

**WORK AND RESPONSIBILITY ACT
OF 1994**

DETAILED SUMMARY

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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 the 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 designed to help people help themselves. We need to move beyond the old debates 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, and 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 Senator Moynihan and 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 put a clear focus on work.

New provisions include:

- **A personal employability plan.** From the very first day, the new system will focus on making young parents self-sufficient. Working with a caseworker, each adult recipient 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.** Ultimately, 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.
- **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 deferred 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 limited number of young mothers completing education programs may receive extensions.
- **Let States reward work.** Currently, AFDC recipients who work often 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 propose new rules and demonstration projects to support saving and self-employment.
- **State flexibility.** 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.
- **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 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.

- **The Earned Income Tax Credit (EITC).** The expanded EITC will lift millions of workers out of poverty. 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.
- **Health care reform.** We can't have serious welfare reform without serious health care reform. People should be able to get health care by going to work, and not have to go on welfare. Universal health care will allow people to leave welfare without worrying about coverage for their families.
- **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 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:

- **Universal paternity establishment.** Hospitals will be required to put procedures in place 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 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 be used 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 for teenagers to have children outside marriage.
- **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 pregnancy prevention grants.** 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 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.
- **Supports and sanctions.** 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. The two-year limit will begin once teens reach age 18. 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 to teenagers that we are ending welfare as we know it. The following 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 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 will have the option of doing so.

In the year 2000, 2.4 million adults will be subject to the new rules under welfare reform, including time limits and work requirements. Almost one million people will either be off welfare or working. Of those one million individuals, 331,000 people who would have been on welfare will have left the welfare rolls. Another 222,000 parents will be working part-time in unsubsidized jobs. And 394,000 people will be in subsidized jobs in the WORK program, up from 15,000 now. In addition, 873,000 recipients will be in time-limited school or training programs leading to employment.

However, the impact of welfare reform cannot be measured in these numbers alone or fit on any chart. In the year 2000, hundreds of thousands of noncustodial parents will be helping to support their families and becoming connected to their children again. Hundreds of schools will be helping teenagers postpone sexual involvement, finish their education and prepare for a better future. And, thousands more children will watch their parents go off every day to the responsibility and dignity of a real job.

TABLE 1

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
Status of Phased-In Group, with Reform:			
Off Welfare Because of Reform	45,000	331,000	860,000
Working Part-time	166,000	222,000	271,000
In WORK Program	0	<u>394,000</u>	<u>566,000</u>
Total - Working or Off Welfare	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 Disability, Caring for a Disabled Child or Infant, or Other Exemption	526,000	556,000	777,000

Table 1 indicates the number of persons in various parts of the program by year, given the 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 (for example, if they are disabled). It does not grow much over time because people leave the program as they get private sector jobs or reach the time limit and enter the WORK program. The WORK program grows over time, rising to roughly 556,000 by fiscal year 2004. Exemptions are significantly more narrow than those allowed under current law, and even those unable to work will be required to develop employability plans.

TABLE 2

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	<u>0%</u>	<u>17%</u>
Total	5%	40%
Required to Participate in Time-limited, Mandatory Training, Education and Placement Program with Strict Participa- tion 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%

Table 2 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, or in a mandatory time-limited placement and training program. Only those unable to work are deferred from 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.

Moving people from welfare to work will not only reinforce our basic values of work and responsibility, it will also help families 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.

In the median State, the combined AFDC and food stamp benefit level is \$7,525, only 63 percent of the \$11,870 of income needed to keep a typical family of three out of poverty. By contrast, Table 3 shows that persons leaving AFDC and going to work will be dramatically better off in any private sector job, even one paying the minimum wage.

TABLE 3

INCOME FOR INDIVIDUALS WORKING FULL TIME AT VARIOUS WAGE LEVELS						
Hourly wage	Earnings (Full-time, year-round)	Taxes	EITC *	Food Stamps	Total Income	Percent of Poverty
\$4.25	\$8,840	\$676	\$3,370	\$2,256	\$13,790	116%
\$6.00	\$12,480	\$955	\$3,058	\$1,380	\$15,964	134%
\$8.00	\$16,640	\$1,826	\$2,182	\$0	\$16,996	143%

* EITC assumes that expansion passed in 1993 is fully phased-in.

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 Job Opportunities and Basic Skills (JOBS) training program, the need for investment in education, training, and employment services for welfare recipients. Most importantly, it introduced the expectation that welfare reciprocity is a transitional period of preparation for self-sufficiency. 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. Only a small portion of the AFDC caseload is actually 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.

SUMMARY OF PROPOSAL

This reform proposal calls for fundamentally 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.

A Simple Compact

Training, Education, Job Search, and Job Placement – The JOBS Program

- A clear focus on work
- Integrating JOBS and mainstream education and training initiatives

Two-Year Time Limit

WORK

- Administrative structure of the WORK program
- Characteristics of the WORK assignments

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 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 Job Opportunities and Basic Skills, or 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 new 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 a lifetime maximum of 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, 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, and at the discretion of States, 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. 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.

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. They are also the group for which there is 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 also have the option to phase in more rapidly. By 2000, half of all adult recipients will be 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 (3 months for the second child), 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. However, all recipients will be required to take steps, even if they are small ones, toward self-sufficiency. Participants who are deferred will be expected to complete employability plans and, when possible, to 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. Under reform, 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 today it unfortunately 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 solely 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 completed high school) who are judged job-ready will be required to perform job search, as soon as the application is approved (or from the date of application at State option). States will have the option to require 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. Those who subsequently enter the JOBS program will have a realistic view 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 the 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 reduces the recipient's welfare check by the adult's share of 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. Sanctions for failure to follow the employability plan otherwise will be the same as under current law.

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, as well as 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 to 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. These fiscal problems have limited the number of individuals served under JOBS and, in many cases, limited the services States offer their JOBS participants.

To address the scarcity of JOBS dollars, the Federal cap will be increased from \$1 billion to \$1.5 billion in fiscal year 1996. To assist States in drawing down their full allotment, the Federal match rate will be increased by five percentage points in 1996, rising to a level ten percentage points over the current JOBS match rate by the year 2000, 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. In addition, a small fund will be created to reward States which have used their full allotment and are moving aggressively to implement these reforms. During periods of high State unemployment, the State match rate for JOBS, WORK and At-Risk Child Care would be reduced by ten percent. States will be required to maintain their 1994 level of spending for the investment programs (JOBS and child care).

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 1996-1998, 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 training and education programs that already exist. 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 currently 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 requires 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 a lifetime 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 receiving aid through AFDC-UP, 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. 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. Individuals working part-time would be required to accept additional hours if available.

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.

Limited Additional Assistance to Persons Who Stay off Welfare for Extended Periods. The two-year limit is a lifetime limit. 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 up to six additional months of assistance. This limited additional assistance will serve as a cushion, should they lose their job and need temporary help again. After that, they will be required to enter the WORK program.

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. This work-for-wages plan 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, unsubsidized 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 match rate as in the expanded JOBS program--the current JOBS match rate plus seven percentage points in 1998, rising to ten additional percentage points by 2000. 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;
- Subsidize or 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 workers, 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) The number of WORK assignments the State is required to create (based on the funding allocation) are actually filled by individuals assigned to the WORK program; or 2) At least eighty percent of those who reach the time limit are assigned to a WORK slot (or in another defined status).

Allocation of WORK Assignments. If the number of people needing WORK positions exceeds the supply, the allocation of WORK assignments is made in the following order. An individual whose sanction period had just ended will be placed in a new WORK assignment as rapidly as possible. Persons new to the WORK program will have priority over persons who have previously held a WORK position. States will then be permitted to allocate the remaining 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 make the family financially worse off. 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 job search assistance during this period.

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

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 three 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 lift 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 part of welfare reform legislation, 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 eight 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 the fact that employers are responsible for determining eligibility and administering 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. 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 (AFDC/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, or CCDBG). 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, which helps middle-income Americans, is seldom available for low-income families because it is not refundable.

Current child care programs do not provide sufficient support for working-poor families. In addition, 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

There are two main parts of the proposal designed to make work pay for low-income families. First, we will improve child care programs for families on public assistance and poor working families. Second, we will allow States to reward work by changing the amount of earned income and child support payments that can be disregarded in calculating benefit levels, and to conduct demonstrations to distribute the EITC on an advanced basis.

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 demonstrations in four States 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 for 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 working or in education 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, 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 all working poor families, it does provide a major increase in support for them as well as for those on or moving off welfare.

In addition, the Administration's fiscal year 1995 budget calls for a 22 percent increase in funding for the Child Care and Development Block Grant (CCDBG). 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.

Coordinate Rules Across All Child Care Programs

We will help States to use Federal programs to create seamless coverage for persons who leave welfare for work. 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. Health and safety requirements will be made consistent across these programs and will conform to standards in the Block Grant (CCDBG) program. These State-defined health and safety standards, together with two new Federal standards on immunization and prohibiting access to toxic substances and weapons, are effective, feasible requirements designed to protect the health and safety of children. Except for these new 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 propose to ensure that all child care programs assure parental choice of providers, provide parents information on their child care options, and establish 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 a 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 many poor 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, 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 several ways: For each of the first four months of earnings, recipients are allowed a \$90 work expense disregard and another \$30 disregard. Also, one-third of remaining earnings are disregarded. After four months, the one-third disregard ends. 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 to keep more of their earnings, it will increase the economic well-being of those workers.

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.

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 that they could claim the credit in advance. 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), 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 many 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 eight 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 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 having children, until they are ready to accept the responsibilities and consequences of these actions. 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 able to 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 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 community-based demonstration grants 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 20 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 young parents become self-sufficient.

Along with responsibility, however, 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 should not 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 her child. In such cases, 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 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 her 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 is approximately \$48 billion per year. Yet only \$20 billion in awards are currently in place, and only \$14 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.

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. In fact, about 45 percent of those who now leave welfare return within one year. More than 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. In addition, this change will 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 make their payment outside 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 required 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. 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

Children need and deserve support from both parents. Yet collections are often sporadic. Often no money is received for several months, sometimes followed by 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 time-limited 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. It also 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.

Work and Training 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 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, emphasize the importance of paternity establishment and economic security for children, and develop parenting skills.

Access and Visitation Grants to States. Paternity actions will stress the importance of getting fathers involved earlier in their children's lives. These grants will be made to States for programs which reinforce the desirability of children having 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 almost seems to invite 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
- Limit definition of 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 for the other parent to 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 to 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. As part of welfare reform, 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.

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 of asset rules across programs 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 and first-home purchases. 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 AFDC and Food Stamp program changes would simplify and coordinate rules to encourage work, family formation, and asset accumulation. These include:

Optional Retrospective Budgeting. The proposal will 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 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 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 purposes, 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 and 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 purposes 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. In addition, territories will be permitted, but not required, to implement a two-year time limit and the WORK program.

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 both to 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.

Limit Definition of 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 families 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 almost seem to 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, may decide 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 government disability or welfare check or using food stamps at a grocery store, and can help restore the self-esteem needed for 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.

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 be 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 deferrals, 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.

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 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's 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 to children in this country. By expanding child care provided to working families, allowing States to disregard additional earnings and child support and 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 restore 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. Rewarding work and responsibility over welfare will make families stronger and our children and our society better off.

Work

- Making welfare a transition to work:
Building on the JOBS program
- The WORK program: Work, not welfare,
after two years
- Supporting working families: EITC,
health reform, child care

Responsibility

- Parental responsibility:
Child support enforcement
- Accountability for taxpayers
- Performance, not process



Reaching the Next Generation



- Preventing teen pregnancy
 - Phasing in young people first
 - A clear message for teen parents:
Supports and sanctions
- 

WELFARE REFORM: 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. 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.

Making Welfare a Transition to Work: Building on the 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 few families. Our proposal would expand and improve the current program to include:

- **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 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.
- **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.

● **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: Work Not Welfare After Two Years

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.

Supporting Working Families: The EITC, Health Reform, Child Care

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

● **The Earned Income Tax Credit (EITC).** The expanded EITC will lift millions of workers out of poverty. 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.

● **Health care reform.** Universal health care will allow people to leave welfare without worrying about coverage for their families.

● **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.

WELFARE REFORM: 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.

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 provides 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 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.

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 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.

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 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.

WELFARE REFORM: 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.

Preventing Teen Pregnancy

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.
- **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.
- **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.

Phasing in Young People First

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.

A Clear Message for Teen Parents

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.

IN THE YEAR 2000, UNDER REFORM:

- 2.4 MILLION ADULTS WILL BE SUBJECT TO THE NEW RULES, INCLUDING TIME LIMITS AND WORK REQUIREMENTS.
- ALMOST ONE MILLION PEOPLE WILL EITHER BE OFF WELFARE OR WORKING:
 - 331,000 PEOPLE WHO WOULD HAVE BEEN ON WELFARE WILL HAVE LEFT THE WELFARE ROLLS.
 - 222,000 PARENTS WILL BE WORKING PART-TIME IN UNSUBSIDIZED JOBS.
 - 394,000 PEOPLE WILL BE IN SUBSIDIZED JOBS IN THE WORK PROGRAM. THAT'S UP FROM 15,000 NOW.
- ANOTHER 873,000 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 PARENTS WHO OWE CHILD SUPPORT ACROSS STATE LINES.

FOR YOUNGER RECIPIENTS, THE CHANGE WILL BE DRAMATIC:

- **IN THE YEAR 2000, 14 PERCENT OF PARENTS UNDER AGE 29 WHO WOULD HAVE STILL BEEN ON WELFARE WITHOUT REFORM WILL HAVE LEFT THE ROLLS.**
- **26 PERCENT OF MOTHERS UNDER AGE 29 WILL BE WORKING: NINE PERCENT PART-TIME IN UNSUBSIDIZED PRIVATE SECTOR JOBS, AND 17 PERCENT IN THE NEW WORK PROGRAM. TODAY, JUST FIVE PERCENT OF YOUNG WELFARE RECIPIENTS WORK; ALMOST ALL OF THEM IN PART-TIME JOBS.**
- **37 PERCENT OF PARENTS UNDER AGE 29 WILL BE SUBJECT TO STRONGER EDUCATION AND TRAINING REQUIREMENTS, STRICT STANDARDS, TOUGH SANCTIONS FOR NONCOMPLIANCE, AND A TWO-YEAR TIME LIMIT. TODAY, JUST 22 PERCENT OF YOUNG WELFARE RECIPIENTS ARE EVEN EXPECTED TO PARTICIPATE IN ANY KIND OF EDUCATION OR TRAINING PROGRAM. PARTICIPATION STANDARDS ARE LOW AND THERE ARE NO TIME LIMITS TO ENCOURAGE MOVEMENT TO WORK.**
- **AND, UNDER WELFARE REFORM, PARENTS UNDER AGE 29 WILL BE SUBJECT TO MUCH STRONGER PARTICIPATION REQUIREMENTS. JUST 23 PERCENT OF THESE YOUNG MOTHERS WILL BE TEMPORARILY DEFERRED BECAUSE THEY HAVE A CHILD UNDER TWELVE MONTHS OF AGE; HAVE A DISABLED CHILD; OR ARE SERIOUSLY ILL THEMSELVES. TODAY, 73 PERCENT OF YOUNG WELFARE RECIPIENTS ARE EXEMPT FROM EDUCATION AND TRAINING REQUIREMENTS.**

HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

June 1994

FACTS RELATED TO WELFARE REFORM

Aid to Families with Dependent Children (AFDC)

Benefits

- AFDC benefit levels range from \$120 per month for a family of three in Mississippi to \$923 per month in Alaska, with the median state paying \$367 in AFDC benefits (January 1993 figures). Food stamp benefits fall as AFDC benefits increase, however, offsetting to some degree the disparity in AFDC benefit levels among the different states.
- AFDC benefit levels have declined by 42 percent in the last two decades. The average monthly benefit for a mother and two children with no earnings has shrunk in constant 1992 dollars from \$690 in 1972 to \$399 in 1992, a 42-percent decline.
- This decline has been partly offset by an increase in food stamp benefits, such that the combination of AFDC and food stamps for a mother and two children with no earnings has declined by 26 percent between 1972 and 1992.
- In all 50 states, AFDC benefits are below the Census Bureau's poverty threshold, varying from 13 percent of the threshold in Mississippi to 79 percent in Alaska (median of 39 percent).

Caseloads

- The number of persons receiving AFDC each year has increased significantly between 1975 and 1992. In 1975, 11.1 million individuals received benefits, and in 1992, 13.6 million persons received AFDC (up from 12.6 in 1991). Over the same time period, the average size of AFDC families has fallen, from 3.2 persons in 1975 to 2.9 persons in 1992.
- Reciprocity rates, defined as the total number of AFDC recipients divided by the State population, have not followed a uniform trend among all States. While rates in some States increased substantially between 1975 and 1992, 22 States experienced a decline in monthly reciprocity rates over that time period.
- Two thirds of AFDC recipients are children. In 1992, AFDC provided benefits to 9.2 million children.

Expenditures

- Despite the increase in the number of recipients over the time period, benefit expenditures have remained relatively constant in real terms between 1975 (\$21.3 billion) and 1992 (\$22.2 billion). Real spending on AFDC apart from AFDC-UP has actually fallen since 1975, from \$20.3 billion in 1975 to \$20.1 billion in 1992.
- Contrary to the general conception, not all States have experienced an increase in total AFDC expenditures. While the national average between 1985 and 1992 was a 17-percent increase, State-by-State figures varied from an increase of 184 percent in Arizona to a decrease of 38 percent in Wisconsin.
- The share of Federal spending devoted to AFDC has declined from 1.5 percent in 1975 to 1.1 percent in 1992.

Recipient Characteristics

- Thirty-four percent of caretaker relatives (usually the mother) of AFDC children in 1992 were white, 39 percent were black, 19 percent were Hispanic, and 4 percent were Asian.
- Only 22 percent of AFDC families reported any non-AFDC income in 1992.
- Forty percent of female welfare recipients gave birth to their first child before the age of 19. Just over half had a high school degree when they entered the AFDC program, and 49 percent had not worked in the 12 months prior to entry.

The JOBS Program

- Of adult AFDC recipients not exempted from the JOBS program in 1992, sixteen percent met the participation rate requirement. Only Indiana, Maine, Maryland and Guam failed to reach the 11 percent participation rate mandated in the Family Support Act for fiscal year 1992.
- Fiscal year 1992 Federal funding for the JOBS program was capped at \$1 billion. However, State spending was only sufficient to draw down two-thirds of the available Federal funding for fiscal year 1992, and only 11 States claimed their full allocation of Federal funds. Only 19 States intended to spend enough to claim their full allocation in fiscal year 1993.

Other Facts

Living Arrangements of Children

- While the total child population in the United States was approximately the same in 1960 as in 1991, the percent of children living with a single parent increased from 9 percent to 26 percent. The majority of children born today will spend some time in a single-parent family.

Labor Force Participation of Women

- The percent of women who work in the wage labor market has increased dramatically in recent decades. Between 1950 and 1992, the labor force participation of women with children under age 6 increased from 14 percent to 58 percent.

Child Poverty

- In 1992, 22 percent of children lived in poverty. Among children in female-headed families, the rate was 54 percent; among children in families with a male present, the rate was 11 percent.

Child Support Enforcement

- In families with children with an absent father in 1989, 58 percent had a child support order in place, 37 percent received some payment, and 26 percent received the full payment.

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FACTS RELATED TO WELFARE REFORM

Job Opportunities and Basic Skills (JOBS)

Existing JOBS Program

Created by the Family Support Act of 1988 and championed by then-Governor Clinton, the Job Opportunities and Basic Skills (JOBS) program helps AFDC recipients become job-ready and enter the workplace. JOBS offers education, training, and job placement, as well as guaranteed child care and other support services. But unfortunately, it reaches few poor families.

To support local flexibility, the Family Support Act gave state welfare agencies primary administrative responsibility for JOBS. The law encouraged welfare agencies to form collaborative relationships with other community institutions--such as schools, non-profit organizations, and business groups--so that JOBS programs would fit local circumstances and needs.

The Family Support Act represented a fundamental rethinking of welfare incentives and obligations. Through JOBS, it set in place expectations that welfare should be only a transitional preparation for self-sufficiency, and that training and support services are as vital as cash benefits. However, the law exempted about half of AFDC recipients, including mothers under age 16, mothers in school, and mothers with children under age three (or one, at state option). Most significantly, in 1994, states were required to have only 15 percent of non-exempt recipients participate in JOBS.

Funding constraints have also limited the program's reach. During the past five years, AFDC caseloads mushroomed and a weak economy put additional demands on state budgets. As a result, states drew down only 69 percent of the federal funds available for JOBS in 1992, and only 12 states were able to draw down their full allocation.

Changes Under Welfare Reform

Under President Clinton's welfare reform plan, an enhanced JOBS program becomes the core of the transitional assistance approach. Our proposal would expand and improve the current program to include:

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 the education, training, and job placement services needed to move into the workplace. Because 70 percent of welfare recipients already leave the rolls within 24

months, and most applicants are job-ready, many 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.

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.

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.

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. For most families, simply the threat of this financial loss will be enough to ensure compliance, but those who fail to comply will face real cuts in benefits.

A phase-in focusing on young recipients first. 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. As welfare reform is phased in, a larger percentage of the caseload will be covered.

Flexibility for states. States that want to accelerate the phase in will be able to use federal matching funds to do so. States may define the phased-in group more broadly, require older women to participate in certain JOBS activities, or provide increased resources to volunteers under current JOBS rules.

Guaranteed child care for those in education and training. An expanded investment in child care will help eliminate a primary barrier to work preparation for young parents.

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.

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FACTS RELATED TO WELFARE REFORM

Child Support Programs

Existing Child Support Programs

The goal of the Child Support Enforcement (CSE) program, established in 1975 under Title IV-D of the Social Security Act, is to ensure that children are supported financially by both of their parents.

Designed as a joint federal, state, and local partnership, the multi-layered program involves 50 separate state systems, each with its own unique laws and procedures. Some local child support offices are run by courts, others by counties, and others by state agencies. At the federal level, the Department of Health and Human Services provides technical assistance and funding to states through the Office of Child Support Enforcement and also operates the Federal Parent Locator System, a computer matching system that uses federal information to locate non-custodial parents who owe child support.

Today, despite recent improvements in paternity establishment and collections, this child support system fails many families. In 1991, 14.6 million children lived in a female-headed family, almost triple the number in 1960, and 56 percent of them lived in poverty. Paternity is not established for most children born out of wedlock, child support awards are usually low and rarely modified, and ineffective collection enforcement allows many non-custodial parents--especially in interstate cases--to avoid payment without penalty.

As a result, non-custodial parents paid only \$14 billion in child support in 1990. But if child support orders reflecting current ability to pay were established and enforced, single mothers would have received \$48 billion: money for clothing, food, utilities, and child care. Closing that \$34 billion gap is a top priority for this Administration.

Clinton Administration Increases and Innovations

Already, the Clinton Administration has proposed, and Congress has adopted, a requirement for states to establish hospital-based paternity programs, as a proactive way to establish paternity early in a child's life. In addition, the 1995 budget reflects a 13 percent increase in federal spending on child support.

Changes Under Welfare Reform

Building on the best state and federal initiatives, President Clinton's welfare reform plan will create an aggressive, coordinated system with automated collection and tougher enforcement. While the federal-state child support enforcement system collected \$9 billion from non-custodial parents in 1993, the reformed system under our plan will collect \$20 billion in the year 2000. The plan focuses on:

Universal paternity establishment. Performance incentives will encourage states to establish paternity for all births, and hospitals will expand efforts to get parents to voluntarily acknowledge paternity. Streamlined legal procedures and greater use of scientific testing will facilitate identification for those who do not voluntarily acknowledge their responsibilities. And we also require each welfare applicant to supply the name and location of the child's father in order to receive benefits.

Fair award guidelines and periodic updating. A commission will study whether national awards guidelines should be adopted. States will automatically update awards for families as non-custodial parents' incomes change.

Automated monitoring and tracking. States will centralize and modernize their child support structures through the use of central registries that monitor payments automatically. A new national child support clearinghouse will catch parents who try to evade their responsibilities even if they flee across state lines.

New penalties for those who refuse to pay. Expanded wage-withholding and data-base matching will be used to enforce compliance. As a last resort, states will withhold the drivers' and professional licenses of parents who refuse to pay support. Even the threat of license suspension is a proven enforcement tool, and suspension also reaches self-employed people unaffected by wage-withholding.

State initiatives and demonstration programs. The reform plan will, for the first time, create a state option to make money available for work and training programs for non-custodial parents who earn too little to meet their child support obligations. States can choose to make these programs mandatory--so that non-custodial parents work off what they owe. At the same time, 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.

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FACTS RELATED TO WELFARE REFORM

Child Care Programs

Existing Child Care Programs

Five federal programs currently provide child care assistance to low-income families. AFDC/JOBS Child Care and Transitional Child Care help families moving from AFDC to work, while At-Risk Child Care and the Child Care and Development Block Grant enable low-wage working families to remain self-sufficient. In addition, Head Start provides low-income families with child development and other social services.

AFDC/JOBS Child Care, an entitlement program, offers assistance to recipients of Aid to Families with Dependent Children (AFDC) who are working or in education and training programs.

Transitional Child Care, also an entitlement program, provides assistance for up to one year after recipients leave AFDC for employment, so that parents entering the workforce will have the continued security of affordable care for their children.

The At-Risk Child Care program, a capped entitlement, allows states to provide child care to help low-income working families who might go on AFDC without such assistance.

The Child Care and Development Block Grant, a discretionary program, makes child care available to low-income parents who work, attend educational and training programs, or receive protective services. The federal government distributes funds to states, Indian tribes, and territories, which then enable parents to choose the care most appropriate to their children. The block grant also provides funds for quality improvements.

Head Start, a discretionary program, provides comprehensive services including education, health, parent involvement and social services to children from low-income families who meet the federal poverty guidelines.

Over the past few years, these five programs have provided critical child care support to low-income families. Despite this progress, there is still a significant demand for child care, for resources to improve quality and supply, and for better coordination and consistency across programs.

Clinton Administration Increases and Innovations

The Clinton Administration has made child care programs a consistent budget priority, increasing funding for the Child Care and Development Block Grant by 19 percent in the 1995 budget. To maximize the impact of each dollar, the Administration has also sought to coordinate and improve programs. To address quality and supply, the Administration is reviewing state health and safety standards, sponsoring a series of national institutes on critical child care issues, and attempting to give states more flexibility to address quality and consistency concerns through proposed regulations.

President Clinton's recent expansion of Head Start provides further support for quality child care. The 1995 budget includes substantial additional funding and encourages the development of full-day, full-year services to meet the needs of today's families.

Changes Under Welfare Reform

President Clinton's welfare reform proposal continues to expand and improve the system for both low-income working families and those transitioning off welfare. His proposal will expand availability, encourage safe and nurturing care environments, and further coordinate program requirements.

Maintaining and expanding the existing guarantee. Welfare recipients in work and training, including the JOBS and WORK programs, will still be guaranteed child care, and those leaving welfare will still receive a year of Transitional Child Care.

Expanding child care for low-income working families. Our proposal also substantially increases funding for the At-Risk program and reduces the state match. We almost double federal spending on child care for the working poor.

Addressing quality and supply. Quality improvement funds will support resource and referral programs, licensing and monitoring, and training and other provider supports. Children in group care receiving assistance will be immunized, and consistent health and safety standards will apply across child care programs. Our plan also directs special attention to increasing the supply of infant and toddler care.

Coordinating rules across all child care programs. Our proposal simplifies administration and ensures coverage by further standardizing different child care programs' requirements for provider standards, health and safety, parental access, consumer education, parental choice, and parental complaint management.

**WORK AND RESPONSIBILITY ACT
OF 1994**

COSTS

Work and Responsibility Act of 1994

Five-Year Cost Summary¹

(\$ billions)

Additional funding for education, training and placement	2.8
WORK slots for participants who reach the two-year time limit	1.2
Additional child care spending for those in the mandatory education and training program and in the WORK slots	2.7
Additional child care for the working poor	1.5
Initial investments in the child support enforcement system and demonstrations	0.6
Teen pregnancy prevention	0.3
Other ²	1.7
Total	10.8
Net savings ³	(1.5)
Net total	9.3

¹ Budget outlays

² Includes state option to eliminate bias against two-parent families; investments in automation; and incentives to work and save.

³ From caseload reductions and reduced fraud

**SUMMARY OF ADMINISTRATION'S WELFARE REFORM
COST ESTIMATES
(in billions)**

	Five-Year Federal Costs
Transitional Assistance Followed by Work	
Additional Education, Training and Placement Spending	2.8
WORK Spending (including Noncustodial Parents)	1.2
Additional Child Care Spending for Program Participants	2.7
Investments in Automation	.8
Subtotal	7.5
Savings from Caseload Reductions and Reduced Fraud	(1.5)
Subtotal, Transitional Assistance	6.0
Making Work Pay	
Working Poor Child Care Expenditures	1.5
State Flexibility on Earned Income and Child Support Disregards	.2
State Demonstrations to Advance EITC	.1
Subtotal, Making Work Pay	1.8
Prevention/Parental Responsibility	
Teenage Pregnancy Prevention Grants	.3
Child Support Enforcement and Demonstrations	.6
State Option to Limit Additional Benefits to Additional Children/Minor Parents	(.1)
Subtotal, Prevention/Parental Responsibility	.8
Improving Government Assistance (IGA)	
Remove Two-Parent (UP) Restrictions	.2
IDA/Microenterprise Demonstrations	.1
Conform Resource Limit, Income Definitions and Other	.2
Subtotal, IGA	.5
Net Medicaid Impact	.2
TOTAL	9.3

COSTS

In any welfare reform plan, up-front investments in education, training and placement services, child care, and the development of work opportunities and automation are required. The costs of welfare reform to the Federal government in our plan are estimated at \$9.3 billion over five years. The cost package is modest and carefully matched to financing.

Costs gradually increase over the five-year period, reaching an annual level of \$3.3 billion in 1999. The program phases in over time in a focused and pragmatic way that recognizes the need for States to develop infrastructure, train staff in the new culture and ensure that the program will be well-developed and implemented.

The package assumes that States share in the cost of welfare reform at a reasonable level; they will also share in the savings. The States' share of required expenditures on transitional assistance, WORK and child support enforcement of \$1.6 billion are more than balanced by estimated savings of \$1.7 billion from caseload reductions and child support enforcement. If States choose to enact the optional provisions of the proposal, which many States have already requested through waivers, our estimate is that the total cost to the States would be about \$1 billion.

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

Additional JOBS spending. New JOBS spending of \$2.8 billion over five years represents a 56-percent increase over current spending. In 1999, Federal spending allowed under the JOBS program will be \$1.9 billion. This will enable the JOBS program to serve approximately 750,000 participants at any one time. Costs per participant were estimated from the experience of the most effective current programs that provide education, training and placement services to welfare recipients.

WORK Spending. The WORK program, which begins serving participants in 1998 (when they begin hitting the two-year time limit), costs \$1.2 billion during the first five-year period. Costs of the WORK program increase over time, as more slots need to be developed for an expanded phased-in group, more of whom hit the time limit each year. By 1999, the WORK program is expected to be serving approximately 260,000 participants. WORK costs include materials and equipment, supervision, job development, and other costs.

Child Care Spending for JOBS and WORK participants. New child care spending of \$2.7 billion over five years for JOBS and WORK participants is added to annual Federal spending under current law. This represents the cost of a guarantee of child care to participants in both programs, and the costs of transitional child care for one year to those who leave the rolls. The estimates assume that in fiscal year 1999, 370,000 new slots will be created. Parental choice of child care arrangements, including both formal and informal arrangements, is guaranteed.

MAKING WORK PAY/CHILD CARE

Working Poor Child Care. The "At-Risk" program of child care for the working poor is increased to \$1 billion by 1999. This program supplements the Child Care and Development Block Grant (CCDBG), which is currently funded at about \$1 billion with increases requested. Together, the two programs will serve approximately 1.1 million working-poor children in fiscal year 1999. The cost of this provision is estimated at \$1.5 billion over five years.

Disregards for Earned Income and Child Support. To cover the costs of work expenses, States will disregard \$120 per month from the earnings of families working their way off the welfare rolls. States have the option of increasing disregards, both for earned income and for child support. The cost estimates assume that States serving half the caseload increase their disregards. The cost of this provision is estimated at \$0.2 billion over five years.

PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

Teen Pregnancy Prevention Grants. About 1,000 grants, averaging \$60,000 per year each, will be made to schools and community-based organizations for teen pregnancy prevention projects. In addition, the proposal will fund five to seven comprehensive youth and prevention demonstrations.

Child Support Enforcement and Demonstrations. Total net spending of \$0.5 billion over five years will increase computerization and enforcement staff. This new spending will generate modest AFDC savings and substantial improvements in the economic well-being of children by 1999. The returns on these investments will grow during the second five-year period. In addition, \$0.1 billion over five years will be spent on demonstrations.

Minor Parent Requirements and State Option to Limit Benefits for Additional Children. These new provisions are estimated to save \$0.1 billion over five years.

IMPROVING GOVERNMENT ASSISTANCE

Remove Two-parent Restrictions. The proposal allows States to remove the restrictions that treat two-parent families less favorably than one-parent families. Assuming that States serving half the caseload choose this option results in estimated Federal costs of \$0.2 billion.

Asset and Microenterprise Demonstrations. The proposal allows recipients to accumulate assets in restricted accounts and fund demonstrations of subsidized accounts and programs, and will cost about \$0.1 billion.

Other Conforming and Efficiency-enhancing Provisions. The proposal takes a number of steps to conform the rules of the AFDC and Food Stamp programs, to improve the efficiency of program operations and to decrease fraud. The total costs of these provisions are estimated to be \$0.2 billion.



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FINANCING THE PRESIDENT'S WELFARE REFORM PLAN

The President's welfare reform proposal does not increase the deficit or raise taxes. It is fully paid for over five years, *largely by reductions in entitlement spending*. The five-year total of these savings is over \$9 billion, more than \$7 billion of which is from reductions in entitlement spending. The offsets are as follows:

NEW REDUCTIONS IN ENTITLEMENT SPENDING

- Tighten SSI, AFDC, and Food Stamp sponsorship and eligibility rules for non-citizens. Sponsors of legal aliens would bear greater responsibility for those whom they encourage to come to the U.S. (Five-year savings: \$3.7 billion)
- Cap each State's spending in the AFDC Emergency Assistance (EA) program. EA spending has escalated dramatically in recent years as some States appear to have been using the funds for longer-term needs rather than for true emergency assistance to keep people off welfare. (\$1.6 billion)
- Income test meal reimbursements to family day care homes to improve targeting of subsidies. (\$500 million)
- Limit SSI eligibility for drug and alcohol addicted recipients (now under consideration in the Congress). (Approximately \$800 million)
- Better target agricultural support to full-time farmers by ending deficiency payments for those with more than \$100,000 in non-farm income. (\$500 million)

EXTENSIONS OF EXPIRING PROVISIONS

- Hold constant the portion of Food Stamp overpayment recoveries that States may retain. (\$100 million)
- Extend fees for passenger processing and other customs services as well as for railroad safety inspections. (\$200 million)
- Use excess savings from extension of corporate Superfund tax, with no impact on Superfund program. (\$1.6 billion)

REVENUE ENFORCEMENT MEASURES

- Deny the earned income tax credit (EITC) to non-resident aliens and require income reporting for EITC purposes for Defense personnel living abroad. (\$300 million)

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WORK AND RESPONSIBILITY ACT OF 1994

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 EITC targeting and compliance 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; by fiscal year 1999 they are projected to reach 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 proposal ensures that all States will receive continued funding equal to their 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, who agree as a condition of sponsorship that their relatives will not become public charges. To enforce this commitment, 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 the current five-year period of sponsor responsibility permanent law under the SSI program and extends from three years to five years sponsor responsibility under the AFDC and Food Stamp programs. The sponsor's income would be deemed as available to support the immigrant should they apply for public assistance. 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, if the sponsor has income above the U.S. median family income (\$39,500), the sponsor will continue to be responsible for ensuring the support of the immigrant. This will have the effect of denying benefits to immigrants with sponsors with income above the median. 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). These changes in deeming rules would not apply to, and would have no effect on, Medicaid eligibility for immigrants. This part of the proposal saves about \$2.8 billion over five years.

The proposal sets consistent deeming rules for sponsored immigrants across three Federal programs (SSI, AFDC, and Food Stamps). Sponsor responsibility is based on longstanding immigration policy that immigrants should not become public charges. Sponsored 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 not 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. For example, aliens whose departure the

INS does not contemplate enforcing are eligible for SSI, but not for Food Stamps. 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.

New Rules Regarding 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 \$800 million over five years. Should the final bill yield savings of less than \$800 million, we are committed to working with Congress to fully finance the package.

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 burden it would place on the providers). A USDA-commissioned study estimates that 71 percent of Federal food program dollars to family day care homes 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 food program 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." We propose 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 \$100 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 Expiring Corporate Environmental Income (CEI) Tax Used to Finance 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 CEI tax into 1998.

Superfund reauthorization legislation would provide a further CEI tax extension through the year 2000, which would provide sufficient additional credit needed 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.

EITC Targeting and Compliance Measures

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
New Rules Regarding Benefits for Drug Addicts and Alcoholics (H.R. 4277)	0.8 ¹
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 Expiring Corporate Environmental Income Tax Used to Finance Superfund	1.6
Tax Compliance Measures	
Deny EITC to Non-Resident Aliens	0.1
Require Income Reporting for Department of Defense Personnel	0.2
TOTAL	9.3¹

1. Because we are uncertain of the final outcome of H.R. 4277, the total financing number is preliminary. Should the final bill yield savings of less than \$0.8 billion, we are committed to working with Congress to fully finance the package.

WORK AND RESPONSIBILITY ACT

OF 1994

FROM WELFARE TO WORK

PRESIDENT CLINTON'S PLAN TO REFORM AMERICA'S WELFARE SYSTEM

Press Background Information

Tuesday, June 14, 1994

PRESIDENT CLINTON'S WELFARE REFORM PLAN

**The Commerce Bank -- Kansas City, Missouri
Tuesday, June 14, 1994**

President Clinton will unveil his plan to reform America's welfare system today in Kansas City, Missouri at a local business which has helped move community residents there from welfare to work. The cornerstones of the President's proposal -- work, responsibility and reaching the next generation - are simple principles. But together they form the underpinnings of a plan that will change welfare from a way of life into a transitional system that leads to work. The President's plan will also reinforce the core American value of responsibility, while recognizing the government's role in helping those who are willing to help themselves.

Fact sheets on the President's welfare reform plan -- the Work and Responsibility Act of 1994 -- its financing, and projected welfare caseloads in the year 2000, are attached.

President Clinton has chosen to present his welfare reform plan at the Commerce Bank in Kansas City today to highlight state and local models for reform. The Commerce Bank, like other Kansas City businesses, has helped residents there move from welfare to work by hiring participants in state welfare-to-work programs. The state of Missouri, also, has undertaken a number of initiatives that build on central principles of the Clinton plan. A fact sheet on those initiatives is attached.

Prior to his address today at Commerce Bank, the President will meet with a number of Missouri women who have moved from welfare to work with the help of state welfare reform programs. Bios on some of these women are attached and the remainder will be available in Kansas City. One of these women, Yolanda Magee, will introduce the President for his remarks today.

The speaking program for today's event is as follows: HHS Secretary Donna Shalala will speak first, followed by Kansas City Mayor Emanuel Cleaver. Mayor Cleaver will speak and introduce Missouri Governor Mel Carnahan, who will speak and introduce U.S. Rep. Alan Wheat (D-MO). Rep. Wheat will speak and introduce Commerce Bank CEO Jonathan Kemper, who will introduce Ms. Magee.

After the President's address, Domestic Policy Advisor Bruce Reed, a co-chair of the Welfare Reform Task Force, will brief reporters in the filing center on background on all aspects of the President's welfare reform plan. Joining Reed will be the task force's other co-chairs David Ellwood, Assistant Secretary at HHS for Planning and Evaluation, and Mary Jo Bane, Assistant Secretary at HHS for Children and Families.

WELFARE REFORM: 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. 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.

Making Welfare a Transition to Work: Building on the 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 few families. Our proposal would expand and improve the current program to include:

- **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 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.
- **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.

● **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: Work Not Welfare After Two Years

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.

Supporting Working Families: The EITC, Health Reform, Child Care

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

- **The Earned Income Tax Credit (EITC).** The expanded EITC will lift millions of workers out of poverty. 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.
- **Health care reform.** Universal health care will allow people to leave welfare without worrying about coverage for their families.
- **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.

WELFARE REFORM: 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.

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 provides 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 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.

WELFARE REFORM: 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.

Preventing Teen Pregnancy

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.
- **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.
- **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.

Phasing in Young People First

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.

A Clear Message for Teen Parents

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.

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 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.

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 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.

FINANCING THE PRESIDENT'S WELFARE REFORM PLAN

The President's welfare reform proposal does not increase the deficit or raise taxes. It is fully paid for over five years, *largely by reductions in entitlement spending*. The five-year total of these savings is over \$9 billion, more than \$7 billion of which is from reductions in entitlement spending. The offsets are as follows:

NEW REDUCTIONS IN ENTITLEMENT SPENDING

- Tighten SSI, AFDC, and Food Stamp sponsorship and eligibility rules for non-citizens. Sponsors of legal aliens would bear greater responsibility for those whom they encourage to come to the U.S. (Five-year savings: \$3.7 billion)
- Cap each State's spending in the AFDC Emergency Assistance (EA) program. EA spending has escalated dramatically in recent years as some States appear to have been using the funds for longer-term needs rather than for true emergency assistance to keep people off welfare. (\$1.6 billion)
- Income test meal reimbursements to family day care homes to improve targeting of subsidies. (\$500 million)
- Limit SSI eligibility for drug and alcohol addicted recipients (now under consideration in the Congress). (Approximately \$800 million)
- Better target agricultural support to full-time farmers by ending deficiency payments for those with more than \$100,000 in non-farm income. (\$500 million)

EXTENSIONS OF EXPIRING PROVISIONS

- Hold constant the portion of Food Stamp overpayment recoveries that States may retain. (\$100 million)
- Extend fees for passenger processing and other customs services as well as for railroad safety inspections. (\$200 million)
- Use excess savings from extension of corporate Superfund tax, with no impact on Superfund program. (\$1.6 billion)

REVENUE ENFORCEMENT MEASURES

- Deny the earned income tax credit (EITC) to non-resident aliens and require income reporting for EITC purposes for Defense personnel living abroad. (\$300 million)

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Work and Responsibility Act of 1994

Five-Year Cost Summary¹

(\$ billions)

Additional funding for education, training and placement	2.8
WORK slots for participants who reach the two-year time limit	1.2
Additional child care spending for those in the mandatory education and training program and in the WORK slots	2.7
Additional child care for the working poor	1.5
Initial investments in the child support enforcement system and demonstrations	0.6
Teen pregnancy prevention	0.3
Other ²	1.7
Total	10.8
Net savings³	(1.5)
Net total	9.3

¹ Budget outlays

² Includes state option to eliminate bias against two-parent families; investments in automation; and incentives to work and save.

³ From caseload reductions and reduced fraud

IN THE YEAR 2000, UNDER REFORM:

- 2.4 MILLION ADULTS WILL BE SUBJECT TO THE NEW RULES, INCLUDING TIME LIMITS AND WORK REQUIREMENTS.
- ALMOST ONE MILLION PEOPLE WILL EITHER BE OFF WELFARE OR WORKING:
 - 331,000 PEOPLE WHO WOULD HAVE BEEN ON WELFARE WILL HAVE LEFT THE WELFARE ROLLS.
 - 222,000 PARENTS WILL BE WORKING PART-TIME IN UNSUBSIDIZED JOBS.
 - 394,000 PEOPLE WILL BE IN SUBSIDIZED JOBS IN THE WORK PROGRAM. THAT'S UP FROM 15,000 NOW.
- ANOTHER 873,000 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 PARENTS WHO OWE CHILD SUPPORT ACROSS STATE LINES.

FOR YOUNGER RECIPIENTS, THE CHANGE WILL BE DRAMATIC:

- **IN THE YEAR 2000, 14 PERCENT OF PARENTS UNDER AGE 29 WHO WOULD HAVE STILL BEEN ON WELFARE WITHOUT REFORM WILL HAVE LEFT THE ROLLS.**
- **26 PERCENT OF MOTHERS UNDER AGE 29 WILL BE WORKING: NINE PERCENT PART-TIME IN UNSUBSIDIZED PRIVATE SECTOR JOBS, AND 17 PERCENT IN THE NEW WORK PROGRAM. TODAY, JUST FIVE PERCENT OF YOUNG WELFARE RECIPIENTS WORK; ALMOST ALL OF THEM IN PART-TIME JOBS.**
- **37 PERCENT OF PARENTS UNDER AGE 29 WILL BE SUBJECT TO STRONGER EDUCATION AND TRAINING REQUIREMENTS, STRICT STANDARDS, TOUGH SANCTIONS FOR NONCOMPLIANCE, AND A TWO-YEAR TIME LIMIT. TODAY, JUST 22 PERCENT OF YOUNG WELFARE RECIPIENTS ARE EVEN EXPECTED TO PARTICIPATE IN ANY KIND OF EDUCATION OR TRAINING PROGRAM. PARTICIPATION STANDARDS ARE LOW AND THERE ARE NO TIME LIMITS TO ENCOURAGE MOVEMENT TO WORK.**
- **AND, UNDER WELFARE REFORM, PARENTS UNDER AGE 29 WILL BE SUBJECT TO MUCH STRONGER PARTICIPATION REQUIREMENTS. JUST 23 PERCENT OF THESE YOUNG MOTHERS WILL BE TEMPORARILY DEFERRED BECAUSE THEY HAVE A CHILD UNDER TWELVE MONTHS OF AGE; HAVE A DISABLED CHILD; OR ARE SERIOUSLY ILL THEMSELVES. TODAY, 73 PERCENT OF YOUNG WELFARE RECIPIENTS ARE EXEMPT FROM EDUCATION AND TRAINING REQUIREMENTS.**

Meeting with Former Welfare Recipients

The following are individuals scheduled to meet with President Clinton prior to his address at the Commerce Bank. Each of these women has moved from welfare to work with the assistance of state welfare reform programs.

Kathy Romero is a 21-year old single mother of a three-year old daughter who, with the help of Kansas City FUTURES, obtained her GED and is now employed at Lutheran Trinity Hospital. At 17 she applied for AFDC and dropped out of high school, thinking that the father of her child would care for them.

After being on AFDC for one year Kathy realized that in order to support her daughter on her own, she needed to do something more with her life. While in a GED training course in 1991, she learned about the FUTURES program and believes that without this program, she would still be on welfare today. FUTURES provided her with tuition assistance and child care which allowed her to earn her GED and continue training to become an admissions clerk. Even with this assistance, it was a difficult time for Kathy, but she attributes much of her success to the constant support of her FUTURES advocate (case manager) Rachel. In 1992, one of her training sites was so impressed with her work that they hired her without previous experience. She has been working at Trinity Lutheran Hospital as an admitting clerk ever since. Kathy describes her experience with FUTURES by saying, "It helped me out so that I could support my daughter on my own. It's improved me to help my daughter."

Pamela Ruhnke is a 32-year-old mother raising three children without any child support. She was on welfare for five years but is now working full time earning \$7.36 per hour in a sheet metal apprenticeship program at Cates Sheet Metal. When Pam first applied for AFDC benefits in 1989 after leaving her second husband, she found out that she was making too much money to qualify for benefits. At the same time, her three jobs as receptionist, housekeeper and desk clerk did not pay enough to support her family. When she went to apply for welfare assistance, she learned she would need to quit two of her jobs in order to qualify for assistance. Pam explains that "I went in for a little bit of assistance. They told me I was making too much money, so I quit my jobs and went back and reapplied. It's pretty sad when you're working hard and they won't help you."

A common problem for people trying to leave welfare is that it simply does not pay for them to go to work. The President's welfare reform plan will make work pay more than welfare for single mothers through three initiatives: promoting the recently increased Earned Income Tax Credit; dramatically increasing child care for both welfare recipients in education and training programs as well as low-income working families; and, through the Administration's health care initiative, providing universal health care for all families.

In May 1993, Pam joined the FUTURES program where she went to Adult Basic Education and to Full Employment Counseling/Job Training. She finished the program in May 1994 and found a job with Cates Sheet Metal in Olathe, MO, where she has been working for two months. She is in a five-year union apprenticeship program; when completed, she will earn between \$21 and \$24 per hour.

Meeting with President Clinton, Page 2

Vicki Phelps, a 34-year old single mother of three children ages 14, 6 and 5, raises her children without child support. Vicki was receiving AFDC for more than five years, but now works full-time as a Team Coordinator at Continuum Vantage, an insurance company, where she supervises three employees and handles all billing for more than 700 clients.

In 1987, Vicki was working for an insurance company in a position that she had held for a year and a half. When she began having medical problems and required minor surgery, Vicki's whole life changed. The medication that she was taking made her drowsy, she missed a lot of work, and she finally had to give up her job. She had one child at the time, but soon after leaving work, found out that she was pregnant with her second child. At this time in late 1987, Vicki turned to AFDC to support her family.

Vicki's story illustrates how important just a little help can be in getting on one's feet. Vicki started at the Women's Employment Network (WEN) in the summer of 1992. They provided money for child care, transportation and emergency assistance. Vicki participated in their 15-day life skills/job readiness component and then began an intensive job search.

Prior to WEN, Vicki had repeatedly tried to interview with Continuum Vantage. With her newly improved resume and interview skills, Vicki was offered a job and started there as a billing clerk in November 1992, earning \$15,000 per year. She went off AFDC upon beginning work, and continued to receive Food Stamps and Medicaid. She has since been promoted three times and is currently a Team Coordinator. She earns \$18,100 per year and is independent of public assistance.

Christine McDonald is a 27-year old single mother of two children, ages 8 and 5. She has never been married. Christine received benefits under AFDC off and on for several years before she was able to obtain a steady, well-paying job with Pepsi-Cola. One major problem that kept Christine on welfare was the lack of available subsidized child care.

Christine had her first child at age 19 and her second son at age 20. She went on welfare when she had her first child. However, this child died an accidental death when he was 22 months old, leaving Christine emotionally distressed and with little motivation. After recovering from the accident, Christine started working at K-Mart; she went off AFDC and continued to receive Food Stamps and Medicaid. After five months, Christine left K-Mart for a better-paying job at a grocery store. Christine was still off AFDC. In 1988, Christine had her third son and continued to work at the grocery store, until she ran into problems with her child care. She was living in subsidized housing at the time, but was on a waiting list for subsidized child care for both of her children. At this time, Christine had to leave her job and go back onto AFDC because she could no longer afford her own child care. In 1990, Christine finally received the subsidized child care and accepted a job with a Richmond Gorman department store as a shipping supervisor. In 1991, Richmond Gorman went out of business and Christine lost her job. She went back to welfare, and volunteered for the FUTURES program. FUTURES helped her to find the job that she currently has with Pepsi-Cola where she has been a laborer since December 1992. Christine earns \$11.35/hour and is independent of AFDC.

Meeting with President Clinton, Page 3

Birdella Smith, a 34-year old mother of three sons ages 17, 15 and 11, is divorced after being married for six years. She receives child support for her two older sons; but her ex-husband (father of her third son) owes child support to her. Birdella has her high school degree and two years of credits from Penn Valley Community College. She had been on and off AFDC for several years until the FUTURES and Women's Employment Network (WEN) helped her to find a steady job with HOK Sports Facilities. Birdella's story illustrates how the need for medical care can keep single mothers on welfare rather than in entry-level jobs.

Birdella had her first son at age 18, after graduating from high school in 1977. She went to Penn Valley Community College and worked part-time at the college while her sister watched her son. Birdella had her second son in 1979. In 1981, she left Kansas City and moved to Nebraska with her fiance who was in the service. She continued to be on AFDC in Nebraska for one year before getting a job. She had her third son in 1982 and was married in 1983. She was not on AFDC at this time or throughout her marriage. Her husband continued to serve in the military and Birdella worked as an office cleaner and at Burger King. In 1984, the family moved to Chicago because of the service. She continued to work in Chicago. In 1986, however, Birdella separated from her husband, who had become abusive and addicted to drugs and alcohol. He was dishonorably discharged from the service and left town. At the time, Birdella was working as an assistant supervisor at a communication center, but left her job to move back to her family in Kansas City.

After she arrived back in Kansas City, Birdella took a job with a portrait studio as a receptionist, earning \$5.50 per hour. She had no place to live and had to move around to different relatives' houses. She did not have medical benefits with her job and also could not qualify for public housing because of the money that she had been making in Chicago. At this time, Birdella had to leave her job in order to get medical coverage; she had to wait until 1989 before she qualified for public housing. Back on welfare, Birdella participated in the Missouri FUTURES program which referred her to the Women's Employment Network (WEN) in 1992. Within one month of graduating from WEN's job preparation component, Birdella found a job as a secretary with HOK Sports Facilities, an architectural firm that designs major league and university facilities. She makes \$6.75/hour and receives full benefits.

Yolanda Magee, a 21-year old single mother of two-year old son, was on welfare for approximately nine months before finding a full-time job as a research clerk at Commerce Bank in Kansas City. Yolanda had her son at age 19, soon after graduating high school. She had been working as a clerk at T.J. Maxx retail store until her son was born, and she applied for welfare. She is not in touch with his father and does not receive child support.

Yolanda's story illustrates how training and case management can really work to move welfare recipients off welfare and into employment quickly. After six months at home with her son, Yolanda says that she was "tired of sitting at home...I wanted to work for a living." Yolanda heard from a friend about a computer training course at the Urban League, which she started attending in March 1992. The Urban League also set her up with the FUTURES program to provide her the supports (including child care assistance, counseling, and transportation assistance) that she would need in order to make the transition from welfare to work. FUTURES assigned Yolanda an advocate/case manager who visited her on-site at the Urban League every week. The Urban League's job placement office helped Yolanda with her resume and interview skills so that by June 1992, Yolanda had been offered a job by Commerce Bank. Yolanda is still in this job, earns \$6.71 per hour with benefits and is independent of public assistance.

Meeting With President Clinton, Page 4

Arlenda Moffitt, a 26-year old mother of two sons ages 5 and 7 has been on and off welfare since 1986. Six weeks ago, she started a job in customer service with the Pitney-Bowes Management Service which pays \$7 per hour with full benefits; this was her last month on welfare. With the help of both the Women's Employment Network (WEN) and the FUTURES programs, Arlenda has come from living in a shelter to working full-time and supporting her two sons.

Arlenda has tried working several part-time jobs to support her children, since she was getting no help from their father. She realized she needed more training in order to get a better job and to get off welfare once and for all. She entered the Women's Employment Network (WEN) in 1989. WEN was extremely supportive, encouraging her efforts to obtain a GED. They helped her with her interview skills, job readiness training, clothing, and parenting skills. Part-way through WEN, Arlenda became involved with the FUTURES program as well. FUTURES assigned an advocate (case manager) to Arlenda who helped her find her current job as a customer service representative at Pitney-Bowes Management Service. Arlenda appreciates the strong case management approach of FUTURES, saying: "It's so breathtaking. Talk about the support. FUTURES was always there for me...when they couldn't help, others did. When I got my GED, they even hung a banner to congratulate me."

KANSAS CITY, MISSOURI

State and Local Model for Welfare Reform

President Clinton has chosen to unveil his welfare reform plan in Kansas City to highlight state and local models for reform that exemplify the reforms outlined in the Work and Responsibility Act being announced today.

The state of Missouri, and in particular Kansas City, have undertaken a number of initiatives that build on central principles of the Clinton plan:

Involving the Private Sector -- the key to moving people from welfare to work is finding jobs. Government must work in partnership with the private sector, community organizations and civic leaders to develop jobs matching individual skills and local employment opportunities.

- o In Kansas City, the Local Investment Commission (LINC), has brought together just such a partnership to support a variety of initiatives including Missouri's 21st Century Communities Demonstration that is working to reform human services at the local level.
- o The Commerce Bank is one of many private businesses in Kansas City that have hired people from training programs designed to move them from welfare to work.

Making Welfare Transitional -- Missouri's Governor Carnahan has developed a welfare reform plan ("Beyond Welfare"), similar in many ways to the Clinton plan, designed to change the culture of welfare from writing checks to moving people to self-sufficiency. Many elements of "Beyond Welfare" are part of the Clinton plan, including:

- o wage supplements - providing employers with money that would go to recipients as welfare to serve as a wage supplement to encourage job-creation in low-income neighborhoods;
- o time limited self-sufficiency pacts - entering into flexible time limited contracts with welfare recipients on a case by case basis to provide them the services they need to go to work as quickly as possible;
- o improved paternity establishment - promoting efforts to increase the number of paternities established at birth.

Model Programs -- Several model programs at the state and local level provide services and training to welfare recipients to help them find jobs and become self-sufficient. People who have successfully gone through these programs are meeting with the President before his speech today, and some of their stories are attached. These programs include:

- o FUTURES - Missouri's JOBS program, FUTURES, is overseen in Kansas City by the FUTURES Advisory Committee, a public-private partnership that designed the program with local input. The program provides welfare recipients with the education, training, case management and support services needed to help them find jobs and become self-sufficient. In its first three years, it has placed 240 participants in employment with an hourly wage of \$6.55. 100 others received their GED and 500 people completed life skills training.
- o Women's Employment Network - Since 1986, the Women's Employment Network has served over 1,500 women and placed 78 percent of them in jobs. WEN is a non-profit community based organization, funded partly by state and federal funds and through corporate and foundation support. Community based non-profit organizations have proven very successful nationally in helping move people from welfare to work, and the Clinton plan is supportive of these efforts.

PRESS SCHEDULE

**Trip of the President
to
Kansas City, MO
Tuesday, June 14, 1994**

**NOT FOR RELEASE-For news planning only
Times are tentative and subject to change**

8:00am EDT PRESS CHECK-IN, Operations Terminal, Andrews AFB

**8:45am EDT PRESS CHARTER departs, Andrews AFB enroute Kansas
City International Airport, Kansas City, MO
[Fly time: 2 hrs, 45 mins]
[Time change: MINUS one to Central Daylight]**

**9:45am EDT AIR FORCE ONE POOL #1 CHECK-IN, Andrews Air
Force Base Ops Terminal**

Pool note: Members of AF One Pool #1 are:

Wire Corr:	AP, Reuter, UPI
Wire Photo:	AP, Reuter, UPI, AFP
TV Crew & Corr:	CNN
Mag Photo:	Newsweek
Mag Corr:	USNWR
Radio:	Westwood One
Print:	Boston Globe

**10:00am EDT THE PRESIDENT boards Marine One, South Lawn, the White House
OPEN PRESS**

**10:10am EDT MARINE ONE departs the White House enroute Andrews AFB
OPEN PRESS**

**10:20am EDT MARINE ONE arrives Andrews AFB and the President boards Air
Force One
OPEN PRESS**

**10:30am EDT AIR FORCE ONE DEPARTS Andrews AFB enroute Kansas City
Int'l Airport, Kansas City, MO
OPEN PRESS -- Pool #1/AF One pool accompanies onboard
[Fly time: 2 hr 15 min]
[Time Change: MINUS one]**

10:30am CDT
11:30am EDT

**PRESS CHARTER ARRIVES TWA Operations Ramp,
Kansas City Int'l Airport.**

Press Choices on arrival at TWA Operations:

- (1) Rest of Expanded Pool #1 waits for Air Force One to join travel pool. AF One arrival is within walking distance of press charter parking. These poolers will be swept at planeside on arrival.
- (2) Buses depart press plane immediately for Commerce Bank (event and filing site).
- (3) Non pool press can remain at airport to cover the arrival of Air Force One but note: You can NOT get to the event at the bank in time if you stay at the airport for the arrival. There are no remarks on arrival at airport.

10:50am CDT
11:50am EDT

**PRESS BUSES DEPART TWA Operations Ramp
enroute The Commerce Bank, 922 Walnut Street (between 9th
and 10th), Kansas City MO**
[Drive time: 25-30 minutes]

11:20am CDT
12:20pm EDT

**Press buses arrive The Commerce Bank,
9th and Walnut Streets, Kansas City.**

Press Note: Press on these buses will go through security check on arrival at the bank. If you leave the building, you will have to go through security again to re-enter.

Press Notes on Commerce Bank:

-- The President's speech site is in the street level lobby area of the bank; the Filing Center is one floor below (called the "10th Street Lobby"). Stairwell connects the two floor. Press entrance is WALNUT STREET.

-- In Commerce Bank 10th Street Lobby (Lower Level): Filing Center, WH Press Office and TV transmission pool share the same space.

Facilities in filing center:

25 phones, table workspace with electric outlets, mults and PA with audio from upstairs event. Lunch.

11:45am EDT AIR FORCE ONE ARRIVES TWA Operations Ramp, Kansas City
International Airport, Kansas City MO
OPEN PRESS
and Expanded Pool #1

11:55am EDT THE PRESIDENT BOARDS MOTORCADE AND DEPARTS
Kansas City Int'l Airport enroute downtown Kansas City
Expanded Pool #1 accompanies in motorcade

Press Note: Expanded pool vehicle assignments
throughout this trip are:

Cam 1: CNN

Wire 1: (15 psgr van):

Wire Corr: AP, Reuter

Wire Photo: AP, Reuter, UPI, AFP

Wire 2 (15 psgr van):

Mag Photo: Newsweek, USNWR, TIME

Mag Corr: USNWR

Radio: per pools

Print: per pools

Net 2 (minivan): NBC News

Net 3 (minivan): ABC News

Net 4 (minivan): CBS News

12:05pm CDT LAST PRESS BUS DEPARTS TWA Operations Ramp
1:05pm EDT enroute The Commerce Bank after Air Force One arrival.
[Drive time: 30 minutes]

Press Note: This last bus will arrive at the Commerce
Bank AFTER the event has begun. Press on this bus
will be escorted into the event's press areas and/or to
Filing Center.

12:15pm CDT THE PRESIDENT ARRIVES The Commerce Bank, Walnut and
1:15pm EDT Ninth Streets, Kansas City, MO and proceeds to private time.
Expanded Pool #1 protective coverage of arrival

12:15pm CDT
1:15pm EDT

Expanded Pool #1 disbands after the President is in the bank and Pool has arrived at this Open Press event. Poolers from motorcade will be escorted into the event site in bank lobby or to Filing Center downstairs as they wish.

Press Notes on Announcement/address:

Event is indoors.

Main cam platform: 60' throw to podium

Cutaway riser at stage right: 20-25' to podium

Lighting: 3200 Kelvin color-corrected for fluorescent.

Audio: in mults in lobby at main cam platform and at cutaway platform.

In Filing Center of Commerce Bank:

audio on mults and PA

Unrestricted video of this event:

Available on satellite:

C-BAND: Galaxy C7, Transponder 13 H
Downlink Freq: 3960
Audio: 6.2/6.8

K-BAND: Galaxy K7, Transponder 21 V
Downlink Freq: 12110
Audio: 6.2/6.8

12:45pm CDT
1:45pm EDT

THE PRESIDENT ADDRESSES officials of Missouri, of Kansas City and participants of the Future Now program on the "Work and Responsibility Act", his comprehensive package for welfare reform, Commerce Bank lobby, 922 Walnut Street, Kansas City.

OPEN PRESS

Program elements:

Welcome by the Mayor of Kansas City

Remarks by the Secretary of Health and Human Services

Remarks by Rep. Alan Wheat

Remarks by Governor Mel Carnahan

Remarks by Jonathan Kemper, President of Commerce Bank

Introduction of the President by Ms. Yolanda Magee,
participant in Futures program

Remarks by the President

1:15pm CDT Members of expanded pool #2 form, at stage right press riser,
2:15pm EDT for escort to motorcade departure point.

Pool note: Members of Expanded Pool #2 are:
All of Expanded Pool #1 with:
New radio: VOA
New print: Chicago Tribune

1:15pm CDT **ADDRESS CONCLUDES.** The President proceeds
2:15pm EDT to motorcade departure point at The Commerce Bank.

1:30pm CDT **THE PRESIDENT BOARDS MOTORCADE AND DEPARTS**
2:30pm EDT The Commerce Bank enroute private time, Kansas City area.
Expanded Pool #2 accompanies in motorcade

Schedule note: The President's activities during this time
are TBA, and are either private or informal in nature.
Expanded Pool #2 will remain with him.

1:30pm CDT **BACKGROUND BRIEFING IN KANSAS CITY:** Senior
2:30pm EDT administration officials brief on background on the "Work and
Responsibility Act" and the President's package for welfare reform,
Press Filing Center in 10th Street lobby (lower level) of the Commerce
Bank, 922 Walnut Street, Kansas City.

Note: This briefing is not for camera. It will begin at
1:30pm or as soon as the President has departed the
lobby of the Commerce Bank.

Note: Audio of this briefing will be on the mults and PA
of the Press Briefing Room at the White House.

2:00pm CDT **Background Briefing concludes**
3:00pm EDT **PRESS FILING BEGINS,** The Commerce Bank, Lower level

2:30pm CDT THE PRESIDENT ARRIVES Kansas City International
3:30pm EDT Airport, TWA Operations facility, and proceeds to private gathering.

Pool Facilities at Airport: Pool will hold in TWA hangar with 3 phones, table workspace and electric outlets. Courier address to get to pool: Go to 112th Street entrance of airport for escort to TWA Ops hangar.

3:15pm CDT Expanded Pool #2 gathers for escort to
4:15pm EDT the President's departure point.

3:30pm CDT THE PRESIDENT boards motorcade and departs
4:30pm EDT TWA Operations Hangar enroute Air Force One.
Expanded Pool #2 accompanies in motorcade

3:35pm CDT THE PRESIDENT BOARDS Air Force One
4:35pm EDT TWA Operations ramp, Kansas City Int'l Airport.

3:35pm CDT Air Force One Pool #2-A boards Air Force One
4:35pm EDT

Pool note: AF One Pool #2-A is a subset of Expanded Pool #2; Members of Pool #2-A are:
Wire Corr: AP, Reuter, UPI
Wire Photo: AP, Reuter, UPI, AFP
TV Crew & Corr: CNN
Mag Photo: Newsweek
Mag Corr: USNWR
Radio: VOA
Print: Chicago Tribune

3:30pm CDT PRESS FILING ENDS at Commerce Bank
4:30pm EDT Press proceed to board press buses
Note: These buses will depart at 3:45pm CDT.

3:45pm CDT AIR FORCE ONE DEPARTS Kansas City Int'l
4:45pm EDT Airport enroute Andrews Air Force Base
OPEN PRESS
Pool #2-A accompanies on board
[Flying time: 2 hrs 05 mins]
[Time change: PLUS one to Eastern Daylight]

3:45pm CDT PRESS BUSES DEPART the Commerce Bank

4:45pm EDT enroute press charter at TWA Operations ramp,
Kansas City Int'l Airport.

[Drive time: Approx 30 mins]

4:15pm CDT PRESS BUSES ARRIVE Press charter

5:15pm EDT at TWA Operations Ramp.

5:00pm CDT PRESS CHARTER DEPARTS Kansas City Int'l Airport

6:00pm EDT enroute Andrews Air Force Base

[Fly Time: 2 hrs 35 mins]

[Time change: PLUS one to Eastern Daylight]

6:50pm EDT AIR FORCE ONE arrives Andrews AFB

Open Press

7:00pm EDT MARINE ONE departs Andrews AFB enroute the

South Lawn, the White House

Open Press

7:10pm EDT MARINE ONE ARRIVES the White House

Open Press

8:35pm EDT Press Charter arrives Andrews Air Force Base.

SENT BY: Xerox Teletypewriter 7020 ; 6-13-94 ; 12:39 ;

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Tentative Press Schedule Page 2
Trip to Kansas City, MO TUE JUN 14 1994
NOT FOR RELEASE - For news planning only

10:30am CDT
11:30am EDT

**PRESS CHARTER ARRIVES TWA Operations Ramp,
 Kansas City Int'l Airport.**

Press Choices on arrival at TWA Operations:

- (1) Rest of Expanded Pool #1 waits for Air Force One to join travel pool. AF One arrival is within walking distance of press charter parking. These poolers will be swept at planside on arrival.
- (2) Buses depart press plane immediately for Commerce Bank (event and filing site).
- (3) Non pool press can remain at airport to cover the arrival of Air Force One but note: You can NOT get to the event at the bank in time if you stay at the airport for the arrival. There are no remarks on arrival at airport.

10:50am CDT
11:50am EDT

PRESS BUSES DEPART TWA Operations Ramp
 enroute The Commerce Bank, 922 Walnut Street (between 9th and 10th), Kansas City MO
 (Drive time: 25-30 minutes)

11:20am CDT
12:20pm EDT

**Press buses arrive The Commerce Bank,
 9th and Walnut Streets, Kansas City.**

Press Notes: Press on these buses will go through security check on arrival at the bank. If you leave the building, you will have to go through security again to re-enter.

Press Notes on Commerce Bank:

- The President's speech site is in the street level lobby area of the bank; the Filing Center is one floor below (called the "10th Street Lobby"). Stairwell connects the two floor. Press entrance is WALNUT STREET.
 - In Commerce Bank 10th Street Lobby (Lower Level): Filing Center, WH Press Office and TV transmission pool share the same space.
- Facilities in filing center:**
 25 phones, table workspaces with electric outlets, multis and PA with audio from upstairs event. Lunch.

**Tentative Press Schedule Page 3
Trip to Kansas City, MO TUE JUN 14 1994
NOT FOR RELEASE - For news planning only**

11:45am EDT

**AIR FORCE ONE ARRIVES TWA Operations Ramp, Kansas City International Airport, Kansas City MO
OPEN PRESS
and Expanded Pool #1**

11:45am EDT

**THE PRESIDENT BOARDS MOTORCADE AND DEPARTS
Kansas City Int'l Airport enroute downtown Kansas City
Expanded Pool #1 accompanies in motorcade**

Press Notes Expanded pool vehicle assignments throughout this trip are:

Cam 1: CNN

Wire 1: (15 pgr van):

Wire Corr:

Wire Photo:

Wire 2 (15 pgr van):

Mag Photo:

Mag Corr:

Radio:

Print:

Net 2 (minivan): NBC News

Net 3 (minivan): ABC News

Net 4 (minivan): CBS News

**12:05pm CDT
1:05pm EDT**

**LAST PRESS BUS DEPARTS TWA Operations Ramp enroute The Commerce Bank after Air Force One arrival.
[Drive time: 30 minutes]**

Press Notes This last bus will arrive at the Commerce Bank AFTER the event has begun. Press on this bus will be escorted into the event's press areas and/or to Filing Center.

**12:15pm CDT
1:15pm EDT**

**THE PRESIDENT ARRIVES The Commerce Bank, Walnut and Ninth Streets, Kansas City, MO and proceeds to private time.
Expanded Pool #1 protective coverage of arrival**

Tentative Press Schedule Page 4
Trip to Kansas City, MO TUE JUN 14 1994
NOT FOR RELEASE - For news planning only

12:15pm CDT
1:15pm EDT

Expanded Pool #1 disbands after the President is in the bank and Pool has arrived at this Open Press event. Poolers from motorcade will be escorted into the event site in bank lobby or to Filing Center downstairs as they wish.

12:30pm CDT
1:30pm EDT

THE PRESIDENT ADDRESSES officials of Missouri, of Kansas City and participants of the Future Now program on the "Work and Responsibility Act", his comprehensive package for welfare reform, Commerce Bank lobby, 922 Walnut Street, Kansas City.
OPEN PRESS

Press Notes on Announcement/address:
Event is indoors.

Main cam platform: 60' throw to podium
Cutaway riser at stage right: 20-25' to podium
Lighting: 3200 Kelvin color-corrected for fluorescent.
Audio: in muls in lobby at main cam platform and at cutaway platform.

In Filing Center of Commerce Bank:
audio on muls and PA.

Unrestricted video of this event:
Available on satellite:

C-BAND: Galaxy C7, Transponder 13 H
Downlink Freq: 3960
Audio: 6.2/6.8
K-BAND: Galaxy K7, Transponder 21 V
Downlink Freq: 12110
Audio: 6.2/6.8

1:00pm CDT Members of expanded pool #2 form, at stage right press riser,
2:00pm EDT for escort to motorcade departure point.

Pool notes: Members of Expanded Pool #2 are:
All of Expanded Pool #1 with:
New radio: TBA
New print: TBA

1:15pm CDT ADDRESS CONCLUDES. The President proceeds
2:15pm EDT to motorcade departure point at The Commerce Bank.

130 Bruce Reed, Ellwood, Banc Briefing
with Filing Center

Tentative Press Schedule Page 5
Trip to Kansas City, MO TUE JUN 14 1994
NOT FOR RELEASE - For news planning only

1:30pm CDT THE PRESIDENT BOARDS MOTORCADE AND DEPARTS
2:30pm EDT The Commerce Bank enroute private time, Kansas City area.
Expanded Pool #2 accompanies in motorcade

Schedule notes: The President's activities during this time are TBA, and are either private or informal in nature. Expanded Pool #2 will remain with him.

2:30pm CDT THE PRESIDENT ARRIVES Kansas City International
3:30pm EDT Airport, TWA Operations facility, and proceeds to private gathering.

Pool Facilities at Airport hold:
This event and the pool hold are near the Air Force One and press charter parking site. Pool will hold in TWA hangar, with 3 phones, table workspace and electric outlets. Courier address to get to pool: Go to 112th Street entrance of airport for escort to TWA Ops hangar.

3:15pm CDT Expanded Pool #2 gathers for escort to
4:15pm EDT the President's departure point.

3:30pm CDT THE PRESIDENT PROCEEDS from TWA Operations Hangar
4:30pm EDT to Air Force One and boards.
Expanded Pool #2 coverage
Air Force One Pool #2-A boards Air Force One

Pool notes: AF One Pool #2-A is a subset of Expanded Pool #2; Members of Pool #2-A are:

Wire Corr:	AP, Reuter, UPI
Wire Photo:	AP, Reuter, UPI, AFP
TV Crew & Carr:	CNN
Mag Photo:	Newsweek
Mag Carr:	USNWR
Radio:	TBA
Print:	TBA

3:30pm CDT PRESS FILING ENDS at Commerce Bank
4:30pm EDT Press proceed to board press buses
Notes: These buses will depart at 3:45pm CDT.

**Tantative Press Schedule Page 6
Trip to Kansas City, MO TUE JUN 14 1994
NOT FOR RELEASE - For news planning only**

3:45pm CDT AIR FORCE ONE DEPARTS Kansas City Int'l

4:45pm EDT Airport enroute Andrews Air Force Base

OPEN PRESS

Pool #2-A accompanies on board

[Flying time: 2 hrs 05 mins]

[Time change: PLUS one to Eastern Daylight]

3:45pm CDT PRESS BUSES DEPART the Commerce Bank

**4:45pm EDT enroute press charter at TWA Operations ramp,
Kansas City Int'l Airport.**

[Drive time: Approx 30 mins]

4:15pm CDT PRESS BUSES ARRIVE Press charter

5:15pm EDT at TWA Operations Ramp.

5:00pm CDT PRESS CHARTER DEPARTS Kansas City Int'l Airport

6:00pm EDT enroute Andrews Air Force Base

[Fly Time: 2 hrs 35 mins]

[Time change: PLUS one to Eastern Daylight]

8:35pm CDT Press Charter arrives Andrews Air Force Base.

THE WHITE HOUSE

WASHINGTON

ANNOUNCEMENT OF THE WELFARE REFORM PLAN

DATE: June 14, 1994
LOCATION: Commerce Bank
Kansas City, Missouri
TIME: 12:30 p.m.
FROM: Jonathan Prince/Kathi Way

I. PURPOSE

To unveil the Administration's Welfare Reform Plan.

II. BACKGROUND

The state of Missouri, and in particular Kansas City, have undertaken a number of initiatives that build on central principles of the Administration's Welfare Reform Plan:

Involving the Private Sector: the key to moving people off welfare is finding jobs. Government must work in partnership with the private sector, community organizations and civic leaders to develop jobs that match individual skills and local employment opportunities.

- o In Kansas City, the Local Investment Commission (LINC), has brought together just such a partnership to support a variety of initiatives including Missouri's 21st Century Communities Demonstration that is working to reform human services at the local level.
- o The Commerce Bank is one of many private businesses in Kansas City that have hired people from training programs designed to move them from welfare to work.

Making Welfare Transitional -- Missouri's Governor Carnahan has developed a welfare reform plan ("Beyond Welfare"), similar in many ways to the Clinton plan, designed to change the culture of welfare from writing checks to moving people to self-sufficiency. Many elements of "Beyond Welfare" are part of the Clinton plan, including:

- o wage supplements - providing employers with money that would go to recipients as welfare to serve as a wage supplement to encourage job-creation in low-income neighborhoods;

- o time limited self-sufficiency pacts - entering into time limited contracts with welfare recipients on a case by case basis to provide them the services they need to go to work as quickly as possible;
- o improved paternity establishment - promoting efforts to increase the number of paternities established at birth.

Model Programs -- Several model programs at the state and local level provide services and training to welfare recipients to help them find jobs and become self-sufficient. People who have successfully gone through these programs are meeting with the President before his speech today, and some of their stories are attached. These programs include:

- o FUTURES - Missouri's JOBS program, FUTURES, is overseen in Kansas City by the FUTURES Advisory Committee, a public-private partnership that designed the program with local input. The program providing welfare recipients with the education, training, case management and support services needed to help them find jobs and become self-sufficient. In its first three years, it has placed 240 participants in employment with an hourly wage of \$6.55. 100 others received their GED and 500 people completed life skills training.
- o Women's Employment Network - Since 1986, the Women's Employment Network has served over 1,500 women and placed 70 percent of them in jobs. WEN is a non-profit community based organization, funded partly by state and federal funds and through corporate and foundation support. Community based non-profit organizations have proven very successful nationally in helping move people from welfare to work, and the Clinton plan is supportive of these efforts.

III. PARTICIPANTS:

The President
 Secretary Shalala
 Mayor Emanuel Cleaver
 Governor Mel Carnahan
 Congressman Alan Wheat
 John Kempler
 Yolanda Magee

John Kempler is CEO of Commerce Bank.
 Yolanda Magee is a former welfare recipient who completed the JOBS training program and is currently employed at Commerce Bank.

IV. PRESS:

Closed press at the meeting with the former welfare recipients. Open press at the speech. Bruce Reed, Mary Jo Bane and David Ellwood will be available after the speech for press briefings. That briefing will be available via satellite in the WH press room.

V. SEQUENCE OF EVENTS:

12:20-12:40 p.m.-- meeting with former welfare recipients. Closed to press. An opportunity for you to talk directly to some people who have been through the program and been rewarded with jobs that lead to independence.

12:45-1:30 p.m.-- Commerce Bank lobby for welfare reform announcement.

0 Secretary Shalala will talk about the process used to develop the welfare plan. The interagency working group, field hearings, etc.

0 Mayor Cleaver will talk about the importance of welfare reform in Kansas City and work to date. As you enter he will pause. Then resume by welcoming you to Kansas City. He will introduce Governor Carnahan.

0 Governor Carnahan will talk (approx. 2 minutes) about the importance of welfare reform in the states and mention some of Missouri's success. He will introduce Congressman Wheat.

0 Congressman Wheat will talk (approx. 2 minutes) about the Congressional role in welfare reform and efforts to date. He will introduce the CEO, John Kempler.

0 Kempler will talk briefly about the role of the private sector in welfare reform and his support for the program. He will introduce Yolanda Magee, an employee at Commerce Bank.

0 Yolanda Magee will talk briefly about the changes that have taken place in her life as a result of this opportunity and then introduce you.

FACT SHEET ON BIRTHS TO OUT-OF-WEDLOCK TEEN PARENTS

The surge in births out of wedlock to teen parents is an urgent problem.

o During the past three decades, births out of wedlock to teen parents have quadrupled, from 92,000 in 1960 to 368,000 last year. In this same period, non-marital births to teens age 15 to 19 have risen from 15 percent of all births in this cohort to 69 percent of all such births.

o In just five years, 1986 to 1991, the overall rate of births to teens increased by 24 percent. The U.S. rate of births to teens aged 15 to 19 is now twice as high as that of any other industrialized nation, and five to ten times as high as in most European countries.

o 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 defer childbearing until they are graduated from high school, twenty years old, and married.

o Even after correcting for income differences, the children born to unmarried teenage parents experience higher rates of educational and emotional problems, are more likely to commit crimes, and are less likely to be employed. In addition, the children born to unmarried teen parents are more likely to become unmarried teen parents in turn.

o Cases headed by unwed mothers accounted for about four-fifths of the growth of 1.1 million families in the welfare rolls over the past ten years.

o More than three-quarters of teen mothers will be on AFDC at some point during the five years following the birth of their child.

o 40 percent of families headed by never-married mothers remain on AFDC for more than 10 years.

o The annual cost to taxpayers to assist families begun by teenagers is now about \$34 billion.

PROMISING PROGRAMS TO FIGHT TEEN PREGNANCY

Postponing Sexual Involvement

- o Implemented in Atlanta public schools since 1983 by the Grady Memorial Hospital.
- o By the end of the 9th grade, one third fewer of the youth who participated in the program had begun having sex than had nonparticipants.
- o Pregnancies were also reduced by one-third.

Preventing Adolescent Pregnancy

- o Implemented in four cities under the sponsorship of Girls Incorporated (formerly Girls Clubs of America).
- o Only 4.8% of young women who participated in two or more program components reported becoming pregnant during the prior 12 months, compared with 12.3% for nonparticipants.

Teen Outreach

- o Implemented in several cities, typically through a collaboration between local Junior League chapters and public schools.
- o Program participants experienced lower rates of suspension, course failure, dropping out of school, and pregnancy (or causing pregnancy).

The Self Center

- o Implemented in Baltimore schools under the leadership of the Johns Hopkins School of Medicine.
- o On average, program participants experienced significant delays in the onset of sexual activity.
- o Program participants showed a significant decline in pregnancy rates over the full 28 months of the program, versus a significant increase for nonparticipants during the same period.

These summaries and data are drawn from Brent C. Miller et al., Preventing Adolescent Pregnancy: Model Programs and Evaluations (Sage Publications, 1992).

Work and Responsibility Act of 1994

Five-Year Cost Summary¹

(\$ billions)

Additional funding for education, training and placement	2.8
WORK slots for participants who reach the two-year time limit	1.2
Additional child care spending for those in the mandatory education and training program and in the WORK slots	2.7
Additional child care for the working poor	1.5
Initial investments in the child support enforcement system and demonstrations	0.6
Teen pregnancy prevention	0.3
Other ²	1.7
Total	10.8
Net savings ³	(1.5)
Net total	9.3

¹ Budget outlays

² Includes state option to eliminate bias against two-parent families; investments in automation; and incentives to work and save.

³ From caseload reductions and reduced fraud



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FOR IMMEDIATE RELEASE

June 14, 1994

Contact: Barry Toiv
(202) 395-7254

FINANCING THE PRESIDENT'S WELFARE REFORM PLAN

The President's welfare reform proposal does not increase the deficit or raise taxes. It is fully paid for over five years, *largely by reductions in entitlement spending*. The five-year total of these savings is over \$9 billion, more than \$7 billion of which is from reductions in entitlement spending. The offsets are as follows:

NEW REDUCTIONS IN ENTITLEMENT SPENDING

- Tighten SSI, AFDC, and Food Stamp sponsorship and eligibility rules for non-citizens. Sponsors of legal aliens would bear greater responsibility for those whom they encourage to come to the U.S. (Five-year savings: \$3.7 billion)
- Cap each State's spending in the AFDC Emergency Assistance (EA) program. EA spending has escalated dramatically in recent years as some States appear to have been using the funds for longer-term needs rather than for true emergency assistance to keep people off welfare. (\$1.6 billion)
- Income test meal reimbursements to family day care homes to improve targeting of subsidies. (\$500 million)
- Limit SSI eligibility for drug and alcohol addicted recipients (now under consideration in the Congress). (Approximately \$800 million)
- Better target agricultural support to full-time farmers by ending deficiency payments for those with more than \$100,000 in non-farm income. (\$500 million)

EXTENSIONS OF EXPIRING PROVISIONS

- Hold constant the portion of Food Stamp overpayment recoveries that States may retain. (\$100 million)
- Extend fees for passenger processing and other customs services as well as for railroad safety inspections. (\$200 million)
- Use excess savings from extension of corporate Superfund tax, with no impact on Superfund program. (\$1.6 billion)

REVENUE ENFORCEMENT MEASURES

- Deny the earned income tax credit (EITC) to non-resident aliens and require income reporting for EITC purposes for Defense personnel living abroad. (\$300 million)

JUN 13 1994

TO: MEMBERS OF THE WORKING GROUP ON WELFARE REFORM,
FAMILY SUPPORT AND INDEPENDENCE

FROM: MARY JO BANE
BRUCE REED
DAVID T. ELLWOOD
COCHAIRS

RE: WELFARE REFORM LEGISLATION

Tomorrow the President will announce the introduction of the Work and Responsibility Act of 1994, based on the recommendations of the Working Group. We are deeply appreciative of the hard work you contributed to this process, both in our formal deliberations and in individual discussions.

We enclose background materials on the bill, and talking points which we hope you will find useful when you are asked about the legislation. Media inquiries should be referred to Avis LaVelle or Melissa Skolfield in the HHS Public Affairs office (690-7850).

Welfare Reform Working Group
Talking Points: **OVERALL PLAN**
June 13, 1994

"It's time to honor and reward people who work hard and play by the rules. That means ending welfare as we know it--not by punishing the poor or preaching to them, but by empowering Americans to take care of their children and improve their lives. No one who works full-time and has children at home should be poor anymore. No one who can work should be able to stay on welfare forever. We can provide opportunity, demand responsibility, and end welfare as we know it."

President Clinton, Putting People First, p. 164.

Welfare reform is based on two simple principles: work and responsibility.

Unfortunately, the current welfare system undermines these values by making welfare more attractive than work, and allowing parents to avoid responsibility for supporting their children. The President's plan would restore the basic values of work and responsibility, provide opportunity, and promote the family.

Under the President's 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 immediately design 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 the first time limits ever imposed on welfare will ensure that anyone who can work, must work--in the private sector if possible, in a subsidized job if necessary.

From the very first day, welfare will be a transitional system leading to work. With child care and job search assistance, many people will move into the workforce well before the two-year time limit. And from the very first day, teenage mothers will be required to live with their parents, stay in school, and attend job training or parenting classes. Everyone will be moving toward work.

Our approach also correctly focuses on ending welfare for the next generation--teenagers who have the most to gain and the most at risk. By initially focusing our resources on younger recipients, we will send a strong signal to teenagers that welfare as we know it has ended. They must get the message that staying in school, postponing pregnancy, preparing to work, and supporting their children are the right things to do. Welfare reform will include new measures to prevent teen pregnancy, and real incentives to ensure responsibility.

To support work and responsibility, work must pay. Already, 70 percent of welfare recipients leave the welfare rolls within two years--but most eventually return. That's why we must use the Earned Income Tax Credit, guaranteed health care at work, and child care to make any job more attractive than welfare. The EITC alone will effectively make a minimum wage job pay \$6.00 an hour, helping to lift millions of people who work out of poverty. The combination of work opportunities, the EITC, health care, child care, and improved child support will make the lives of millions of women and children demonstrably better.

To reinforce personal responsibility, the plan will take bold new steps to require full payment of child support. It sets up a new system of paternity establishment to enforce the responsibility of both parents from the moment the child is born. It involves the IRS in tracking delinquent parents from the moment they start a new job to the point that child support is delivered to the family. And it sets up a computer system to be sure that parents don't avoid their responsibilities by crossing state lines.

Welfare reform will mean real consequences for people who don't play by the rules. The new system will require mutual responsibility. We will provide recipients with services and work opportunities, but those who refuse to follow the rules will face tough, new sanctions. And attempts to cheat the system will be promptly detected and swiftly punished.

Responsibility and accountability must also extend to the welfare office itself. Unfortunately, the current system focuses too often on simply sending out welfare checks. We must change the culture of the welfare office to become a place that is fundamentally about moving people into the workforce. To do that, we must reward performance, not process. That means reducing paperwork and focusing on results.

Our approach builds on the successful philosophy of the Family Support Act, championed by then-Governor Clinton and Senator Daniel Patrick Moynihan in 1988. As welfare reform is phased in, a larger percentage of the caseload will be covered by the new rules; and states that want to move even faster will be able to use federal matching funds to do so. And more federal funds will provide increased job-training and development opportunities to older recipients under current guidelines.

Welfare Reform Working Group
Talking Points: **REPUBLICAN PLANS**
June 13, 1994

"There are all kinds of proposals out there. I know that the Republican welfare reform proposal has a lot of things in it that I like. But I think it's way too hard on financing things through savings from immigrants. I think it goes too far there."
President Clinton, press conference 3/24/94

President Clinton has sought to reform welfare for years and we are pleased that Republicans have developed legislation which shares many of his priorities. President Clinton sponsored innovative programs as governor of Arkansas and was instrumental in passage of the Family Support Act of 1988. His campaign focused attention on welfare reform, and we're glad Republicans agree on the need for change.

The Republican legislation is proof that the consensus on the need for reform reaches across party lines. Everyone--Democrats and Republicans, administrators and recipients--agree that we must reform the welfare system. It doesn't work, and it doesn't reflect the important American values of work and responsibility.

The Republican legislation includes many elements of President Clinton's plan. Both emphasize the values of work and responsibility. Both make public assistance a transitional benefit leading to mandatory work; emphasize parental responsibility and delaying sexual activity; and provide funding for education, training, child care, and job creation. And both recognize that we must spend money to move young mothers toward self-sufficiency.

President Clinton's welfare reform plan correctly targets initial resources to the youngest third of the caseload: young single women with the most at risk and the most to gain.¹ Applying the reforms to young mothers first sends 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.

Our phase-in strategy also responds to state needs for manageable initial caseloads. Under our plan, almost 400,000 people will be participating in the WORK program by the year 2000 -- up from just 15,000 now. Our discussions with states indicate that a work program of this size is both effective and feasible. In contrast, the participation requirements in other proposals are totally unrealistic. Moving as swiftly as proposed in the Republican bill, for example, would create enormous administrative difficulties for states.

¹Women born after December 31, 1971

In addition, our plan places a greater emphasis on making work pay. We recognize that 70 percent of welfare recipients already leave the rolls within two years and often need help hanging on to a job. Republican legislation in the House of Representatives caps the Earned Income Tax Credit, which is a powerful work incentive with bipartisan support. That's exactly the wrong approach.

While the mainstream Republican legislation overlaps significantly with our proposal, we reject the more punitive reforms developed by Charles Murray and William Bennett. By completely eliminating benefits for teenage mothers, their plan would "write off" an entire generation instead of building job skills and self-sufficiency. We believe the Administration's approach is a better way to reward work and responsibility.

Welfare Reform Working Group

Talking Points: **HEALTH REFORM WILL GET ONE MILLION PEOPLE OFF WELFARE**

June 13, 1994

"It is estimated that one million people are on welfare today because it's the only way they can get health care coverage."

President Clinton, State of the Union address 1/26/94

"It is estimated that one million people are on welfare chiefly to qualify for Medicaid, the government's health care program for the poor. Some welfare recipients have children diagnosed with chronic health problems, or they require frequent health care services themselves."

Secretary Donna Shalala, Christian Science Monitor op/ed 1/28/94

The one million figure is a conservative estimate of the number of adults and children who are on AFDC simply to qualify for Medicaid. It represents approximately 7 percent of the current caseload (14 million adults and children).

It is based on a number of studies that found that between 10 and 25% of AFDC recipients are on AFDC primarily to qualify for health insurance. HHS' best estimate--based on three different research studies--suggests that the provision of health insurance would reduce welfare caseloads by 7 to 12 percent.¹

Today, women trying to leave welfare usually cannot find jobs which provide health coverage for their families. A 1994 Census Bureau study found that over a 20-month period, only eight percent of people who left AFDC were able to find a job with health insurance.

In addition to eliminating "welfare lock," the President's health care reform plan would encourage families to leave welfare in at least two other ways. First, by providing states with funds to set up home- and community-based long-term care programs, the Health Security Act would allow poor adults with disabled relatives to enter the work force. Second, by providing health insurance to people with pre-existing conditions, the Health Security Act would make it easier for people with disabilities to get jobs.

As President Clinton said in his State of the Union address, health care reform and welfare reform address the common needs of Americans for security, and for a society that enables people to work. Health care reform is a critical ingredient of welfare reform.

¹A 1990 study by David Ellwood and E. Kathleen Adams found the effect to be 10 to 20%. Another 1990 study by Robert Moffitt and Barbara Wolfe put the effect at 10 to 25%. And a 1991 working paper by Michael Keane and Robert Moffitt estimates the effect at 16%. Because these studies did not fully reflect the fact that legislation has extended Medicaid coverage to some low-income women and children not on welfare, the Administration has adjusted these estimates to conservatively project that 1 million individuals remain on welfare because of health coverage.

Welfare Reform Working Group
Talking Points: **PHASE-IN**
June 12, 1994

President Clinton's welfare reform plan correctly targets initial resources to the youngest third of the caseload: young single women with the most at risk and the most to gain.¹ This targeting of limited resources will 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.

Applying the reforms to young mothers first sends 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.

The phase-in strategy also responds to state needs for manageable initial caseloads. Our phase-in strategy will have almost 400,000 people participating in the WORK program by the year 2000 -- up from just 15,000 now. Our discussions with states indicate that a work program of this size is both effective and feasible. In contrast, the participation requirements in other proposals are totally unrealistic. Moving as swiftly as proposed in the Republican bill, for example, would create enormous administrative difficulties for states.

Under our legislation, initial mandates will be manageable, and states will be given the option of moving more broadly and quickly -- with federal matching funds. Based on our experience with the Family Support Act, we know that many states will implement the new law gradually. But states that want to go further will be able to do so--with federal support.

If forced to immediately help millions of JOBS clients and create hundreds of thousands of WORK slots, as in the Republican plan, states would almost certainly fail to put a meaningful reform system in place. The President's plan ensures that training and work slots will be available, that real work is demanded, and that sanctions can be enforced. Under the Republican plans, states would have tremendous difficulty creating work slots quickly enough -- leading to waiting lists and unenforceable requirements.

In all, our plan will lead to almost one million people either off welfare or working by the year 2000. In addition to the 394,000 people who will be in subsidized jobs, another 222,000 parents will be working part-time in unsubsidized jobs. And 331,000 people who would have been on welfare without reform will have left the rolls. That's real change.

¹Women born after December 31, 1971

We think it's extremely important to send the strongest possible signal to young people that welfare has changed forever. Our phase-in approach is reinforced by other elements in the plan which show teens that having a child is an immense responsibility rather than an easy route to independence. 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. Teen fathers will be held responsible for child support and may be required to work off what they owe.

Working Group on Welfare Reform
Talking Points: **THE WORK PROGRAM**
June 12, 1994

"We will scrap the current welfare system and make welfare a second chance, not a way of life. We will empower people on welfare with the education, training, and child care they need for up to two years so they can break the cycle of dependency. After that, those who can work will have to go to work, either by taking a job in the private sector or through community service."

Governor Bill Clinton, National Economic Strategy 6/21/92

President Clinton's welfare reform plan will demand responsibility by requiring those without private sector jobs after two years to accept **WORK** assignments. Young parents who reach the two-year time limit without finding permanent employment will gain work experience in temporary subsidized jobs, even as they move toward unsubsidized employment.

President Clinton's welfare reform proposal 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.

To make the **WORK** program appropriate to local labor markets, the President's plan encourages state flexibility and community-based initiatives. State governments can design programs to fit local labor market needs: temporarily placing recipients in subsidized jobs, in public sector positions, or with community organizations. States may employ young mothers as child care or home health providers, support self-employment and micro-enterprises, or hire private firms to place participants.

Anyone entering the **WORK** program must first exhaust unsubsidized work alternatives. Each participant must conduct an intensive job search before receiving a **WORK** assignment, and those who repeatedly refuse to seek permanent jobs will be removed from the rolls. Anyone seeking an additional **WORK** assignment must first complete a mandatory private sector job search. The goal is to keep **WORK** participants searching for unsubsidized jobs at each stage of the process and to keep **WORK** slots to a minimum.

The President's plan will move people into the workplace as quickly as possible, because **WORK** assignments will always be less attractive than unsubsidized alternatives. No **WORK** assignment will last more than 12 months, and participants in subsidized jobs will not receive the Earned Income Tax Credit. Reform will continually make welfare a transitional system leading to unsubsidized work.

Those unwilling to accept **WORK** assignments or unsubsidized jobs will be sanctioned. To create a new culture of mutual responsibility, we will provide recipients with services and work opportunities, but implement tough, new requirements in return. Anyone who repeatedly fails to meet **WORK** program requirements will be removed

from the rolls, as will people who turn down unsubsidized jobs.

States will be given the option of evaluating whether recipients who have held subsidized jobs for two years had made good-faith efforts to obtain unsubsidized jobs. After two years in the WORK program, recipients can be placed in structured, closely supervised job search programs to determine if they are making good-faith efforts to obtain unsubsidized jobs. Those who were found to have failed to apply for open unsubsidized jobs, who failed to cooperate with potential employers, or who had turned down job offers would be removed from the program and barred from applying for further subsidized work for six months.

However, participants who are willing to work and play by the rules will not be left without a way to provide support for their families. Parents who genuinely do everything expected of them will continue to have work opportunities, and their children will not be unfairly penalized for circumstances beyond their parents' control.

Welfare Reform Working Group
Talking Points: TEEN PREGNANCY
June 12, 1994

"They have to come to understand that children having children is just wrong, and can't lead to anything good for them...We have to change that, and we have to help them change that."

President Clinton, American Society of Newspaper Editors 4/13/94

Teen pregnancy is an important issue for this Administration because it's linked to poverty, welfare dependency, child health, and other domestic issues. Each year, 200,000 teenagers aged 17 and younger have children. The babies are often low-birth weight; infant mortality rates are also disproportionately high among this population. Teen pregnancy frequently leads to poverty and welfare dependency. The costs to society are enormous.

Preventing teen pregnancy and out-of-wedlock births is a critical part of welfare reform. Cases headed by unwed mothers accounted for most of the growth in the welfare rolls over the last decade. We need to send the strongest possible signal to teens that pregnancy and childbirth should be delayed. And we also need to focus on teens who are already mothers--with mentoring, child care, time-limited AFDC benefits, requirements to live with a caring adult and identify their child's father, incentives to stay in school, and other services necessary to put them on the path to work and self-sufficiency.

The link between teen births and poverty is clear. Approximately 80 percent of the children born to teenage parents who dropped out of high school and did not marry are poor. In contrast, just 8 percent of children born to married high school graduates aged 20 or older are poor.

Our reform proposal tells adolescents that both parents have clear obligations that will be enforced. 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.

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.

● **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.

● **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.

Welfare Reform Working Group
Talking Points: **RESPONSE TO CHARLES MURRAY**
June 12, 1994

"He did the country a great service. I mean, he and I have often disagreed, but I think his analysis is essentially right. Now, whether his prescription is right, I question...I once polled 100 children in an alternative school in Atlanta--many of whom had babies out of wedlock--and I said, 'If we didn't give any AFDC to people after they had their first child, how many of you think it would reduce the number of out-of-wedlock births?' Over 80 percent of the kids raised their hands. There's no question that would work. But the question is...Is it morally right?"

"...There is no question that...if we reduced Aid to Families with Dependent Children, it would be some incentive for people not to have dependent children out of wedlock...[O]nce a really poor woman has a child out of wedlock, it almost locks her and that child into the cycle of poverty which then spins out of control further."

President Clinton, NBC News interview 12/3/93

Teen pregnancy, illegitimacy, and single-parent families are important problems which must be addressed. We agree that violence, crime, drug use, poverty, and homelessness are in part linked to the breakdown of families.

However, holding teenage parents responsible for support of their children makes more sense than simply cutting off benefits. Our approach would condition teenage mothers' AFDC benefits on staying in school, living at home with their parents or a responsible adult, identifying their child's father, participating in job training, and attending parenting classes. This combination of "carrots and sticks" is only possible if you continue benefits for single mothers who take steps toward self-sufficiency--and reduce benefits for those who don't.

Simply cutting off support to teenagers and their young children is irresponsible, dangerous, and potentially counterproductive. In a recent poll, an overwhelming 70 percent of Americans rejected this approach.¹ While Murray says his approach will not harm children, the truth is that millions of young mothers and children would no longer have a safety net of any sort. This untried approach would almost certainly increase crime and homelessness. The President's strategy of time-limited benefits and supportive services would, like Murray's, end welfare as a way of life--but would preserve it as a "second chance."

It's important to demand responsibility of teenage fathers as well as teenage mothers. One of the worst features of Charles Murray's approach is that it lets teenage fathers off the hook. True welfare reform demands that both parents take

¹Los Angeles Times poll of 1,682 adults in April 1994. The margin was +/- 3%. Asked if they would support "no benefits" for women with children born out of wedlock, 70% said no and 26% said yes.

responsibility for their children, and we believe no plan will succeed without a commitment to paternity establishment and tougher child support enforcement.² Our proposal requires every unmarried mother to provide the name and location of her child's father before receiving benefits. We also require hospital-based programs to determine paternity, since studies have shown such proactive efforts to be most successful.

Conditional AFDC benefits work. A rigorous evaluation of one such program in Illinois and New Jersey found that teenage mothers who received conditional benefits, along with case management and support services, achieved significantly higher rates of school attendance and employment. The 3,000 participants who faced a \$160 reduction in their monthly AFDC grants had success rates nearly 20 percent higher than young mothers who did not face sanctions or receive services. Simply "writing off" an entire generation of young people would do nothing to build job skills and turn dependence into independence.

²"I am letting unmarried fathers off the hook...Given that a woman chooses to engage in sex knowing that the man is not wearing a condom, what is the responsibility of a male for the fact that a child is conceived and carried to term in an age when contraceptives and abortion are freely available?...As far as I can tell, he has approximately the same casual responsibility as a slice of chocolate cake has in determining whether a woman gains weight." Charles Murray, The Sunday Times 11/14/93

**WORK AND RESPONSIBILITY ACT
OF 1994**

DETAILED SUMMARY

WORK AND RESPONSIBILITY ACT OF 1994

DETAILED SUMMARY

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 the 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 designed to help people help themselves. We need to move beyond the old debates 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, and 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 Senator Moynihan and 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 put a clear focus on work.

New provisions include:

- **A personal employability plan.** From the very first day, the new system will focus on making young parents self-sufficient. Working with a caseworker, each adult recipient 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.** Ultimately, 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.
- **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 deferred 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 limited number of young mothers completing education programs may receive extensions.
- **Let States reward work.** Currently, AFDC recipients who work often 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 propose new rules and demonstration projects to support saving and self-employment.
- **State flexibility.** 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.
- **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 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.

- **The Earned Income Tax Credit (EITC).** The expanded EITC will lift millions of workers out of poverty. 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.
- **Health care reform.** We can't have serious welfare reform without serious health care reform. People should be able to get health care by going to work, and not have to go on welfare. Universal health care will allow people to leave welfare without worrying about coverage for their families.
- **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 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:

- **Universal paternity establishment.** Hospitals will be required to put procedures in place 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 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 be used 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 for teenagers to have children outside marriage.
- **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 pregnancy prevention grants.** 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 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.
- **Supports and sanctions.** 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. The two-year limit will begin once teens reach age 18. 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 to teenagers that we are ending welfare as we know it. The following 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 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 will have the option of doing so.

In the year 2000, 2.4 million adults will be subject to the new rules under welfare reform, including time limits and work requirements. Almost one million people will either be off welfare or working. Of those one million individuals, 331,000 people who would have been on welfare will have left the welfare rolls. Another 222,000 parents will be working part-time in unsubsidized jobs. And 394,000 people will be in subsidized jobs in the WORK program, up from 15,000 now. In addition, 873,000 recipients will be in time-limited school or training programs leading to employment.

However, the impact of welfare reform cannot be measured in these numbers alone or fit on any chart. In the year 2000, hundreds of thousands of noncustodial parents will be helping to support their families and becoming connected to their children again. Hundreds of schools will be helping teenagers postpone sexual involvement, finish their education and prepare for a better future. And, thousands more children will watch their parents go off every day to the responsibility and dignity of a real job.

TABLE 1

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
Status of Phased-In Group, with Reform:			
Off Welfare Because of Reform	45,000	331,000	860,000
Working Part-time	166,000	222,000	271,000
In WORK Program	0	394,000	566,000
Total - Working or Off Welfare	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 Disability, Caring for a Disabled Child or Infant, or Other Exemption	526,000	556,000	777,000

Table 1 indicates the number of persons in various parts of the program by year, given the 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 (for example, if they are disabled). It does not grow much over time because people leave the program as they get private sector jobs or reach the time limit and enter the WORK program. The WORK program grows over time, rising to roughly 556,000 by fiscal year 2004. Exemptions are significantly more narrow than those allowed under current law, and even those unable to work will be required to develop employability plans.

TABLE 2

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 Participa- tion 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%

Table 2 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, or in a mandatory time-limited placement and training program. Only those unable to work are deferred from 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.

Moving people from welfare to work will not only reinforce our basic values of work and responsibility, it will also help families 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.

In the median State, the combined AFDC and food stamp benefit level is \$7,525, only 63 percent of the \$11,870 of income needed to keep a typical family of three out of poverty. By contrast, Table 3 shows that persons leaving AFDC and going to work will be dramatically better off in any private sector job, even one paying the minimum wage.

TABLE 3

INCOME FOR INDIVIDUALS WORKING FULL TIME AT VARIOUS WAGE LEVELS						
Hourly wage	Earnings (Full-time, year-round)	Taxes	EITC *	Food Stamps	Total Income	Percent of Poverty
\$4.25	\$8,840	\$676	\$3,370	\$2,256	\$13,790	116%
\$6.00	\$12,480	\$955	\$3,058	\$1,380	\$15,964	134%
\$8.00	\$16,640	\$1,826	\$2,182	\$0	\$16,996	143%

* EITC assumes that expansion passed in 1993 is fully phased-in.

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 Job Opportunities and Basic Skills (JOBS) training program, the need for investment in education, training, and employment services for welfare recipients. Most importantly, it introduced the expectation that welfare reciprocity is a transitional period of preparation for self-sufficiency. 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. Only a small portion of the AFDC caseload is actually 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.

SUMMARY OF PROPOSAL

This reform proposal calls for fundamentally 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.

A Simple Compact

Training, Education, Job Search, and Job Placement -- The JOBS Program

- A clear focus on work
- Integrating JOBS and mainstream education and training initiatives

Two-Year Time Limit

WORK

- Administrative structure of the WORK program
- Characteristics of the WORK assignments

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 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 Job Opportunities and Basic Skills, or 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 new 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 a lifetime maximum of 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, 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, and at the discretion of States, 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. 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.

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. They are also the group for which there is 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 also have the option to phase in more rapidly. By 2000, half of all adult recipients will be 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 (3 months for the second child), 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. However, all recipients will be required to take steps, even if they are small ones, toward self-sufficiency. Participants who are deferred will be expected to complete employability plans and, when possible, to 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. Under reform, 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 today it unfortunately 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 solely 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 completed high school) who are judged job-ready will be required to perform job search, as soon as the application is approved (or from the date of application at State option). States will have the option to require 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. Those who subsequently enter the JOBS program will have a realistic view 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 the 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 reduces the recipient's welfare check by the adult's share of 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. Sanctions for failure to follow the employability plan otherwise will be the same as under current law.

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, as well as 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 to 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. These fiscal problems have limited the number of individuals served under JOBS and, in many cases, limited the services States offer their JOBS participants.

To address the scarcity of JOBS dollars, the Federal cap will be increased from \$1 billion to \$1.5 billion in fiscal year 1996. To assist States in drawing down their full allotment, the Federal match rate will be increased by five percentage points in 1996, rising to a level ten percentage points over the current JOBS match rate by the year 2000, 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. In addition, a small fund will be created to reward States which have used their full allotment and are moving aggressively to implement these reforms. During periods of high State unemployment, the State match rate for JOBS, WORK and At-Risk Child Care would be reduced by ten percent. States will be required to maintain their 1994 level of spending for the investment programs (JOBS and child care).

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 1996-1998, 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 training and education programs that already exist. 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 currently 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 requires 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 a lifetime 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 receiving aid through AFDC-UP, 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. 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. Individuals working part-time would be required to accept additional hours if available.

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.

Limited Additional Assistance to Persons Who Stay off Welfare for Extended Periods. The two-year limit is a lifetime limit. 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 up to six additional months of assistance. This limited additional assistance will serve as a cushion, should they lose their job and need temporary help again. After that, they will be required to enter the WORK program.

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. This work-for-wages plan 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, unsubsidized 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 match rate as in the expanded JOBS program--the current JOBS match rate plus seven percentage points in 1998, rising to ten additional percentage points by 2000. 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;
- Subsidize or 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 workers, 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) The number of WORK assignments the State is required to create (based on the funding allocation) are actually filled by individuals assigned to the WORK program; or 2) At least eighty percent of those who reach the time limit are assigned to a WORK slot (or in another defined status).

Allocation of WORK Assignments. If the number of people needing WORK positions exceeds the supply, the allocation of WORK assignments is made in the following order. An individual whose sanction period had just ended will be placed in a new WORK assignment as rapidly as possible. Persons new to the WORK program will have priority over persons who have previously held a WORK position. States will then be permitted to allocate the remaining 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 make the family financially worse off. 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 job search assistance during this period.

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

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 three 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 lift 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 part of welfare reform legislation, 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 eight 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 the fact that employers are responsible for determining eligibility and administering 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. 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 (AFDC/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, or CCDBG). 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, which helps middle-income Americans, is seldom available for low-income families because it is not refundable.

Current child care programs do not provide sufficient support for working-poor families. In addition, 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

There are two main parts of the proposal designed to make work pay for low-income families. First, we will improve child care programs for families on public assistance and poor working families. Second, we will allow States to reward work by changing the amount of earned income and child support payments that can be disregarded in calculating benefit levels, and to conduct demonstrations to distribute the EITC on an advanced basis.

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 demonstrations in four States 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 for 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 working or in education 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, 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 all working poor families, it does provide a major increase in support for them as well as for those on or moving off welfare.

In addition, the Administration's fiscal year 1995 budget calls for a 22 percent increase in funding for the Child Care and Development Block Grant (CCDBG). 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.

Coordinate Rules Across All Child Care Programs

We will help States to use Federal programs to create seamless coverage for persons who leave welfare for work. 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. Health and safety requirements will be made consistent across these programs and will conform to standards in the Block Grant (CCDBG) program. These State-defined health and safety standards, together with two new Federal standards on immunization and prohibiting access to toxic substances and weapons, are effective, feasible requirements designed to protect the health and safety of children. Except for these new 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 propose to ensure that all child care programs assure parental choice of providers, provide parents information on their child care options, and establish 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 a 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 many poor 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, 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 several ways: For each of the first four months of earnings, recipients are allowed a \$90 work expense disregard and another \$30 disregard. Also, one-third of remaining earnings are disregarded. After four months, the one-third disregard ends. 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 to keep more of their earnings, it will increase the economic well-being of those workers.

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.

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 that they could claim the credit in advance. 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), 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 many 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 eight 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 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 having children, until they are ready to accept the responsibilities and consequences of these actions. 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 able to 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 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 community-based demonstration grants 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 20 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 young parents become self-sufficient.

Along with responsibility, however, 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 should not 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 her child. In such cases, 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 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 her 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 is approximately \$48 billion per year. Yet only \$20 billion in awards are currently in place, and only \$14 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.

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. In fact, about 45 percent of those who now leave welfare return within one year. More than 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. In addition, this change will 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 make their payment outside 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 required 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. 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

Children need and deserve support from both parents. Yet collections are often sporadic. Often no money is received for several months, sometimes followed by 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 time-limited 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. It also 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.

Work and Training 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 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, emphasize the importance of paternity establishment and economic security for children, and develop parenting skills.

Access and Visitation Grants to States. Paternity actions will stress the importance of getting fathers involved earlier in their children's lives. These grants will be made to States for programs which reinforce the desirability of children having 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 almost seems to invite 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
- Limit definition of 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 for the other parent to 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 to 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. As part of welfare reform, 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.

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 of asset rules across programs 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 and first-home purchases. 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 AFDC and Food Stamp program changes would simplify and coordinate rules to encourage work, family formation, and asset accumulation. These include:

Optional Retrospective Budgeting. The proposal will 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 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 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 purposes, 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 and 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 purposes 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. In addition, territories will be permitted, but not required, to implement a two-year time limit and the WORK program.

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 both to 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.

Limit Definition of 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 families 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 almost seem to 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, may decide 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 government disability or welfare check or using food stamps at a grocery store, and can help restore the self-esteem needed for 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.

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 deferrals, 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.

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 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's 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 to children in this country. By expanding child care provided to working families, allowing States to disregard additional earnings and child support and 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 restore 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. Rewarding work and responsibility over welfare will make families stronger and our children and our society better off.

IN THE YEAR 2000, UNDER REFORM:

- 2.4 MILLION ADULTS WILL BE SUBJECT TO THE NEW RULES, INCLUDING TIME LIMITS AND WORK REQUIREMENTS.
- ALMOST ONE MILLION PEOPLE WILL EITHER BE OFF WELFARE OR WORKING:
 - 331,000 PEOPLE WHO WOULD HAVE BEEN ON WELFARE WILL HAVE LEFT THE WELFARE ROLLS.
 - 222,000 PARENTS WILL BE WORKING PART-TIME IN UNSUBSIDIZED JOBS.
 - 394,000 PEOPLE WILL BE IN SUBSIDIZED JOBS IN THE WORK PROGRAM. THAT'S UP FROM 15,000 NOW.
- ANOTHER 873,000 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 PARENTS WHO OWE CHILD SUPPORT ACROSS STATE LINES.

FOR YOUNGER RECIPIENTS, THE CHANGE WILL BE DRAMATIC:

- **IN THE YEAR 2000, 14 PERCENT OF PARENTS UNDER AGE 29 WHO WOULD HAVE STILL BEEN ON WELFARE WITHOUT REFORM WILL HAVE LEFT THE ROLLS.**
- **26 PERCENT OF MOTHERS UNDER AGE 29 WILL BE WORKING: NINE PERCENT PART-TIME IN UNSUBSIDIZED PRIVATE SECTOR JOBS, AND 17 PERCENT IN THE NEW WORK PROGRAM. TODAY, JUST FIVE PERCENT OF YOUNG WELFARE RECIPIENTS WORK; ALMOST ALL OF THEM IN PART-TIME JOBS.**
- **37 PERCENT OF PARENTS UNDER AGE 29 WILL BE SUBJECT TO STRONGER EDUCATION AND TRAINING REQUIREMENTS, STRICT STANDARDS, TOUGH SANCTIONS FOR NONCOMPLIANCE, AND A TWO-YEAR TIME LIMIT. TODAY, JUST 22 PERCENT OF YOUNG WELFARE RECIPIENTS ARE EVEN EXPECTED TO PARTICIPATE IN ANY KIND OF EDUCATION OR TRAINING PROGRAM. PARTICIPATION STANDARDS ARE LOW AND THERE ARE NO TIME LIMITS TO ENCOURAGE MOVEMENT TO WORK.**
- **AND, UNDER WELFARE REFORM, PARENTS UNDER AGE 29 WILL BE SUBJECT TO MUCH STRONGER PARTICIPATION REQUIREMENTS. JUST 23 PERCENT OF THESE YOUNG MOTHERS WILL BE TEMPORARILY DEFERRED BECAUSE THEY HAVE A CHILD UNDER TWELVE MONTHS OF AGE; HAVE A DISABLED CHILD; OR ARE SERIOUSLY ILL THEMSELVES. TODAY, 73 PERCENT OF YOUNG WELFARE RECIPIENTS ARE EXEMPT FROM EDUCATION AND TRAINING REQUIREMENTS.**

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FACTS RELATED TO WELFARE REFORM

Aid to Families with Dependent Children (AFDC)

Benefits

- AFDC benefit levels range from \$120 per month for a family of three in Mississippi to \$923 per month in Alaska, with the median state paying \$367 in AFDC benefits (January 1993 figures). Food stamp benefits fall as AFDC benefits increase, however, offsetting to some degree the disparity in AFDC benefit levels among the different states.
- AFDC benefit levels have declined by 42 percent in the last two decades. The average monthly benefit for a mother and two children with no earnings has shrunk in constant 1992 dollars from \$690 in 1972 to \$399 in 1992, a 42-percent decline.
- This decline has been partly offset by an increase in food stamp benefits, such that the combination of AFDC and food stamps for a mother and two children with no earnings has declined by 26 percent between 1972 and 1992.
- In all 50 states, AFDC benefits are below the Census Bureau's poverty threshold, varying from 13 percent of the threshold in Mississippi to 79 percent in Alaska (median of 39 percent).

Caseloads

- The number of persons receiving AFDC each year has increased significantly between 1975 and 1992. In 1975, 11.1 million individuals received benefits, and in 1992, 13.6 million persons received AFDC (up from 12.6 in 1991). Over the same time period, the average size of AFDC families has fallen, from 3.2 persons in 1975 to 2.9 persons in 1992.
- Reciprocity rates, defined as the total number of AFDC recipients divided by the State population, have not followed a uniform trend among all States. While rates in some States increased substantially between 1975 and 1992, 22 States experienced a decline in monthly reciprocity rates over that time period.
- Two thirds of AFDC recipients are children. In 1992, AFDC provided benefits to 9.2 million children.

Expenditures

- Despite the increase in the number of recipients over the time period, benefit expenditures have remained relatively constant in real terms between 1975 (\$21.3 billion) and 1992 (\$22.2 billion). Real spending on AFDC apart from AFDC-UP has actually fallen since 1975, from \$20.3 billion in 1975 to \$20.1 billion in 1992.
- Contrary to the general conception, not all States have experienced an increase in total AFDC expenditures. While the national average between 1985 and 1992 was a 17-percent increase, State-by-State figures varied from an increase of 184 percent in Arizona to a decrease of 38 percent in Wisconsin.
- The share of Federal spending devoted to AFDC has declined from 1.5 percent in 1975 to 1.1 percent in 1992.

Recipient Characteristics

- Thirty-four percent of caretaker relatives (usually the mother) of AFDC children in 1992 were white, 39 percent were black, 19 percent were Hispanic, and 4 percent were Asian.
- Only 22 percent of AFDC families reported any non-AFDC income in 1992.
- Forty percent of female welfare recipients gave birth to their first child before the age of 19. Just over half had a high school degree when they entered the AFDC program, and 49 percent had not worked in the 12 months prior to entry.

The JOBS Program

- Of adult AFDC recipients not exempted from the JOBS program in 1992, sixteen percent met the participation rate requirement. Only Indiana, Maine, Maryland and Guam failed to reach the 11 percent participation rate mandated in the Family Support Act for fiscal year 1992.
- Fiscal year 1992 Federal funding for the JOBS program was capped at \$1 billion. However, State spending was only sufficient to draw down two-thirds of the available Federal funding for fiscal year 1992, and only 11 States claimed their full allocation of Federal funds. Only 19 States intended to spend enough to claim their full allocation in fiscal year 1993.

Other Facts

Living Arrangements of Children

- While the total child population in the United States was approximately the same in 1960 as in 1991, the percent of children living with a single parent increased from 9 percent to 26 percent. The majority of children born today will spend some time in a single-parent family.

Labor Force Participation of Women

- The percent of women who work in the wage labor market has increased dramatically in recent decades. Between 1950 and 1992, the labor force participation of women with children under age 6 increased from 14 percent to 58 percent.

Child Poverty

- In 1992, 22 percent of children lived in poverty. Among children in female-headed families, the rate was 54 percent; among children in families with a male present, the rate was 11 percent.

Child Support Enforcement

- In families with children with an absent father in 1989, 58 percent had a child support order in place, 37 percent received some payment, and 26 percent received the full payment.

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FACTS RELATED TO WELFARE REFORM

Job Opportunities and Basic Skills (JOBS)

Existing JOBS Program

Created by the Family Support Act of 1988 and championed by then-Governor Clinton, the Job Opportunities and Basic Skills (JOBS) program helps AFDC recipients become job-ready and enter the workplace. JOBS offers education, training, and job placement, as well as guaranteed child care and other support services. But unfortunately, it reaches few poor families.

To support local flexibility, the Family Support Act gave state welfare agencies primary administrative responsibility for JOBS. The law encouraged welfare agencies to form collaborative relationships with other community institutions--such as schools, non-profit organizations, and business groups--so that JOBS programs would fit local circumstances and needs.

The Family Support Act represented a fundamental rethinking of welfare incentives and obligations. Through JOBS, it set in place expectations that welfare should be only a transitional preparation for self-sufficiency, and that training and support services are as vital as cash benefits. However, the law exempted about half of AFDC recipients, including mothers under age 16, mothers in school, and mothers with children under age three (or one, at state option). Most significantly, in 1994, states were required to have only 15 percent of non-exempt recipients participate in JOBS.

Funding constraints have also limited the program's reach. During the past five years, AFDC caseloads mushroomed and a weak economy put additional demands on state budgets. As a result, states drew down only 69 percent of the federal funds available for JOBS in 1992, and only 12 states were able to draw down their full allocation.

Changes Under Welfare Reform

Under President Clinton's welfare reform plan, an enhanced JOBS program becomes the core of the transitional assistance approach. Our proposal would expand and improve the current program to include:

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 the education, training, and job placement services needed to move into the workplace. Because 70 percent of welfare recipients already leave the rolls within 24

months, and most applicants are job-ready, many 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.

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.

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.

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. For most families, simply the threat of this financial loss will be enough to ensure compliance, but those who fail to comply will face real cuts in benefits.

A phase-in focusing on young recipients first. 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. As welfare reform is phased in, a larger percentage of the caseload will be covered.

Flexibility for states. States that want to accelerate the phase in will be able to use federal matching funds to do so. States may define the phased-in group more broadly, require older women to participate in certain JOBS activities, or provide increased resources to volunteers under current JOBS rules.

Guaranteed child care for those in education and training. An expanded investment in child care will help eliminate a primary barrier to work preparation for young parents.

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.

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FACTS RELATED TO WELFARE REFORM

Child Support Programs

Existing Child Support Programs

The goal of the Child Support Enforcement (CSE) program, established in 1975 under Title IV-D of the Social Security Act, is to ensure that children are supported financially by both of their parents.

Designed as a joint federal, state, and local partnership, the multi-layered program involves 50 separate state systems, each with its own unique laws and procedures. Some local child support offices are run by courts, others by counties, and others by state agencies. At the federal level, the Department of Health and Human Services provides technical assistance and funding to states through the Office of Child Support Enforcement and also operates the Federal Parent Locator System, a computer matching system that uses federal information to locate non-custodial parents who owe child support.

Today, despite recent improvements in paternity establishment and collections, this child support system fails many families. In 1991, 14.6 million children lived in a female-headed family, almost triple the number in 1960, and 56 percent of them lived in poverty. Paternity is not established for most children born out of wedlock, child support awards are usually low and rarely modified, and ineffective collection enforcement allows many non-custodial parents--especially in interstate cases--to avoid payment without penalty.

As a result, non-custodial parents paid only \$14 billion in child support in 1990. But if child support orders reflecting current ability to pay were established and enforced, single mothers would have received \$48 billion: money for clothing, food, utilities, and child care. Closing that \$34 billion gap is a top priority for this Administration.

Clinton Administration Increases and Innovations

Already, the Clinton Administration has proposed, and Congress has adopted, a requirement for states to establish hospital-based paternity programs, as a proactive way to establish paternities early in a child's life. In addition, the 1995 budget reflects a 13 percent increase in federal spending on child support.

Changes Under Welfare Reform

Building on the best state and federal initiatives, President Clinton's welfare reform plan will create an aggressive, coordinated system with automated collection and tougher enforcement. While the federal-state child support enforcement system collected \$9 billion from non-custodial parents in 1993, the reformed system under our plan will collect \$20 billion in the year 2000. The plan focuses on:

Universal paternity establishment. Performance incentives will encourage states to establish paternity for all births, and hospitals will expand efforts to get parents to voluntarily acknowledge paternity. Streamlined legal procedures and greater use of scientific testing will facilitate identification for those who do not voluntarily acknowledge their responsibilities. And we also require each welfare applicant to supply the name and location of the child's father in order to receive benefits.

Fair award guidelines and periodic updating. A commission will study whether national awards guidelines should be adopted. States will automatically update awards for families as non-custodial parents' incomes change.

Automated monitoring and tracking. States will centralize and modernize their child support structures through the use of central registries that monitor payments automatically. A new national child support clearinghouse will catch parents who try to evade their responsibilities even if they flee across state lines.

New penalties for those who refuse to pay. Expanded wage-withholding and data-base matching will be used to enforce compliance. As a last resort, states will withhold the drivers' and professional licenses of parents who refuse to pay support. Even the threat of license suspension is a proven enforcement tool, and suspension also reaches self-employed people unaffected by wage-withholding.

State initiatives and demonstration programs. The reform plan will, for the first time, create a state option to make money available for work and training programs for non-custodial parents who earn too little to meet their child support obligations. States can choose to make these programs mandatory--so that non-custodial parents work off what they owe. At the same time, 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.

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FACTS RELATED TO WELFARE REFORM

Child Care Programs

Existing Child Care Programs

Five federal programs currently provide child care assistance to low-income families. AFDC/JOBS Child Care and Transitional Child Care help families moving from AFDC to work, while At-Risk Child Care and the Child Care and Development Block Grant enable low-wage working families to remain self-sufficient. In addition, Head Start provides low-income families with child development and other social services.

AFDC/JOBS Child Care, an entitlement program, offers assistance to recipients of Aid to Families with Dependent Children (AFDC) who are working or in education and training programs.

Transitional Child Care, also an entitlement program, provides assistance for up to one year after recipients leave AFDC for employment, so that parents entering the workforce will have the continued security of affordable care for their children.

The At-Risk Child Care program, a capped entitlement, allows states to provide child care to help low-income working families who might go on AFDC without such assistance.

The Child Care and Development Block Grant, a discretionary program, makes child care available to low-income parents who work, attend educational and training programs, or receive protective services. The federal government distributes funds to states, Indian tribes, and territories, which then enable parents to choose the care most appropriate to their children. The block grant also provides funds for quality improvements.

Head Start, a discretionary program, provides comprehensive services including education, health, parent involvement and social services to children from low-income families who meet the federal poverty guidelines.

Over the past few years, these five programs have provided critical child care support to low-income families. Despite this progress, there is still a significant demand for child care, for resources to improve quality and supply, and for better coordination and consistency across programs.

Clinton Administration Increases and Innovations

The Clinton Administration has made child care programs a consistent budget priority, increasing funding for the Child Care and Development Block Grant by 19 percent in the 1995 budget. To maximize the impact of each dollar, the Administration has also sought to coordinate and improve programs. To address quality and supply, the Administration is reviewing state health and safety standards, sponsoring a series of national institutes on critical child care issues, and attempting to give states more flexibility to address quality and consistency concerns through proposed regulations.

President Clinton's recent expansion of Head Start provides further support for quality child care. The 1995 budget includes substantial additional funding and encourages the development of full-day, full-year services to meet the needs of today's families.

Changes Under Welfare Reform

President Clinton's welfare reform proposal continues to expand and improve the system for both low-income working families and those transitioning off welfare. His proposal will expand availability, encourage safe and nurturing care environments, and further coordinate program requirements.

Maintaining and expanding the existing guarantee. Welfare recipients in work and training, including the JOBS and WORK programs, will still be guaranteed child care, and those leaving welfare will still receive a year of Transitional Child Care.

Expanding child care for low-income working families. Our proposal also substantially increases funding for the At-Risk program and reduces the state match. We almost double federal spending on child care for the working poor.

Addressing quality and supply. Quality improvement funds will support resource and referral programs, licensing and monitoring, and training and other provider supports. Children in group care receiving assistance will be immunized, and consistent health and safety standards will apply across child care programs. Our plan also directs special attention to increasing the supply of infant and toddler care.

Coordinating rules across all child care programs. Our proposal simplifies administration and ensures coverage by further standardizing different child care programs' requirements for provider standards, health and safety, parental access, consumer education, parental choice, and parental complaint management.



Work

- Making welfare a transition to work:
Building on the JOBS program
 - The WORK program: Work, not welfare,
after two years
 - Supporting working families: EITC,
health reform, child care
- 



Responsibility

- Parental responsibility:
Child support enforcement
 - Accountability for taxpayers
 - Performance, not process
- 



Reaching the Next Generation



- Preventing teen pregnancy
 - Phasing in young people first
 - A clear message for teen parents:
Supports and sanctions
- 

WELFARE REFORM: 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. 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.

Making Welfare a Transition to Work: Building on the 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 few families. Our proposal would expand and improve the current program to include:

- **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 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.
- **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.

● **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: Work Not Welfare After Two Years

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.

Supporting Working Families: The EITC, Health Reform, Child Care

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

● **The Earned Income Tax Credit (EITC).** The expanded EITC will lift millions of workers out of poverty. 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.

● **Health care reform.** Universal health care will allow people to leave welfare without worrying about coverage for their families.

● **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.

WELFARE REFORM: 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.

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 provides 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 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.

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 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.

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 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.

WELFARE REFORM: 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.

Preventing Teen Pregnancy

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.
- **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.
- **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.

Phasing in Young People First

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.

A Clear Message for Teen Parents

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.