines to avoid paying child support.

- **Tough sanctions.** Anyone who refuses to follow the rules will face tough new sanctions, and anyone who turns down a job offer will be dropped from the rolls. Cheating the system will be promptly detected and swiftly punished.

The Administration's plan demands greater responsibility of the welfare office itself. Unfortunately, the current system too often focuses on simply sending out welfare checks. Instead, the welfare office must become a place that is fundamentally about helping people earn paychecks as quickly as possible. Our plan offers several provisions to help agencies reduce paperwork and focus on results:

- **Program coordination and simplification.** Conforming AFDC and Food Stamp regulations and simplifying both programs' administrative requirements will reduce paperwork.

- **Electronic Benefits Transfer (EBT).** Under a separate plan developed by Vice President Gore, states will be encouraged to move away from welfare checks and food stamp coupons toward Electronic Benefits Transfer, which provides benefits through a tamper-proof ATM card. EBT systems will reduce welfare and food stamp fraud, and lead to substantial savings in administrative costs.

- **Improved incentives.** Funding incentives and penalties will be directly linked to the performance of states and caseworkers in service provision, job placement, and child support collection.

REACHING THE NEXT GENERATION

Preventing teen pregnancy and out-of-wedlock births is a critical part of welfare reform. Each year, 200,000 teenagers aged 17 and younger have children. Their children are more likely to have serious health problems--and they are much more likely to be poor. Almost 80 percent of the children born to unmarried teenage parents who dropped out of high school now live in poverty. By contrast, only eight percent of the

children born to married high school graduates aged 20 or older are poor. Welfare reform will send a clear and unambiguous message to adolescents: you should not become a parent until you are able to provide for and nurture your child. Every young person will know that welfare has changed forever.

To prevent welfare dependency in the first place, teenagers must get the message that staying in school, postponing pregnancy, and preparing to work are the right things to do. Our prevention approach includes:

- **A national campaign against teen pregnancy.** Emphasizing the importance of delayed sexual activity and responsible parenting, the campaign will bring together local schools, communities, families, and churches, to send a strong signal that it is wrong to have children out of wedlock.
- **A national clearinghouse on teen pregnancy prevention.** The clearinghouse will provide communities and schools with curricula, models, materials, training, and technical assistance relating to teen pregnancy prevention programs.
- Teen preg prev. grants ~~**Mobilization grants and comprehensive demonstrations.**~~ Roughly 1000 middle and high schools in disadvantaged areas will receive grants to develop innovative, ongoing teen pregnancy prevention programs targeted to young men and women. Broader initiatives will seek to change the circumstances in which young people live and the ways that they see themselves, addressing health, education, safety, and economic opportunity.

Initial resources are targeted to women born after December 31, 1971. Phasing in the new system will direct limited resources to young, single mothers with the most at risk; send a strong message to teenagers that welfare as we know it has ended; most effectively change the culture of the welfare office to focus on work; and allow states to develop effective service capacity.

Today, minor parents receiving welfare can form independent households; often drop out of high school; and in many respects, are treated as if they were adults. Our plan changes the incentives of welfare to show teenagers that having children is an immense responsibility rather than an easy route to independence.

- **Supports and sanctions.** ~~The two-year limit will not begin until teens reach age 18, but~~ From the very first day, teen parents receiving benefits will be required to stay in school and move toward work. Unmarried minor mothers will be required to identify their child's father and live at home or with a responsible adult, while teen fathers will be held responsible for child support and may be required to work off what they owe. At the same time, caseworkers will offer encouragement and support; assist with living situations; and help teens access services such as parenting classes and child care. Selected older welfare mothers will serve as mentors to at-risk school-age parents. States will also be allowed to use monetary incentives to keep teen parents in school.

THE IMPACT OF REFORMS

Making all these changes overnight would severely strain the ability of Federal and State governments to implement the new system. To avoid this problem the plan is phased in by starting with young people, to send a clear message that we are ending welfare for the next generation. The attached tables are based on starting with the youngest third of the projected caseload--persons born after 1971, who will be age 24 and under in fiscal year 1996 when the new system is implemented.

Anyone born after 1971 who is on welfare today, and anyone born after 1971 who enters it subsequently, will face new ~~opportunities~~ expectations and responsibilities. In 1997 this group will constitute over one third of the caseload. By the year 2004, this group will represent about two-thirds of the projected caseload, as older cohorts leave and new persons born after 1971 enter. States wanting to move faster would have the option of doing so.

Table 3 indicates the number of persons in various parts of the program by year, assuming this phase-in and the implementation of health reform after fiscal year 1999. Note that because a few States will need up to two years to pass legislation and implement their systems, the program would not be fully implemented until late 1996. Thus, fiscal year 1997 is the first full year of implementation. The time-limited education, training and placement program starts up rapidly since everyone in the phased-in group is required to participate if they are not deferred. It does not grow much over time because people leave the program as they get private sector jobs or hit the time limit and enter the WORK program. The WORK program grows over time, rising to roughly 570,000 by fiscal year 2004.

1st table?

ADD TABLE on IMPACTS/TAKING PTS
— 1 mil in working etc.

TABLE 3

PROJECTED WELFARE, WORK, AND TRAINING STATUS OF PHASED-IN GROUP WITH REFORMS BY SELECTED YEARS			
	FY 1997	FY 2000	FY 2004
Total Projected Adult Cases With Parent Born After 1971 Without Reform	1,641,000	2,376,000	3,439,000
Working or Off of Welfare			
Off of Welfare	45,000	331,000	860,000
Part-time Work	166,000	222,000	271,000
In WORK Program	0	394,000	566,000
Total	211,000	947,000	1,697,000
Expected to Participate in Time-Limited, Mandatory Training, Education and Placement Program with Strict Participation Standards	904,000	873,000	965,000
Deferred or Exempted due to Illness, Caring for a Disabled Child, Young Child, or Other Exemption	526,000	556,000	777,000

Table 4 shows the impact of these changes for the phased-in caseload, compared with what we project would be the caseload without welfare and health reform.

Under the plan, we will go from a situation where almost three-quarters of the persons are collecting welfare and neither working nor in training--to a situation where three-quarters are either off welfare, working with a subsidy, or in a mandatory time-limited placement and training program. Only those unable to work are outside the time limits, and even these persons will have greater expectations and opportunities under the proposed system. In addition, we expect the reform proposal to significantly increase paternity establishment rates, to increase child support payments and to lower child poverty.

TABLE 4

Projected Welfare, Work and Training Status of Phased-in Group --With and Without Reforms in Fiscal Year 2000

	Without Reforms	With Reforms
Working or Off of Welfare		
Off of Welfare	0%	14%
Part-time Work	5%	9%
In WORK program	0%	17%
Total	5%	40%
Required to Participate in Time-limited, Mandatory Training, Education and Placement Program with Strict Participation Standards	0%	37%
Expected to Participate in Training, Education, and Placement Program, but No Time Limits and Low Participation Standards	22%	0%
Deferred or Exempted Due to Illness, Caring for Disabled Child, Young Child, or other Exemptions	73%	23%
TOTAL	100%	100%

Moving people from welfare to work will not only reinforce our basic values of work and responsibility, it will also help families ~~economically and~~ provide better support for their children. As a result of the Clinton reforms, compare the situation facing a single-parent family of three on welfare with the situation of a family off of AFDC.

TABLE 5.

WORKING FULL TIME

Hourly wage	Earnings (Full-time, year-round)	Taxes	EITC *	Food Stamps	Total Income	Percent of Poverty
$4.25	$8,500	$650	$3,118	$2,456	$13,424	113%
$5.00	$10,000	$765	$3,118	$2,096	$14,449	121%
$6.00	$12,000	$918	$2,978	$1,616	$15,677	132%
$7.00	$14,000	$1,096	$2,574	$1,136	$16,614	140%
$8.00	$16,000	$1,749	$2,170	$0	$16,421	138%

← why is $8/hr line here? Looks weird

* After EITC passed in 1993 is fully phased in.

TABLE 6

NOT WORKING, ON WELFARE

	AFDC and Food Stamps Benefit Level	Percent of Poverty
California	$9,862	83%
Pennsylvania	$7,829	66%
Illinois	$7,440	63%
Texas	$5,712	48%

Notes: Full-time year-round work defined as 2,000 hours. Poverty level is for a family of three (mother and two children).

Thus, the President's plan, including the expanded EITC, and health and welfare reform, rewards people who are working to support themselves and their families.

A description of the plan follows.

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

Perhaps the most critical and difficult goal of welfare reform is to reshape the very mission of the current support system from one focused on writing checks to one focused on work, opportunity, and responsibility. The Family Support Act of 1988 recognized, through creation of the JOBS program, the need for investment in education, training and employment services for welfare recipients. Most importantly, it introduced the expectation that welfare recipiency is a transitional period of preparation for self-sufficiency. Most able-bodied recipients were mandated to participate in the JOBS program as a means towards self-sufficiency.

However, the welfare system has not changed as much as was intended by the Family Support Act. Only a small portion of the AFDC caseload is required to participate in the JOBS program, while a majority of AFDC recipients are not required to participate and do not volunteer. An even smaller fraction of recipients are working. This sends a mixed message to both recipients and caseworkers regarding the true terms and validity of the social compact that the Family Support Act represented. As a result, most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

This proposal calls for replacing the AFDC program with a transitional assistance program, to be followed by work. The new program includes four key elements: a simple compact; training, education and placement assistance to move people from welfare to work; a two-year time limit; and work requirements. Phasing in the plan starting first with the youngest recipients will send a strong message of responsibility and opportunity to the next generation.

SUMMARY OF PROPOSAL

- **A Simple Compact.** Everyone who receives cash support will be expected to do something to help themselves and their community. Recipients will sign a personal responsibility agreement indicating what is expected of them and of the government and to prepare them for self-sustaining employment. Persons who are not yet in a position to work or train (because of disability or the need to care for an infant or disabled child) will be deferred until they are ready for the time-limited JOBS program. Everyone will have a responsibility to contribute something and move toward work and independence.

- **Training, Education, and Placement linked to work (the JOBS program).** The core of the transitional support program will be an expanded and improved JOBS program that focuses on moving people into work. JOBS was established by the Family Support Act of 1988 to provide training, education and job placement services to AFDC recipients. Every aspect of the augmented JOBS program will be designed to help recipients find and keep jobs. The enhanced program will include a personal responsibility agreement (described above) and an employability plan designed to move persons from welfare to work as rapidly as possible. For most applicants, supervised job search will be required from the date the application for AFDC is approved. JOBS participants will be required to accept a job if offered. The new effort, rather than creating an employment training system for welfare recipients alone, will seek close coordination with Job Training Partnership Act (JTPA) programs and other mainstream training programs and educational resources.

- **A Two-Year Time Limit.** Young recipients will be limited to two years of cash assistance, after which they will be expected to work. While two years will be the maximum period for the receipt of cash aid by people able to work, the goal will be to help persons find jobs long before the end of the two-year period. Mothers with infants, persons with disabilities which limit work and those caring for a disabled child will be deferred and will not be subject to the time limit while such conditions exist. In a very limited number of cases, extensions of the time limit will be granted for completion of an education or training program or in unusual circumstances.

- **Work (the WORK program).** The new effort will be designed to help as many people as possible to find employment before reaching the two-year time limit. Those persons who are not able to find employment within two years will be required to take a job in the WORK program. WORK program jobs will be paid employment, rather than "workfare," and will include subsidized private sector jobs, as well as positions with local not-for-profit organizations and in the public sector. The positions are intended to be short-term, last-resort jobs, designed neither to displace existing workers, nor to serve as substitutes for unsubsidized employment. Provisions will be put in place to discourage lengthy stays in the WORK program. Among these will be limits on the duration of any one WORK assignment, frequent periods of job search, denying the EITC to persons in WORK assignments and a comprehensive reassessment after a second WORK assignment. People will be required to make a good-faith effort to find unsubsidized work, and anyone who turns down a job offer will be removed from the rolls. The primary emphasis of the WORK program will be on securing unsubsidized employment. States will be given considerable flexibility in the operation of the WORK program in order to achieve this goal.

Each of these elements is discussed below.

PHASE-IN

It is very unlikely that States could proceed to full-scale implementation of the changes described above immediately after passage of the legislation. Even if resources were plentiful, attempting to instantly place the entire caseload in the new transitional assistance program would almost guarantee enormous administrative difficulties at the State level. Facing the need to serve hundreds of thousands more persons in the JOBS program and to create hundreds of thousands of WORK assignments, many States would be unable to succeed at either.

An attractive alternative to the chaos of immediate full-scale implementation is to begin by focusing on younger parents. The younger generation of actual and potential welfare recipients represents the source of greatest concern. Younger recipients are likely to have the longest stays on welfare, in part because they are at the beginning of their time on welfare. They are also the group for which there is probably the greatest hope of making a profound difference. Under this phase-in approach, we will devote energy and new resources to ending welfare for the next generation, rather than spreading efforts so thin that little real help is provided to anyone.

The phase-in of the new requirements will begin with all recipients (including new applicants) born after December 31, 1971. All persons of the same age and circumstances will then face the same rules, regardless of when they entered the system. This is roughly one third of the caseload in 1996. Over time, as the percentage of the caseload born after 1971 rises, the new transitional assistance program will encompass a greater and greater proportion of welfare recipients. States will have the option to phase in more rapidly. By 2000, half of all adult recipients are included. By 2004, two-thirds of the adult caseload will be included.

Targeting younger parents does not imply limiting access to education and training services for older recipients. They will still be eligible for JOBS services. The *new* resources, however, will be focused on younger recipients.

A SIMPLE COMPACT

The goal of these proposals is to make the welfare system a much different world. The intake process will be changed to clearly communicate to recipients the expectation of achieving self-sufficiency through work. Just as important, the welfare agency will also face a different set of expectations. In addition to determining eligibility, its role will be to help recipients achieve self-sufficiency. The underlying philosophy is one of mutual responsibility. The welfare agency will help recipients achieve self-sufficiency and will provide transitional cash assistance; in return, recipients will take responsibility for their lives and the economic well-being of their children.

Personal Responsibility Agreement. Each adult applicant for assistance will be required to enter into a written agreement in which he or she agrees to take responsibility for moving quickly toward independence in return for that assistance.

Orientation. Each applicant will receive orientation services to explain how the new system will work. A full understanding of how a time-limited assistance program operates will ensure that participants maximize their opportunities to obtain services.

Employability Plan. Within a short time frame, each adult will undergo a thorough needs assessment. Based on this assessment, and in conjunction with his or her caseworker, each person will design an individualized employability plan which specifies the services to be provided by the State and the time frame for achieving self-sufficiency.

Deferrals. Under the current system, only a small portion of the AFDC caseload is required to do anything, and the rest are exempt. Our plan will reduce the number of exemptions, and ensure that even those who are not able to participate in education, training or work still have to meet certain expectations. People with a disability or caring for a disabled child, mothers with infants under one, and people living in remote areas will be deferred. States will be allowed to defer a capped number of people for other good-cause reasons. All recipients will be required to take steps, even if they are small ones, toward self-sufficiency. Just as in the JOBS program, participants who are deferred, when possible, will be expected to complete employability plans and undertake activities intended to prepare them for employment and/or the JOBS program.

Increased Participation. With increased Federal resources available, it is reasonable to require increased participation in the JOBS program. Current law requires that States enroll 20 percent of the non-exempt AFDC caseload in the JOBS program during fiscal year 1995. States will be expected to meet much higher participation rates for persons who are enrolled in the new program. Through the phase-in strategy described above, a higher and higher percentage of the caseload will be subject to these rules and requirements, and the transitional assistance program will move toward a full-participation model.

TRAINING, EDUCATION, JOB SEARCH AND JOB PLACEMENT -- THE JOBS PROGRAM

The JOBS program originated with the Family Support Act. It represented a new vision for welfare, but it remains mostly an afterthought to a system principally focused on eligibility determination and check

writing. We propose to make the JOBS program the centerpiece of the public assistance system. Doing so will require a series of key improvements.

There have been many impediments to the success of the JOBS program, such as a lengthy recession, the surge in AFDC caseloads and State budget shortfalls that hampered States' ability to draw down available JOBS and other Federal matching funds. For these reasons, States have been unable to effectively implement the changes envisioned in the Family Support Act.

In order to fully transform the welfare system into a structure which helps families attain self-sufficiency, the entire culture of the welfare system must be changed. This must start by making the welfare system one which focuses on helping participants achieve self-sufficiency through the provision of education, training and employment services rather than one which concentrates on determining eligibility and writing checks. To accomplish this, a major restructuring effort which implements real changes for all participants is needed. Strong Federal leadership in steering the welfare system in this new direction will be critical. To this end, we propose:

(1) A clear focus on work. From the moment they enter the system, applicants are focused on moving from welfare to work through participation in programs and services designed to enhance employability; and

(2) Much greater integration with mainstream education and training programs.

A Clear Focus on Work

Under the provisions of the new transitional assistance program, JOBS participation will be greatly expanded, and increased participation rates will be phased in. We recognize that welfare recipients are a very diverse population. Participants in the JOBS program have very different levels of work experience, education and skills. Accordingly, their needs will be met through a variety of activities: job search, classroom learning, on-the-job training and work experience. States and localities will, therefore, have great flexibility in designing the exact mix of JOBS program services. Employability plans will be adjusted in response to changes in a family's situation. Finally, the Federal government will make much-needed additional resources available to the States to accomplish the objectives.

Up-Front Job Search. All new adult recipients in the phased-in group (and minor parents who have competed high school) who are judged job-ready will be required to perform job search, as soon as the application is approved. States will have the option to require all applicants in the phased-in group as well as all job-ready new recipients (including those in the not-phased-in group) to engage in up-front job search.

The job search activities will lead to immediate employment for some recipients. For those who subsequently enter the JOBS program, they will have a realistic grasp of the job market. This will aid in completing the needs assessment and in developing the employability plan, and may also help participants focus their energies.

Teen Parents. In order to meet the special needs of teen parents, any custodial parent under age 20 will be provided case management services. Teen parents will be required to finish high school and participate in the JOBS program. (For further provisions regarding teen parents, see section on Promoting Parental Responsibility).

Semiannual Assessment. In addition to the expectation that client progress will be monitored on a regular basis, States will be required to conduct an assessment of all adult recipients and minor parents, including

both those who are deferred and those in JOBS, on at least a semiannual basis to evaluate progress toward achieving the goals in the employability plan. Both the individual's and the State's efforts will be examined, and corrective action will be taken as needed.

Sanctions. In order for the system to work, participants must see that the requirements are real. There must be a direct connection between a participant's behavior and the rewards and sanctions as a consequence. The sanction for refusing a job offer without good cause will be strengthened. The current penalty removes the adult from the grant; in the new system, the family's entire AFDC benefit will be terminated for 6 months or until the adult accepts a job offer, whichever is shorter. ~~The State cannot sanction an individual for refusing to accept an offer of employment if that employment would result in a net loss of income for the family.~~ Sanctions for failure to follow the employability plan otherwise will be the same as under current law.

NO

Increased Funding and Enhanced Federal Match. It is important to ensure that all welfare recipients who are required to participate in the JOBS program have access to the appropriate services. The increase in Federal resources available to the States and simplified and enhanced match rates will enable States to undertake the necessary expansion in the JOBS program.

Similar to current law, the capped entitlement for JOBS will be allocated according to the average monthly number of adult recipients (which will include WORK participants) in the State relative to the number in all States. The capped entitlement for JOBS (as well as for WORK) would be increased if the national unemployment rate equalled or exceeded 7 percent.

Fiscal constraints have proven particularly troublesome in effecting welfare system changes. States are required to share the cost of the JOBS program with the Federal Government. Many States have, however, been experiencing budgetary difficulties which were not anticipated at the time the Family Support Act was enacted. Consequently, most States have been unable to draw down their full allocation of Federal JOBS funds because they have not been able provide the required State match. In 1992, States drew down only two-thirds of the $1 billion in available Federal funds, and only 10 States drew down their full allocation. Fiscal problems have limited the number of individuals served under JOBS and, in many cases, limited the services States offer their JOBS participants.

fine to 10? NO

To address the scarcity of State JOBS dollars, the Federal match rate will be increased by ten percentage points over the current JOBS match rate, with a minimum Federal match of 70 percent. Spending for direct program costs, for administrative costs and for the costs of transportation and work-related supportive services would all be matched at the single rate. During periods of high State unemployment, the State match rate for JOBS, WORK and At-Risk Child Care would be reduced ~~by ten percent~~.

Federal Leadership. The Federal role in the JOBS program will be providing training and technical assistance to help States make the program changes called for in this plan. The Federal Government will encourage evaluations of State JOBS programs, help promote state-of-the-art practices, and assist States in redesigning their intake processes to emphasize employment rather than eligibility. These activities will be funded by setting aside a portion of Federal JOBS funds specifically for this purpose--two percent in fiscal years 1996-98, and one percent thereafter.

Integrating JOBS and Mainstream Education and Training Initiatives

The Federal government currently operates a myriad of education, training, and employment services programs. Many of these programs serve the AFDC population. JOBS programs must continue to link clients to the available services in the community. Coordination, integration and implementation of common

strategies among the major programs which serve the AFDC population will help States accomplish the mission of the JOBS program by expanding access to other available services. This proposal prescribes greater coordination, but it grants broad flexibility to States to achieve this objective. To this end, the proposal implements several mechanisms that promote ongoing coordination and integration and which lessen the administrative burdens States face. This will allow for program simplification, innovation, and ongoing program improvement.

The role of the JOBS program should not be to create a separate education and training system for welfare recipients, but rather to ensure that recipients have access to and information about the broad array of existing training and education programs. Under the Family Support Act, the governor of each State is required to ensure that program activities under JOBS are coordinated with JTPA and other relevant employment, training, and educational programs available in the State. Appropriate components of the State's plan which relate to job training and work preparation must be consistent with the Governor's coordination plan. The State plan must be reviewed by a coordinating council. While these measures have served to move the welfare system in the direction of program coordination and integration, further steps can and should be taken. Federal and State efforts for promoting integration and coordination, and general program improvement, will be an ongoing process in the new system.

Program Coordination. This proposal includes provisions which will greatly enhance integration and coordination among the JOBS program and related programs of the Departments of Labor and Education, such as Job Training Partnership Act programs and programs falling under the Adult Education Act and the Carl D. Perkins Vocational Educational Act. For example, the State council on vocational education and the State advisory council on adult education will review the State JOBS plan and submit comments to the Governor to ensure consistency among programs that serve AFDC recipients.

Expanded State Flexibility. In order to enable States to take the steps necessary to achieve full integration among education, training, and employment service programs, Governors will have the option to operate the JOBS and WORK programs through an agency other than the agency designated to administer welfare programs. For example, a Governor may choose to operate a combined JOBS/JTPA program. This option will expand State flexibility and will promote innovation and program improvement.

Expanding Opportunities. Among the many Administration initiatives which will be coordinated with the JOBS program are:

- National Service. HHS will work with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of national service as a road to independence.

- School-to-Work. HHS will work with the Departments of Education and Labor to make participation requirements for the School-to-Work and JOBS programs compatible, in order to give JOBS participants the opportunity to access this new initiative.

- One-Stop Shopping. States which implement one-stop shopping under the Reemployment Act of 1994 will be required to include the JOBS program.

- Pell Grants. The program will ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans and Job Corps.

TWO-YEAR TIME LIMIT

Most people who enter the welfare system do not stay on AFDC continuously for many years. It is much more common for recipients to move in and out of the welfare system, staying for a relatively brief period each time. Two out of every three persons who enter the welfare system leave within two years, and fewer than one in five spends five consecutive years on AFDC. Half of all those who leave welfare, however, return within two years, and three of every four return at some point in the future. Most recipients use the AFDC program not as a permanent alternative to work, but as temporary assistance during times of economic difficulty.

While persons who remain on AFDC for long periods at a time represent only a modest percentage of all people who ever enter the system, they represent a high proportion of those on welfare at any given time. Although many face very serious barriers to employment, including physical disabilities, others are able to work but are not making progress toward self-sufficiency. Most long-term recipients are not on a track toward obtaining employment that will enable them to leave AFDC.

Placing a time limit on cash assistance is part of the overall effort to shift the focus of the welfare system from providing cash assistance to promoting work and self-sufficiency. The time limit will give both recipients and JOBS staff a structure that necessitates continuous movement toward fulfilling the objectives of the employability plan and, ultimately, finding a job.

Two-Year Limit on Cash Benefits. The proposal establishes, for adult recipients ~~in deferred status~~, a cumulative limit of 24 months of AFDC benefits, followed by a work requirement. Special provisions will be made for teen parents (as discussed below).

Time limits will, in general, be linked to JOBS participation. Recipients required to participate in JOBS will be subject to the time limit. Months in which an individual receives assistance while in deferred status (rather than participating in JOBS) will not count against the 24-month time limit.

In a two-parent family, both parents will be subject to the time limit if the principal earner is in the phased-in group (see below). If one parent reaches the time limit when the other has not, the parent who reaches the time limit will be required to enter the WORK program. The family will continue to be eligible for benefits as long as at least one of the two parents has not reached the time limit for transitional assistance.

Most people will be expected to enter employment well before the two years are up; States that wish to set shorter time frames and require work sooner will be able to do so.

Recipients unable to find employment by the end of two years of cash benefits could receive further government support only through participation in the WORK program, as described below.

Minimum Work Standard. Months in which an individual meets the minimum work standard will not be counted against the time limit. The minimum work standard will be set at an average of 20 hours per week, with a State option to require up to 30 hours per week. In an AFDC-UP family, if one parent meets the minimum work standard, he or she will not be subject to the time limit. Months in which the combined hours of both parents equaled or exceeded 30 would not count against the time limit for either parent.

Teen Parents. As mentioned elsewhere, virtually all parents under age 20 will be required to participate in JOBS. The 24-month time clock, however, will not begin to run until the parent turns age 18. In other words, any period of receiving benefits as a custodial parent prior to the age of 18 will not be counted against the two-year time limit.

Pre-WORK Job Search. Persons who are within 45 days of reaching the time limit (up to 90 days at State option) will be required to engage in supervised job search for those final 45-90 days, before taking a WORK assignment.

Extensions. States will be permitted to grant a limited number of extensions to the time limit in the following circumstances:

- For completion of a GED or other education or training program, including a school-to-work program or post-secondary education program, expected to lead directly to employment. These extensions will be contingent on satisfactory progress toward completing the program and will be limited to 12-24 months in duration. An extension for post-secondary education will be contingent upon simultaneous part-time employment.

- For those who are learning disabled, illiterate or face language barriers or other serious obstacles to employment.

States will, in addition, be required to grant extensions to persons who have reached the time limit but who have not had access to the services specified in the employability plan. The total number of extensions will be limited to 10 percent of recipients required to participate in JOBS. In other words, a State could have no more than 10 percent of its JOBS-mandatory recipients in extended status at any given time.

5 to 10

Limited Additional Assistance to Persons Who Stay off Welfare for Extended Periods. Persons who exhaust or nearly exhaust their 24 months of time-limited assistance and who leave welfare for an extended period of time will be able to qualify for ~~allow additional~~ months of assistance. This limited additional assistance will serve as a cushion, should they lose their job and need temporary help again. ~~Persons with less than 6 months left on their time limit when they leave welfare can qualify for up to 3 months of additional support for each year they are off welfare. However, in no case will they be able to earn more than 6 months of additional benefits.~~

The 2-yr limit is a lifetime limit

up to 6

After that, they will be required to enter the WORK program.

Too confusing

WORK

The focus of the transitional assistance program will be helping people move from welfare to self-sufficiency through work. An integral part of this effort is making assistance truly transitional for those able to work by placing a two-year time limit on cash benefits. Some welfare recipients will, however, reach the two-year time limit without having found a job, despite having participated in the JOBS program and followed their employability plans in good faith. We are committed to providing these persons with the opportunity to support their families through paid work.

Each State will be required to operate a WORK program which will make paid work assignments available to recipients who have reached the time limit for cash assistance.

The overriding goal of the WORK program will be to help participants find lasting unsubsidized employment. States will have wide discretion in the operation of the WORK program in order to achieve this end. For example, a State could provide short-term subsidized private sector jobs (with the expectation that many of these positions will become permanent), or positions in not-for-profit organizations and/or public sector agencies.

The WORK program is designed to provide an opportunity for individuals who have reached the time limit to support their families through paid work while developing the skills and receiving the job search assistance needed to obtain unsubsidized private sector jobs. The structure ensures that work "pays" by

assuring that a family with an adult in a WORK assignment will be no worse off than a family of the same size in which no one is working.

"Workfare" programs are generally not consistent with placements in the private sector. By contrast, the WORK program requires a strong private-sector focus. This is work--not workfare. Persons will be paid for performance--not paid a welfare check and sent out to a work site. WORK provides far greater dignity and responsibility than workfare. Moreover, the purpose of the WORK program is to help persons move into, rather than serve as a substitute for, private sector employment.

Administrative Structure of the WORK Program

Eligibility. A recipient who has reached the time limit for transitional assistance will be permitted to enroll in the WORK program, provided he or she has not refused an offer of an unsubsidized job without good cause (see below).

WORK Funding. Federal funds for the cost of operating the WORK program will be capped and distributed to States according to the number of persons required to participate in JOBS (and subject to the time limit) and the number in the WORK program in a State, relative to the total number in all States. These Federal monies must be matched by State funds at the same rate as in JOBS--the current JOBS match rate plus five to ten percentage points. As discussed previously under the description of JOBS funding, the capped entitlements for JOBS and WORK would be increased if the national unemployment rate equalled or exceeded 7 percent. Also as discussed under JOBS funding, the State match rate for JOBS, WORK and At-Risk Child Care would be reduced by ten percent during periods of high State unemployment.

In addition, States will be reimbursed for wages paid to WORK program participants, including wage subsidies to private employers, at the Medicaid matching rate.

If States were unable to claim the total available Federal JOBS and WORK funding for a fiscal year, a State which had reached its cap could draw down Federal funds for operational costs in excess of its allotment from the capped entitlement. Additionally, all States will be allowed to reallocate up to 10 percent of the combined total of their JOBS and WORK allotments from JOBS to WORK, or vice versa.

Flexibility. States will have considerable flexibility in operating the WORK program. A State can pursue any of a wide range of strategies to provide work to those who have reached the two-year limit, including:

- Subsidize private sector jobs;
- Create positions in the not-for-profit sector (which could entail payments to cover the cost of training and supervising WORK participants);
- Offer employers other financial incentives to hire JOBS graduates;
- Execute performance-based contracts with private firms or not-for-profit organizations to place WORK participants in unsubsidized jobs;
- Create positions in public sector agencies (which might include employing adult welfare recipients as mentors for teen parents on assistance);

- Employ WORK participants as child care workers, child support caseworkers, or home health aides; and

- Support microenterprise and self-employment efforts.

Participation Rates. Each State will be required to meet a participation standard for the WORK program, defined as the lower number of the following such that: 1) Eighty percent of those who reach the time limit and are in the WORK program are assigned to a WORK slot (or in another defined status); 2) The number of WORK assignments the State is required to create (based on the funding allocation) are filled by individuals assigned to the WORK program.

Allocation of WORK Assignments. If the number of people needing WORK positions exceeds the supply, an individual whose sanction period had just ended will be placed in a new WORK assignment as rapidly as possible. Among other WORK participants, persons new to the WORK program will have priority over persons who have previously held a WORK position. With respect to the remaining WORK participants, States will be permitted to allocate WORK assignments so as to maximize the chance of successful placements.

Interim Activities. States will have the option of requiring persons awaiting WORK assignments (e.g., those who have just concluded a WORK assignment) to participate in other WORK program activities, such as individual or group job search. Child care and other supportive services will be provided as needed for participation in interim WORK program activities. Persons in the WORK program but not in a WORK assignment will be eligible for cash benefits in the interim.

Required Acceptance of Any Job Offer. Both JOBS and WORK program participants will be required to accept any offer of an unsubsidized job. ~~provided the job meets certain health and safety standards and does not result in a net loss of cash income.~~ An individual who refuses such an offer will not be eligible for a WORK position, and the entire family will be ineligible for AFDC benefits for a period of six months. Such an individual will be eligible for ~~services, such as~~ job search assistance, during this period.

Oversight. There will be a WORK advisory panel for each locality with union and private, not-for-profit (including community-based organizations) and public (including local government) sector representation to provide oversight and guidance to the WORK program.

Length of Participation in the WORK Program. Individuals will be limited to a maximum stay of 12 months in any single WORK assignment, after which they will be required to perform job search. States will be required to conduct a comprehensive assessment of any person who has completed two WORK assignments or who has spent at least two years in the WORK program. Following the assessment, persons could be assigned to another WORK position, placed in deferred status, referred back to the JOBS program, or, at State option, be removed from the rolls for refusing a job offer or failing to make a good-faith effort to find unsubsidized work where jobs are available to match their skills.

Retention. States will be required to maintain records on the performance of employers (public, private and not-for-profit) in retaining WORK program participants (after the subsidies end). Similarly, States will be mandated to monitor the effectiveness of placement firms in placing WORK participants in unsubsidized employment.

Nondisplacement. The assignment of a participant to a subsidized job under the WORK program will not result in the displacement of or infringe upon the promotional opportunities of any currently employed

worker. In addition, WORK participants could not be placed in vacancies created by a layoff, strike or lockout.

Supportive Services. States will be required to guarantee child care, if needed, for any person in a WORK assignment. States will also be mandated to provide other work-related supportive services as needed for participation in the WORK program.

Characteristics of the WORK Assignments

Wages. Participants will typically be paid the minimum wage. Persons in WORK assignments who are performing work equivalent to that done by others working for the same employer will be similarly compensated.

Hours. Each WORK assignment will be for a minimum of 15 hours per week and for no more than 35 hours per week. The number of hours for each position will be determined by the State.

Treatment of Wages with Respect to Benefits and Taxes. Wages from WORK positions will be treated as earned income with respect to Federal and Federal-State assistance programs other than AFDC. Participants in the WORK program and their families will be treated as AFDC recipients with respect to Medicaid eligibility.

Persons in WORK assignments will be subject to FICA taxes but will not be subject to the provisions of any Federal or State unemployment compensation law. Workers' Compensation coverage will be provided at levels consistent with the relevant State Workers' Compensation statute. Earnings from WORK positions will not be treated as earned income for purposes of calculating the Earned Income Tax Credit (EITC), in order to encourage movement into jobs outside the WORK program.

Earnings Supplementation. A family with an adult in a WORK position whose income, net of work expenses, is less than the AFDC benefit for a family of the same size (in which no one is working) will be eligible for supplemental cash benefits to make up the difference. In other words, an earnings supplement will be provided such that a family with an individual who is working in either a WORK assignment or an unsubsidized private sector job, will never be worse off than a family of the same size on assistance in which no one is working.

The work expense disregard used for the purpose of calculating the earnings supplement will be $120 per month (the standard AFDC work expense disregard). States which opt for more generous AFDC earnings disregard policies will be permitted but not required to apply these policies to WORK wages.

Sanctions. Wages will be paid for hours worked, and those who do not show up for work will not get paid. Failure to work the set number of hours for the position will result in a corresponding reduction in wages.

Individuals in the WORK program who, without good cause, voluntarily quit an unsubsidized job that meets the minimum work standard would lose eligibility for the WORK program for a period of 3 months.

Type of Work. Under the WORK program, States will be encouraged to place as many WORK participants as possible in subsidized private sector positions. Many of the WORK positions may also be in the not-for-profit sector, with, for example, voluntary agencies, Head Start centers and other community-based organizations.

Work Place Rules. Participants in the WORK program will experience the same working conditions and rights as comparable employees of the same employer.

MAKING WORK PAY/CHILD CARE

THE IMPORTANCE OF THE EITC, HEALTH CARE REFORM, AND CHILD CARE

A crucial component of welfare reform that promotes work and independence is making work pay. The Census Bureau reports that in 1992, 16 percent of all year-round, full-time workers had earnings too low to support a family of four out of poverty, up from 12 percent in 1974. The problem is especially great for women: 22 percent--more than one in five--of year-round, full-time female workers had low earnings.

Simultaneously, the welfare system sets up a devastating array of barriers for people who receive assistance but want to work. It penalizes those who work by taking away benefits dollar for dollar; it imposes arduous reporting requirements for those with earnings but still on welfare, and it prevents saving for the future with a meager limit on assets. Moreover, working-poor families often lack adequate medical protection and face sizeable child care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules, and to reduce both poverty and welfare use, then we must reward work rather than welfare.

Although they are not discussed in this paper, the Earned Income Tax Credit and health reform are clearly two of the three major components of making work pay. Last summer's $21-billion expansion of the Earned Income Tax Credit (EITC) was a major step toward making it possible for low-wage workers to support themselves and their families above poverty. When fully implemented, it will have the effect of making a $4.25 per hour job pay nearly $6.00 per hour for a parent with two or more children. Combined with food stamps, this tax credit helps ensure that people who work full-time with a family at home will no longer be poor.

The next critical step toward making work pay is ensuring that all Americans have health insurance coverage. Many recipients are trapped on welfare by their inability to find or keep jobs with health benefits that provide the security they need. And too often, poor, non-working families on welfare have better health coverage than poor, working families. The President's health care reform plan will provide universal access to health care, ensuring that no one will have to choose welfare instead of work to ensure that their children have health insurance. Both the EITC expansion and health care reform will help support workers as they leave welfare to maintain their independence and self-sufficiency. In one recent study, 83 percent of welfare recipients said they would leave welfare to take a minimum-wage job immediately if it provided health coverage for their families. Another study found that only 8 percent of people who leave welfare for work get jobs that provide health insurance.

The plan includes two additional provisions that will increase the return from work for low-income families. Under current law, all income received by an AFDC recipient or applicant must be counted against the AFDC grant, except certain specified work-related and other disregards. The proposal contains several provisions to make work a more attractive option for recipients combining work and welfare and to simplify the treatment of income for recipients and caseworkers alike. States will be required to disregard a minimum of $120 per month when calculating the AFDC benefit level, but will have flexibility to establish higher earnings disregard amounts to encourage work. In addition, States will have the option to increase the current $50 per month amount of child support paid by the noncustodial parent and passed through to the custodial parent (before the remaining child support is used to reimburse the State for the cost of welfare). All disregards and the child support pass-through will be indexed to inflation to ensure that recipients who work or receive child support will be treated consistently in the future.

At present, only a small percentage of EITC claimants take advantage of the option to receive part of the EITC in advance payments throughout the year. While the reasons vary for the low utilization rate, it is partly due to a lack of information and because employers are responsible to determine eligibility and administer the payments. Public agencies that deal directly with welfare recipients are uniquely positioned to ensure that the advance payment option is used frequently and appropriately. The proposal will allow States to conduct demonstration projects to make advance payments of the EITC available to eligible residents through a State agency. Many contend that welfare recipients could particularly benefit from receiving the EITC in advance payments throughout the year because they would experience the rewards from work on a more timely basis.

The final critical component for making work pay is affordable, accessible child care. In order for families, especially single-parent families, to be able to work or prepare themselves for work, they need dependable care for their children. The Federal Government currently subsidizes child care for low-income families primarily through the open-ended entitlement programs (JOBS Child Care and Transitional Child Care), a capped entitlement program (At-Risk Child Care), and a discretionary program (the Child Care and Development Block Grant). Working AFDC recipients are also eligible for the child care disregard, although in many places it is too low to cover the cost of care (a maximum of $200 a month for infants and $175 a month for all other children). The dependent care tax credit is seldom available for low-income families because it is not refundable.

The current child care programs do not provide sufficient support for working-poor families. Also, the separate programs are governed by inconsistent legislation and regulations, making it difficult for States and parents to interact with a coherent system of care. Finally, there are problems with quality and supply of care, especially for infants and toddlers.

SUMMARY OF PROPOSAL

Improve Child Care for Low-Income Families

- Maintain the child care guarantee
- Increase child care funds for low-income working families
- Address quality and supply
- Coordinate rules across all child care programs
- Create equity for participants using the child care disregard

Other Provisions to Make Work Pay

- Allow States to reward work and the payment of child support
- Permit agencies to provide advance payments of the EITC through State agencies

CHILD CARE

This welfare reform proposal will increase child care funding both for families on cash assistance and working families not eligible for cash assistance. In addition, the proposal focuses on creating a simplified child care system and on ensuring that children are cared for in safe and healthy environments. The proposal includes the following:

Maintain the Child Care Guarantee

People on public assistance will continue to receive child care assistance while taking part in work or training. Those who leave welfare will continue to receive a year of Transitional Child Care. The child care guarantee will be extended to the WORK program.

Increase Child Care Funds for Low-Income Working Families

We also propose significant new funding for child care programs available to low-income, working families. The At-Risk Child Care Program, currently a capped entitlement available to serve the working poor, is capped at a very low level and States have difficulty using it because of the required State match. We propose to expand this program significantly and to make the match rate consistent with the new enhanced match rate in other Title IV-A programs.

It is hard to argue that low-income working families who have never been, or are no longer, on welfare are less needing or deserving of child care subsidies than people who are on welfare. While this proposal does not provide a child care guarantee for working poor families, it does provide a major increase in support for them as well as for those on or moving off welfare.

What is?

In addition, the Administration's fiscal year 1995 budget calls for a 22-percent increase in funding for the Block Grant. These funds support both services and quality improvements.

Address Quality and Supply

The goal of our child care proposal is to attain a careful balance between the need to provide child care support to as many low-income families as possible and the need to ensure the safety and healthy development of children. We are also concerned that there are specific child care supply problems in some geographic areas and for some children--especially infants and toddlers.
We will provide a set-aside in the At-Risk program to address quality improvements and supply issues. Quality improvements will include a range of activities such as resource and referral programs, grants or loans to assist in meeting State and local standards, and monitoring for compliance with licensing and regulatory requirements. Supply issues will include a special focus on the development and expansion of infant and toddler care in low-income communities.

We will also allow States to match up to a total cap of $15 million a year in administrative costs for licensing and monitoring activities related to providers serving IV-A children.

Coordinate Rules Across All Child Care Programs

We will assist States to use Federal programs to create seamless coverage for persons who leave welfare for work. Health and safety requirements will be made consistent across these programs and will conform to standards in the Block Grant program. States will be required to establish sliding fee scales and report consistently across programs. They will be able to place all Federal child care funding in one agency.

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

Children should be cared for in healthy and safe environments. The CCDBG standards, together with two new standards on immunization and prohibiting access to toxic substances and weapons, are minimal requirements designed to protect the health and safety of children. Many States cite their State standards which will meet the CCDBG requirements. Except for minimal Federal expectations related to hazardous substances and immunization, States will continue to establish their own standards; as a result, this change should not have a significant effect on many States. We do not believe the immunization standard should vary from State to State. Finally, we continue to support strongly parental choice and propose to add to IV-A the CCDBG requirements for: assuring parental choice of providers, providing to parents information on their child care options, and establishing a system for parental complaints.

Create Equity for Participants Using the Child Care Disregard

There is a particular problem with the AFDC income disregard for child care, since it is based on an unreasonably low maximum monthly payment of $175 per child ($200 for infant care), and because the disregard is effective only after families incur child care expenses, resulting in a cash-flow problem for families. Simply raising the dollar amount of the disregard inadvertently makes a number of new families eligible for AFDC. At the same time, eliminating the disregard will make families ineligible. Therefore, to achieve equity and to give families a realistic ability to afford care, we propose requiring States either to offer supplemental payments or to provide working families at least two options for payment of child care costs (the disregard and one other payment mechanism).

OTHER PROVISIONS TO MAKE WORK PAY

Allow States to Reward Work and the Payment of Child Support

The existing set of AFDC earnings disregard rules makes work an irrational option for many recipients, particularly over time. Currently, all income received by an AFDC recipient or applicant is counted against the AFDC grant except income that is explicitly excluded by definition. States are required to disregard income in the following ways:

- For each of the first four months of earnings, recipients are allowed a $90 work expense disregard, another $30 disregard, and one-third of remaining earnings are also disregarded.
- The one-third disregard ends after four months.
- The $30 disregard ends after 12 months.

In addition, a child care expense disregard of $175 per child per month ($200 if the child is under 2) is permitted to be calculated. Currently, $50 in child-support is passed through to AFDC families with established awards. The EITC is also disregarded in determining AFDC eligibility and benefits.

This proposal will eliminate the current set of disregard rules and establish a much simpler minimum disregard policy at the Federal level. (The child care disregard will remain as described above.) We will allow considerable State flexibility in establishing policies beyond the minimum. Our proposal includes the following four components:

- Require States to disregard at least $120 in earnings, indexed for inflation, without regard to time on AFDC. This is equivalent to the $90 and $30 income disregards that families now get after four months of earnings.

- Give States the flexibility to establish their own earned income disregard policies on income above these amounts.

- Allow States complete flexibility in determining which types of income should be considered in developing a "fill-the-gap"[1] policy (i.e., income from earnings, child support or all forms of income). Currently, if States fill the gap, they must apply all forms of income.

- The AFDC $50 pass-through of child support payments will be indexed for inflation; States will have the option to pass through additional payments above this amount.

This proposal will yield a simpler system for recipients and caseworkers, alike. It maximizes State flexibility and makes work a more attractive, rational option. By allowing workers in low-benefit States to keep more of their earnings, it will increase the economic well-being of those workers. The requirement for States to supplement AFDC payments in fill-the-gap States, if they have less disposable income because child support is paid to the child support agency (instead of directly to the family), will be eliminated.

Permit States to Provide Advance Payments of the EITC through State Agencies

Under current law, low-income workers with children can elect to obtain up to 60 percent of the credit in advance payments through their employers, and claim the balance of the credit upon filing their income tax returns. An employee choosing to receive a portion of the EITC in advance files a W-5 form with his or her employer, and the employer calculates the advanced EITC payment based on the employee's wages and filing status and adds the appropriate amount to the employee's paycheck.

Despite the overall success of the EITC, its delivery could be improved, particularly by enhancing the probability that the EITC will be claimed in advance throughout the year rather than as a year-end, lump-sum payment. Recent data indicates that fewer than one percent of EITC claimants have received the credit through advance payments through their employers. While the reasons for the current low utilization rate are not fully known, a recent GAO study found that many low-income taxpayers were unaware they could claim the credit in advance. It is believed that welfare recipients, in particular, could benefit from receiving the credit at more regular intervals throughout the year. By receiving the credit as they earn wages, workers would experience a direct link between work effort and EITC.

This proposal will allow up to four States to conduct demonstrations to promote the use of the advance payment option of the EITC by shifting the outreach and administrative burden from employers to selected public agencies. Such agencies may include public assistance offices (AFDC and/or Food Stamps),

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1. Each State establishes an AFDC need standard (the income the State decides is the amount essential for basic consumption items) and an AFDC payment standard (100 percent or less of the need standard). Benefits are generally computed by subtracting income from the payment standard. Under a "fill-the-gap" policy, benefits are computed by subtracting income from the higher need standard.

Employment Services Offices, and State finance and revenue agencies. Where appropriate, States may coordinate advance payments of the EITC with payments of other Federal benefits (such as food stamps) through electronic benefit technology. Technical assistance will be provided by the Federal government, and each demonstration will be rigorously evaluated.

PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

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

Teenage pregnancy is a particularly troubling aspect of this problem. The number of births to teen unwed mothers ~~(under age 20)~~ has quadrupled in the last 30 years, from 92,000 in 1960 to 368,000 in 1991. Teenage birth rates have been rising since 1986 because the trend toward earlier sexual activity has resulted in more pregnancies. According to the Annie E. Casey Foundation, almost 80 percent of the children born to unmarried teenage high school dropouts live in poverty. In contrast, the poverty rate is only 8 percent for children of young people who deferred childbearing until they graduated from high school, were twenty years old, and married. Teenage childbearing often leads to school drop-out, which results in the failure to acquire the education and skills that are needed for success in the labor market. The majority of these teenagers end up on welfare, and according to Advocates for Youth (formerly the Center for Population Options) the annual cost to taxpayers is about $34 billion to assist such families begun by a teenager.

Both parents bear responsibility for providing emotional and moral guidance, as well as economic support to their children. Teenagers who bring children into the world are not yet equipped to discharge this fundamental obligation. If we wish to reform welfare and put children first, we must find effective ways of discouraging pregnancy among young people who cannot provide this essential support. We must send a clear and unambiguous signal--you should not have a child until you are able to provide for and nurture that child.

For those who do become parents, we must send an equally clear message that they will have to take responsibility, even if they do not live with the child. In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses by the Urban Institute suggest that the potential for child support collections is approximately $48 billion per year. Yet only $20 billion in awards are currently in place, and only $14 billion is actually paid. Thus, we have a potential collection gap of about $34 billion.

The current system sends the wrong signals: all too often noncustodial parents are not held responsible for the children they bring into the world. Only about half of all custodial parents receive any child support, and only about one-third of single mothers (both never-married and formerly-married) receive any child support. The average amount paid is just over $2,000 for those due support. Among never-married mothers, only 15 percent receive any support. Further, paternity is currently being established in only one-third of cases where a child is born out of wedlock.

The child support problem has three main elements. First, for the majority of children born out of wedlock, a child support order is never established. Roughly 57 percent of the potential collection gap of $34 billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, when awards are established, they are often too low and have not sufficiently kept up with changes in the earnings of the noncustodial parent over time. Fully 22 percent of the potential gap can be traced to awards that were either set very low initially or never

adjusted as incomes changed. Third, of awards that are established, the full amount of child support is not paid in half the cases. Thus the remaining 21 percent of the potential collection gap is due to failure to fully collect on awards already in place.

For children to achieve real economic security and to avoid the need for welfare, they ultimately need support from both parents. When parents fail to provide support, the children pay--and so do we. Still, under the present system, the needs, concerns and responsibilities of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that fathers matter. We ought to encourage noncustodial parents to remain involved in their children's lives--not drive them further away. Parents who pay child support restore a connection that both they and their children need.

SUMMARY OF PROPOSAL

The ethic of parental responsibility is fundamental. No one should bring a child into the world until both parents are prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it. First, we propose a national effort to prevent teen pregnancy. Second, we need special efforts to encourage responsible parenting among those on assistance, especially very young mothers. Third, we must collect more child support on behalf of all children living in single-parent families.

Reducing Teen Pregnancy and Out-of-Wedlock Births

- Lead a national campaign against teen pregnancy
- Establish a national clearinghouse on teen pregnancy prevention
- Provide teen pregnancy prevention grants
- Conduct comprehensive service demonstrations of various prevention approaches

Incentives for Responsible Behavior

- Require minor parents to live at home
- Require school-age parents to stay in school
- Allow States to limit additional benefits for additional children conceived while on AFDC
- Allow States to provide a variety of incentives to reward responsible behavior

Child Support Enforcement

- Establish awards in every case
- Ensure fair award levels
- Collect awards that are owed
- Child support enforcement and assurance demonstrations
- Enhance responsibility and opportunity for noncustodial parents

REDUCING TEEN PREGNANCY AND OUT-OF-WEDLOCK BIRTHS

We need to send a strong signal that it is essential for young people to delay sexual activity, as well as childbirth, until they are ready to accept the responsibilities and consequences of these events. It is critical that we help all youth understand the rewards of staying in school, playing by the rules, and deferring childbearing until they are married, able to support themselves and nurture their offspring. We have four proposals in this area:

National Campaign Against Teen Pregnancy. The President will lead a national campaign against teen pregnancy that challenges all aspects of society--business, national and community voluntary organizations, religious institutions and schools--to join in the effort to reduce teen pregnancy. The campaign will emphasize the broader themes of economic opportunity, along with the personal responsibility of every family in every community. Government has a role to play in preventing teen pregnancy, but the massive changes in attitudes and behavior that have occurred in recent decades cannot be dealt with by Government alone.

National and individual goals will be established to define the mission and to guide the work of the national campaign. The goals will focus on measurable aspects of the broader opportunity and responsibility message for teen pregnancy prevention, such as graduating from high school; deferring childbearing until one is ~~[married or working]~~ economically and emotionally prepared to support a child; and accepting responsibility for the support of one's children.

A non-profit, non-partisan privately funded entity committed to these goals will be established to pull together national, State, and local efforts through the media, schools, churches, communities and individuals. Its membership will be broad-based, including youth, elected officials at all levels of government, and members of religious, sports and entertainment communities. In addition, a Federal interagency group will provide information and coordinate the range of Federal programs in this area across program and department lines.

A National Clearinghouse on Teen Pregnancy Prevention. A National Clearinghouse on Teen Pregnancy Prevention will be established to serve as a national center for the collection and dissemination of information related to teen pregnancy prevention programs. Such information will include curricula, models, materials, training and technical assistance. The Clearinghouse could also develop and sponsor training institutes for teen pregnancy prevention program staff and could conduct evaluations of prevention programs.

Teen Pregnancy Prevention Grants. To be most effective, a prevention strategy must begin with pre-teens, focus initially on the young people who are most at-risk, and emphasize school-based, school-linked activities and complementary community action. Under the Teen Pregnancy Prevention Grant Program, about 1,000 schools and community-based programs will be provided flexible grants, ranging between $50,000 and $400,000 each. Communities will be expected to use these funds to leverage other resources to implement teen pregnancy prevention programs that have local community support. Funding will be targeted to schools with the highest concentration of at-risk youth and will be available to serve both middle- and high-school-age youth. The goal will be to work with youth as early as age 10 and to establish continuous contact and involvement through graduation from high school. To ensure quality and establish a visible and effective presence, these programs will be supervised by professional staff and, where feasible, be supported by a team of national service participants provided by the Corporation for National and Community Service. These grants will be coordinated with other Administration activities and will include an evaluation component.

Comprehensive Services Demonstration Grants to Prevent Teen Pregnancy in High Risk Communities. An effective approach to reducing teen pregnancy must jointly emphasize increased personal responsibility and enhanced opportunity. Particular emphasis must be paid to the prevention of adolescent pregnancy before marriage, including sex education, abstinence education, life skills education and contraceptive services. Programs that combine these elements have shown the most promise, especially for adolescents who are motivated to avoid pregnancy until they are married. However, for those populations where adolescent

pregnancy is a symptom of deeper problems, a wider spectrum of services and more intensive efforts may be necessary.

For this reason, we propose comprehensive demonstration grants for youth in high-risk communities of sufficient size or "critical mass" to significantly improve the day-to-day experiences, decisions and behaviors of youth. Local governments and local public and private non-profit organizations in high-poverty areas will be eligible to apply. Sites will be asked to cover five broad areas, with significant flexibility: health services, educational and employability development services, social support services, community activities and employment opportunity development activities. The grants will follow a "youth development" model and will address a wide spectrum of areas associated with youth living in a healthy community: economic opportunity, safety, health and education. These demonstrations will include a strong evaluation component and will be coordinated with other Administration activities.

INCENTIVES FOR RESPONSIBLE BEHAVIOR

Personal responsibility belongs at the heart of every government program. We believe that very clear and consistent messages about parenthood, and the ensuing responsibilities, hold the best chance of encouraging young people to defer parenthood. A boy who sees his brother required to pay about a fifth of his income in child support for 18 years may think twice about becoming a father. A girl who knows that young motherhood will not relieve her of obligations to live at home and go to school may prefer other choices. We hope and expect that a reformed system that strongly reinforces the responsibilities of both parents will help prevent too-early parenthood and assist parents with becoming self-sufficient.

Along with responsibility, though, we must support opportunity. Telling young people to be responsible will not be effective unless we also provide them the means to exercise responsibility and the hope that playing by the rules will lead to a better life. We want to give States a broad range of incentives and requirements to reward responsible behavior:

Minor parents live at home. Teenagers who have children are still children themselves and need adult supervision and guidance. The welfare system shouldn't encourage young people who have babies to leave home and receive a separate check. Minor parents will be required to live in their parents' household, except when, for example, the minor parent is married or there is a danger of abuse to the minor parent or their child. In the latter case, States will be encouraged to find a responsible adult with whom the minor mother can live. Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. This proposal will require minor parents to live in an environment where they can receive the support and guidance they need. At the same time, the circumstances of each individual minor will be taken into account.

Requiring school-age parents to stay in school. States will be required to provide case management services to all custodial parents receiving AFDC who are under age 20. We will ensure that every school-age parent or pregnant teenager who is on, or applies for, welfare enrolls in the JOBS program, continues their education, and is put on a track to self-sufficiency. Every school-age parent receiving AFDC (male or female, case head or not) will be subject to JOBS participation requirements from the moment the pregnancy or paternity is established. All JOBS rules pertaining to personal responsibility contracts, employability plans, and participation will apply to teen parents.

State option to limit additional benefits for additional children conceived on AFDC. Currently, welfare benefits automatically increase with the birth of an additional child. Under the proposal, States will have the option to limit benefit increases when additional children are conceived by parents already on AFDC. States will be required to allow families to "earn back" the lost benefit amount through disregarded income from earnings or child support, and to ensure that parents have access to family planning services.

State options for incentives to reward responsible behavior. States will be given the option to use monetary incentives combined with sanctions as inducements to encourage young parents to remain in school or GED class. They may also use incentives and sanctions to encourage participation in appropriate parenting activities. This option is similar to Ohio's Learning, Earning and Parenting (LEAP) program.

CHILD SUPPORT ENFORCEMENT

A typical child born in the United States today will spend some time in a single-parent home. The evidence is clear that children benefit from the financial support and interaction of both parents -- single parents cannot be expected to do the entire job of two parents. In spite of the concerted efforts of Federal, State, and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses by The Urban Institute suggest that the potential for child support collections exceeds $47 billion per year. Yet only $20 billion in awards are currently in place, and only $14 billion is actually paid. 48

The problem is essentially threefold. First, for many children born out of wedlock, a child support order is never established. Second, when awards are established, they are often too low, are not adjusted for inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. And third, of awards that are established, the full amount of child support is collected in only about half the cases. Our proposal addresses each of these shortcomings.

Establish Awards in Every Case

The first step in ensuring that a child receives financial support from the noncustodial parent is the establishment of a child support award. Roughly 57 percent of the potential collection gap of $34 billion can be traced to cases where no award is in place. Paternity, a prerequisite to establishing a support award, has not been established in about half of these cases. States currently establish paternity for only about one-third of the out-of-wedlock births and typically try to establish paternity only after women apply for welfare.

Paternity establishment is the first crucial step toward securing an emotional and financial connection between the father and the child. Recognizing the critical importance of establishing paternity for every child, the Administration has already launched a major initiative in this direction by the creation of in-hospital paternity establishment programs passed as part of the Omnibus Budget Reconciliation Act of 1993 (OBRA 1993). Research suggests that the number of paternities established can be increased dramatically if the process begins at birth or shortly thereafter, when the father is most likely to be present.

Parenting a child must be seen as an important responsibility that has consequences. For young fathers, this means that parenting a child will have real financial consequences for the support of that child. The responsibility for paternity establishment should be made clearer for both the parents and the agencies. If an AFDC mother provides verifiable information about the father, State agencies must establish paternity within strict timelines.

This proposal expands the scope and improves the effectiveness of current State paternity establishment procedures.

Streamlining the Paternity Establishment Process. The legal process for establishing paternity will be streamlined so that States can establish paternity quickly and efficiently. Early voluntary acknowledgement of paternity will be encouraged by building on the present in-hospital paternity establishment programs. For those cases that remain, States will be given additional tools they need to process routine cases without having to depend so heavily on already over-burdened courts.

Cooperation from Mothers as a Condition of AFDC Benefits: The responsibility for paternity establishment will be made clear both to parents and the agencies. Mothers who apply for AFDC must cooperate fully with paternity establishment procedures prior to receiving benefits and will be held to a new, stricter definition of cooperation which requires that the mother provide the name and other verifiable information that can be used to locate the father. The process for determining cooperation will also be changed -- "cooperation" will be determined by the child support worker, rather than the welfare caseworker, through an expedited process that makes a determination of cooperation before an applicant is allowed to receive welfare benefits. Those who refuse to cooperate will be denied AFDC benefits. Good cause exceptions will continue to be provided in appropriate circumstances. In turn, once an AFDC mother has cooperated in providing information, States will have one year to establish paternity or risk losing a portion of their Federal match for benefits.

Paternity Outreach. Outreach and public education programs aimed at voluntary paternity establishment will be greatly expanded in order to begin changing the attitudes of young fathers and mothers. Outreach efforts at the State and Federal levels will promote the importance of paternity establishment, both as a parental responsibility and as a right of the child to know both parents.

Paternity Performance and Measurement Standards. States will be encouraged to improve their paternity establishment rates for all out-of-wedlock births, regardless of welfare status, through performance-based incentives. A new paternity measure will be implemented that is based on the number of paternities established for all cases where children are born to an unmarried mother.

Administrative Authority to Establish Orders Based on Guidelines. Establishing support awards is critical to ensuring that children receive the support they deserve. Child Support (IV-D) agencies will be given the administrative authority to establish the child support award in appropriate cases, based on State guidelines.

Ensure Fair Award Levels

Fully 22 percent of the potential child support collection gap can be traced to awards that are either set very low initially or are not adjusted as incomes change. All States are currently required to use presumptive guidelines for setting and modifying all support awards but they have wide discretion in their development and the resulting award levels vary considerably across States. For example, in one study, the minimum amount of support due from low-income noncustodial parents required to pay support for one child varied from $259 per month in Alabama, to $241 in California; $50 in Massachusetts and $25 in New York. While the use of State-based guidelines has led to more uniform treatment of similarly-situated parties within a State, there is still much debate concerning the adequacy of support awards resulting from guidelines.

Another concern is the failure to update awards as the circumstances of the parties change. Although the circumstances of both parents (including their income) and the child typically change over time, awards often remain at their original level. Updating typically increases awards over time because the noncustodial parent's income generally increases after the award is set, while inflation reduces the value of awards. However, the noncustodial parent who loses his job or experiences a legitimate drop in earnings would also benefit from updating because adjusting their awards will reduce the accumulation of arrearages.

This proposal seeks to reduce the impact of inadequate child support awards and to provide distribution policies that enable families to more easily move from welfare to work.

Modifications of Child Support Orders. Universal, periodic, administrative updating of awards will be required for both AFDC and non-AFDC cases in order to ensure that awards accurately reflect the current ability of the noncustodial parent to pay support. The burden for asking for an increase, if it is warranted, will be lifted from the non-AFDC mother and it will be done automatically, unless both parents decline a modification.

Distribution of Child Support Payments. Child support distribution policies will be made more responsive to the needs of families by re-ordering child support distribution priorities. For families who leave welfare for work, pre- and post-AFDC child support arrearages will be paid to the family first. Families who unite or reunite in marriage will have any child support arrearages owed to the State forgiven under certain circumstances. States will also have the option to pay current child support directly to families who are recipients. Families often remain economically vulnerable for a substantial period of time after leaving AFDC -- about 45 percent of those who leave welfare return within one year, and over 70 percent return within five years. Ensuring that all support due to the family during this critical transition period is paid to the family can mean the difference between self-sufficiency or a return to welfare.

National Commission on Child Support Guidelines. Under the proposal, a National Guidelines Commission will be established to study the issue of child support guidelines and make recommendations to the Administration and Congress on the desirability of uniform national guidelines or national parameters for setting State guidelines.

Collect Awards That Are Owed

The full amount of child support is collected in only about half the cases. Currently, enforcement of support cases is too often handled on a complaint-driven basis; with the IV-D agency taking enforcement action only when the custodial parent pressures the agency to do so. Many enforcement steps require court intervention; even when the case is a routine one. And even routine enforcement measures often require individual case processing, as opposed to being able to rely on automation and mass case processing.

This proposal includes provisions for central registries and other tools to improve both intra- and interstate enforcement.

State Role. A State-based system will continue, but with bold changes which move the system toward a more uniform, centralized and service-oriented program. The need has grown for one central State location to collect and distribute payments in a timely manner. The ability to maintain accurate records that can be centrally accessed is critical. All States will maintain a central registry and centralized collection and disbursement capability. The registry will maintain current records of all support orders and work in conjunction with a centralized payment center for the collection and distribution of child support payments.

The State-based central registry of support orders and centralized collection and disbursement will enable States to make use of economies of scale and use modern technology, such as that used by business -- high speed check processing equipment, automated mail and postal procedures and automated billing and statement processing.

Centralized collection will vastly simplify withholding for employers since they will only have to send payments to one source. This will be designed to vastly simplify withholding for employers, as well as ensure accurate accounting and monitoring of payments. State staff will monitor support payments to ensure that the support is being paid, and they will be able to impose certain enforcement remedies at the State level administratively and automatically. Thus, routine enforcement actions that can be handled on a mass or group basis will be imposed through the central State offices using computers and automation. For States that opt to use local offices, this will supplement, but not replace, local enforcement actions.

In addition to the current State caseload, all new and modified orders for support will be included in the central registry and will receive child support enforcement services automatically, without the need for an application. Certain parents, provided that they meet specified conditions, can choose to be excluded from payment through the registry.

States must move toward a child support system for the 21st century. With 15 million cases and a growing caseload, this will not occur by simply adding more caseworkers. Routine cases have to be handled in volume. The central registry, centralized collection and disbursement system, increased administrative remedies, and overall increase in automation and mass case processing are all necessary for the operation of a high performing and effective child support enforcement system. Giving State agencies the ability to take enforcement action immediately and automatically removes the burden of enforcing the obligation from the custodial parent, usually the mother.

Federal Role. The Federal role will be expanded to ensure efficient location and enforcement, particularly in interstate cases. In order to coordinate activity at the Federal level, a National Clearinghouse (NC) will be established, consisting of three components: an expanded Federal Parent Locator Service (FPLS), the National Child Support Registry, and the National Directory of New Hires.

Interstate Enforcement. New provisions will be enacted to improve State efforts to work interstate child support cases and to make interstate procedures more uniform throughout the country. The fragmented system of State child support enforcement has caused tremendous problems in collecting support across State lines. Given the fact that 30 percent of the current caseload involves interstate cases, and the fact that we live in an increasingly mobile society, the need for a stronger Federal role in interstate location and enforcement has grown. Many of the recommendations of the U.S. Commission on Interstate Child Support will be included to improve the handling of interstate cases, such as the mandatory adoption of the Uniform Interstate Family Support Act (UIFSA) and other measures to make the handling of interstate cases more uniform.

License Suspension. States will be able to use the threat of revoking professional, occupational, and drivers' licenses to make delinquent parents pay child support. This threat has been extremely effective in Maine, California, and other States.

Other Tough Enforcement Measures. To insure that people do not escape their legal and moral obligation to support their children, States will be given the enforcement tools they need, especially to reach the self-employed and other individuals who have often been able to beat the system in the past. States will be enabled to take more efficient and effective action when child support is not paid, through the adoption of proven enforcement tools and streamlined enforcement procedures. Some of these tools include universal wage withholding; improved use of income and asset information; easier reversal of fraudulent transfers of assets; interest and late penalties on arrearages; expanded use of credit reporting; easing bankruptcy-related obstacles; and authority to use the same wage garnishment procedures for Federal and non-Federal employees.

Training and Employment Programs for Noncustodial Parents. States will have the option of developing JOBS and/or work programs for noncustodial parents who have children receiving AFDC or who have child support arrearages owed to the State from prior periods of AFDC receipt by their children. A State could allocate a portion of its JOBS and WORK funding for training, work readiness and work opportunities for noncustodial parents. Requiring noncustodial parents to train or work off the child support they owe appears to increase collections dramatically -- most noncustodial parents pay their support rather than perform court-ordered community service. For those without job skills or jobs, these programs provide the opportunity for noncustodial parents to fulfill their child support obligations.

Performance-Based System. The entire financing and incentive scheme will be reconstructed, offering States new performance-based incentive payments geared toward desired outcomes. Federal technical assistance will be expanded to prevent deficiencies before they occur. While penalties will still be available to ensure that States meet program requirements, the audit process will emphasize a performance-based, "State-friendly" approach. There is almost universal agreement that the current funding and incentive structure fails to achieve the right objectives. These new tools can only be used effectively if States have the necessary funding and incentives to run good programs.

Child Support Enforcement and Assurance (CSEA) Demonstrations time-limited (Carol insisted on this)

Children need and deserve support from both parents. Yet collections are often sporadic. Often no money is received for several months, followed sometimes with a large arrearage payment. In other cases, the father is unemployed and cannot pay that month. In still other cases, the State simply fails in its duties to collect money owed. The proposal calls for a limited number of Child Support Enforcement and Assurance demonstrations which will attempt to link expanded efforts at child support collections to some level of guarantee that a child will receive a child support payment on a consistent basis. Under this experiment, persons with an award in place would be guaranteed a minimum level of support -- for example, $2,000 annually for one child and $3,000 for two. This does not relieve the noncustodial parent of any obligations. It simply ensures that the child will get some money even if the State fails to collect it immediately.

Child support enforcement and assurance is meant to test ways to ease the difficult task of moving people from welfare to work. It is designed to allow single parents to count on some child support, usually from the noncustodial parent, but from the assured child support payment if the noncustodial parent becomes unemployed or cannot pay child support. States that try this demonstration will have the option to link it with programs that require the noncustodial parent to work off the amount owed.

CSEA protection will be provided only to custodial parents who have a child support award in place, so mothers should have more incentive to cooperate in the identification and location of the noncustodial father, since they will be able to count on receiving benefits. CSEA benefits will normally be subtracted dollar for dollar from welfare payments. In most States, a woman on welfare will be no better off with CSEA, but if she leaves welfare for work, she can still count on her child support payments. Thus, work should be much more feasible and attractive.

Enhance Responsibility and Opportunity for Noncustodial Parents

There is considerable overlap between issues concerning child support enforcement and issues concerning noncustodial parents. The well-being of children who live with only one parent will be enhanced if emotional and financial support is provided by both of their parents. Yet, the current child support enforcement system is ill-equipped to handle cases in which noncustodial parents cite unemployment as the reason for their failure to make court-ordered support payments, and pays scant attention to the needs and concerns of noncustodial parents -- instead of encouraging noncustodial parents to remain involved in their children's lives, the system often drives them away.

We need to make sure that all parents live up to their responsibilities. If we are going to expect more of mothers in welfare reform, we must not let fathers just walk away. A number of programs show considerable promise in helping noncustodial parents reconnect with their children and fulfill their financial responsibilities to support them. Some programs help parents do more by seeing that they get the skills they need to hold down a job and support their children. Other programs require noncustodial parents to work off the support they owe. It is also important to show parents who get involved in their children's lives again that when they pay child support, they restore a connection they and their children need.

This proposal will focus more attention on noncustodial parents and send a message that "fathers matter." The child support system, while getting tougher on those who can pay support but refuse to do so, will also be fair to those noncustodial parents who show responsibility toward their children.

Mandatory Training and Work for Noncustodial Parents. States will have the option to use a portion of JOBS and WORK program funding for training, work readiness, educational remediation and mandatory work programs for noncustodial parents of AFDC recipient children who cannot pay child support due to unemployment, underemployment or other employability problems. States will be able to choose to make participation by noncustodial parents mandatory or voluntary and will have considerable flexibility in designing their own programs.

Demonstration Grants for Paternity and Parenting Programs. Paternity and Parenting Demonstration grants will be made to States and/or community-based organizations to develop and implement noncustodial parent (fathers) components in conjunction with existing programs for high-risk families (e.g., Head Start, Healthy Start, family preservation, teen pregnancy and prevention). These grants will promote responsible parenting, including the importance of paternity establishment and economic security for children and the development of parenting skills.

Access and Visitation Grants to States. Paternity actions will stress the importance of getting fathers involved earlier in their children's lives. Grants will be made to States for programs which reinforce the desirability for children to have continued access to and visitation by both parents. These programs include mediation (both voluntary and mandatory), counseling, education, development of parenting plans, visitation enforcement including monitoring, supervision and neutral drop-off and pick-up, and development of guidelines for visitation and alternative custody arrangements.

IMPROVING GOVERNMENT ASSISTANCE

The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity obscures the mission of assisting families in need, frustrates people seeking aid, confuses caseworkers, increases administrative costs, leads to program errors and inefficiencies, and fosters the perception of widespread waste and abuse.

SUMMARY OF PROPOSAL

Clearer Federal goals which allow greater State and local flexibility are critical. A central Federal role in information systems and interstate coordination will prevent waste, fraud and abuse and will also improve service delivery at State and local levels. The proposal to reinvent government assistance contains three major components:

Coordination, Simplification and Improved Incentives in Income Support Programs

- Allow States to eliminate special requirements for two-parent families
- Allow families to own a reliable automobile
- Allow families to accumulate savings
- Other coordination and simplification proposals
- Self-employment/microenterprise demonstrations
- Essential persons

Accountability, Efficiency and Reducing Fraud

- A nationwide public-assistance clearinghouse
- State tracking systems
- Expansion of EBT systems

A Performance-Based System

- New performance measures and service delivery standards
- Improved quality assurance system
- Technical assistance

COORDINATION, SIMPLIFICATION AND IMPROVED INCENTIVES IN INCOME SUPPORT PROGRAMS

Everyone from advocates to administrators is calling for simplification of the welfare system, and with good reason. The rationalization and simplification of income assistance programs can be achieved by making disparate Food Stamp and AFDC policy rules uniform or complementary for related policy provisions. Standardization among programs will enable caseworkers to spend less time on determining eligibility for various programs and more time on developing and implementing strategies to move clients from welfare to work.

Some of these rules have led to criticism of the welfare system because it imposes a "marriage penalty" to recipients who choose to wed by potentially making the married-couple family ineligible for assistance. Eliminating the current bias in the welfare system against two-parent families will encourage parents to remain together and prevent one parent from leaving the home in order that the other parent can receive welfare for the children.

Economic security is a vital step towards leaving welfare permanently. Restrictive asset rules often frustrate the efforts of recipients to save money and subsequently hamper their ability to attain self-sufficiency. Changing the asset rules to allow recipients accrue savings, own a reliable car, or even start a business is an important step in the right direction.

Allow States to Eliminate Special Requirements for Two-parent Families

AFDC eligibility for two-parent families is currently limited to those in which the principal wage earner is unemployed and has worked six of the last 13 quarters. "Unemployed" is defined as working less than 100 hours in a month. Under this proposal States may eliminate the special eligibility requirements for two-parent families, including the 100 hour rule, the 30 day unemployment requirement, and the employment test. For States that elect to maintain a 100 hour (or modified) rule, WORK program participation will not count toward the rule. In addition, this proposal removes the sunset provision that allows for the termination of the AFDC-UP program in September 1998, and makes it a permanent program. These changes will allow States to better address the needs of intact working poor families.

Allow Families to Own a Reliable Automobile

Reliable transportation will be essential to achieving self-sufficiency for many recipients in a time-limited program -- if we are expecting them to work, we should allow them to have a reliable car that will get them to work. A dependable vehicle is important to individuals in finding and keeping a job, particularly for those in areas without adequate public transportation. Both the AFDC and Food Stamp programs need a resource policy that supports acquiring reliable vehicles.

For AFDC, the permitted equity value for one car is set at $1,500 or a lower value set by the State. In the Food Stamp Program, the portion of a car's fair market value in excess of $4,500 is counted toward the resource limit, although a car of any value can be excluded in certain limited circumstances. In both programs the automobile limitations can be a substantial barrier to independence. Current AFDC policy would prevent total exclusion of most cars less than eight to ten years old. The Secretary of Health and Human Services will exercise existing regulatory authority to increase the AFDC automobile limit to an equity value of $3,500, which is more compatible with the current Food Stamp fair market value limit. The Food Stamp Program limit will be gradually raised to $5,000 by 1996 and indexed for inflation thereafter.

Allow Families to Accumulate Savings

As part of the welfare reform effort, we will explore a range of strategies, above and beyond education and job training, to help recipients achieve self-sufficiency. Encouraging welfare recipients to save money to build for their future and allowing them to accumulate savings for specific purposes will help promote self-sufficiency. Strategies will include raising the AFDC asset limit, conforming AFDC and Food Stamp program rules on what counts as an asset, and empowering welfare recipients to start their own businesses.

The very restrictive asset rules across Federal assistance programs are perceived as significant barriers to families saving and investing in their futures. We propose to develop uniform resource exclusion policies in AFDC and Food Stamps. This proposal will increase the AFDC resource limit (currently $1,000) to $2,000 (or $3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit and to encourage work and self-sufficiency.

The current inconsistency across programs of asset rules creates needless confusion and administrative complexity. We will take steps to reduce the administrative complexities that exist in the treatment of assets and resources for the purpose of determining eligibility for both the AFDC and Food Stamp programs in order to apply the same rules to the same resources for the same family. We will generally conform AFDC to Food Stamp policy regarding real property, cash surrender value of life insurance policies and transfer of resources. These conforming changes achieve simplification by streamlining the administrative processes in both programs.

Recipients will be permitted to accumulate savings in Individual Development Accounts (IDAs) for specific purposes such as post-secondary education expenses, first-home purchases, or business capitalization. Subsidized IDAs, in which savings by recipients would be matched by Federal government dollars, will be tested on a demonstration basis. Non-recurring lump sum income will not be counted as a resource with respect to continuing eligibility to receive benefits in either AFDC or Food Stamps if put into an IDA.

Other Coordination and Simplification Proposals

Additional changes to the administrative and regulatory program structures of AFDC and Food Stamps are **being considered. These cost-neutral changes [added by OMB]** would simplify and coordinate rules to encourage work, family formation, and asset accumulation. These include:

Optional Retrospective Budgeting. ~~The proposal will~~ This would conform AFDC to the Food Stamp Program's more flexible requirements for reporting and budgeting income. Under Food Stamp Program rules, States are given the option to use prospective or retrospective budgeting with or without monthly reporting. This proposal ~~will~~ would foster consistency between the AFDC and Food Stamp programs and give States greater flexibility to administer their programs.

Treatment of income. Federal AFDC law requires that all income received by an AFDC recipient or applicant be counted against the AFDC grant except income that is explicitly excluded by definition or deduction. A number of changes are ~~proposed to~~ under consideration to bring greater conformity between the AFDC and Food Stamp programs, to streamline both programs and/or to reintroduce positive incentives for recipients to work. Several provisions will meet these objectives.

The proposal will exclude non-recurring lump sum payments from income for AFDC, and disregard reimbursements and EITC as resources for both programs. Lump sum payments, such as EITC or reimbursements, will be disregarded as resources for one year from the date of receipt to allow families to conserve the payments to meet future living expenses. In addition, we will disregard all education assistance received by applicants and recipients in both the AFDC and Food Stamp programs. The earnings of most elementary and secondary students up to age 19 will be disregarded, as will all training stipends and allowances, including JTPA. In-kind income, both earned unearned will be disregarded. Food Stamp rules will conform to AFDC to exclude inconsequential income up to $30 per individual per quarter. Allowances, stipends and educational awards received by volunteers participating in a National Service Program will be disregarded for AFDC to conform to Food Stamp policy. Targeted earned income disregards for on-the-job training programs or jobs will be eliminated.

Together these proposals will make the treatment of income simpler for both recipients and welfare officials to understand. They will make work and education a more attractive, rational option for those who would continue to receive assistance and they will improve the economic well-being of those who need to combine work and welfare.

Other Conformities. We propose conforming and streamlining AFDC and Food Stamp policies regarding underpayments and verifications. Underpayments will be restored to both current and former recipients for amounts underpaid due to agency error for a period not to exceed 12 months. While verification of information needed for eligibility and benefit determinations will continue to be critical to delivering assistance, States will be given flexibility to simplify verification systems, methods, and timeframes for income, identity, alien status and Social Security Numbers. AFDC requirements concerning declaration of citizenship and alien status will be amended to conform to Food Stamp policy. States will be permitted to implement Federal income tax intercept programs to collect outstanding AFDC overpayments, as currently available for Food Stamps.

Territories. The territories operate AFDC, Aid to the Aged, Blind and Disabled, JOBS, child care and Foster Care programs under the same eligibility and payment requirements as the States. However, funding for these programs is capped for the territories. Benefit payments above the cap are financed 100 percent by the territories. The caps are $82 million for Puerto Rico, $3.8 million for Guam, and $2.8 million for the Virgin Islands. Between 1979 and the present, the caps were increased only once, by roughly 13 percent. The number of public assistance programs funded under the current caps, coupled with only one adjustment to these caps in 15 years, has seriously limited the territories' abilities to provide, let alone increase, benefits. Further, beginning October, 1994, Puerto Rico will be required to extend eligibility to two-parent families.

This proposal will continue to give territories the authority to operate public assistance programs and adequate means to do so. We will increase the current caps by 25 percent to create realistic funding levels for the territories that are reflective of the current economy and caseload. We will also create a mechanism for indexing the caps to provide for occasional adjustments in funding levels to guarantee that funding is linked to economic conditions. Requirements to operate AFDC-UP programs in the territories will be eliminated.

Self-Employment/Microenterprise Demonstrations

The proposal includes a self-employment/microenterprise demonstration program. This program will attempt to promote self-employment among welfare recipients by providing access to both microloan funds and to technical assistance in the areas of obtaining loans and starting businesses. The demonstration will explore the extent to which self-employment can serve as a route to self-sufficiency for recipients of cash assistance by encouraging persons on assistance to start microenterprises (small businesses). In addition, authority will be granted to the Departments to develop joint regulations to exclude resources necessary for self-employment.

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Essential Persons

Under current law, States are permitted, at their option, to include in the AFDC grant benefits for persons who are considered essential to the well-being of an AFDC recipient in the family. Such individuals are not eligible for AFDC in their own right, but their needs are taken into account in determining the benefits payable to the AFDC family because of the benefits or services they provide to the family. Currently, 22 States have selected the option of including essential persons as part of the AFDC unit. This proposal will limit the kinds of individuals that a State may identify as "essential" to eliminate the loophole that allows States to bring relatives like adult siblings into the AFDC unit regardless of the role they play in the family. We propose defining essential persons as only those who: 1) provide child care that allows the caretaker relative to pursue work and education, or 2) provide care for an incapacitated AFDC family member in the home.

ACCOUNTABILITY, EFFICIENCY AND REDUCING FRAUD

Improvements in administration of welfare programs through the use of computerized information systems began in the late 1970s, but efforts have been sporadic, fragmented and have resulted in varying degrees of sophistication, often depending on available funding incentives. Many of these systems have serious limitations, including limited flexibility, lack of interactive access and limited ability to electronically exchange data. Multiple and uncoordinated programs and complex regulations invite waste, fraudulent behavior and simple error.

Computer and information technology solutions will support welfare reform by providing new automated screening and intake processes, eligibility decision-making tools, and benefit delivery techniques. Application of modern technologies such as expert systems, relational databases, voice recognition units and high performance computer networks will permit the development of an information infrastructure and system that is able to: eliminate the need for clients to access different entry points before receiving services, eliminate the need for agency workers (and clients) to encounter and understand a wide variety of complex rules and procedures, fully share computer data with programs within the State and among States, and provide the kind of case tracking and management that will be needed for a time-limited welfare system.

We are proposing to make use of new technology and automation to develop an information infrastructure that allows State-level integration and interfacing of multiple systems (including AFDC, food stamps, work programs, child care, child support enforcement, and others) and offers the chance to implement transitional programs which ensure quality service, fiscal accountability and program integrity. States will be able to use the location and receipt of AFDC and the names and Social Security Numbers of members of AFDC families to detect and prevent fraud and abuse. Such information, either alone or by matching it with other

data sources, will allow States to prevent, for example, clients from receiving benefits in multiple locations, from claiming non-existent children, and from claiming children by more than one family.

Partly as a result of increasing the detection of fraud and abuse and partly as a result of changing the culture of the welfare system, much fraud and abuse will be prevented or deterred before it occurs. For instance, people who currently have unreported jobs, but are fraudulently getting cash assistance, will be "smoked-out" because the JOBS plus WORK requirements will prevent them from working at their unreported employment. In the face of increased likelihood of detection of fraud and abuse, others may decide not to come onto the rolls at all or, once on, to actively pursue self-sufficiency.

Program integrity activities will focus on ensuring overall payment accuracy and on the detection and prevention of recipient, worker and vendor fraud. The new systems at the local, State, and Federal levels will dramatically increase the ability to detect many kinds of fraud and abuse. To support the broader information needs, the new information infrastructure needs to include both a national data clearinghouse to coordinate data exchange, as well as enhanced State and local information processing. In sum, the new welfare system, on the one hand, will provide government agencies enhanced tools to detect fraud and abuse and will prevent and deter clients from engaging in such activities and, on the other, will encourage clients to participate more actively in their own self-improvement.

A nationwide public assistance clearinghouse will be created which will be a collection of abbreviated case and other data. The clearinghouse will maintain at least the following data registries: the National Directory of New Hires with employment data including new hires; an expanded Federal Parent Locator Service; the National Child Support Registry of data on noncustodial parents who have support orders; and the National Welfare Receipt Registry to assist in operating a national time-limited assistance "clock" by tracking people whenever and wherever they use welfare. Such a system is essential for keeping the clock in a time-limited welfare system. Persons will not be able to escape their responsibilities by moving or collect benefits in two jurisdictions simultaneously.

State tracking systems will follow people in the JOBS and WORK programs. These systems will ensure that people are getting access to what they deserve and that they are being held accountable if they are failing to meet their obligations. Each State will be expected to develop a tracking system which indicates whether people are receiving and participating in the appropriate training and placement services.

Expansion of EBT systems. As part of the National Performance Review, Vice President Al Gore charged a Federal Task Force representing the Departments of Health and Human Services, Agriculture, Education, Treasury, the Office of Personnel Management, and the Office of Management and Budget to develop a strategic plan for a nationwide system to deliver government benefits, including welfare assistance, electronically. In its recent report, the Task Force sets forth a vision for implementation of a uniform, integrated national system for Electronic Benefits Transfer (EBT) by 1999.

This system will replace today's multiple paper systems and provide better service to benefit recipients without bank accounts and Food Stamp recipients at a lower cost to the taxpayer. Under EBT, recipients will receive a single EBT card which they could use at ATM or point-of-sale (POS) machines in stores and other locations to electronically access one or many types of benefits, from welfare to Social Security. The card helps to eliminate the stigma associated with cashing a welfare check or using food stamps at a grocery store, and restores the dignity and control associated with work and independence. EBT also eliminates much of the high risk of theft associated with getting a benefit check in the mail and with cashing it for its full value. Recipients can access their benefits at their convenience (compatible with their work or training

schedule) without incurring check cashing fees. And, since using an EBT card is like using a bank card, recipients will be better prepared to participate in the economic mainstream of the community as they begin to work.

An EBT system has great long-term potential for better coordination of Federal benefit programs. At least 12 Federal and State assistance programs could use EBT to replace their paper benefit delivery methods. Once the full range of programs is included, a nationwide EBT system could deliver at least $111 billion in benefits annually, with annual Federal savings in the range of $195 million. (This sounds puny.)

A PERFORMANCE-BASED SYSTEM

One objective of welfare reform is to transform the culture of the welfare system -- from an institutional system whose primary mission is to ensure that poor children have a minimal level of economic resources, to a system that focuses equal attention on the task of integrating their adult caretakers into the economic mainstream of society. We envision an outcome-based performance measurement system that consists of a limited set of broad measures and focuses State efforts on the goals of the transitional support system -- helping recipients become self-sufficient, reducing dependency and moving recipients into work. The Secretary of Health and Human Services will develop a system of performance standards which measures States' success in moving clients toward self-sufficiency and reducing their tenure on welfare. The system will be developed and implemented over time; interested parties will be included in the process for determining outcome-based performance measures and standards.

Until a system incorporating outcome-based standards can be put into place, State performance will be measured against service delivery standards. These standards will be used to monitor program implementation and operations, provide incentives for timely implementation, and ensure that States are providing services needed to convert welfare into a transitional support system. The new service delivery measures for JOBS are designed to see that a substantial portion of such cases are being served on an ongoing basis. As soon as WORK program requirements begin to take effect, States also will be subject to performance standards under the WORK program to ensure that recipients are provided with jobs when they reach the time limit. Until automated systems are operational and reliable, State performance vis-a-vis these service delivery measures will be based on information gathered through a modified Quality Control system.

New Performance Measures and Service Delivery Standards

Consistent with the theme of "reinventing government," State performance in accomplishing the goals of this reform initiative will ultimately be judged on the basis of outcomes rather than inputs or effort -- by the results they achieve rather than the way they achieve those results. An outcome-based performance standards system will keep the focus of welfare reform on the goals of moving recipients toward self-sufficiency and independence while ensuring the overall well-being of children and their families.

In order to change the focus of the welfare system, the outcome-based performance standards system will measure the extent to which the program helps participants improve their self-sufficiency, their independence from welfare, their labor market participation, and the economic well-being of families with children. Recognizing the complexity of this task, this proposal adopts a prudent strategy that moves forcefully, yet with reasonable caution, in the direction of developing an outcome-based performance system. Performance measures will be developed first, and then standards of performance with respect to those measures will be set. Relevant parties will be consulted during this process to ensure that consideration is given to important measurement issues such as what would be an appropriate set of

measures, what kind of realistic standards should set with respect to those measures, and what the consequences should be for failing to meet established standards.

For the purposes of accountability and compliance, service delivery measures will be implemented first to ensure that welfare systems are operating the program for the phased-in mandatory population as intended. The new performance system will provide rewards and penalties for State performance through adjustments to the State's claims for Federal matching funds on AFDC payments and bonus payments to States. The measures are designed to provide positive and negative incentives to States to serve recipients under the new transitional system and to monitor program operations. States will be subject to service delivery standards and financial incentives in the following areas: the cap in pre-JOBS assignments, a monthly participation rate in JOBS, the cap on JOBS extensions, State accuracy in keeping the two-year clock, and a participation rate in WORK.

defends

Improved Quality Assurance System

As part of the effort to refocus the welfare system, the Quality Control (QC) system will be revised to include outcome and service delivery standards in addition to ensuring that income support is provided competently. The existing QC system focuses on how well the welfare system's income support function is performed to the exclusion of other system goals. This emphasis shapes the atmosphere (the "culture") within welfare agencies, how personnel are selected and trained, how administrative processes are organized, and how organizational rewards are allocated. Moving to the new system envisioned by this proposal will present implementation and operational challenges that make the current system of judging performance inadequate.

The new, broader, QC system will give equal priority to payment accuracy and the other designated performance standards. It will include improving the accuracy of benefit and wage payments in the AFDC and WORK programs, assessing the quality and accuracy of State-reported JOBS/WORK data, and measuring the extent to which performance standards are met.

Technical Assistance

Welfare reform seeks nothing less than a change in the culture of the welfare system. This necessitates making major changes in a system that has primarily been issuing checks for the past two decades. Now we will be expecting States to change individual behavior and their own institutions so that welfare recipients will be moved into mainstream society. This will not be done easily. We envision a major role for evaluation, technical assistance and information sharing.

Initially, States will require considerable assistance as they design and implement the changes required under this proposal. As one State or locality finds strategies that work, those lessons ought to be widely shared with others. One of the elements critical to this reform effort has been the lessons learned from the careful evaluations done of earlier programs. Those lessons and the feedback secured during the implementation of these reforms will be used in a formative sense and will guide continuing innovation into the future. We will reserve two percent of the total annual capped entitlement funding for the Secretary of Health and Human Services to be spent on JOBS, WORK and child care for research, demonstrations, evaluation and technical assistance. In addition, the level of Federal technical assistance provided to State child support agencies will be expanded to prevent deficiencies before they occur.

CONCLUSION

If welfare reform is to truly succeed, it must accomplish multiple and varied objectives. The current welfare initiative will focus on work, responsibility, family and opportunity, all important principles which are difficult to quantify. However, we are confident that enactment of the Administration welfare reform proposal will result in positive and tangible impacts. By sending a strong signal that young people should delay childbearing until they are prepared to accept the ensuing responsibilities, we will reduce teen pregnancies and the number of children born out of wedlock. By streamlining the paternity establishment process, more children will have the benefit of knowing who their father is. By significantly strengthening our child support enforcement system and by providing incentives and opportunities for noncustodial parents, we will dramatically increase the amount of support paid--by $ billion--to children in this country. By expanding child care provided to working families, by allowing States to disregard additional earnings and child support and by making the EITC available on a regular basis, we will make work a rational and desirable choice for welfare recipients and those at-risk of going on welfare. By expanding the JOBS program and imposing time limits and work requirements, we will engender the values of work and responsibility within the public assistance system. This will increase the number of custodial parents who enter the labor force and increase earnings for their families. And finally, by streamlining and simplifying government assistance programs, we will eliminate outdated and inefficient bureaucratic rules and improve incentives for recipients and welfare officials alike.

In summary, this proposal does "end welfare as we know it" by dramatically changing the values, expectations and incentives within our current welfare system. Ultimately, this plan is about improving the lives of children and families by encouraging the values of work, responsibility, family and opportunity. ~~Through the provisions described above, and particularly through increased earnings from work and increased child support payments, the well-being of children in this country will be significantly improved.~~

Emphasis work and responsibility over welfare will make families stronger and our children and our society better off.

No COMMENTS ON PAGES 4, 7, 8, 10-13, 15, 18, 20-32, 34-36, 38-41, 44-45

BR comments

PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

Poverty, especially long-term poverty, and welfare dependency are often associated with growing up in a one-parent family. Although most single parents do a heroic job of raising their children, the fact remains that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready to assume the responsibility of raising children. Cases headed by unwed mothers accounted for about four-fifths of the growth of 1.1 million in the welfare rolls over the past ten years, from 3.86 million families in 1983 to 4.97 million families in 1993. Beginning in 1990, the proportion of children on AFDC born to never-married mothers accelerated dramatically. ?

The number of births to unwed teen mothers has quadrupled in the last 30 years, from 92,000 in 1960 to 368,000 in 1991.

Teenage pregnancy is a particularly troubling aspect of this problem. Teenage birth rates have been rising since 1986 because the trend toward earlier sexual activity has resulted in more pregnancies. According to the Annie E. Casey Foundation, almost 80 percent of the children born to unmarried teenage high school dropouts live in poverty. In contrast, the poverty rate is only 8 percent for children of young people who deferred childbearing until they graduated from high school, were twenty years old, and married. Teenage childbearing often leads to school drop-out, which results in the failure to acquire the education and skills that are needed for success in the labor market. The majority of these teenagers end up ~~on welfare~~, and according to the Center for Population Options the annual cost to taxpayers is about $34 billion to assist such families begun by a teenager.

Both parents bear responsibility for providing emotional and moral guidance, as well as economic support to their children. Teenagers who bring children into the world are not yet equipped to discharge this fundamental obligation. If we wish to reform welfare and put children first, we must find effective ways of discouraging pregnancy by young people who cannot provide this essential support. We must send a clear and unambiguous signal--you should not ~~become a parent~~ have a child until you are able to provide for and nurture that child.

For those who do become parents, we must send an equally clear message that they will have to take responsibility, even if they do not live with the child. In spite of the concerted efforts of Federal, State and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analysis by the Urban Institute suggest that the potential for child support collections exceeds $47 billion per year. Yet only $20 billion in awards are currently ~~in place~~, and only $13 billion is actually paid. Thus, we have a potential collection gap of over $34 billion.

Is every made-up estimate $34 bill?

The current system sends unmistakable signals: all too often noncustodial parents are not held responsible for the children they bring into the world. Less than half of all custodial parents receive any child support, and only about one third of single mothers ~~(mothers who are divorced, separated, or never-married as opposed to remarried)~~ receive any child support. Among never-married mothers, only 15 percent receive any support. The average amount paid is just over $2,000 for those due support. Further, paternity is currently being established in only one third of cases where a child is born out of wedlock.

The child support problem has three main elements. First, for many children born out of wedlock, a child support order is never established. Roughly 57 percent of the potential collection gap of $34

billion can be traced to cases where no award is in place. This is largely due to the failure to establish paternity for children born out of wedlock. Second, when awards are established, they are often too low, are not adjusted for inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. Fully 22 percent of the potential gap can be traced to awards that were either set very low initially or never adjusted as incomes changed. Third, of awards that are established, the full amount of child support is not paid in half the cases. Thus the remaining 21 percent of the potential collection gap is due to failure to collect full awards in place.

When parents fail to provide child support, their children pay forever — and so do we.

For children to achieve real economic security and to avoid the need for welfare, they ultimately need support from both parents. Under the present system, the needs, concerns and responsibilities of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that fathers matter. We ought to encourage noncustodial parents to remain involved in their children's lives--not drive them further away. ~~The well-being of children who live only with one parent would be enhanced if emotional and financial support were provided by both of their parents.~~ Parents who pay child support restore a connection they and their children need.

The ethic of parental responsibility is fundamental. No one should bring a child into the world until he or she is prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it. ~~To this end, we propose a multi-part strategy.~~ First, We propose a number of changes to the welfare and child support enforcement systems to promote two-parent families and to encourage parental responsibility. Next, we seek to send a clear message of responsibility and opportunity and to engage other public and private sector leaders and institutions in this effort. We need to encourage responsible family planning. Government has a role to play, but the breakdown of the ~~massive changes in~~ family ~~life that have occurred~~ over the past few decades cannot be solved ~~dealt with~~ by government alone. ~~We must not only emphasize responsibility; we must break the cycle of poverty and provide a more hopeful future to our communities.~~ In our own lives and in our communities, we must work together to rebuild the values, and institutions, ~~work~~ and hope that are central to American life.

PROPOSAL

~~We need a~~ Welfare reform is not just about moving people from welfare to work. In the long run, ~~strategy that goes beyond trying to move those already on welfare into employment or some work preparation activity.~~ The best way to end welfare dependency is to prevent people in needing to go on ~~eliminate the need for~~ welfare in the first place. Our proposal to prevent adolescent pregnancy and promote parental responsibility has ~~two~~ three major components:

1. Reducing Teen Pregnancy Out-of-Wedlock Births ~~National Teen Pregnancy Prevention Initiative~~ ~~A Bipartisan Campaign Against Teen Pregnancy~~

   ~~A clear message~~ • A nat. campaign against teen pregnancy

   - ~~A national campaign against teen pregnancy~~
   - ~~A Presidential challenge to a locally-run challenge to reduce teen out-of-wedlock births~~
   - A national clearinghouse on teen pregnancy prevention
   - Teen pregnancy prevention ~~mobilization~~ grants
   - Comprehensive service demonstrations of various prevention approaches .

Wouldn't these summaries/proposals look better in a box?

2. Incentives for Responsible Behavior (Family cap is not about school-age parents)
~~Responsibilities of school-age parents receiving cash assistance~~

- Requiring Minor mothers to live at home
- Limiting additional AFDC benefits for ~~to~~ additional children ~~while~~ conceived on AFDC
- Require ~~Target~~ school-age parents to stay in school
- State options for a variety of ~~behavior~~ incentives to reward responsible behavior

3. **Child Support Enforcement**

- Establish awards in every case
- Ensure fair award levels
- Collect awards that are owed
- Child support enforcement and assurance demonstrations
- Enhanced responsibility and opportunity for noncustodial parents

We need to send a strong signal that it is wrong to have children outside marriage, and it is important ~~to~~ for young people to delay sexual activity as well as childbirth until they are ready to accept the responsibilities and consequences.

NATIONAL TEEN PREGNANCY PREVENTION INITIATIVE] Reducing Teen Pregnancy + Out-of-Wedlock Births

~~Early, unwed child bearing and other problem behaviors are interrelated and strongly influenced by the general life experiences associated with poverty.~~ Changing the circumstances in which people live, and consequently how they view themselves, is necessary to affect the decisions young people make about their lives. It is critical that we help all youth understand the rewards of staying in school, playing by the rules, and deferring childbearing until they are married, able to support themselves and nurture their offspring. We have four proposals in this area:

Move to (A) on p. 10

National Campaign Against Teen Pregnancy that challenges all aspects of society — to join in the effort to reduce teen pregnancy. The President will lead a national campaign against teen pregnancy ~~utilizing broad based private support that pulls together~~ business, national and community voluntary organizations, religious institutions and schools. The campaign will emphasize the broader themes of economic opportunity, along with the personal responsibility of every family in every community. ~~It will include a persuasive media campaign as well as a series of dramatic Presidential events~~.

National and individual goals will be established to define the mission and to guide the work of the national campaign. The goals will focus on measurable aspects of the broader opportunity and responsibility message for teen pregnancy prevention, such as graduation from high school; deferring pregnancy until finished with high school, married, and working; going to college or work; and accepting responsibility for the support of your children.

A non-profit, non-partisan entity committed to these goals will be established to ~~facilitate the~~ all together national, State, and local ~~mobilization in~~ efforts through the media, schools, churches, communities, and homes. Its

membership will be broad-based, including youth, elected officials at all levels of government, and members of ~~the~~ religious, sports and entertainment communities. In addition, a Federal interagency group will ~~ensure that responsive information is provided and will serve as a focal point for~~ coordinating the range of Federal programs in this area across program and department lines.

A National Clearinghouse on Teen Pregnancy Prevention. A National Clearinghouse on Teen Pregnancy Prevention will be established to serve as a national center for the collection and dissemination of information related to teen pregnancy prevention programs. Such information will include curricula, models, materials, training and technical assistance. The Clearinghouse could also develop and sponsor training institutes for teen pregnancy prevention program staff and could conduct evaluations of prevention programs.

Teen Pregnancy Prevention ~~Mobilization~~ Grants ~~Program~~. An effective approach to reducing teen pregnancy must combine an emphasis on increased personal responsibility with a focus on enhanced opportunity. Young people must face incentives and cultural influences which encourage them to delay having children until they are ready. To be most effective, a prevention strategy must begin with pre-teens, focus initially on the young people who are most at-risk, and emphasize school-based, school-linked activities and complementary community action.

Under the Teen Pregnancy ~~Mobilization~~ Grant Program, about 1,000 schools and community-based programs will be provided flexible grants, averaging $100,000 each, where they can implement teen pregnancy prevention program models with records of promising results. Funding will be targeted to schools with the highest concentration of youth at-risk and will be available to serve both middle- and high-school-age youth. The goal will be to work with youth as early as age 10 and to establish continuous contact and involvement through graduation from high school. To ensure quality and establish a visible and effective presence, these programs will be supervised by professional staff and, where feasible, be supported by a team of national service participants provided by the Corporation for National and Community Service. These grants will be coordinated with other Administration activities and include an evaluation component.

INSERT A) from p. 1

Comprehensive Services Demonstration Grants to Prevent Teen Pregnancy in High Risk Communities. ~~To maximize effectiveness, interventions should~~ address a wide spectrum of areas associated with youth living in a healthy community: economic opportunity, safety, health and education. Particular emphasis must be paid to the prevention of adolescent pregnancy before marriage, including sex education, abstinence education, life skills education and contraceptive services. Programs that combine these elements have shown the most promise, especially for adolescents who are motivated to avoid pregnancy until they are married. However, for those populations where adolescent pregnancy is a symptom of deeper problems, a wider spectrum of services ~~must be provided.~~ may be necessary. Interventions must be broadly integrated to enhance education, link education to health and other services, and help stabilize communities and families in trouble.

We propose Comprehensive Demonstration Grants for Youth in High-Risk Communities of sufficient size or "critical mass" to significantly improve the day-to-day experiences, decisions and behaviors of youth. Local governments and local public and private non-profit organizations in high-poverty areas will be eligible to apply. Sites will be asked to cover four broad areas, with significant flexibility ~~therein~~ health services, educational and employability development services, social support services and community activities. ~~Under the grants, services will be non-categorical, integrated and delivered with a personal dimension. They~~ The grants will follow a "youth development" model and will ~~seek to assist~~

~~neighborhoods as well as directly support youth and families.~~ These demonstrations will include a strong evaluation component and will be coordinated with other Administration activities.

INSERT (B) from p. 12

= INCENTIVES FOR RESPONSIBLE BEHAVIOR

~~RESPONSIBILITIES OF SCHOOL-AGE PARENTS RECEIVING CASH ASSISTANCE~~

Personal responsibility belongs at the heart of every government program. We want to give states a broad range of incentives and requirements to ~~instill~~ reward responsible behavior:

~~Minor mothers, those under age 18, have special needs and deserve special consideration. They are a relatively small part of the caseload at any point in time, but a disproportionate contributor to long-term dependency. We have four proposals that affect minor and school-age parents:~~

~~Minor mothers live at home.~~ Minor parents will be required to live in their parents' household or with a responsible adult, ~~with certain exceptions, such as~~ except when the minor parent is married or if there is a danger of abuse to the minor parent. Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. This proposal will require minor mothers to live in an environment where they can receive the support and guidance they need. At the same time, the circumstances of each individual minor will be taken into account, ~~by the new comprehensive case manager in making decisions about living arrangements.~~

minors ~~either~~ who are children still themselves, and need adult supervision + guidance. The welfare system shouldn't encourage ~~them to~~ young people who have babies to leave home and receive a separate check.

Under current law, States do have the option of requiring minor mothers to reside in their parents' household (with certain exceptions), but only five have included this in their State plans. This proposal will make that option a requirement for all States.

Limiting ~~AFDC~~ additional benefits ~~to~~ for additional children ~~while~~ conceived on AFDC. Currently, ~~families on welfare receive additional support because their AFDC benefits increase automatically to include the needs~~ welfare benefits automatically increase with the birth of an additional child. Under the proposal, States will ~~be given~~ have the option to limit benefit increases when additional children are conceived by parents already on AFDC. ~~if the State ensures that parents have access to family planning services~~. States will be required to allow families to "earn back" the lost benefit amount through disregarded income from earnings or child support, and to ensure that parents have access to family planning services.

Requiring ~~Targeting~~ school-age parents to stay in school. States will be required to provide case management services to all custodial teen parents receiving AFDC who are under age 20. We will ensure that every school-age parent or pregnant teenager who is on or applies for welfare enrolls in the JOBS program, continues their education, and is put on a track to self-sufficiency. Every school-age parent (male or female, case head or not) will be required to participate in JOBS from the moment the pregnancy or paternity is established. All JOBS rules pertaining to personal responsibility contracts, employability plans, and participation will apply to teen parents.

State options for ~~behavioral~~ incentives to reward responsible behavior. States will be given the option to use monetary incentives combined with sanctions as inducements to remain in school or GED class. They may also use incentives and sanctions to encourage participation in appropriate parenting activities.

~~Rationale~~

We must address the issue of raising births to unmarried teens. Adolescents ~~who~~ bring children into the world face a very difficult time getting themselves out of poverty, while young people who graduate from high school and defer childbearing until they are mature, married and able to support their offspring are far more likely to get ahead. The overwhelming majority of teenagers who bring children into the world are not yet equipped to handle this fundamental obligation. Further, they

REPEATS WHAT WAS SAID EARLIER

These rationales shd come before the policy, not after.

often can not handle peer pressures and the risk of other activities leading to negative consequences, such as substance abuse, delinquency and violence.

We believe that very clear and consistent messages about parenthood, and the ensuing responsibilities which will be enforced, hold the best chance of encouraging young people to think about the consequences of their actions and defer parenthood. A boy who sees his brother required to pay 17 percent of his income in child support for 18 years may think twice about becoming a father. A girl who knows that young motherhood will not relieve her of obligations to live at home and go to school may prefer other choices. We hope and expect that a reformed system that strongly reinforces the responsibilities of both parents will help prevent too-early parenthood and assist parents with becoming self-sufficient.

Move to (B) p. 11

Along with responsibility, ~~though,~~ we must support opportunity. Telling young people to be responsible will not be effective unless we also provide them the means to exercise responsibility and the hope that playing by the rules will lead to a better life. ~~The knowledge base for developing effective programs that prevent too-early parenthood is much less solid. Our strategy, therefore, emphasizes trying many approaches and learning about which are most effective.~~

CHILD SUPPORT ENFORCEMENT

A typical child born in the United States today will spend some time in a single-parent home. The evidence is clear that children benefit from the financial support and interaction of two parents -- single parents cannot be expected to do the entire job of two parents. In spite of the concerted efforts of Federal, State, and local governments to establish and enforce child support orders, the current system fails to ensure that children receive adequate support from both parents. Recent analyses by The Urban Institute suggest that the potential for child support collections exceeds $47 billion per year. Yet only $20 billion in awards are currently in place, and only $13 billion is actually paid.

The problem is essentially threefold. First, for many children born out-of-wedlock, a child support order is never established. Second, when awards are established, they are often too low, are not adjusted for inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. And third, of awards that are established, the full amount of child support is collected in only about half the cases. Our proposal addresses each of these shortcomings.

(1) ESTABLISH AWARDS IN EVERY CASE

The first step in ensuring that a child receives financial support from the noncustodial parent is the establishment of a child support award. Roughly 57 percent of the potential collection gap of $34 billion can be traced to cases where no award is in place. Paternity, a prerequisite to establishing a support award, has not been established in about half of these cases. States currently establish paternity for only about one-third of the out-of-wedlock births every year and typically try to establish paternity only for women who apply for welfare.

insert (1) from p. 13

This proposal expands the scope and improves the effectiveness of current State paternity establishment procedures.

Paternity Performance and Measurement Standards. States will be encouraged to improve their paternity establishment for all out-of-wedlock births, regardless of welfare status, through

performance-based incentives. A new paternity measure will be implemented that is based on the number of paternities established for all cases where children are born to an unmarried mother.

Paternity Outreach. Outreach and public education programs aimed at voluntary paternity establishment will be greatly expanded in order to begin changing the attitude of young fathers and mothers. Outreach efforts at the State and Federal levels will promote the importance of paternity establishment both as a parental responsibility and a right of the child to know both parents.

~~Improving~~ Cooperation ~~among AFDC~~ from Mothers ~~in the Establishment of Paternity~~ as a Condition of AFDC Benefits. The responsibility for paternity establishment will be made clear for both parents and the agencies. ~~AFDC~~ Mothers who apply for AFDC must cooperate fully with paternity establishment procedures prior to the receipt of benefits under a new, stricter definition of cooperation, which requires that the mother provide a name and other verifiable information that can be used to locate the father. The process for determining cooperation will also be changed -- "cooperation" will be determined by the child support worker, rather than the welfare caseworker, through an expedited process that makes a determination of cooperation before an applicant is allowed to receive welfare benefits. Those who refuse to cooperate will be denied AFDC benefits. Good cause exceptions will continue to be provided in appropriate circumstances. In turn, once an AFDC mother has cooperated, States will have one year to establish paternity or ~~face a loss of Federal money for funding benefits paid.~~ risk losing a portion of their Federal match.

Streamlining the Paternity Establishment Process. The legal process for establishing paternity will be streamlined so that States can establish paternity quickly and efficiently. Early voluntary acknowledgement of paternity will be encouraged by building on the present in-hospital paternity establishment programs. For those cases that remain, States will be given the tools they need to process routine cases without having to resort to the courts at each step.

Administrative Authority to Establish Orders Based on Guidelines. Establishing support awards is critical to ensuring that children receive the support they deserve. IV-D agencies will be given the administrative authority to establish the child support award in appropriate cases, based on State guidelines.

~~Rationale~~

Paternity establishment is the first crucial step toward securing an emotional and financial connection between the father and the child. Recognizing the critical importance of establishing paternity for every child, the Administration has already launched a major initiative in this direction by the passage of in-hospital paternity establishment programs as part of the Omnibus Budget Reconciliation Act of 1993 (OBRA 1993). Research suggests that the number of paternities established can increase dramatically if the process begins at birth or shortly thereafter, when the father is most likely to be present.

MOVE TO (c), p. 12

Parenting a child must be seen as an important responsibility that has real consequences. For young fathers, this means that parenting a child will have real financial consequences for the support of that child. The responsibility for paternity establishment should be made clearer for both the parents and the agencies. If the mothers provide verifiable information about the father, it is reasonable to require State agencies to establish paternity within strict timelines.

2 ENSURE FAIR AWARD LEVELS

Much of the gap between what is currently paid in child support in this country and what could potentially be collected can be traced to awards that were either set very low initially or are never adjusted as incomes change. All states are required to have guidelines in setting and modifying support awards, but the resulting award levels vary considerably across States. For example, the minimum amount of support due from noncustodial parents required to pay support for one child is $50 per month in Alabama, $218 in Massachusetts, and $20 in Ohio. While the use of State-based guidelines has led to more uniform treatment of similarly-situated parties within a State, there is still much debate concerning the adequacy of support awards resulting from guidelines. And, although the circumstances of both parents (including their income) and the child typically change over time, awards often remain at their original level. Another problem is that current child support distribution policies often do not give first priority to the needs of families.

This proposal seeks to reduce the impact of inadequate child support awards and to provide distribution policies that enable families to more easily move from welfare to work.

National Commission on Child Support Guidelines. Under the proposal, a National Guidelines Commission will be established to study the issue of child support guidelines and make recommendations to the Administration and Congress on the desirability of uniform national guidelines or national parameters for setting guidelines.

Modifications of Child Support Orders. Universal, periodic, administrative updating of awards will be required for both AFDC and non-AFDC cases to ensure that awards accurately reflect the current ability of the noncustodial parent to pay support. The burden for asking for an increase, if it is warranted, will be lifted from the mother and it will be done automatically, unless both parents decline a modification.

Distribution of Child Support Payments. Child support distribution policies will be made more responsive to the needs of families by re-ordering child support distribution priorities. For families who leave welfare for work, child support arrearages will be paid to the family first. Arrearages owed to the State will be forgiven if the family unites or reunites in marriage. States will also have the option to pay current child support directly to families who are recipients. INSERT (D) from p 15

Rationale

Fully 22 percent of the potential child support collection gap can be traced to awards that were either set very low initially or are never adjusted as incomes changed. States are currently required to use presumptive guidelines for setting and modifying all support awards but have wide discretion in their development. There is much debate concerning the adequacy of support awards resulting from guidelines. repetitive

The main problem with the adequacy of awards, however, is not the level at which they are initially set but rather the failure to update awards as the circumstances of the parties change. The noncustodial parent's income typically increases after the award is set, while inflation reduces the value of awards. Updating typically increases awards over time. There are also advantages to updating for the noncustodial parent who loses his job or experiences a legitimate drop in earnings. Their awards should also be adjusted so that they do not face an accumulation of arrearages that they repetitive

cannot pay. This will lead to fewer enforcement problems because fewer people will be in arrears and it will increase the fairness and integrity of the system.

Families often remain economically vulnerable for a substantial period of time after leaving AFDC; about 40 percent of those who leave return within one year, and another 60 percent return within two years. Ensuring that all support due to the family during this critical transition period is paid to the family can mean the difference between self-sufficiency or a return to welfare.

move to (D) p. 14

Changing the present distribution rules will assist people in making a successful transition from welfare to work by making pre- and post-AFDC arrears available to the family first if the family has left AFDC. Family unification will be encouraged by allowing families who unite or reunite in marriage to have any child support arrearages owed to the State forgiven under certain circumstances.

repetitive

3. COLLECT AWARDS THAT ARE OWED

The full amount of child support is collected in only about half the cases. Currently, enforcement of support cases is too often handled on a complaint-driven basis, with the IV-D agency only taking enforcement action when the custodial parent pressures the agency to take action. Many enforcement steps require court intervention, even when the case is a routine one, and even routine enforcement measures often require individual case processing rather than relying upon automation and mass case processing.

This proposal includes provisions for central registries and other tools to improve both intra- and inter-state enforcement.

State Role. A State-based system will continue, but with bold changes which move the system toward a more uniform, centralized and service-oriented program. All States will maintain a ~~State staff in conjunction with a~~ central registry and centralized collection and disbursement capability. The registry will maintain current records of all support orders and work in conjunction with a centralized payment center for the collection and distribution of child support payments. This will be designed to vastly simplify withholding for employers, as well as ensure accurate accounting and monitoring of payments.

The State staff will monitor support payments to ensure that the support is being paid and will be able to impose certain enforcement remedies at the State level administratively. Thus, routine enforcement actions that can be handled on a mass or group basis will be imposed through the central State offices using computers and automation. For States that opt to use local offices, this will supplement, but not replace, local enforcement actions. States will be encouraged through a higher Federal match rate to operate a uniform State program entirely under the authority of the State's designated agency.

All cases included in the central registry will receive child support enforcement services automatically, without the need for an application. Certain parents, provided that they meet specified conditions, can choose to be excluded from payment through the registry.

Insert (H) from p. 16

Federal Role. The Federal role will be expanded to ensure efficient location and enforcement, particularly in interstate cases. In order to coordinate activity at the Federal level, a National Clearinghouse (NC) will be established, consisting of three components: an expanded Federal Parent

License Suspension: States will be able to use the threat of revoking professional, occupational, and drivers' licenses to make delinquent parents pay child support. This threat has been extremely effective in Maine, California, and other states.

Locator Service (FPLS), the National Child Support Registry, and the National Directory of New Hires. The IRS role in full collections, tax refund offset, and providing income and asset information access will be expanded.

Interstate Enforcement. New provisions will be enacted to improve State efforts to work interstate child support cases and make interstate procedures more uniform throughout the country. Many of the recommendations of the U.S. Commission on Interstate Child Support are adopted to improve the handling of interstate cases, such as the mandatory adoption of the Uniform Interstate Family Support Act (UIFSA) and other measures to make the handling of interstate cases more uniform. INSERT (F) from below will be included

Other Tough Enforcement Measures. INSERT (G) from p.17 States will be enabled to take more efficient and effective action when child support is not paid through the adoption of proven enforcement tools and streamlined enforcement procedures. Some of these tools include professional, occupational or drivers' license revocation; universal wage withholding; access to current income and asset information; easier reversal of fraudulent transfers of assets; interest and late penalties on arrearages; expanded use of credit reporting; easing bankruptcy-related obstacles; authority to use the same wage garnishment procedures for Federal and non-Federal employees, including military and veterans; restrictions on passports and visas for egregious arrearages; and tying income tax dependent deductions to payment of support. MAKE THIS A SEPARATE BULLET

Work Programs: States will be able to require noncustodial parents to work off the child support they owe. Such programs appear to increase collections dramatically, with a high success rate: most noncustodial parents pay their support rather than do court-ordered community service.

Performance and System: The entire financing and incentive scheme will be reconstructed, offering States a higher Federal match and new performance-based incentive payments geared toward desired outcomes. Federal technical assistance will be expanded to prevent deficiencies before they occur. While penalties will still be available to ensure that States meet program requirements, the audit process will emphasize a performance-based, "State-friendly" approach. ← INSERT (E), p.17

IMPORTANT TO MENTION HERE, NOT JUST IN DEMOS

Rationale

States must move toward a child support system for the 21st century. With 15 million cases and a growing caseload, this will not occur by simply adding more caseworkers. Routine cases have to be handled in volume. The central registry, centralized collection and disbursement system, increased administrative remedies, and overall increase in automation and mass case processing are all necessary for the operation of a high performing and effective child support enforcement system.

move to (H), p.15

The need has grown for one central State location to collect and distribute payments in a timely manner. The ability to maintain accurate records that can be centrally accessed is critical. The State-based central registries of support orders and centralized collection and disbursement will enable States to make use of economies of scale and use modern technology, such as that used by business -- high speed check processing equipment, automated mail and postal procedures and automated billing and statement processing. Centralized collection will vastly simplify withholding for employers since they will only have to send payments to one source. Giving State agencies the ability to take enforcement action immediately and automatically removes the burden of enforcing the obligation from the custodial parent, usually the mother.

move to (F), above

The fragmented system of State support enforcement has caused tremendous problems in collecting support across State lines. Given the fact that 30 percent of the current caseload involves interstate cases, and the fact that we live in an increasingly mobile society, the need for a stronger federal role in interstate location and enforcement has grown. To insure that people do not escape their legal and

moral obligation to support their children, States will be given the enforcement tools they need, especially to reach the self-employed and other individuals who have often been able to beat the system in the past.

MOVE TO (G), p.16

There is almost universal agreement that the current funding and incentive structure fails to achieve the right objectives. These enforcement tools can only be used effectively if States have the necessary funding and incentives to run good programs. The funding proposal will institute a new funding and incentive structure that uses performance based incentives to reward States that run good programs.

MOVE TO (E), p.16

~~GUARANTEEING SOME LEVEL OF CHILD SUPPORT~~

CHILD SUPPORT ENFORCEMENT AND ASSURANCE (CSEA) DEMONSTRATIONS

The proposal provides for three demonstrations of

Children need and deserve support from both parents. Yet collections are often sporadic. Often no money is received for several months, followed sometimes with a larger arrearage payment. In other cases, the father is unemployed and cannot pay that month. In still other cases, the state simply fails ~~demonstration~~ in its duties to collect money owed. Child Support Enforcement and Assurance ~~tries~~ expanded efforts at child support collections to some level of guarantee that a child will receive a child support payment on a consistent basis. ~~Under an assurance system,~~ Under this experiment, persons with an award in place ~~will~~ would be guaranteed, ~~for example,~~ a minimum level of support ~~of say~~ $2,000 annually for one child and $3,000 for two. ~~(The exact figures will be determined in the experiment.) This will be a low but reliable base of economic support that the custodial parent could plan on. While it will~~ This does not relieve the noncustodial parent of any obligations. It ~~will~~ simply ensures that the child will get some money even if the State fails to collect it immediately. ~~The proposal provides for three CSEA demonstration projects.~~

which will attempt to link

~~Rationale~~

Child support enforcement and assurance ~~will significantly~~ is meant to test ways to ease the difficult task of moving people from welfare to work. It ~~allows~~ is designed to allow single parents to count on some child support, usually from the noncustodial parent, but from the assured child support payment if the noncustodial parent becomes unemployed or cannot pay child support. ~~It creates a realistic opportunity for parents to combine child support with wages from a part- or full-time job and escape welfare and poverty. This approach will offer single parents real economic security and protection for the child.~~

The 3 states that try the demonstration ~~states~~ will have the option to link it with programs that require the non-custodial parent to work off the amount owed.

Since ~~If~~ CSEA protection ~~is~~ will be provided only to people who have a child support award in place, women ~~will~~ should have ~~much~~ more incentive to cooperate in the identification and location of the noncustodial father, since they can count on receiving benefits. ~~CSEA is not unlike unemployment insurance for intact families. It is not income tested, and~~ CSEA benefits will normally be subtracted dollar for dollar from welfare payments. In most States, a woman on welfare ~~is~~ will be no better off with CSEA, but if she leaves welfare for work, she can still count on her child support payments. Thus, work ~~is~~ should be much more feasible and attractive.

THIS LINE MUST GO

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

There is considerable overlap between issues concerning child support enforcement and issues concerning noncustodial parents. The well-being of children who live with only one parent will be enhanced if emotional and financial support were provided by both of their parents. Yet, the current child support enforcement system is ill-equipped to handle cases in which noncustodial parents cite unemployment as the reason for their failure to make court-ordered support payments, and pays scant

EXCUSES

We need to make sure that all parents[17] live up to their responsibilities. ~~Just as~~ If we are going to expect more of mothers in welfare reform, we must not let fathers just walk away. A number of programs show considerable promise in helping noncustodial parents reconnect with their children and fulfill their financial responsibilities to support them. Some programs help parents do more by —

seeing that they get the skills they need to hold down a job and support their children. Other programs require noncustodial parents to work off the support they owe. It is also important to show parents who ~~to~~ get involved ~~with~~ in their children's lives again that when they pay child support, they ~~will~~ restore a connection they and their children need.

attention to the needs and concerns of noncustodial parents – instead of encouraging noncustodial parents to remain involved in their children's lives, the system often drives them away. (not system's fault)

This proposal will focus more attention on noncustodial parents and send a message that "fathers matter." The child support system, while getting tougher on those who can pay support but refuse to do so, will also be fair~~ly~~ to those noncustodial parents who show responsibility toward their children.

Access and Visitation Grants to States. Paternity actions will stress the importance of getting fathers involved earlier in their children's lives. Grants will be made to States for programs which reinforce the desirability for children to have continued access to and visitation by both parents. These programs include mediation (both voluntary and mandatory), counseling, education, development of parenting plans, visitation enforcement including monitoring, supervision and neutral drop-off and pick-up, and development of guidelines for visitation and alternative custody arrangements.

Mandatory Training and ~~Employment~~ work for Noncustodial Parents. States will have the option to use a portion of JOBS and WORK program funding for training, work readiness, educational remediation and mandatory work programs for noncustodial parents of AFDC recipient children who cannot pay child support due to unemployment, underemployment or other employability problems. States could choose to make participation by noncustodial parents mandatory or voluntary and will have considerable flexibility to design their own programs.

Demonstration Grants for Paternity and Parenting Programs. Paternity and Parenting Demonstration grants will be made to States and/or community-based organizations to develop and implement noncustodial parent (fathers) components in conjunction with existing programs for high-risk families (e.g., Head Start, Healthy Start, family preservation, teen pregnancy and prevention). These will promote responsible parenting, including the importance of paternity establishment and economic security for children and the development of parenting skills.

~~Rationale~~

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

MAKING WORK PAY/CHILD CARE

THE IMPORTANCE OF THE EITC, HEALTH CARE REFORM, AND CHILD CARE

A crucial component of welfare reform that promotes work and independence is making work pay. In 1992, 30 percent of female heads of families with children worked but the family remained poor. Even full-time work can leave a family poor. Almost 11 percent of those female heads who worked full-year/full-time remained poor, 15 percent if they had children under six years of age. The Census Bureau reports that in 1992, 18 percent of all year-round, full-time workers had low earnings; 24 percent--nearly one in four--of year-round, full-time female workers had low earnings.

too many stats to understand

Simultaneously, the welfare system sets up a devastating array of barriers for people who receive assistance but want to work. It penalizes those who work by taking away benefits dollar for dollar; it imposes arduous reporting requirements for those with earnings but still on welfare, and it prevents saving for the future with a meager limit on assets. Moreover, working poor families often lack adequate medical protection and face sizeable child care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules and to reduce both poverty and welfare use, then ~~work must pay more~~ we must reward work rather than welfare.

EITC?

Although they are not discussed in this paper, working family tax credits and health reform are clearly two of the three major components of making work pay. Last summer's $21 billion expansion of the Earned Income Tax Credit (EITC) was a major step toward making it possible for low-wage workers to support themselves and their families above poverty. When fully implemented, it will have the effect of making a $4.25 per hour job pay nearly $6.00 per hour for a parent with two or more children. ~~Those families who are eligible for the maximum credit in 1996 obtain, in effect, a raise worth $1.62 per hour, assuming full-year/full-time work. Full utilization and periodic distribution will maximize the effect of this pay raise for the working poor.~~ People who work full-time with a family at home will no longer be poor.

The next critical step toward making work pay is ensuring that all Americans have health insurance coverage. Many recipients are trapped on welfare by their inability to find or keep jobs with health benefits that provide the security they need. And too often, poor, non-working families on welfare have better health coverage than poor, working families. The President's health care reform plan will provide universal access to health care, ensuring that no one will have to choose welfare instead of work to ensure that their children have health insurance. Both the EITC expansion and health care reform will help support workers as they leave welfare to maintain their independence and self-sufficiency. ~~According to~~ In one recent study, 83% of welfare recipients said they would take a min-wage job immediately if ~~they knew~~ it provided health coverage for their families. Another study found that of people who leave welfare for work, only 8% go into jobs that provide health insurance.

EADING:

HILD CARE
ON THE
OUNG POOR
E OTHER
CRITICAL

~~The key missing~~ component for making work pay is affordable, accessible child care. In order for families, especially single-parent families, to be able to work or prepare themselves for work, they need dependable care for their children.

The Federal Government currently subsidizes child care for low-income families primarily through the title IV-A open-ended entitlement programs (JOBS Child Care and Transitional Child Care), a capped entitlement program (At-Risk Child Care), and a discretionary program (the Child Care and Development Block Grant). Working AFDC recipients are also eligible for the child care disregard, but it is ~~far~~ too low to ~~provide reasonable financial support for~~ cover the full cost of care (a maximum of $200 a month for

although in many places

infants and $174 a month for all other children). The dependent care tax credit is seldom available for low-income families because it is not refundable; ~~even if it were, it would be of little help to low-income families because it is paid at the end of the year and is based on money already spent on child care.~~ We're not opposed to making DCTC refundable

The current child care programs ~~are not sufficiently funded to support a major welfare reform initiative or to~~ do not provide ~~significant~~ sufficient support for working-poor families. The separate programs are also governed by inconsistent legislation and regulations, making it difficult for States and parents to create a coherent system of care. Finally, there are problems with quality and supply of care, especially for infants and toddlers.

PROPOSAL

This welfare reform proposal will increase child care funding both for families on cash assistance and working families not eligible for cash assistance. In addition, the proposal focuses on creating a simplified child care system and on ensuring that children are cared for in safe and healthy environments. The proposal includes the following:

Maintaining ~~IV-A~~ the Existing Child Care. ~~We propose to continue the current IV-A entitlement programs for cash assistance recipients. These programs (both JOBS Child Care and Transitional Child Care) will automatically expand to accommodate the increased demand created by required participation in education, training and work.~~ Guarantee: People on public assistance will continue to receive child care for taking part in work or training. Those who leave welfare will continue to receive ~~any~~ a year of Transitional Child Care.

Expanding Child Care for Low-Income Working Families. We also propose significant new funding for low-income, working families. The At-Risk Child Care Program, currently a capped entitlement available to serve the working poor, is capped at a very low level and States have difficulty using it because of the required State match. We propose to expand this program and to reduce the match. This will more than double the amount of child care available for the working poor. INSERT ① from p.22

Maintaining the Child Care and Development Block Grant. ~~We will maintain and gradually~~ The Administration's FY95 budget calls for a 22% increase in funding for the Block Grant. These funds support both services and quality improvements.

Addressing Quality and Supply. We will provide a set-aside in the At-Risk program to address quality improvements and supply issues. Quality improvements will include a range of activities such as resource and referral programs, grants or loans to assist in meeting State and local standards, and monitoring for compliance with licensing and regulatory requirements. Supply issues will include a special focus on the development and expansion of infant and toddler care in low-income communities. We also propose to make licensing and monitoring of IV-A providers an eligible activity for reimbursement as an administrative cost and to prohibit the lowering of statewide limits; the first action addresses quality, the second is to prevent a reduction in the supply of care. TOO SPECIFIC?

INSERT ② from p.22

Coordinating Rules Across All Child Care Programs. We will assist States to use Federal programs to create seamless coverage for persons who leave welfare for work. Health and safety requirements will be made consistent across these programs and will conform to standards in the Block Grant program. States will be required to establish sliding fee scales and reporting consistently across programs. Efforts will be made to ~~facilitate linkages between~~ link Head Start and child care funding streams to enhance quality and comprehensive services. asked INSERT ①, from p.22

Child Care Subsidy Rates. In general, States pay subsidies for child care equal to actual cost, up to some maximum. This maximum should be set in a way that reflects reasonable costs of care and should also be the same across child care programs. Additionally, payment mechanisms should reflect current market conditions and be defined in such a way that they can vary automatically over time.

There is a particular problem with the AFDC income disregard for child care, since it is based on an unreasonably low maximum monthly payment of $175 per child ($200 for infant care), and because the disregard is effective only after families incur child care expenses, resulting in a cash-flow problem for families. Simply raising the disregard inadvertently makes a number of families eligible for AFDC. Eliminating the disregard will make more families eligible. Therefore, to achieve equity and to give families a realistic ability to afford care, we propose requiring States either to supplement payments or to provide at least two options for payment of child care costs (the disregard and one other payment mechanism).

Clarifying the Guarantee. Child care is guaranteed for volunteers whose proposed activities are approved as part of an employability plan under the JOBS program regardless of the availability of JOBS funding for those activities.

too specific

RATIONALE

There are three categories of low-income families with child care needs that must considered to ensure that the two goals--helping low-income parents enter and stay in the workforce and making work pay--are addressed:

- Families in JOBS, working but still on AFDC, or in WORK;
- Families in a transition period, having just worked their way off assistance or the WORK program; and
- Families working without having ever been on welfare, or working beyond a transition period.

NO NEED TO JUSTIFY

All three categories have legitimate claims on child care subsidies. Families who are required to participate in JOBS are currently guaranteed child care. People who are working but still on welfare have their child care subsidized through disregards in their AFDC or through subsidies.

We propose to continue of guarantees of child care subsidies for families in JOBS or working while still on AFDC. In recognition of the limit of State resources, AFDC recipients who volunteer for the JOBS program or create self-initiated training or education plans will be eligible for child care support but it will not be guaranteed to them. People in the WORK program are working as a condition of receiving continued support. They are working at least at the minimum wage, and they are not receiving the EITC. The proposal will guarantee their child care, just as it is guaranteed for JOBS participants. Under current law, people who move off welfare and are working are also guaranteed subsidized child care for a year in order to ease the transition from welfare to work. We propose to continue the guarantee for participants in the transitional assistance program who move into private sector work.

It is hard to argue, ~~however~~, that low-income working families who have never been, or are no longer, on welfare are less needing or deserving of child care subsidies than people who are on welfare. ~~It seems quite inequitable to provide child care subsidies to one family and to deny them to another whose circumstances are identical except for the fact that the first family is or has recently been on welfare. As a result,~~ While this proposal does not provide a child care guarantee for working poor families, it does provide a significant increase in support for them as well as for those on or moving off welfare.

MOVE TO (J), p. 20

The goal of our child care proposal is to attain a careful balance between the need to provide child care support to as many low-income families as possible and the need to ensure the safety and healthy development of children. ~~Therefore, in addition to direct funding for child care slots, we have included some funding to address quality and supply issues. Clearly decisions about child care quality in the context of welfare reform have direct effects on the cost and potential supply of care available as well as on the well-being of children and families.~~ Paying higher rates to increase quality can limit the ability to increase the number of child care slots, but rates that are too low can also limit supply and parental choice, and endanger children. We are also concerned that there are specific child care supply problems in some geographic areas and for some children--especially infants and toddlers.

MOVE TO (K), p. 20

We propose a number of lower-cost strategies to address quality and supply. These include: improvements in the linkages between programs, including the various child care programs and Head Start; minimal but consistent health and safety standards; some direct funding toward the quality and supply improvements; and some action to maintain a reasonable floor of payment.

~~In the area of standards, we propose to make the standards for the programs the same by making the IV-A standards consistent with the CCDBG standards. In addition, we will add one new issue (access to toxic substances and weapons) and establish a uniform immunization requirement. We selected this approach because we feel that it reflects another guiding principle of the welfare reform proposal: to assure that~~ children ~~are~~ cared for in healthy and safe environments. ~~We believe~~ the CCDBG standards, together with ~~the~~ two new standards, are truly the minimal requirements that can provide such an assurance. ~~Many~~ States ~~obviously agree since they~~ are already using the same standards for IV-A child care and CCDBG child care. ~~At least 26 States state explicitly in their IV-A plans that they use CCDBG standards;~~ many more cite their State standards which will meet the CCDBG requirements. In all cases except immunization, States will continue to establish their own standards; as a result this change should not have a significant effect on many States. We do not believe immunization should vary from State to State. Finally, we continue to support strongly parental choice and propose to add to IV-A the CCDBG requirements for: assuring parent choice of providers, providing to parents information on options for care and payment of child care, and establishing a system for parental complaints.

MOVE TO (L), p. 20

There is agreement that child care programs and funding streams should be designed in ways that are easy to administer and appear "seamless" to parents. This can be achieved largely through coordination of rules, procedures and automated systems. Because of fiscal and political difficulties, full consolidation is very difficult to achieve. Nevertheless, coordination to the greatest extent possible is an important principle guiding the child care proposal.

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

Perhaps the most critical and difficult goal of welfare reform is to reshape the very mission of the current support system from one focused on writing checks to one focused on work, opportunity, and responsibility. The Family Support Act of 1988 recognized, through creation of the JOBS program, the need for investment in education, training and employment services for welfare recipients. Most importantly, it introduced the expectation that welfare recipiency is a transitional period of preparation for self-sufficiency. Most able-bodied recipients were mandated to participate in the JOBS program as a means towards self-sufficiency.

However, the welfare system has not changed as much as was intended by the Family Support Act. An even smaller fraction of recipients are working. Only a small portion of the AFDC caseload is required to participate in the JOBS program, while a majority of AFDC recipients are not required to participate and do not volunteer. This sends a mixed message to both recipients and caseworkers regarding the true terms and validity of the social compact that the Family Support Act represented. As a result, most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

This proposal calls for replacing the AFDC program with a transitional assistance program, to be followed by work. The new program includes four key elements: ~~greater responsibility within a changed system, education and training, time limits, and work.~~ a new social contract; training, education, and placement to move people from welfare to work, a two-year time limit, and work requirements.

PROPOSAL

- A New Social Contract. ~~**Greater Responsibility within a Changed System.**~~ Everyone who ~~wishes to~~ receives cash support will be expected to do something to help themselves and their community. Recipients will sign a personal responsibility agreement indicating what is expected of them and of the government. Persons who are not yet in a position to work or train (because of disability or the need to care for an infant or disabled child) will be assigned to pre-JOBS until they are ready for the time-limited JOBS program. Everyone will have a responsibility to contribute something and move toward work and independence.
- Moving ~~Girls Into Jobs Track~~ from Welfare to Work. ~~**Training, Education, and Placement**~~ **(the JOBS program).** The core of the transitional support program will be an expanded and improved JOBS program that focuses on moving people into work. JOBS is the program which was established by the Family Support Act of 1988 to provide training, education and job placement services to AFDC recipients. Every aspect of the augmented JOBS program will be designed to help recipients find and keep jobs. The enhanced program will include a personal responsibility agreement (described above) and an employability plan designed to move persons from welfare to work as rapidly as possible. For most applicants, supervised job search will be required from the date the application is approved. JOBS participants will be required to accept a job if offered. The new effort, rather than creating an employment training system for welfare recipients alone, will seek close coordination with Job Training Partnership Act (JTPA) programs and other mainstream training programs and educational resources.
- A Two-Year ~~Employability Plan will be expected to~~ **Time Limit.** Persons able to work will be limited to two years of cash assistance. While two years will be the maximum period for the receipt of cash aid by people able to work, the goal will be to help persons find jobs long before the end of the two-year period. Mothers

with infants, persons with disabilities which limit work and those caring for a disabled child will be placed in a pre-JOBS status and will not be subject to the time limit while such conditions exist. In a very limited number of cases, extensions of the time limit will be granted for completion of an education or training program or in unusual circumstances.

- **Work (the WORK program).** The new effort will be designed to help as many people as possible find employment before reaching the two-year time limit. Those persons who are not able to find employment within two years will be required to take a job in the WORK program. WORK program jobs will be paid employment, rather than "workfare," and will include subsidized private sector jobs, as well as positions with local not-for-profit organizations and in the public sector. The positions are intended to be short-term, last-resort jobs, designed neither to displace existing workers, nor to serve as substitutes for unsubsidized employment. Provisions will be put in place to discourage lengthy stays in the WORK program. Among these will be limits on the duration of any one WORK assignment, frequent periods of job search, denying the EITC to persons in WORK assignments and a comprehensive reassessment after ~~a second WORK assignment or~~ two years in the WORK program. The primary emphasis of the WORK program will be on securing unsubsidized employment. States will be given considerable flexibility in the operation of the WORK program in order to achieve this goal. To control costs, Federal funding for the WORK program operational expenditures will be capped (as is Federal JOBS funding). Additional funds will be made available to States facing unusually high unemployment rates.

people will be required to make a good faith effort to find unsubsidized work, and ~~will be~~ those who turn down a job offer will be removed from the rolls.

Each of these elements is discussed below.

~~GREATER RESPONSIBILITY WITHIN A CHANGED SYSTEM~~ A NEW SOCIAL CONTRACT

The goal of these proposals is to make the welfare system a much different world. The intake process will be changed to clearly communicate to recipients the expectation of achieving self-sufficiency through work. ~~More~~ Just as importantly, the agency will also face a different set of expectations. In addition to determining eligibility, its role will be to help recipients ~~obtain the services they need to~~ achieve self-sufficiency. The underlying philosophy is one of mutual responsibility. The welfare agency will ~~provide services to~~ help recipients achieve self-sufficiency and will provide transitional cash assistance; in return, recipients will ~~participate in JOBS activities and will make their best effort to~~ take responsibility for their lives and the economic well-being of their children.

Personal Responsibility Agreement. Each applicant for assistance will be required to enter into a written agreement in which he or she agrees to ~~cooperate in good faith with the State in developing and following~~ take responsibility for moving quickly toward independence in return for that assistance. The applicant and the State will develop an individualized employability plan leading to self-sufficiency, and the State will agree to provide the services called for in the employability plan. ~~While this agreement is a statement of mutual obligations, it is not a legally binding contract.~~

Orientation. Each applicant will receive orientation services to explain how the new system will work. A full understanding of how a time-limited assistance program operates will ensure that participants maximize their opportunities to obtain services.

Employability Plan. Within a short time frame, each person will undergo a thorough needs assessment. Based on this assessment and in conjunction with his or her caseworker, each person will

Under the current system, only a small portion of the AFDC caseload is required to do anything, and the rest are exempt. Our plan will ~~dramatically~~ significantly reduce the number of exemptions, and ensure that even those who are not able to participate in education, training, or work, still have to meet certain expectations.

design an individualized employability plan which specifies the services to be provided by the State and the time frame for achieving self-sufficiency.

~~This plan will reduce the number of exemptions in current law by half.~~

Pre-JOBS. Those recipients who are for good reason unable to participate in the JOBS program will be assigned to the pre-JOBS category. For example, if an individual was not able to participate in education and training activities due to care of a disabled child, he or she will be placed in pre-JOBS status. Adult recipients can be assigned to the pre-JOBS phase either prior to or after entry into the JOBS program. People with a disability or caring for a disabled child, mothers with infants under one, and people living in remote areas will be eligible for pre-JOBS. States will be allowed to place a capped number of people in pre-JOBS for other good cause reasons.

~~Under current law, exemptions from the JOBS program are specified in statute, and once recipients are determined to be exempt from JOBS participation, no further steps are taken to encourage the recipient to take steps towards self-sufficiency. Under this proposal, the current exemption policy will be eliminated, and~~ All recipients will be required to take steps, even if they are small ones, toward self-sufficiency. Just as in the JOBS program, participants in pre-JOBS, when possible, will be expected to complete employability plans and undertake activities intended to prepare them for employment and/or the JOBS program. The employability plan for a recipient in pre-JOBS status will detail the steps, such as locating suitable medical care for a disabled or ill child, needed to enable him or her to enter the JOBS program. Only recipients not likely to ever participate in the JOBS program (e.g., those of advanced age) will not be expected to engage in pre-JOBS activities. Months in which a person is assigned to pre-JOBS will not count against the two-year limit on cash benefits.

TOO MUCH DETAIL?

Increased Participation. With increased Federal resources available, it is reasonable to require increased participation in the JOBS program. Current law requires that States enroll 20 percent of the non-exempt AFDC caseload in the JOBS program during fiscal year 1995. Much higher participation standards will be put in place for persons who were enrolled in the new program. Through the phase-in strategy described below, a higher and higher percentage of the caseload will be subject to these rules and requirements, and the transitional assistance program will move toward a full-participation model.

Improved Definition of Participation. As soon as the employability plan is developed, the recipient will be expected to enroll in the JOBS program and to engage in the activities called for in the employability plan. The definition of satisfactory participation in the JOBS program will be broadened. An individual enrolled full-time in an educational activity who was making suitable progress will be considered to be participating satisfactorily in JOBS, even if such a person were scheduled for fewer than 20 hours per week of the educational activity.

Rationale

In order to change the culture of welfare, it is necessary to stress the importance of everything doing something to help themselves and their community. The pre-JOBS policy gives States the ability to consider differences in the ability to work and to participate in education and training activities. Increased participation in JOBS will ensure that recipients receive the education and training necessary to move into the labor force.

To shift the emphasis of the welfare system from disbursing cash benefits to promoting self-sufficiency, the mutual obligations of the State and the participant must be spelled out and enforced from the outset. Implementing provisions which demonstrate this new culture at the point of intake will send important signals. The personal responsibility agreement will serve to outline these obligations. The

REPETITIVE

orientation services will ensure that recipients understand what is at stake, so that they can take full advantage of the opportunities available to them through the JOBS program.

TRAINING, EDUCATION, JOB SEARCH AND JOB PLACEMENT – THE JOBS PROGRAM

The JOBS program originated with the Family Support Act. It represents a new vision for welfare, but it remains mostly an afterthought to a system focused mostly on eligibility determination and check writing. We propose to make the JOBS program the centerpiece of the public assistance system. Doing so will require a series of key improvements.

There have been many impediments to the success of the JOBS program, such as ~~the unanticipated economic downturn,~~ a lengthy recession, the surge in AFDC caseloads and State budget shortfalls that hampered States' ability to draw down JOBS and other Federal matching funds. For these reasons, States have been unable to effectively implement the changes envisioned in the Family Support Act.

Move to (M), ~~p 28~~ p 27

Fiscal constraints have proven particularly troublesome. States are required to share the cost of the JOBS program with the Federal Government. Many States have, however, been experiencing budgetary difficulties which were not anticipated at the time the Family Support Act was enacted. Consequently, most States have been unable to draw down their full allocation of Federal JOBS because they have not been able provide the required State match. In 1992, States drew down only 69 percent of the $1 billion in available Federal funds, and only 12 States were able to draw down their full allocation. Fiscal problems have limited the number of individuals served under JOBS and, in many cases, limited the services States offer their JOBS participants.

In order to fully transform the welfare system into a structure which helps families attain self-sufficiency, the entire culture of the welfare system must be changed. This must start by making the welfare system one which focuses on helping participants achieve self-sufficiency through the provision of education, training and employment services rather than one which concentrates on determining eligibility and writing checks. To accomplish this, a major restructuring effort which implements real changes for all participants is needed. Strong Federal leadership in steering the welfare system in this new direction will be critical. To this end, we propose:

(1) A clear focus on work. From the moment they enter the system, applicants are focused on moving from welfare to work through participation in programs and services designed to enhance employability;

(2) Much greater integration with mainstream education and training programs; and

A Clear Focus on Work

Under the provisions of the new transitional assistance program, JOBS participation will be greatly expanded, and increased participation rates will be phased in. We recognize that welfare recipients are a very diverse population. Participants in the JOBS program have very different levels of work experience, education and skills. Accordingly, their needs will be met through a variety of activities: job search, classroom learning, on-the-job training and work experience. States and localities will, therefore, have great flexibility in designing the exact mix of JOBS program services. Employability

plans will be adjusted in response to changes in a family's situation. Finally, the Federal government will make the needed resources available to the States to accomplish the objectives.

Up-Front Job Search. Most new applicants will be required to engage in supervised job search, as soon as the application is approved. The new system will emphasize work from day one. INSERT (N) from p. 28

Teen Parents. In order to meet the special needs of teen parents, any custodial parent under age 20 will be provided case management services. ~~All custodial parents under age 20 who have not completed high school or the equivalent will be required to~~ participate in the JOBS program, ~~with education as the presumed activity. (For further provisions regarding teen parents, see section on~~ Promoting Parental Responsibility). STET (Gary) Teen parents will be required to finish high school and

Semiannual Assessment. In addition to the expectation that client progress will be monitored on a regular basis, States will be required to conduct an assessment of all adult recipients and minor parents, including both those in the pre-JOBS phase and those in JOBS, on at least a semiannual basis to evaluate progress toward achieving the goals in the employability plan. ~~This assessment could be integrated with the annual AFDC eligibility redetermination. Persons in pre-JOBS status found to be ready for participation in employment and training will be assigned to the JOBS program following the assessment. Conversely, persons in the JOBS program discovered to be facing very serious obstacles to participation could be placed in the pre-JOBS phase.~~
~~The assessment will entail an evaluation of the extent to which: (1) the State was providing the services called for in the employability plan and (2) clients were participating as required. In instances in which the State were found not to be delivering the specified education, training and/or supportive services, the agency will be required to establish a plan to ensure that the services will be delivered from that point forward.~~ not that important to say here.

INSERT (O) from p. 28

Sanctions. Sanctions for failure to follow the employability plan will be the same as under current law. The sanction for refusing a job offer without good cause will be ~~changed~~ strengthened from the current penalty (removal of the adult from the grant) to loss of the family's entire AFDC benefit for 6 months or until the adult accepts the job offer, whichever is shorter.

INSERT (P) from p. 28

Increased Funding. This plan envisions a dramatic expansion in the overall level of participation in JOBS, which will clearly require additional funding. States currently receive Federal matching funds for JOBS up to an amount allocated to them under a national capped entitlement. Enhanced Federal funding will be provided to accommodate this expansion of the JOBS program.

INSERT (A) from p. 26

Enhanced Federal Match. To address the scarcity of State JOBS dollars, the Federal match rate will be increased.

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

Rationale

The joint development of employability plans that adequately reflect the needs of recipients will help ensure that recipients have a stake in their success in the JOBS program.

Additionally, the provision that most applicants be required to participate in up-front job search activities will accomplish several things. It will reinforce the emphasis on employment for people entering the program. The job search activities will lead to immediate employment for some recipients. For those who subsequently enter the JOBS program, they will have a realistic grasp of the job market. This will aid in the assessment and in the development of the employability plan, and may also help participants focus their energies.

move to (N), p.27

In order for the system to work, participants must see that the requirements are real. There must be a direct connection between a participant's behavior and the rewards and sanctions as a consequence.

move to (O), p27

It is equally important to ensure that all welfare recipients who are required to participate in the JOBS program have access to the appropriate services. The increase in Federal resources available to the States and the simplified and enhanced match rates will enable States to undertake the necessary expansion in the JOBS program.

move to (P), p.27

Integrating JOBS and Mainstream Education and Training Initiatives

insert (3) from p.29

The role of the JOBS program is not to create a separate education and training system for welfare recipients, but rather to ensure that they have access to and information about the broad array of existing training and education programs. Under the Family Support Act, the governor of each State is required to ensure that program activities under JOBS are coordinated with JTPA and other relevant employment, training, and educational programs available in the State. Appropriate components of the State's plan which relate to job training and work preparation must be consistent with the Governor's coordination plan. The State plan must be reviewed by a coordinating council. While these measures have served to move the welfare system in the direction of program coordination and integration, further steps can and should be taken. Federal and State efforts for promoting integration and coordination, and general program improvement, will be an ongoing process in the new system.

Program Coordination. This proposal includes provisions which will greatly enhance integration and coordination among the JOBS program and related programs of the Departments of Labor and Education, such as Job Training Partnership Act programs and programs falling under the Adult Education Act and the Carl D. Perkins Vocational Educational Act. For example, the State council on vocational education and the State advisory council on adult education will review the State JOBS plan and submit comments to the Governor to ensure the objectives of these programs are adequately addressed by the State's JOBS program.

Expanded State Flexibility. In order to enable States to take the steps necessary to achieve full integration among education, training, and employment service programs, governors will have the option to operate the JOBS and WORK programs through an agency other than the IV-A agency. For example, a governor may choose to operate a combined JOBS/JTPA program. This option will expand State flexibility and will promote innovation and program improvement.

Expanding Opportunities. Among the many Administration initiatives which will be coordinated with the JOBS program are:

- National Service. HHS will work with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of national service as a road to independence.

- School-to-Work. HHS will work to make participation requirements for School-to-Work and for the JOBS program compatible, in order to give JOBS participants the opportunity to access this new initiative.

- One-Stop Shopping. Strike that ~~as soon~~ move to one-stop shopping under the Reemployment Act ~~The Department of Labor will consider making some JOBS offices sites for the one-stop shopping demonstration.~~ will be required to include the JOBS program.

- Pell Grants. The program will ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans and Job Corps.

~~Rationale~~

The Federal government currently operates a myriad of education, training, and employment service programs. Many of these programs serve the AFDC population. JOBS programs must continue to link clients to the available services in the community. Coordination, integration and implementing common strategies among the major programs which serve the AFDC population will help States accomplish the mission of the JOBS program by expanding access to other available services. ~~While~~ This proposal prescribes greater coordination, but grants broad flexibility to States to achieve this objective. To this end, the proposal implements several mechanisms that promote ongoing coordination and integration and which lessen the administrative burdens States face. This will allow for program simplification, innovation, and ongoing program improvement.

MOVE TO Q, p. 28

TWO YEAR TIME LIMITS

Most of the people who enter the welfare system do not stay on AFDC for many years consecutively. It is much more common for recipients to move in and out of the welfare system, staying for a relatively brief period each time. Two out of every three persons who enter the welfare system leave within two years and fewer than one in five spends five consecutive years on AFDC. Half of those who leave welfare, however, return within two years, and three of every four return at some point in the future. Most recipients use the AFDC program not as a permanent alternative to work, but as temporary assistance during times of economic difficulty.

While persons who remain on AFDC for long periods at a time represent only a modest percentage of all people who ever enter the system, they represent a high proportion of those on welfare at any given time. Although many face very serious barriers to employment, including physical disabilities, others are able to work but are not moving in the direction of self-sufficiency. Most long-term recipients are not on a track toward obtaining employment that will enable them to leave AFDC.

Placing a time limit on cash assistance is part of the overall effort to shift the focus of the welfare system from issuing checks to promoting work and self-sufficiency. The time limit will give both

recipients and JOBS staff a structure that necessitates continuous movement toward fulfilling the objectives of the employability plan and, ultimately, finding a job.

Two-Year Limit on Cash Benefits. The proposal establishes, for adult recipients not placed in pre-JOBS, a cumulative limit of 24 months of AFDC benefits ~~before being subject to the~~ work requirement (see below for treatment of ~~custodial~~ parents ~~under age 19~~). followed by a

Time limits will, in general, be linked to JOBS participation. Recipients required to participate in JOBS will be subject to the time limit. Months in which an individual was receiving assistance but was assigned to pre-JOBS status rather than participating in JOBS will not count against the 24-month time limit.

In a two-parent family, both parents will be subject to the time limit if the principal earner is in the phased-in group (see below). If one parent reaches the time limit when the other has not, the parent who reaches the time limit will be required to enter the WORK program. The family will continue to be eligible for benefits as long as at least one of the two parents had not reached the time limit for transitional assistance.

Recipients unable to find employment by the end of two years of cash benefits could receive further government support only through participation in the WORK program (described below).

Minimum Work Standard. Months in which an individual meets the minimum work standard will not be counted against the time limit. In an AFDC-UP family, if one parent meets the minimum work standard, neither parent is subject to the time limit. The min work std will be set at 20 hours a week, with a state option to require 30 hours a week.

Teen Parents. As mentioned elsewhere, virtually all parents under age 20 will be required to participate in JOBS. The 24-month time clock, however, will not begin to run until the parent turns 18. In other words, months of receipt as a custodial parent before the age of 18 will not be counted against the two-year time limit.

Job Search. Persons who are within 45 days of reaching the time limit (up to 90 days at State option) will be required to engage in supervised job search for those final 45-90 days, before taking a WORK assignment.

Extensions. States will be permitted, but not required, to grant a limited number of extensions to the time limit in the following circumstances:

- For completion of a GED or other education or training program, including a school-to-work program or post-secondary education program, expected to lead directly to employment. These extensions will be contingent on satisfactory progress toward completing the program and will be limited to 12-24 months in duration, and must be combined with part-time employment.

- For those who are learning disabled, illiterate or face language barriers or other serious obstacles to employment.

States will, in addition, be required to grant extensions to persons who had reached the time limit without having had access to the services specified in the employability plan.

The total number of extensions will be limited to 10 percent of recipients required to participate in JOBS. In other words, a State could have no more than 10 percent of such recipients in extended status at any given time.

as a cushion in temporary economic difficulties

Qualifying for Additional Months of Assistance. Persons who had left welfare with fewer than six months of eligibility for AFDC benefits/JOBS participation remaining will qualify for a limited number of additional months of eligibility. An individual in this category (fewer than 6 months of eligibility remaining) will qualify for one additional month of eligibility for every four months during which the individual did not receive AFDC and was not in the WORK program, up to a limit of six months of eligibility at any time. People returning to AFDC after extended period off welfare would be expected to do supervised job search.

~~Rationale~~

The time limit policy as currently structured is intended to encourage recipients to move toward employment and self-sufficiency as rapidly as possible, while at the same time giving persons time to complete education and training programs which will enhance their skills and employability. Under the proposal, as discussed above, persons who are ill, disabled, caring for a disabled child or otherwise unable to work will be placed in pre-JOBS status and will not be subject to the time limit. The provision which allows individuals to qualify for additional months of assistance is designed to reward work by providing a cushion, in the event of temporary economic difficulties, to those who have left the welfare system for work.

PHASE-IN

It is very unlikely that States could proceed to full-scale implementation of the changes described above immediately after passage of the legislation. Even if resources were plentiful, attempting to instantly place the entire caseload in the new transitional assistance program will almost guarantee enormous administrative difficulties at the State level. Facing the need to serve hundreds of thousands more persons in the JOBS program and to create hundreds of thousands of WORK assignments, many States ~~might be unable to deliver meaningful services to JOBS participants. As discussed above, an effective JOBS program is essential to moving people from welfare to work and to transforming the culture of welfare offices. Accordingly, it is critical that States, as part of the welfare reform effort, be able to focus on building such a JOBS program~~. would be unable to succeed at either

An attractive alternative to the chaos of immediate full-scale implementation is to begin by focusing on younger parents. ~~It is~~ The younger generation of actual and potential welfare recipients ~~that are~~ represent the source of greatest concern. They are also the group for which there is probably the greatest hope of making a profound difference. Younger recipients are likely to have the longest stays on welfare, in part because they are at the beginning of their spells. Under this approach, we will devote energy and new resources to ending welfare for the next generation, rather than spreading efforts so thin that little real help is provided to anyone.

The phase-in of the new requirements will begin with all recipients (including new applicants) born after Dec. 31, 1971 ~~(in 1972 or later)~~. All persons of the same age and circumstances will then face the same rules, regardless of when they entered the system. Over time, as the percentage of the caseload born after 1971 rises, the new transitional assistance program will encompass a greater and greater proportion of welfare recipients. By 2004, two-thirds of the adult caseload will be phased in.

already in the JOBS program

Targeting younger parents does not imply any reduction in existing education and training services for older recipients. They will still be eligible for JOBS services. The *new* resources, however, will be focused on younger recipients.

Rationale

In order to achieve the goals of the welfare reform effort, the capacity of the States must also be considered. Resources should initially be focused on the population which promises the greatest results, rather than attempting immediate full-scale implementation, which will place an enormous burden on States and localities. Under the proposed phase-in strategy, States will begin by targeting younger recipients, who are most at-risk for dependency. Recent data from the San Diego SWIM program indicate that young recipients respond to treatment and reach a 24-month limit in a similar manner as the population as a whole, despite the fact that younger recipients are more likely to have young children, to be never-married and to not have completed high school.

not in conversion

WORK

The focus of the transitional assistance program will be helping people move from welfare to self-sufficiency through work. An integral part of this effort is making assistance truly transitional for those able to work by placing a two-year time limit on cash benefits. Some welfare recipients will, however, reach the two-year time limit without having found a job, despite having participated in the JOBS program and followed their employability plans in good faith. We are committed to providing these persons with the opportunity to support their families through paid work.

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

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

non profits and

INSERT B, p. 35

Administrative Structure of the WORK Program

Eligibility. A recipient who has reached the time limit for transitional assistance will be permitted to enroll in the WORK program, provided he or she has not refused an offer of an unsubsidized job without good cause (see below).

Funding. Federal funds for the cost of operating the WORK program will be capped and distributed to States by a method similar to the JOBS allocation mechanism. States will receive a set allotment of funds for generating WORK assignments and providing other services to WORK participants. In addition, the Federal government will reimburse States for wages paid to WORK program participants at a specified match rate. Money which would have been devoted to cash benefits will be available to cover the cost of WORK wages.

still in limbo

Flexibility. States will have considerable flexibility in operating the WORK program. A State could pursue any of a wide range of strategies to provide work to those who had reached the two-year limit, including:

- Subsidize private sector jobs;
- Create positions in the not-for-profit sector (which could entail payments to cover the cost of training and supervising WORK participants);
- Offer employers other financial incentives to hire JOBS graduates;
- Execute performance-based contracts with private firms or not-for-profit organizations to place WORK participants in unsubsidized jobs;
- Create positions in public sector agencies (which might include employing adult welfare recipients as mentors for teen parents on assistance);
- Employ WORK participants as child care workers, child support caseworkers or home health aides; and
- Support microenterprise and self-employment efforts.

Capacity. Each State will be required to meet a participation standard for the WORK program, which will be defined as a percentage of persons in the WORK program or a minimum number of WORK assignments (based on the level of Federal funding received), whichever is lower.

Allocation of WORK Assignments. If the number of people needing WORK positions exceeded the supply, persons new to the WORK program will be given priority, over persons who had previously held a WORK position, in the allocation of WORK assignments. With respect to the remaining WORK participants, States will be permitted to allocate WORK assignments so as to maximize the chance of successful placements.

Interim Activities. States will have the option of requiring persons awaiting WORK assignments (e.g., those who have just concluded a WORK assignment) to participate in other WORK program activities, such as individual or group job search. Child care and other supportive services will be provided as needed for participation in interim WORK program activities. Persons in the WORK program but not in a WORK assignment will be eligible for cash benefits in the interim.

Required Acceptance of Any Job Offer. Both JOBS and WORK program participants will be required to accept any offer of an unsubsidized job, provided the job met certain health and safety standards and did not result in a net loss of cash income. An individual who refuses such an offer will not be eligible for a WORK job, and the entire family will be ineligible for AFDC benefits, for a period of six months. Such an individual will be eligible for services, such as job search assistance, during this period. States will also be able to remove individuals from the rolls for failing to make a good faith effort to find unsubsidized work where jobs are available to match their skills.

Oversight. There will be a WORK advisory panel for each locality with union and private, not-for-profit (including community-based organizations) and public (including local government) sector representation to provide oversight and guidance to the WORK program.

Length of Participation in the WORK Program. ~~There will be no rigid limit on the length of time a person can participate in the WORK program.~~ Individuals will be limited to a maximum stay of 12 months in any single WORK assignment, after which they will be required to perform job search. States will be required to conduct a comprehensive assessment of any person who has completed two WORK assignments or who has spent at least two years in the WORK program. Following the assessment, persons could be assigned to another WORK position, placed in pre-JOBS status, referred back to the JOBS program, or ~~assigned penalties as appropriate.~~ [redacted] be removed from the rolls for refusing a job offer or failing to make a good faith effort to find unsubsidized work where jobs are available to match their skills.

Retention. States will be required to maintain records on the performance of employers (public, private and not-for-profit) in retaining WORK program participants (after the subsidies ended). Similarly, States will be mandated to monitor the effectiveness of placement firms in placing WORK participants in unsubsidized employment.

Nondisplacement. The assignment of a participant to a subsidized job under the WORK program will not result in the displacement of or infringe upon the promotional opportunities of any currently employed worker. In addition, WORK participants could not be placed in vacancies created by firing, layoff, strike or lockout. ~~A WORK participant will not be assigned to a position with a private, not-for-profit entity to carry out activities that are the same or substantially equivalent to activities that have been regularly carried out a State or local government agency in the area. A procedure for filing grievances concerning violations of these nondisplacement and other provisions will be established. Remedies for a grievance will include prohibition of a WORK placement, reinstatement of a displaced employee and payment of lost wages and benefits to such an employee.~~ were replaced by that

The people who care will look at the Specs

Supportive Services. States will be required to guarantee child care, if needed, for any person in a WORK assignment. States will also be mandated to provide other work-related supportive services as needed for participation in the WORK program.

Characteristics of the WORK Assignments

Wages. Participants will typically be paid the minimum wage. Persons in WORK assignments who were performing work equivalent to that done by others working for the same employer will be similarly compensated.

Hours. Each WORK assignment will be for a minimum of 15 hours per week and for no more than 35 hours per week. The number of hours for each position will be determined by the State.

?

Treatment of Wages with Respect to Benefits and Taxes. Wages from WORK positions will be treated as earned income with respect to Federal and Federal-State assistance programs other than AFDC. Participants in the WORK program and their families will be treated as AFDC recipients with respect to Medicaid eligibility.
Persons in WORK assignments will be subject to FICA taxes but will not be subject to the provisions of any Federal or State unemployment compensation law. Workers' Compensation coverage will be provided at levels consistent with the relevant State Workers' Compensation statute.

Earnings from WORK positions will not, ~~however~~, be treated as earned income for purposes of calculating the Earned Income Tax Credit (EITC), in order to encourage movement into jobs outside the WORK program.

Earnings Supplementation. A family, with an adult in a WORK position, whose income, net of work expenses, were less than the AFDC benefit for a family of the same size (in which no one was working) will be eligible for supplemental cash benefits to make up the difference. In other words, an earnings supplement will be provided such that a family with an individual who was working, in either a WORK assignment or an unsubsidized private sector job, will never be worse off than a family of the same size on assistance in which no one is working.

The work expense disregard used for the purpose of calculating the earnings supplement will be $120 per month (the standard AFDC work expense disregard). States which opt for more generous AFDC earnings disregard policies will be permitted but not required to apply these policies to WORK wages.

Sanctions. Wages will be paid for hours worked. Not working the set number of hours for the position will result in a corresponding reduction in wages. ~~If a participant~~ The people don't show up for work will not get paid.

Length of a WORK Assignment. A single WORK assignment will be limited to no more than 12 months, after which time the WORK participants will be required to perform supervised job search.

Type of Work. States will be encouraged to place as many WORK participants as possible in subsidized private sector positions. Many of the WORK positions may also be in the not-for-profit sector, with, for example, voluntary agencies, Head Start centers and other community-based organizations.

Work Place Rules. Participants in the WORK program will enjoy the same working conditions and rights as comparable employees of the same employer. ~~Employers will be permitted but not required to provide health insurance to WORK participants (as discussed above, WORK participants and their families will be categorically eligible for Medicaid).~~

~~Rationale~~

The WORK program as structured is designed to provide an opportunity for individuals who have reached the time limit to support their families through paid work while developing the skills and receiving the job search assistance needed to obtain unsubsidized private sector jobs. The structure ensures that work "pays" by assuring that a family with an adult in a WORK assignment will be no worse off than a family of the same size in which no one is working.

The purpose of the WORK program is to help persons move into, rather than serve as a substitute for, private sector employment. Community Work Experience Programs (CWEP or "workfare" programs) are not consistent with placements in the private sector, due to the widely varying and uneven hours of required participation. By opting for a work-for-wages model, we hope to encourage States to adopt a private sector focus for the WORK program.

Move to (R), p-32

IMPROVING GOVERNMENT ASSISTANCE

The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity obscures the mission, frustrates people seeking aid, confuses caseworkers, increases administrative costs, leads to program errors and inefficiencies, and abets the perception of widespread waste and abuse.

PROPOSAL

Clearer Federal goals which allow greater State and local flexibility are critical. A central Federal role in information systems and interstate coordination will prevent waste, fraud and abuse and will also improve service delivery at State and local levels. The proposal to reinvent government assistance contains three major components:

Coordination, Simplification and Improved Incentives in Income Support Programs

- Allow States to reward work and the payment of child support
- Allow families to accumulate savings
- Allow States to eliminate special requirements for two-parent families
- Other coordination and simplification proposals, including conforming accounting periods and liberalizing treatment of assets and resources

A Performance-Based System

- Develop new performance measures and service delivery standards
- Improve quality assurance system
- Provide technical assistance to States

Accountability, Efficiency and Reducing Fraud

- A nationwide public assistance clearinghouse
- State tracking systems
- Essential persons
- Expansion of EBT systems

PUT IN A SUMMARY BOX

INSERT (5) from p. 41

COORDINATION, SIMPLIFICATION AND IMPROVED INCENTIVES IN INCOME SUPPORT PROGRAMS

States have been crying out for ~~an~~ simplification of the welfare system, for good reason. The rationalization and simplification of income assistance programs can be achieved by making disparate Food Stamp and AFDC policy rules uniform or complementary for related policy provisions. Our proposals include:

Allow States to Reward Work and the Payment of Child Support

~~The~~ Existing ~~set of~~ AFDC ~~earnings disregard~~ rules penalize people for going to work. ~~makes work an irrational option for many recipients, particularly over time~~. Currently, all income received by an AFDC recipient or applicant is counted against the AFDC grant except income that is explicitly excluded by definition. States are required to disregard the following:

- For each of the first four months of earnings, recipients are allowed a $90 work expense disregard, another $30 disregard, and one-third of remaining earnings are also disregarded.
- The one-third disregard ends after four months.
- The $30 disregard ends after 12 months.

In addition, a child care expense disregard of $175 per child per month ($200 if the child is under 2) is permitted to be calculated after other disregard provisions have been applied. Currently, $50 in child-support is passed through to families with established awards. The EITC is also disregarded in determining AFDC eligibility and benefits.

This proposal will ~~eliminate~~ replace the ~~current~~ bewildering set of disregard rules ~~and establish~~ with a much simpler minimum disregard policy at the federal level. We will allow considerable state flexibility in establishing policies beyond the minimum. Our proposal includes the following four components:

- Require States to disregard at least $120 in earnings. This is equivalent to the $90 and $30 income disregards that families now get after four months of earnings.
- Allow States complete flexibility in determining which types of income should be considered in developing a "fill-the-gap"[1] policy (i.e., income from earnings, child support or all forms of income). Currently, if States fill the gap, they must apply all forms of income.
- Give States the flexibility to establish their own earned income disregard policies on income above these amounts.

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1. Each State establishes an AFDC need standard (the income the State decides is the amount essential for basic consumption items) and an AFDC payment standard (100 percent or less of the need standard). Benefits are generally computed by subtracting income from the payment standard. Under a "fill-the-gap" policy, benefits are computed by subtracting income from the higher need standard.

- The AFDC $50 pass-through of child support payments will be indexed for inflation; States will have the option to pass through additional payments above this amount.

This is a simpler system that is easier for recipients and welfare officials to understand. It maximizes State flexibility and makes work a more attractive, rational option. By allowing workers in low benefit States to keep more of their earnings, it will increase the economic well-being of those workers.

Allow Families to Accumulate Savings

As part of the welfare reform effort, we will explore a range of strategies, above and beyond education and job training, to help recipients achieve self-sufficiency. Such strategies could include empowering welfare recipients to start their own businesses and encouraging them to save their earnings to build for the future. ~~One individual economic development demonstration program will involve testing the effect of Individual Development Accounts as an incentive for saving~~. Recipients will be permitted to accumulate savings in Individual Development Accounts (IDAs) up to $10,000 for specific purposes such as post-secondary education expenses, first-home purchases, or business capitalization. Subsidized IDAs, in which savings by recipients will be matched by Federal government dollars, will be established on a demonstration basis; unsubsidized IDAs will be permitted for individuals ~~not in the demonstration~~. Non-recurring lump sum income will not be counted as a resource with respect to continuing eligibility to receive benefits in either AFDC or Food Stamps if put into an IDA. natural

Allow States to Eliminate Special Requirements for Two-parent Families

AFDC eligibility for two-parent families is currently limited to those in which the principal wage earner is unemployed, and has worked six of the last 13 quarters. "Unemployed" is defined as working less than 100 hours in a month. This proposal will allow States, at their option, to eliminate any of the special eligibility requirements for two-parent families, including the 100 hour rule, the 30 day unemployment requirement, and the employment test. For States that elect to maintain a 100 hour (or modified) rule, WORK program participation will not count toward the rule. In addition, this proposal removes the sunset provision that allows for the termination of the AFDC-UP program in 1998, and makes it a permanent program.

Other Coordination and Simplification Proposals

Additional changes will be made to the administrative and regulatory program structures of AFDC and Food Stamps to simplify and coordinate rules to encourage work, family formation, and asset accumulation. These include:

Conforming AFDC and Food Stamp accounting periods. The proposal will conform AFDC to the Food Stamp Program's more flexible requirements for reporting and budgeting. Under Food Stamp Program rules, States are given the option to use prospective or retrospective budgeting with or without monthly reporting. Recipients will still be required to report changes in circumstances like source of income and household composition which may affect eligibility or the amount of assistance. States will be required to make timely adjustments to benefits when significant changes in income and other factors are reported.

This proposal will significantly simplify benefit calculation procedures for joint AFDC/food stamp households. By conforming the procedures in benefit determination and calculation, workers and recipients will benefit through less paperwork processing and time spent on recalculating benefits because of fluctuations in income. The proposal maintains a balance between assuring benefits are accurately determined by reducing the current complexities and retaining the appropriate level of responsibilities on recipients to report information.

Resources and assets. The policies proposed under this category ~~liberalize~~ generally conform how assets and resources are treated for the purpose of determining eligibility for both AFDC and Food Stamps for the purpose of encouraging work and promoting self-sufficiency. ~~The nominal effect is to increase the caseloads and costs in both programs. Yet the general arguments for the policies described below are persuasive.~~ Currently, asset and resource rules are not consistent across programs, creating confusion and administrative complexity. In addition, the very restrictive asset rules across Federal assistance programs are perceived as significant barriers to families saving and investing in their futures.

We propose to develop uniform resource exclusion policies in AFDC and Food Stamps. This proposal will increase the AFDC resource limit (currently $1,000) to $2,000 (or $3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit. We will generally conform AFDC to Food Stamp policy regarding burial plots, funeral agreements, real property, cash surrender value of life insurance policies and transfer of resources. The Secretary of Health and Human Services will exercise existing authority to increase the AFDC automobile limit to an equity value that is compatible with the current Food Stamp fair market value limit to assure that a vehicle will meet the requirements of both programs. If we're expecting people to work, we should allow them to have a car that will get them to work.

The administrative complexities that exist in applying resource requirements in the AFDC and Food Stamp programs will be greatly reduced under these proposed changes. Welfare administrators will be able to apply the same rules to the same resources for the same family. These conforming changes achieve simplification by streamlining the administrative processes in both programs.

The proposal also includes a self-employment/microenterprise demonstration program. This program will attempt to promote self-employment among welfare recipients by providing access to both microloan funds and to technical assistance in the areas of obtaining loans and starting businesses. The demonstration will explore the extent to which self-employment can serve as a route to self-sufficiency for recipients of cash assistance by encouraging persons on assistance to start microenterprises (small businesses). In addition, resources necessary for self-employment, including business loans, will be excluded from the general resource limits.

Treatment of income. Federal AFDC law requires that all income received by an AFDC recipient or applicant be counted against the AFDC grant except income that is explicitly excluded by definition or deduction. A number of changes are proposed to bring greater conformity between the AFDC and Food Stamp programs, to streamline both programs and/or to reintroduce positive incentives for recipients to work. Several provisions will meet these objectives.

This proposal will exclude non-recurring lump sum payments from income for AFDC, and disregard reimbursements and EITC as resources for both programs. Lump sum payments, such as EITC or reimbursements, will be disregarded as resources for one year from the date of receipt allowing families to conserve the payments to meet future living expenses. In addition, we will disregard all education assistance and earnings of students up to age 19, exclude inconsequential income up to $30

per individual per quarter, disregard JTPA stipends and allowances, disregard both earned and unearned in-kind income and count OJT and other earned income. Allowances, stipends and educational awards received by volunteers participating in a National Service Program will be disregarded for AFDC to conform to Food Stamp policy.

Are we doing this?

HUD utility payments will be excluded from income for Food Stamp purposes to conform with AFDC policy. The requirement for States to supplement AFDC payments in fill-the-gap States if they have less disposable income because child support is paid to the child support agency instead of directly to the family will be eliminated. AFDC and Food Stamp rules will be modified to permit identical procedures for determining the costs of business income received from boarders. Compatible exclusions for microenterprise (self-employment) business expenses will also be developed.

Together these proposals will make the treatment of income simpler for both recipients and welfare officials to understand. They will make work and education a more attractive, rational option for those who would continue to receive assistance and they will improve the economic well-being of those who need to combine work and welfare.

Are we still doing this?

Application forms. The Food Stamp Act requires States to use of a simplified, national application form or an approved substitute and specifies the content requirements, including rights and responsibilities. A combined application for public assistance households is also required. For the AFDC program, States have flexibility in designing the application form and in prescribing how to notify applicants of their rights and obligations. We will relax provisions mandating the specific content and placement of information on the Food Stamp application, while maintaining requirements to notify clients of their application rights and responsibilities. Expedited processing will still be provided for families in emergency need situations.

Other Conformities. We propose conforming and streamlining AFDC and Food Stamp policies regarding underpayments and verifications. Underpayments will be restored to both current and former recipients for a period not to exceed 12 months. While verification of information needed for eligibility and benefit determinations will continue to be critical to delivering assistance, States will be given flexibility to simplify verification systems, methods, and timeframes for income, identity, alien status and Social Security Numbers. AFDC requirements concerning declaration of citizenship and alien status will be amended to conform to Food Stamp policy. States will be permitted to implement Federal income tax intercept programs to collect outstanding AFDC overpayments, as currently available for Food Stamps.

Territories. The territories operate AFDC, AABD, JOBS, child care and Foster Care programs under the same eligibility and payment requirements as the States. Funding for these programs, however, is capped for the territories, and the Federal government matches 75 percent of costs. The caps are $82 million for Puerto Rico, $3.8 million for Guam, and $2.8 million for the Virgin Islands. Between 1979 and the present, the caps were increased once, by roughly 13 percent.

SHORTER

The number of public assistance programs funded under the current caps, coupled with only one adjustment to these caps in 15 years, has seriously limited the territories' abilities to provide, let alone increase, benefits. Benefit payments above the cap are financed 100 percent by the territories, resulting in situations such as Guam's where the Federal share is roughly 40 percent. Puerto Rico reports that, since 1987, AFDC caseloads have nearly doubled from 98,000 units to 183,000 units.

Further, beginning October, 1994, Puerto Rico will be required to extend eligibility to two-parent families. Puerto Rico estimates that an additional 40,000 families will be eligible for AFDC due to this provision.

We will increase the current caps by an additional ___ percent to create realistic funding levels for the territories that are reflective of the current economy and caseload. We will also create a mechanism for indexing the caps to provide for occasional adjustments in funding levels in lieu of the current burdensome method of petitioning Congress for adjustments. Requirements to operate AFDC-UP programs in the territories will be eliminated. This proposal will continue to give territories the authority to operate public assistance programs and adequate means to do so.

ARE WE DOING THIS?

Administrative Cost Structuring for Certain Social Services. The Social Security Act provides for the development of programs for preventing or reducing the incidence of births out of wedlock, and for assuring that family planning services are offered and provided promptly to all individuals who request such services. However, the administrative costs of these family planning services are excluded from 50 percent Federal matching if family planning services are included under the State's Title XX Social Services Block Grant Program. This proposal will remove that restriction and allow Federal matching for family planning administration even if provided under Title XX.

Rationale

Simplifying and coordinating filing units and rules within AFDC and food stamps is critical to the entire welfare reform effort. In many cases, the administrative processes that currently exist are nonsensical and serve to frustrate client and caseworker alike. Standardization among programs will enable caseworkers to spend less time on determining eligibility for various programs and more time on developing and implementing strategies to move clients from welfare to work.

IF NEEDED MOVE TO (5), p. 37

Eliminating the current bias in the welfare system against two-parent families will prevent one parent from leaving the home in order that the other parent can receive welfare for the children. Many have criticized the welfare system because it imposes a "marriage penalty" to recipients who choose to wed by potentially making the married-couple family ineligible for assistance. By eliminating the disparity in the rules, parents will be encouraged to remain together and the inequity of treating different family types differently will be removed.

In order to encourage work, it is essential for recipients to experience economic return from their work effort. Changing the earnings disregards in AFDC will yield a simpler system that is easier for recipients and welfare officials to understand. It will maximize State flexibility and make work a more attractive, rational option for recipients. By allowing workers in low benefit States to keep more of their earnings, it will increase the economic well-being of those workers.

Restrictive asset rules often frustrate the efforts of recipients to save money and subsequently hamper their ability to attain self-sufficiency. Economic security is a vital step towards leaving welfare permanently. Changing the asset rules to allow recipients attain savings, own a reliable car, or even start a business is an important step in the right direction. Increasing the amount of savings a recipient may maintain will help reduce the economic vulnerability that recipients face when they leave the welfare rolls. Demonstrations which test the use of starting small businesses as a means to self-sufficiency will help us explore that option more thoroughly. Finally, by allowing recipients to

allow States to detect unreported income of welfare clients. Moreover, improved parent locator capabilities will mean States can find absent parents more quickly and easily.

In addition, States will be able to use the location and receipt of AFDC and the names and Social Security Numbers of members of AFDC families to detect and prevent fraud and abuse. Such information, either alone or by matching it with other data sources, will allow States to prevent, for example, clients from receiving benefits in multiple locations, from claiming non-existent children, and from claiming children by more than one family.

Partly as a result of increasing the detection of fraud and abuse and partly as a result of changing the culture of the welfare system, much fraud and abuse will be prevented or deterred before it occurs. For instance, people who currently have unreported jobs, but are fraudulently getting cash assistance, will be "smoked-out" because the JOBS plus WORK requirements will prevent them from working at their unreported employment. In the face of increased likelihood of detection of fraud and abuse, others may decide not to come onto the rolls at all or, once on, to actively pursue self-sufficiency.

Program integrity activities will focus on ensuring overall payment accuracy, and detection and prevention of recipient, worker and vendor fraud. Such measures include the following:
~~A nationwide public assistance clearinghouse~~

A nationwide public assistance clearinghouse, which tracks people whenever and wherever they use welfare. Such a system is essential for keeping the clock in a time-limited welfare system. Persons will not be able to escape their responsibilities by moving or by trying to collect benefits in two jurisdictions simultaneously.

SAY MORE

State tracking systems which follow people in the JOBS and WORK programs. These systems will ensure that people are getting access to what they deserve and that they are being held accountable if they are failing to meet their obligations. Each State will be expected to develop a tracking system which indicates whether people are receiving and participating in the training and placement services they are expected to.

Essential Persons. Under current law, States are permitted, at their option, to include in the AFDC grant benefits for persons who are considered essential to the well-being of an AFDC recipient in the family. Currently, 22 States have selected the option of including essential persons as part of the AFDC unit. Such individuals are not eligible for AFDC in their own right, but their needs are taken into account in determining the benefits payable to the AFDC family because of the benefits or services they provide to the family. This proposal will limit the kinds of individuals that a State may identify as "essential" to eliminate the loophole that allows States to bring relatives like adult siblings into the AFDC unit. We propose defining essential persons as only those who: 1) provide child care that allows the caretaker relative to pursue work and education, or 2) provide care for an incapacitated AFDC family member in the home.

shorten

In sum, the new welfare system, on the one hand, will provide government agencies enhanced tools to detect fraud and abuse and, on the other, will prevent and deter clients from engaging in such activities or will encourage clients to participate more actively in their own self-improvement.

Expansion of EBT systems. As part of the National Performance Review, Vice President Al Gore charged a Federal Task Force representing the Departments of Health and Human Services,

own at least one reliable car, we will help ensure that those who rely on automobiles for transportation will have a better chance of obtaining and maintaining employment.

A PERFORMANCE-BASED SYSTEM

One objective of welfare reform is to transform the culture of the welfare system – from an institutional system whose primary mission is to ensure that poor children have a minimal level of economic resources, to a system that focuses equal attention on the task of integrating their adult caretakers into the economic mainstream of society. We envision an outcome-based performance measurement system that consists of a limited set of broad measures and focuses State efforts on the goals of the transitional support system – helping recipients become self-sufficient, reducing dependency and moving recipients into work. The system will be developed and implemented over time; interested parties will be included in the process for determining outcome-based performance measures and standards. Until a system incorporating outcome-based standards can be put into place, State performance will be measured against service delivery measures.

Service delivery standards will be used to monitor program implementation and operations, provide incentives for timely implementation, and ensure that States are providing services needed to convert welfare into a transitional support system. The new service delivery measures for JOBS will look over time to see that individuals subject to the time limit are being served by the program and that a substantial portion of such cases are being served on an ongoing basis. As soon as WORK program requirements begin to take effect, States will be subject to performance standards under the WORK program. The Secretary of Health and Human Services will develop a broader system of standards which incorporates measures addressing the States' success in moving clients toward self-sufficiency and reducing their average tenure on welfare.

Until automated systems are operational and reliable, State performance vis-s-vis these service delivery measures will be based on information gathered through a modified Quality Control system.

New Performance Measures and Service Delivery Standards

For the purposes of monitoring State programs, an outcome-based performance standards system will be instituted which will measure the extent to which the program helps participants improve their self-sufficiency, their independence from welfare, their labor market participation, and the economic well-being of families with children. Outcome-based performance measures will be developed first, and then standards of performance with respect to those measures will be set.

For the purposes of accountability and compliance, service delivery measures will be implemented to ensure that welfare systems are operating the program for the phased-in mandatory population as intended. The new performance system will provide for awards and penalties for State performance through adjustments to the State's claims for Federal matching funds on AFDC payments. The measures are designed to provide positive and negative incentives to States to serve recipients under the new transitional system and to monitor program operations. States will be subject to financial incentives in the following areas: a coverage rate in JOBS, a monthly participation rate in JOBS, and a participation rate in WORK.

Improved Quality Assurance System

The current payment accuracy Quality Control system will be redesigned into a broader system focused on the performance standards established to ensure the efficient and effective operation of the JOBS/WORK/time limited assurance program. Payment accuracy will be retained as one element in a expanded role for the Quality Control system, which will also include improving the accuracy of benefit and wage payments in the AFDC and WORK programs, assessing the quality of State-reported data, ensuring the accuracy of State reporting of JOBS/WORK data, and measuring the accuracy with which States calculate client eligibility for benefits under a time-limited AFDC system.

Technical Assistance

Welfare reform seeks nothing less than a change in the culture of the welfare system. This necessitates making major changes in a system that has primarily been issuing checks for the past two decades. Now we will be expecting States to change individual behavior and their own institutions themselves so that welfare recipients will be moved into mainstream society. This will not be done easily. We envision a major role for evaluation, technical assistance and information sharing.

Initially, States will require considerable assistance as they design and implement the changes required under this proposal. Then, as one State or locality finds strategies that work, those lessons ought to be widely shared with others. One of the elements critical to this reform effort has been the lessons learned from the careful evaluations done of earlier programs. Those lessons and the feedback secured during the implementation of these reforms will be used in a formative sense and will guide continuing innovation into the future. We will reserve two percent of the total annual capped entitlement funding for the Secretary of Health and Human Services to be spent on JOBS, WORK and child care for research, demonstrations, evaluation and technical assistance.

ACCOUNTABILITY, EFFICIENCY, AND REDUCING FRAUD

THIS SHOULD NOT BE LAST

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

New technology and automation offer the chance to implement transitional programs which ensure quality service, fiscal accountability and program integrity. The new program of transitional assistance, in and of itself, will go a long way toward preventing waste and fraud. When implemented, the proposed welfare system will lead to substantial improvements in detecting and controlling fraud and abuse compared to the current system. In many States, existing processes for detection and prevention are cumbersome and inadequate to handle the growing number of applications for aid and the transient nature of these clients. Under the proposed system, reductions in fraud and abuse will occur mainly because of greatly increased ability to detect it. As knowledge of these efforts grows, there will be increased prevention and deterrence of fraud and abuse as well.

Compared to existing information systems, the new systems at the local, State, and Federal levels will dramatically increase the ability to detect many kinds of fraud and abuse. The following examples illustrate what States could do with the never-before-available information. For example, the National Clearinghouse will provide States with information on employment that will allow them to detect unreported income of non-custodial parents, leading to increased child support payments. It will also

Agriculture, Education, Treasury, the Office of Personnel Management, and the Office of Management and Budget to develop a strategic plan for a nationwide system to deliver government benefits electronically. Such benefits could include welfare assistance. In its recent report, the Task Force sets forth a vision for implementation of a uniform, integrated national system for Electronic Benefits Transfer (EBT) by 1999.

This system will replace today's multiple paper systems and provide better service to benefit recipients at a lower cost to the taxpayer. The Task Force recommended that the Federal government be proactive in developing a foundation for a uniform operating environment, working in partnership with the States and with advice from the private sector. To implement the vision over five years, the report has recommended taking a number of steps. These include identifying and establishing partnerships with groups of States and beginning prototype operation of base services, expanding EBT services nationwide, and enhancing EBT services in the future using new and developing technologies.

As envisioned by the Task Force, an EBT system has strong long-term potential for better coordination of Federal benefit programs. At least 15 Federal and State assistance programs could use EBT to replace their paper benefit delivery methods. Once the full range of programs is included, a nationwide EBT system could deliver at least $116 billion in benefits annually, with annual Federal savings in the range of $130 million.

SHORTEN

Under EBT, recipients will receive a single EBT card which they could use at ATM or point-of-sale (POS) machines in stores and other locations to electronically access one or many types of benefits, from welfare to Social Security. Studies have shown that welfare recipients prefer EBT. The card helps to eliminate the stigma associated with cashing a welfare check or using food stamps at a grocery store, and restores the dignity and control associated with work and independence. EBT also eliminates much of the high risk of theft associated with getting a benefit check in the mail and with cashing it for its full value. Recipients can access their benefits at their convenience (compatible with their work or training schedule), and without incurring check cashing fees.

Early implementation of EBT can be a signal to recipients that the welfare system has changed. Currently, approximately 80 percent of AFDC families are "unbanked." Since using an EBT card is like using a bank card, recipients will be better prepared to participate in the economic mainstream of the community as they begin to work. By exposing and training recipients to use electronic banking technology through EBT, recipients will acquire much of the knowledge necessary to move into electronic banking. Successful implementation of EBT can therefore assist current efforts to reform the welfare system.

CONCLUSION

[To be drafted as necessary]

DRAFT

Bruce
REED EDITS

DRAFT May 27, 1994

WELFARE REFORM PROPOSAL: WORK AND RESPONSIBILITY

A NEW VISION

[This introduction has not yet been updated. It will be revised based on the vision document being drafted by HHS/Public Affairs]

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

This welfare reform plan is designed to give people back the dignity and control that comes from work and independence. It is about reinforcing the values of work, family, opportunity and responsibility. The current system pays cash when people lack adequate means to provide for their families. We propose a new vision aimed at helping people regain the means of supporting themselves and at holding people responsible for themselves and their families. The proposal emphasizes that work is valued by making work pay. It signals that people should not have children until they are ready to support them. It stresses that parents--*both parents*--have responsibilities to support their children. It gives people access to the skills they need, but also expects work in return. It limits cash assistance to two years and then requires work, preferably in the private sector. Most important, it requires changing the culture of welfare offices, getting them out of the business of writing checks and into the business of finding people jobs and giving them the skills and support to keep those jobs.

Ultimately, this plan requires changing almost everything about the way in which we provide support to struggling families. To achieve this vision, the plan has four main elements.

MAJOR ELEMENTS

Preventing Teen Pregnancy and Promoting Parental Responsibility

If we are going to end long-term welfare dependency, we must do everything we can to prevent people from going onto welfare in the first place. Families and communities need to work together to ensure that real opportunities are available for young people, and they must teach young people that men and women who parent children have responsibilities and should not become parents until they

are able to nurture and support their children. We also need to make it clear that both parents have responsibilities to support their children. Our proposal calls for:

Prevention.

A national campaign against teen pregnancy, which sets clear goals of opportunity and responsibility for youth, and draws on all segments of society and government.

Responsibilities of school-age families receiving assistance. Teen parents will be required to finish school.

Learning from prevention approaches that promote responsibility.

Responsible family planning. Expanded resources and support for family planning.

Requiring minor mothers to live at home, with their parents or a responsible adult--not receive a separate check for setting up a separate household.

State option to limit additional benefits for additional children conceived by parents on welfare.

Supporting two-parent families.

End rules which discriminate against two-parent families. The 100-hour rule and quarters-of-work rule which apply only to two-parent families would be repealed.

Child support enforcement.

Universal paternity establishment, preferably in the hospital. Strict penalties for women seeking AFDC who do not cooperate in identifying and finding the father. Serious financial incentives to States that do not establish paternity once the mother has cooperated.

Central child support registries in every State, to track payments and take prompt action when money isn't paid.

A national registry of child support awards and a national registry of new hires based on W-4 reporting so that delinquent noncustodial parents can be tracked quickly and easily across State lines.

Regular updating of awards.

New measures to penalize those who refuse to pay--from license suspension to IRS enforcement.

A new program of required work and training for men who owe child support and fail to pay.

Demonstrations of parenting and access programs and child support assurance.

Support for Working Families

One of the greatest perversities of the current system is that people on welfare often have higher incomes, better health protection, and greater access to child care than working poor families. This plan is designed to help families support themselves by going to work--not staying on welfare. The key elements are:

Earned Income Tax Credit (EITC). The expanded EITC makes it possible for low-wage workers to support their families above poverty. Efforts will be made to help families receive the EITC on a regular basis.

Health care reform. Too many people go on welfare and stay there because they cannot find work that provides health coverage for their families. An essential part of moving people from welfare to work is ensuring that working persons get health protection.

Child care for the working poor. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to low-income working families who have never been on welfare but for whom assistance is essential to enable them to remain in the workforce and off welfare.

Replacing Welfare with Transitional Assistance and Work

We do not need a welfare program built around writing welfare checks--we need a program built around helping people get paychecks. We need to transform the culture of the welfare bureaucracy to convey the message that everyone is expected to move toward work and independence. We envision a system whereby people would be asked to start on a track toward work and independence immediately, with limited exemptions and extensions. Each adult would sign a personal responsibility contract that spells out their obligations, as well as what the government will do in return. Our proposal calls for:

Full participation. Every able-bodied individual who receives cash support is expected to do something to help themselves and their community. The requirement applies to those who are preparing themselves for work and to those who are currently not ready to work. Those who are unable to work due to disability or other reasons will be expected to do something for themselves or their community but will not be subject to time limits until they are ready to engage in training, education, job search or job placement.

A reformed JOBS program. The focus of the welfare system must be changed from a system focused on writing checks and verifying circumstance to one geared toward helping people move rapidly to work. The Family Support Act offered the first clear vision for converting welfare into a transitional system. But the vision was not realized, in part due to insufficient resources. A reformed JOBS program would include:

- *Personal Responsibility Contract.* In order to receive assistance, people will have to sign a personal responsibility contract that spells out their responsibilities and opportunities, and develop an employability plan to move them into work as quickly as possible.

Job Search First. Most recipients will go through supervised job search as the first step of their employability plan. Anyone taking part in the JOBS program will be required to take a private sector job if offered.

A clear focus on employment. Too many programs seem to worry little about whether people actually get jobs and keep them. The plan will attempt to build bridges between the welfare office and the private sector.

Integration with mainstream education and training programs. We should not have a separate system for welfare recipients; it ought to be integrated with new and existing programs in the community.

Emphasis on worker support once a person is placed in a job. The most effective programs do more than try to find someone a job, they offer help so that person can keep the job.

Time limits.—Individuals who are able to work will be limited to two years of cash assistance. Most people will be expected to enter employment well before the two years are up. Mothers with infants, people with disabilities that limit work, and those who care for a disabled child will be placed in a JOBS-Prep program, and not be immediately subject to the time limit. Extensions would be granted in a limited number of cases such as those who need to complete high school, or people who need more time because of language barriers.

A WORK program. Those people who are still unable to find work at the end of two years will be required to work in a job in the private, not-for-profit or public sector. Instead of welfare, States would be expected to provide jobs for those who have exhausted their time limit and cannot find unsubsidized private sector work. Key elements of the WORK program include:

Work, not workfare. States would be expected to place persons in subsidized jobs which pay a paycheck. Recipients would have the dignity and responsibility that comes from a real job.

Flexible, community-based program. States would be able to use money which would have been spent on welfare and an additional amount for administration to place people instead in subsidized private jobs, with local community organizations, or in public service employment. The program will have close links to the local community.

Strong private sector emphasis. The strong emphasis will be on placing people in subsidized private sector placements that will lead to unsubsidized work.

Non-displacing jobs. These jobs will be designed to avoid displacing existing workers.

Keeping stays in the WORK program short. To discourage long-term stays in the WORK program, the plan includes limits on the duration of any one placement, frequent job search requirements, no EITC for those in subsidized work slots, and a comprehensive reassessment for people after two placements.

Special rules for places with high unemployment. Places with very high unemployment may be granted special exemptions and given added financial support.

Dollar caps on the JOBS and WORK programs. These programs will be capped entitlements, with fixed dollar amounts designed to meet the projected caseload. This will increase State accountability and encourage rapid movement into the private sector.

Reinventing Government Assistance

A major problem with the current welfare system is its enormous complexity and inefficiency. It consists of multiple programs with different rules and requirements that are poorly coordinated and confuse and frustrate recipients and caseworkers alike. Waste, fraud and abuse can more easily arise in such an environment.

The real work of encouraging work and responsibility will happen at the State and local levels. The Federal government must be clearer about stating broad goals and give more flexibility over implementation to States and localities. Our proposal calls for:

Coordination, simplification and improved incentives in income support programs. The administrative and regulatory program structures of AFDC and food stamps will be redesigned to simplify and coordinate rules and to encourage work, family formation and asset accumulation. The proposal will:

Allow families to own a reliable automobile. Current rules prevent those on AFDC from owning a car with an equity value of more than $1,500. That will be changed to $4,500 for both AFDC and Food Stamps.

Allow States to reward work. Current law requires States to reduce benefits by $1 for each $1 earned. The proposal would give States the flexibility to reward work.

Allow families to accumulate savings. The proposal would allow families to set up Individual Development Accounts which could be used for specific purposes without losing eligibility.

A performance-based system. In addition to incentives for clients, incentives will be designed to bring about change in the culture of welfare offices with an emphasis on work and performance.

Accountability, efficiency and reducing fraud. The plan calls for significant expansions in the use of technology and tracking systems to ensure accountability, efficiency and fraud reduction. Among the advancements would be:

A nationwide public assistance clearinghouse, which tracks people whenever and wherever they use welfare. Such a system is essential for keeping the clock in a time-limited welfare system. Persons will not be able to escape their responsibilities by moving or by trying to collect benefits in two jurisdictions simultaneously.

State tracking systems which follow people in the JOBS and WORK programs. These systems will ensure that people are getting access to what they deserve and that they are being held accountable if they are failing to meet their obligations. Each State will be expected to develop a tracking system which indicates whether people are receiving and participating in the training and placement services they are expected to.

The Impact of Reforms

Making all these changes overnight would severely strain the ability of Federal and State governments to implement the new system. We recommend phasing in the plan by starting with young people, to send a clear message that we are ending welfare for the next generation. The attached tables are based on starting with the youngest third of the projected caseload--persons born after 1971, who will be age 24 and under in 1996 when the new system is implemented.]

[Add new caseload tables]

COMPARISON OF SANCTIONING POLICIES UNDER CURRENT LAW AND UNDER THE ADMINISTRATION'S PROPOSAL

Sanctions for Refusal to Take An Offer of Employment

Current Law: The sanction for failure to accept a private sector job is:

(1) For the first occurrence, the loss of the non-compliant individual's share of the grant until the failure to comply ceases.

(2) For the second occurrence, the same sanction is imposed but for a minimum of 3 months.

(3) For a third and subsequent occurrence, the same sanction is imposed but for a minimum of 6 months.

The State cannot sanction an individual for refusing to accept an offer of employment, if that employment would result in a net loss of income for the family.

Administration Proposal: The sanction for refusing a job offer without good cause would be the loss of the family's entire AFDC benefit for 6 months or until the adult accepts a job offer, whichever is shorter. The Secretary will develop regulations concerning good cause for refusing a private sector job offer. The State cannot sanction an individual for refusing to accept an offer of employment, if that employment would result in a net loss of income for the family. NO

Sanctions for Noncompliance in JOBS or WORK

Current Law: The sanction for noncompliance in the JOBS program is:

(1) For the first occurrence, the loss of the non-compliant individual's share of the grant until the failure to comply ceases.

(2) For the second occurrence, the same sanction is imposed but for a minimum of 3 months.

(3) For a third and subsequent occurrence, the same sanction is imposed but for a minimum of 6 months.

Administration Proposal: Sanctions for noncompliance in the JOBS program remain the same as current law. Noncompliance in the WORK program results in the following penalties:

(1) For first occurrence, the family receives a 50 percent reduction in the AFDC grant for one month or until they comply.

(2) For the second occurrence, the family receives a 50 percent reduction in the AFDC grant for three months.

(3) For the third occurrence, the family's grant is eliminated for a period of 3 months.

(4) For a fourth and subsequent occurrence, the family's grant is eliminated for a period of 6 months.

Sanctions for Quitting an Unsubsidized Job

Current Law: No sanctions.

Administration Proposal: Individuals in the WORK program who without good cause voluntarily quit an unsubsidized job that met the minimum work standard (e.g. 20 hours per week) would not be eligible for the WORK program for a period of 3 months following the quit.

To: Naomi
Fr: Bruce

2 pages

THE WHITE HOUSE
WASHINGTON

better EITC targeting and compliance

FINANCING

The financing for welfare reform comes from three areas: (1) reductions in entitlement programs; (2) extensions of various savings provisions set to expire in the future; and (3) ~~better enforcement of revenue raising measures~~. Estimated Federal savings for all proposals are roughly $9.3 billion over five years.

Entitlement Reforms

Cap the Emergency Assistance Program. The AFDC-Emergency Assistance (EA) Program is an uncapped entitlement program which has skyrocketed in recent years. In fiscal year 1990, expenditures totalled $189 million; in fiscal year 1995, it is estimated that expenditures will be $644 million and by fiscal year 1999 almost $1 billion. While the intent of the EA program is to meet short-term emergency needs and help keep people off welfare, States currently have wide latitude to determine the scope of their EA programs. Recently, States have realized that the definition of the program is so broad that it can fund almost any critical services to low-income persons. Some States have begun shifting costs from programs which the States fund primarily on their own such as foster care, family preservation, and homeless services into the matched EA program. States appear to be funding services that address long-term problems as well as true emergency issues.

We propose to modify the current Emergency Assistance program by establishing a Federal cap for each State's EA expenditures. The cap will be set in fiscal year 1995 and increased by the Consumer Price Index in each subsequent year. The basic allocation formula balances the need to protect States that have been spending heavily on EA in and before 1994 with the potential claims of new States which have not previously had claims for services under EA.

The basic allocation formula is a combination of two components:

(1) Allocation among States proportional to their requested expenditures in 1994; and

(2) Allocation among States proportional to their total AFDC spending in the previous year.

There will be a ten-year transition period, and the weighting of the components will shift over time, with increasingly more weight being given to the second component. Beginning in 1995, the weighting will be 90 percent by component 1 and 10 percent by component 2. The weighting will be altered by 10 percentage points each year such that by 2004, the weighting will be 100 percent by component 2.

The allocation formula establishes a hold-harmless level at actual 1991 levels. The Federal match will continue at 50 percent up to the cap. This proposal raises about $1.60 billion over five years.

Tighten Sponsorship and Eligibility Rules for Non-Citizens. In recent years, the number of non-citizens lawfully residing in the U.S. who collect SSI has risen dramatically. Immigrants rose from 5 percent of the SSI aged caseload in 1982 to over 25 percent of the caseload in 1992. Since 1982, applications for SSI from immigrants have tripled, while immigration rose by only about 50 percent over the period.

Most of the legal permanent resident applicants enter the country sponsored by their relatives. Until this year, current law required that for 3 years, a portion of the sponsor's income in excess of 110 percent of poverty be "deemed" as available to help support the legal permanent resident (LPR) immigrant should they need public assistance. Currently, about one-third of the LPR immigrants on SSI subject to the deeming rules apply in their 4th year of residency. Last fall, to pay for extended unemployment benefits, Congress extended the time of deeming under SSI from three years to five years until 1996 when it reverts to three years again.

The Administration proposal related to non-citizens contains two parts--extending the deeming period for sponsor income and coordinating eligibility criteria under four Federal assistance programs.

Deeming. Our proposal makes permanent the five-year sponsor-to-alien deeming under the SSI program and extends from three years to five years sponsor-to-alien deeming under the AFDC and Food Stamp programs. For the period beginning with six years after being lawfully admitted for permanent residence in the U.S. and until a sponsored immigrant attains citizenship status, no sponsored immigrant shall be eligible for benefits under the AFDC, SSI, and Food Stamp programs, unless the annual income of the immigrant's sponsor is below U.S. median income. In other words, beyond the five years, an LPR immigrant will be ineligible for welfare if his or her sponsor's income is in the top half of the income distribution. Once immigrants attain citizenship, they will be eligible to apply for benefits on their own. Any immigrant whose sponsor is receiving SSI or AFDC benefits would be exempt from sponsor-to-alien deeming under SSI, AFDC and food stamps. The proposal affects applications after the date of enactment (i.e., it would grandfather current recipients as long as they remained continuously eligible for benefits). This part of the proposal saves about $2.8 billion over five years.

The proposal sets consistent deeming rules for LPR immigrants across three Federal programs (SSI, AFDC, and Food Stamps). Extended deeming is based on longstanding immigration policy that LPR immigrants should not become public charges. Sponsored LPR immigrants most often apply for SSI benefits on the basis of being aged, and are different from most citizens in that the latter typically spent their life working and paying taxes in the U.S. At the same time, this proposal ensures that truly needy sponsored immigrants will not be denied welfare benefits if they can establish that their sponsors are no longer able to support them, if their sponsors die, or if the immigrant becomes blind or disabled after entry into the U.S. The policy would not affect refugees or asylees.

Eligibility criteria. The second element of this proposal establishes similar eligibility criteria under four Federal programs (SSI, AFDC, Medicaid, and Food Stamps) for all categories of immigrants who are <u>not</u> legal permanent residents. This element establishes in statute a consistent definition of which non-LPR immigrants are eligible for welfare benefits. Currently, due to different eligibility criteria in statute, and litigation over how to interpret statutory language, the four Federal programs do not cover the same categories of non-LPR immigrants. The Food Stamp program has the most restrictive definition of which categories of non-LPR immigrants are eligible for benefits (i.e., the eligibility criteria encompass a fewer number of INS statuses). SSI and Medicaid have the most expansive definition of which categories of non-LPR immigrants are eligible for benefits, and the AFDC program falls between these extremes.

This proposal makes eligibility criteria in the SSI, Medicaid, and AFDC programs similar to the criteria that currently exist in the Food Stamp program. The new list of INS statuses required for potential eligibility to the SSI, Medicaid, and AFDC programs is also virtually identical to those listed

in the Health Security Act providing eligibility for the Health Security Card. Like the extended deeming provisions, this part of the proposal affects applications after date of enactment (i.e., it would grandfather current recipients as long as they remained continuously eligible for benefits). This part of the proposal saves about $900 million over five years.

Time Limit SSI Benefits for Drug and Alcohol Addicted Recipients.
Current law requires that all SSI disability recipients for whom substance abuse is material to the finding of disability must be in available treatment and must have their payments made through a representative payee (a third party who receives and manages the funds). Payments to these SSI drug addict and alcoholic (DA&A) beneficiaries are suspended if the individual fails to participate in appropriate alcohol or drug treatment, if such treatment is available. No similar requirements are made of Social Security (Title II) disability beneficiaries who receive benefits on the basis of addictions. The representative payee and treatment requirements have been part of the SSI program since its inception over 20 years ago. However, the provisions have not been implemented effectively.

Under the proposal, strengthened sanctions and new time limits will be applied to benefits paid to individuals receiving Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) benefits who have substance abuse problems that are material to their disability finding.

The Congress is reaching decisions on these proposals currently in conference on H.R. 4277, a bill which the Administration supports. We anticipate savings of about $800 million over five years.

Income Test Meal Reimbursements to Family Day Care Homes. The Child Care Food Program provides food subsidies for children in two types of settings: child care centers and family day care homes. They are administered quite differently. The subsidies in centers are well targeted because they are means-tested; USDA believes that over 90 percent of Federal dollars support meals served to low-income (below 185 percent of poverty) children. The family day care part of the program is not well targeted because it has no means test (due to the lack of administrative ability of the providers). A USDA-commissioned study estimates that 71 percent of Federal dollars support meals for children above 185 percent of the poverty line. While the child care center funding levels have been growing at a modest rate, the family day care funding levels are growing rapidly--16.5 percent between 1991 and 1992.

The following approach better targets the family day care funding to low-income children and creates minimal administrative requirements for providers.

- Family day care homes located in low-income areas (e.g., census tracts where half of the children are below 185 percent of the poverty line) would receive $.84 and $1.67 in breakfast and lunch reimbursements, respectively, during school year 1995. This is roughly equivalent to the "free meal" rate paid on behalf of low-income children in day care centers, whose families have incomes under 130 percent of poverty.

- All other homes would have a choice. They could elect not to use a means-test; if they elect this option, they would receive reimbursements at the reduced levels of $.54 and $1.27, respectively. Alternatively, a family day care home could administer a simplified, two-part means-test. Meals served to children below 185 percent of the poverty line would be

reimbursed at the "free meal" rate. Meals served to children above 185 percent of the poverty line would be reimbursed at the reduced-price rate.

- Intermediaries that serve family day care homes in low-income areas would be reimbursed an extra $10 per month for ongoing administrative costs, and a $5 million set-aside would help such day care homes to become licensed (or registered).

This provision yields savings of about $500 million over five years.

Limit Deficiency Payments to Those Making $100,000 or More from Off-Farm Income Per Year. USDA farm programs are criticized for unfairly supporting large farms and wealthy producers rather than smaller farms and lower-income farmers. The Congressional Office of Technology Assessment concluded that most big farms "do not need direct government payments and/or subsidies to compete and survive." One option is to make producers receiving $100,000 or more in off-farm adjusted gross income ineligible for Commodity Credit Corporation (CCC) crop subsidies (price support loans and income support payments). The proposed targeting of subsidies would direct farm payments to smaller, family farms, which deserve Federal financial help more than large agricultural enterprises and individuals with sufficient off-farm income. It would cause an estimated 1-2 percent of program participants to drop out of USDA farm programs. Most of these wealthiest participants include corporations and individuals for whom farming is not a primary occupation or source of income. This proposal would save about $500 million over five years.

Extend Expiring Provisions

Hold Constant the Portion of Food Stamp Overpayment Recoveries that States May Retain. States are permitted to keep some portion of the 100-percent Federal Food Stamp recoveries as an incentive payment for pursuing program violations. This proposal would extend the 1990 Farm Bill provision which reduced the percentage of recovered Food Stamp overissuances retainable by State agencies for fiscal years 1991-95. Under this provision, which would be extended to fiscal years 1996-2004, States could retain 25 percent of recoveries from intentional program violations (previously 50 percent) and 10 percent of other recoveries (previously 25 percent). This proposal raises about $50 million over five years.

Extend Fees for Passenger Processing and Other Custom Services. A flat-rate merchandise processing fee (MPF) is charged by U.S. customs for processing of commercial and non-commercial merchandise that enters or leaves U.S. warehouses. The fee, adopted by OBRA 1986, generally is set at 0.19 percent of the value of the good. Other variable customs fees are charged for: passenger processing; commercial truck arrivals; railroad car arrivals; private vessel or private aircraft entries; dutiable mail; broker permits; and barge/bulk carriers. NAFTA extended the MPF and other fees through September, 2003. The proposal extends the fees through September, 2004 and saves about $1 billion in that year.

Extend Railroad Safety User Fees. Railroad safety inspection fees were enacted in the Omnibus Budget Reconciliation Act of 1990 to pay for the costs of the Federal rail safety inspection program. The railroads are assessed fees according to a formula based on three criteria: road miles, as a measure of system size; train miles as a measure of volume; and employee hours as a measure of employee activity. The formula is applied across the board to all railroads to cover the full costs of the Federal railroad safety inspection program. The fees are set to expire in 1996. The 1995

President's Budget proposed to extend the fees through 1999 and expand them, effective in 1995, to cover other railroad safety costs. The proposal extends the fees permanently. This proposal raises about $200 million over five years.

Extend Corporate Environmental Income (CEI) Tax (Superfund). A broad-based environmental tax, based on corporate alternative minimum taxable income (0.12 percent) in excess of $2 million, was first enacted in 1986 and is set to expire at the end of 1995. The welfare reform proposal would extend the tax through fiscal year 1998. Since the budget baseline includes revenue from the CEI tax only through 1995, extending the tax would generate a pay-as-you-go (PAYGO) credit for budget scoring of the welfare reform proposal.

Superfund reauthorization legislation would provide a further CEI tax extension through the year 2000, which would provide sufficient additional PAYGO credit for budget scoring of the Superfund legislation's "orphan share" proposal. All revenue from the CEI tax extension, whether enacted in welfare reform or Superfund legislation, will continue to be dedicated to the Hazardous Substance Superfund to be used only for Superfund cleanups. Current levels of spending from Superfund are already accounted for under the discretionary spending caps and are in no way affected by the extension of this tax. This proposal would raise about $1.6 billion over five years.

EITC Tax Compliance Measures [Why call it "Tax" when they're just EITC]

Deny EITC to Non-Resident Aliens. Under current law, non-resident aliens may receive the Earned Income Tax Credit (EITC). Because non-resident taxpayers are not required to report their worldwide income, it is currently impossible for the IRS to determine whether ineligible individuals (such as high-income nonresident aliens) are claiming the EITC. The proposal will deny the EITC to non-resident aliens completely. We estimate that about 50,000 taxpayers will be affected, mainly visiting foreign students and professors. The proposal raises about $100 million over five years.

Require Income Reporting for EITC Purposes for Department of Defense (DoD) Personnel. Under current law, families living overseas are ineligible for the EITC. The first part of this proposal would extend the EITC to active military families living overseas. To pay for this proposal, and to raise net revenues, the DoD would be required to report the nontaxable earned income paid to military personnel (both overseas and States-side) on Form W-2. Such nontaxable earned income includes basic allowances for subsistence and quarters. Because current law provides that in determining earned income for EITC purposes such nontaxable earned income must be taken into account, the additional information reporting would enhance compliance with the EITC rules. The combination of these two proposals raises about $200 million over five years.

A table which summarizes the financing provisions is attached.

SUMMARY OF FINANCING PROVISIONS

Proposal	Five-Year Federal (in billions)
Entitlement Reforms	
Limit Emergency Assistance	1.6
Tighten Sponsorship and Eligibility Rules for Non-Citizens	
Five-Year Deeming and Eligibility Only for Aliens with Sponsors below Median Income	2.8
Establish Similar Alien Eligibility Criteria for Four Federal Programs	0.9
Time Limit Benefits for Drug Addicts and Alcoholics (H.R. 4277)	0.8
Income Test Meal Reimbursements to Family Day Care Homes	0.5
Limit Deficiency Payments to Those Making $100,000 or More from Off-Farm Income	0.5
Extend Expiring Provisions	
Hold Constant a Portion of Food Stamp Overpayment Recoveries for States	0.1
Extend Fees for Passenger Processing and Other Customs Services	0.0
Extend Railroad Safety User Fees	0.2
Extend Corporate Environmental Income (Superfund) Tax	1.6
Tax Compliance Measures	
Deny EITC to Non-Resident Aliens	0.1
Require Income Reporting for Department of Defense Personnel	0.2
TOTAL	9.3[1]

1. Since we are uncertain of the final outcome of H.R. 4277, actual financing provisions may be in the range of $9.1 to $9.4 billion.