

Tommy G. Thompson  
Governor

Gerald Whitburn  
Secretary

*Kathi Way*



Page 2 of 3

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State of Wisconsin  
Department of Health and Social Services

DATE: July 22, 1993  
TO: Honorable Mary Jo Bane  
Honorable David Ellwood  
Mr. Bruce Reed  
FROM: *JEM*  
Gerald Whitburn  
Secretary  
RE: President Clinton Welfare Reform Site Visit

*Sent Kathi 7/28/93*  
*Logged 7/28/93*  
*PV*

As you know, Wisconsin's Learnfare Program is one of the nation's most highly visible welfare reform initiatives. As you arrange for the President to do site visits of demonstration projects, the Thompson Administration would like to invite you to arrange for the President to visit Racine, Wisconsin.

During such a visit he could be exposed to not only the Learnfare Program, but also the Children First Program--our important child support enforcement initiative that was piloted in Racine County (and was recently the subject of a feature article in Newsweek).

We hope that you can work this out.

✓ cc: Carol Rasco

Congress of the United States  
House of Representatives  
Washington, DC 20515-4209

OFFICIAL BUSINESS

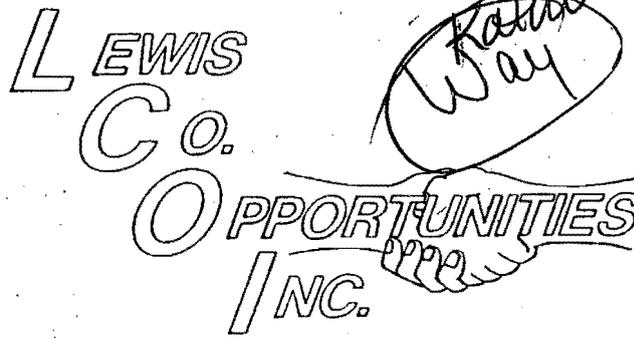
*Harold E. Ford*

M.C.

The Honorable Carol Rasco  
Assistant to the President for Domestic Policy  
The White House  
Washington, DC 20500



KARL REUTLING  
EXECUTIVE DIRECTOR



**COPY**

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13 July 1993

JUL 16 RECD

Welfare Reform Working Group  
Administration for Children and Families  
370 L'Enfant Promenade S.W.  
6th Floor  
Washington, D.C. 20047

Dear Group:

I read with interest a short article about the progress of your work in a recent issue of the "Economic Opportunity Report," copy enclosed. I wish you the best of luck in coming up with a plan that will end the circle of dependency known as the welfare system, and that will also show compassion and create real opportunities for self sufficiency... a tall order.

Having worked for over twenty years with poor people, and on behalf of poor people, I quite agree that what we have now sure doesn't work, and recent so-called welfare reform strategies have been little more than welfare modification expediencies. None of the strategies tried in the last five years or so have done anything at all to either alleviate the plight of the poor or reduce the burden of care of the poor to the middle income taxpayer; both groups continue to be cheated...the main difference being that in the case of the taxpayer, it eats a hole in the pocket; but it eats a hole in the heart and soul of the poor person.

Lewis County is located in the Black River valley on the western side of the Adirondack mountains in northern New York. It is all rural; the biggest town in the County has 5000 residents. The center of our economy, such as it is, is dairy farming and wood/paper products. Both are suffering. We have an unemployment rate that is usually higher than the worst of New York City. Our per capita income is usually at the bottom of New York's sixty-two counties. As the Community Action Agency, we try our best to help poor families to stop being poor, but it isn't working very well. We're engaged in family self sufficiency programs, family development models, case management systems, integrated service strategies, and other similar methods. We have some success



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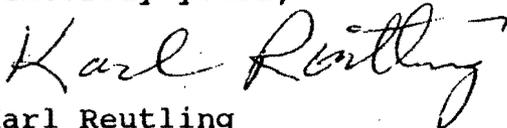
stories, but most of them involve a liberal dose of luck. We do know, however, what **would** work. It's a four letter word: **JOBS**.

Real jobs... jobs that you can feed a family on, buy clothes with, afford decent housing with, even have some fun with. I don't care what else is in the plan that you develop. I'm sure you can come up with all the correct features; you have all possible resources at your disposal. If your plan doesn't include the creation of jobs; specifically, **one good job for every family that you think shouldn't be on welfare**; certified, real, and assured, then the plan isn't worth the paper it's written on.

Here in rural Lewis County, we have a great natural environment, communities safe from street crime, adequate schools, and a whole bunch of nice people. Most of the families in this county came from old country Europe about a hundred years ago. They came here for one main purpose: to **work**. Nothing has changed in that regard. We have a very willing work force. You can't say that our poor folks don't want to work. In fact, they try so hard that our AFDC caseload looks disproportionately small because these folks will do most anything to stay off welfare, and they're often afraid of losing what little they do have in the way of pride and possessions by asking for help. They just need a good job.

Job training, day care, transportation, drug rehab., alternatives to crime as a career, education, and (dare I say it), family values in the real sense, are all very important factors in the economic rehabilitation of the nation's poor, but without a good job to go to, all the good public policy in the District of Columbia won't make any difference. The 1980's saw the people in this Country abrogate their responsibility as good neighbor to the poor folks down the street. Corporate America said I've got mine, the heck with you... and the Federal Government let them do it. If there's any mystery as to how to recreate the several million jobs that used to be there for people, you'll most certainly have to involve Corporate America in your plan. Again, I wish you the best of luck. To respectfully paraphrase the President's campaign office sign: "It's JOBS, stupid!"

Sincerely yours,



Karl Reutling  
Executive Director

**CLINTON WELFARE PANEL  
OUTLINES REFORM PLAN**

**COPY**

A restructured welfare system, as envisioned by the Clinton administration, could place new demands on social service workers and community groups that deal with the poor.

By limiting the amount of time a family may receive public assistance, the White House would prompt community groups to become more involved in methods to prevent families from entering the welfare system. The Aid to Families with Dependent Children (AFDC) program has been the primary focus of welfare reform, but housing assistance, food stamps, Head Start and other aid to the poor also might be reorganized, administration officials said July 8.

Welfare reform may be the administration's best chance to move to the political center and reshape images of its rocky start. Specific details about reform plans are sketchy; the rhetoric is clear.

**Values-Oriented Policy**

"Welfare has failed because it does not reinforce values of importance to Americans, such as work, family and responsibility," said David Ellwood, assistant secretary for planning and evaluation in the U.S. Department of Health and Human Services. "This [reform effort] is as much about values as it is about politics or money or anything else."

The administration wants to change the welfare system by expanding tax credits for poor families who work full-time, improving child support enforcement and limiting welfare eligibility to two years, said Ellwood, a co-chairperson of the Working Group on Welfare Reform. "Welfare at some point comes to an end," he said, "to be followed by work and jobs."

To win broader political support for welfare reform, Clinton has reached out to the GOP and state governors. New Jersey Gov. Jim Florio (D) heads a National Governors' Association committee scheduled to discuss welfare with the administration this week.

The coalition-building effort might help the political process, but has little to do with policy. At a briefing last week, Ellwood and Bruce Reed, a domestic policy assistant to Clinton, stumbled over questions about the role of poor fathers in welfare reform. They also offered little insight into the type of jobs welfare recipients would take after their benefits expire.

Even if policy questions were settled, the cost of welfare reform is certain to be a major obstacle to its implementation. Under Clinton's plan, expanding tax credits for poor families who work would cost \$28 billion over five years. That price tag likely will be dwarfed by health care reform, a key ingredient to any welfare changes. "Many people stay on welfare because it is the only way they can get health care," Reed said.

Policy problems notwithstanding, Clinton's welfare overhaul may be the victim of high expectations. Sen. Daniel Moynihan (D-N.Y.), perhaps the Senate's leading scholar on welfare issues, this month called the reform proposal "a train wreck waiting to happen."

*The Working Group is seeking comments from interested parties. Comments should be sent to: Welfare Reform Working Group, Administration for Children and Families, 370 L'Enfant Promenade, S.W., 6th Floor, Washington, DC 20047.*

Reed/Way file  
DEC 20 REC'D  
Sent/Logged  
12/21/93

December 17, 1993

Ms. Carol Rasco  
Assistant to the President for Domestic Policy  
Domestic Policy Council  
The White House  
Washington, DC 20500

Dear Ms. Rasco:

As the Administration formulates its welfare reform proposal, we believe that the following principles should guide the development of all related child care provisions. It is critical that the needs of young children to grow, thrive, and have early childhood experiences that will enable them to enter school ready to succeed not be overlooked in any effort to encourage their parents to move into employment and toward eventual self-sufficiency.

- **First and foremost, all federal child care assistance must ensure the full and healthy development of children, regardless of whether that assistance is provided through welfare-related child care programs, Head Start, or other federal or state child care programs.**
- Families receiving AFDC should have child care of sufficient quality both to enable parents to work (or to receive the education or training they need to obtain work) and to provide their children with a high quality early childhood development experience.
- In order to be able to retain their jobs and improve their earnings, families who leave AFDC for work should receive subsidies for quality child care as long as their income is not sufficient to enable them to pay the full cost.
- Families should not have to go on AFDC in order to get the child care assistance they need to get and keep jobs.
- Child care provided with federal funds should be required to meet health and safety standards that protect children and promote their full and healthy development.
- Low-income families should have access to quality child care services. Appropriate reimbursement policies and payment mechanisms should be used to ensure a range of high quality options for parents.

- Parents participating in education, employment and training should be fully informed about available child care options, the availability of child care subsidies, and the role of child care in addressing their children's developmental needs.
- Additional funds must be made available to improve the quality of and address the gaps in the supply of child care in order to meet the needs of low income children and families.
- Welfare recipients should be offered a choice of training for a variety of careers, including child care. Those who demonstrate aptitude for and interest in child care as a career should be appropriately trained.

Each of these issues is critical if we are to ensure that all of our children can grow to be productive and contributing members of our society. We would welcome the opportunity to discuss these issues with you as you continue your work on the Administration's welfare reform plan.

Sincerely,

American Public Health Association  
Association of Junior Leagues  
Center for Career Development in Early Care and Education  
Center on Effective Services for Children  
Center for Law and Social Policy  
Child Care Action Campaign  
Child Care Law Center  
Child Welfare League of America  
Children's Defense Fund  
The Children's Foundation  
Early Childhood Policy Research  
Ecumenical Child Care Network  
Family Focus  
National Association of Child Care Resource and Referral Agencies  
National Association for the Education of Young Children  
National Black Child Development Institute

continued ...

Ms. Carol Rasco

-3-

December 17, 1993

National Center for the Early Childhood Work Force  
National Center for Children in Poverty  
National Economic Development and Law Center  
National Head Start Association  
National Women's Law Center  
Parent Action  
Quality 2000  
School Age Child Care Project  
USA Child Care  
Young Women's Christian Association of the USA  
ZERO TO THREE/National Center for Clinical Infant Programs

cc: Mary Jo Bane

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN  
6-21-93

93 JUN 17 P6:53

June 16, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Kathi Way  
Mary Jo Bane  
David Ellwood

THROUGH: Carol Rasco

SUBJECT: Preliminary Issues for Welfare Reform

Rasco  
memo  
Good things  
Good session  
Members & couples  
of NGA + govts  
here -> include  
B

Last week, we officially announced a welfare reform working group made up of officials from the White House and the agencies. We have met with key members of Congress in both parties, and are working with an advisory group of governors and other state officials on recommendations that they will present to you at the NGA meeting in mid-August. In the meantime, we will begin a series of public hearings and site visits to promising welfare reform programs around the country.

Our goal is to have a welfare reform plan ready by the fall, for introduction late this year or next January, as the centerpiece of your 1994 State of the Union address. If you would like to move more quickly, please let us know.

We intend to build the welfare reform plan around the themes you set forth in the campaign:

- \* Making Work Pay, through an expanded EITC and health reform.
- \* Dramatically Improving Child Support Enforcement, by increasing paternity establishment at birth, improving the collection system, requiring absent parents to take responsibility for their children, and perhaps testing some form of child support insurance.
- \* Better Education, Training, and Support, by building on the JOBS program to ensure that people have access to the tools they need to escape welfare, and begin to integrate welfare mothers into the larger system of education and training.

\* Transitional Time-Limited Welfare and Work, by replacing the current system with one that enables and requires people who can work to go to work.

We have set up 10 working groups to address the major components of a welfare reform plan: 1) Making Work Pay; 2) Child Care; 3) Child Support; 4) Absent Parents; 5) Post-Transitional Work; 6) Transitional Support; 7) Private Sector Job Development; 8) Program Simplification; 9) Prevention/Family Formation; and 10) Modeling.

As we proceed with this project, we would like your general thoughts on how to go about ending welfare as we know it. To begin with, we would like to take up a few pivotal issues:

- \* How bold? Should we reform welfare or replace it?
- \* What should time-limited welfare look like? Who should be required to work, what should be done to sanction those who refuse to work, and how quickly should we phase in these reforms?
- \* What else can we do to promote work, family, and personal responsibility? How far can we go in toughening child support enforcement? Should we consider other measures to help families with children, such as child support insurance and/or a children's tax credit?

## **ISSUE #1: REFORMING WELFARE VERSUS REPLACING WELFARE**

In the campaign, you called for an "end to welfare as we know it," and most of our work so far assumes that our goal is to find a genuine alternative to welfare. We are looking for ways to enable people to support themselves outside the AFDC system, through work instead of welfare, and we are more interested in moving people off welfare as quickly as possible than in simply encouraging them to work for their welfare. Both of these goals require much more than tinkering with the current system -- and consequently go much further than most state welfare reform efforts, either in implementation of the JOBS program or in waiver requests for state demonstrations.

State self-sufficiency-oriented welfare reforms tend to focus on improving the JOBS program and providing work incentives within the welfare system, in the form of higher earnings disregards and lower benefit reduction rates. Even the most dramatic state demonstration proposals are not oriented to getting people off welfare quickly and helping them make it outside the welfare system when they work. The Bush Administration followed a policy of welfare reform through state waivers, which many state officials would like to see as the centerpiece of this Administration's approach to welfare reform. We believe that state flexibility and experimentation are critical, but we do not believe that leaving reform entirely

to the states will end welfare as we know it. The states are in no position, legally or financially, to envision genuine alternatives to the current system.

We are operating on the assumption that our goal is to genuinely transform the welfare system while preserving a high level of state flexibility. More modest reforms are possible -- expanding and enriching the JOBS program, or relying on state-generated reform approaches -- and would do a good deal to improve the current system. But we believe we have an obligation and an opportunity to be much bolder, to fashion an approach that moves people quickly off welfare and helps them stay off -- or better yet, helps keep them from going on welfare in the first place. The best kind of time-limited welfare is a system where no one stays on the rolls long enough to hit the limit.

↳ Council on Welfare  
St. Louis Limited Program

## ISSUE #2: STRUCTURING TIME-LIMITED WELFARE AND WORK

The principle of time-limited welfare, of ensuring that welfare does not last forever, resonates positively not only with voters but with welfare clients. If supports for work are in place, if we have dramatically improved child support, if we have improved education and training and job placement, then it seems unassailably reasonable to insist that after a time certain, traditional welfare must end and some sort of work must begin. There is real dignity in work, and much real work to be done: public libraries are closing because communities cannot afford staffs, there is an enormous shortage of child care workers, and the non-profit sector is booming, just to name a few.

But significant questions arise: How many people can reasonably be expected to work? Who should pay them, and what should they do? And how can we mount such a massive job effort without creating a make-work nightmare like CETA?

The size of the welfare population alone suggests that a time limit should only be applied to a portion of the caseload, at least at first. Up to 3 million recipients have been on welfare for 2 years or longer. Requiring even half of them to work could require the creation of 1.5 million jobs -- and if those were community service jobs, the program would be several times the projected size of national service.

Cost and capacity are critical issues. For example, we would like to see a system of 100 percent participation in work, education or training. The JOBS program currently spends about \$800 million nationwide, and enrolls about 7 percent of recipients -- and even the best states only serve about 15 percent. No state now requires work of more than a small proportion of clients. Requiring people to work or even simply participate will increase costs not only for the programs themselves, but also for day care, transportation, etc.

A new system could be phased in, either by state or by cohort of welfare recipients. That would lower the initial cost and enable us to see what works. The challenge will be

how to control costs while at the same time being bold enough to meet our commitment to real change.

A second important issue in designing time limits is the consequences of non-compliance. A system of required participation and work will only be seen as a genuine end to welfare as we know it if it has serious penalties for non-participation. But current practice allows strong due process concerns, penalties affecting adults only, and extremely low sanction rates of any sort.

The best way around this dilemma is to design a system that involves serious and unavoidable consequences for non-participation, but at the same time provides people enough opportunity that life is possible and desirable off welfare. The easier it is for people to support themselves through work instead of welfare, the fewer people will reach any time limit, the fewer public jobs will be created, and the less important sanctions will be. In the end, finding the right balance between opportunity and responsibility will determine whether or not a welfare reform plan can obtain the political support and the moral legitimacy to survive.

### ISSUE #3: CHILD SUPPORT

If we are going to ask more of welfare mothers, we must ask more of absent fathers as well. The current child support enforcement system is so porous that less than a third of absent fathers' potential obligation is actually collected. A dramatically improved system would bring essential support to many single parents, and send a clear message that those who bring children into the world have a responsibility to raise them.

We are looking at every possible means to toughen child support enforcement and demand personal responsibility. These measures might include: universal paternity establishment in hospitals; mandatory wage withholding administered by the states; denying deadbeat parents access to universal health care; making it harder for deadbeats to obtain credit cards, driver's licenses, or professional licenses; requiring custodial parents to establish paternity or lose the right to take a personal tax exemption for their children; and various other efforts to demand responsibility and increase collection.

We will also examine other, more sweeping means of making it easier for parents to raise children. One controversial option, known as child support assurance or insurance, would seek to improve child support enforcement and provide some protection to single parents by providing a government-guaranteed minimum child support payment (say \$2,000 or \$3,000), even when collections from the absent father fall below the minimum. Minimum child support payments would only be provided to custodial parents with an award in place. Any insured child support benefits would be counted as income for welfare purposes, and welfare benefits would be reduced dollar for dollar. A woman on welfare would be no better off, but if she went to work, she could keep her guaranteed child support.

X  
if you do  
not  
agree  
child care  
for child  
care

Proponents of this idea argue that it will make it much easier to leave welfare for work, increase incentives for mothers to get awards in place, and legitimize a genuinely time-limited welfare system. Critics fear that it will let absent fathers off the hook, encourage the formation of single-parent families, and simply provide welfare by another name, without increasing child support collection.

Another option to ease the financial burden of raising children would be to provide some kind of children's allowance or children's tax credit. To hold down costs, such a credit might be limited to young children in working families with incomes under \$40,000. The tax credit could be further limited to families where paternity has been established, and capped at a maximum of two children under 6 at any time.

The advantage of a children's allowance is that it recognizes that raising children is a burden for all working families, with two parents or one. Like the EITC, it would provide an additional incentive to work, and it would also give working and middle-class families some much needed tax relief. The disadvantage is that like any tax cut, it will cost money. Joe Lieberman has proposed a credit of \$1,000 per young child that would cost \$9 billion a year; the more carefully targeted version described above would cost significantly less.

In any case, a major part of our effort will be to look at ways to reduce the formation of single-parent families. Over the last decade, the number of children born to unmarried mothers has grown dramatically, even though the divorce rate has leveled off. Paternity establishment is improving, but unwed births are increasing twice as fast. Keeping people off welfare in the first place is the best system of all.

*File: Welfare Reform*

**A BUSINESS APPROACH**

**TO**

**WELFARE REFORM**

June 4, 1993  
Washington, DC



NATIONAL ALLIANCE OF BUSINESS

# A BUSINESS APPROACH TO WELFARE REFORM

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## Executive Summary

Today there is widespread agreement that our welfare system must be improved. Created to address economic problems of the 1930s, Aid to Families with Dependent Children is no longer suited to social conditions of the 1990s. Congress took a major step toward reforming the welfare system with passage of the Family Support Act in 1988. Even so, welfare reform continues to remain high on the public policy agenda.

Growing dissatisfaction with the system prompted President Clinton's campaign pledge to "end welfare as we know it." To fulfill this pledge, the President has outlined several principles that will guide his welfare reform proposal. He would impose time limits on the receipt of benefits, expand the Earned Income Tax Credit, toughen child support, and increase education and training opportunities for welfare recipients.

A comprehensive reform of the welfare system will require a concerted effort by, and the active involvement of, both the public and private sector. Because a strengthened and expanded welfare-to-work program is widely recognized as crucial to reform, the business community must play a critical role in this effort. As a business-led organization involved in welfare-to-work programs nationwide, the National Alliance of Business (NAB) has developed this paper to provide a business approach to welfare reform efforts.

The paper describes some of the issues in our current system of public welfare, outlines the social and economic costs of this system, and suggests a framework for the business community's involvement in its reform. It does not attempt to answer the many questions sure to be discussed during the debate on welfare reform. Nonetheless, the paper raises the issues business believes are essential to welfare reform efforts and discusses how those issues should be addressed. Fundamentally, NAB proposes the need for a business approach to welfare reform because we believe there can be no comprehensive attempt at reform or any expectation of its success without employer involvement.



This approach to welfare reform recognizes that any new or reformed system must be firmly rooted in and connected to the local labor market. Any system of public assistance that is not inextricably bound to local economic conditions and labor needs will face significant barriers in helping to move its participants to productive employment and self-sufficiency.

Reforming the welfare system will be a large and complicated undertaking. It will require addressing issues not only specific to welfare but also related to child care, health care, transportation, housing, job training and education. But if a reformed welfare system does not have at its core assimilating welfare participants into the workforce, it will achieve only limited success. American business should take part in the welfare reform debate to ensure that the redesigned system encourages work and assists participants in becoming productive members of our society.

## Background

A brief scan of the current public welfare system reveals four major weaknesses. First, welfare does not reinforce values most Americans believe are important: work, family, individual responsibility, and self-sufficiency. Welfare rules penalize savings, perpetuate dependency, discourage work, and isolate recipients. In short, welfare often rewards failure not success.

Second, welfare often penalizes marriage and underwrites single parenthood. Welfare rules have traditionally imposed a stiff "marriage" penalty: women who marry a man with a job usually exceed AFDC limits on household income and thus lose their benefits. Couples who choose to live together instead of marrying suffer no such loss of income.

Third, much of what the federal government spends on public assistance to the poor is lost in an uncoordinated and inefficient system. Because this money is dispensed through so many separate programs and delivery systems with their own rules and regulations, much of it is swallowed up by an ever expanding bureaucracy for delivering social services, and never reaches the poor.

Finally, and most important from a business perspective, welfare undercuts the incentive to work. The current system is



replete with rules and regulations that have the effect of discouraging those who wish to work from doing so. For many, staying on welfare is simply a matter of economics. When cash assistance, medical, transportation, housing, and child care benefits - many of which are cut for those moving off AFDC - are considered, welfare often offers a more stable income than work.

The costs of maintaining the current system must, then, be measured in both economic and social terms. Currently, Washington spends about \$150 billion a year on 75 means-tested programs for the poor. In addition, the indirect costs, in the form of higher taxes to pay for remedial education, emergency medical care, drug treatment, homeless shelters, police, courts, prisons, etc. are an increasing burden on the economy and on our society.

Even more significant, however, are the costs of losing the productive capacity of a large number of our citizens. This is a loss of the productive potential of millions of citizens who cannot, for lack of education and/or skills, compete in a global economy. Nor can these costs be measured simply in economic terms. The costs of continuing with the current system will drain our country of important human resources well into the 21st century.

## **A Call for Reform**

A general consensus has been formed that there are deep structural flaws in our public welfare system as it currently operates. A closer look at common attitudes about welfare, however, reveals two general and distinct points of view regarding welfare recipients. Recent studies have shown that people generally view welfare recipients in one of two ways: as long-term, or "career," welfare recipients and as temporary, or "transitional," recipients. A focus group study done in California discovered that perceptions of welfare recipients generally determined attitudes about the system as a whole. Those who felt that most welfare recipients were long-term dependents of the system generally had more negative impressions than those who felt most welfare recipients were temporary participants. The significance of these findings is that while many people express general dissatisfaction with our welfare system, what is most objectionable is the long-term



dependency it allows and, at times, encourages. Thus any significant attempt at welfare reform must seriously address the long-term dependency that welfare encourages.

Welfare reform is certain to remain high on the public policy agenda as several reform proposals are being discussed and/or considered. President Clinton campaigned on the promise to "end welfare as we know it." Legislation has not yet been introduced, but the President has indicated the following principles will guide development of his welfare reform plan.

- **First, welfare should be a second chance not a way of life.** Under the Clinton plan, most recipients would have two years after they completed a training program before they would be asked to take a job either in the private sector or in public service. The President would guarantee that welfare recipients do not lose their access to health care and child care by moving into the workforce.
- **Second, every American who works full-time with a child in the home should not live in poverty.** The centerpiece of this proposal is an expansion of the Earned Income Tax Credit (EITC). The EITC is a tax credit for working families with incomes of less than \$22,370 and one child living at home. Under the Clinton plan the income threshold would be raised and the credit would be extended to poor workers who don't have children.
- **Third, federal child support enforcement would be dramatically toughened.** It is estimated that 15 million children have parents who could pay child support but do not. The President proposes having states establish paternity at the hospital and using the Internal Revenue Service to collect unpaid child support. His plan would also establish a national databank to track down deadbeat parents.
- **Fourth, education and training opportunities for welfare recipients would be expanded.** This step would build on the Family Support Act of 1988, which required states to move a portion of their welfare recipients into training programs and jobs.



## **Business Involvement in Welfare Reform**

Under the framework of the Clinton plan, states would be accorded greater flexibility to experiment and design their own approaches to welfare reform. The President has promised to approve waivers to states for welfare reform programs that may not directly reflect the policies of his Administration, provided that there is an honest evaluation of each program.

It is in the interest of all concerned that the business community participate in any reform discussion so as to guarantee that any proposal is premised upon the goal of moving welfare recipients off public assistance and into productive employment. Because any earnest attempt at reforming the welfare system will include efforts to strengthen and expand successful welfare-to-work programs, employers' involvement is critical. Welfare-to-work programs lie at the intersection between social service agencies, education and training services, and the labor market. Meaningful business involvement can improve program efficiency and effectiveness and can significantly increase the chances that program participants will ultimately become independent from public assistance.

Welfare-to-work programs must be incorporated into our national effort to build a world class workforce. At a time when all resources of the nation's labor market must be better utilized to keep pace with global economic competitiveness, preparation of welfare recipients to meet the expanding human resource needs of business is critical. However, employment and training programs for welfare recipients will not be sufficient in and of themselves unless they leverage the interests, perspectives and resources of the business community.

Private sector employers know what job skills are needed in their industries and in their geographic areas. They understand local labor market trends that can help to guide program designs and training content. Just as business has a direct interest in welfare-to-work programs as a means to building a better workforce, so too does the nation need to develop the productive capacity of groups previously considered to be outside the mainstream of our economy to assure an adequate supply of skilled workers. Training welfare recipients to fill job vacancies in the private sector not only makes good social policy - we are dignified by our work - it is sound economic policy. In short,



## **A Framework for Welfare Reform**

### **Principle 1**

the business community has a stake in the success of welfare-to-work. The problems created by chronic unemployment and dependency are well documented. Because these problems demand the use of scarce resources, and because they contribute to social tensions which affect productivity and the general business climate, the public sector should be interested to have business's assistance in solving them.

Long-term welfare dependency and complex labor phenomena are issues too large and important for any one sector of society to address alone. Labor market and welfare issues are no longer just government problems. A public/private partnership based on the principles outlined below would bring the best leadership, resources, and commitment to the table in each local community to address the welfare issue.

*Welfare reform should be an integral part of the effort to develop a comprehensive workforce development system that is firmly rooted in local labor market needs and opportunities.*

If the United States is to remain competitive in world commerce in the 21st century, we need to invest in building the skills of our current and future workforce, and we must actively engage in partnerships to build a workforce development system that includes all our citizens. We must realize the need for the public and private sectors to collaborate on systems that optimize the full potential of our human resources.

Experts agree that we lack a coherent system for setting human resource goals and priorities at the community level and for linking employment, training, and education programs together with local employers to deliver services efficiently to meet these goals and priorities. A broad-based workforce development system would help to eliminate the inefficiencies in the current use of resources for public assistance and welfare-to-work programs. The system would be characterized by: a common point of intake; individualized assessment of clients to determine their service needs; a form of case management to see participants through the system; and a common system of placement that employers could readily access.



The lack of available resources at the state level has been a barrier to previous welfare reform efforts and to developing effective welfare-to-work programs. State budgets, severely pinched by the recession, have not been able to provide sufficient matching funds to use all of the available federal money. A comprehensive and well-coordinated workforce development system would increase the probability that adequate funding is available at the federal, state, and local level to meet the needs of our current and future workforce.

Another barrier to improved welfare-to-work programs is the lack of coordination between different federal and state agencies and the programs they administer. The result of this is more often than not an incoherent effort between different parts of the system that do not work together toward complementary goals. Welfare-to-work program administrators have expressed a great desire for a more integrated and better coordinated system. Legislative changes would be required to correct some of the problems, but with influence of the private sector, a workforce development system could accomplish much administratively to improve coordination and reduce paperwork. Such a system would provide the context for making decisions about investing in our human resources today for the benefit of our future economic competitiveness.

The crucial components of any welfare-to-work program are education and job training. These components, however, are also expensive. Viewed in the short term these services do not seem to justify their costs. Viewed in the long term as part of an overall effort to build an internationally competitive workforce, they are a wise investment in our future. A comprehensive workforce development system implemented at the state and local level would serve clients more efficiently.

The key component of a workforce development system should be a network of business-led Workforce Investment Councils to be established in every labor market in the country. The Councils would overcome the inefficiency of our current fragmented and frequently duplicative approach to local labor market program administration by overseeing the operation of a more efficient, integrated system of service delivery. In fact, several states have utilized the existing Private Industry Council system to serve this function.



Within a framework of federal and state policy leadership and support, the Councils would negotiate among existing federal, state, and local training and work-related education programs.

A restructured welfare program that is integrated into a larger workforce investment system would provide a more efficient way of moving participants into productive employment. Education and training programs would be responsive to local economic conditions and participants would be provided training appropriate to those conditions. Such a system would allow welfare to return to its intended role of providing participants with temporary assistance as they prepare to enter or reenter the workforce.

## Principle 2

*Welfare reform should build on the Family Support Act of 1988 to expand education and training programs that help welfare recipients become job-ready and employed.*

In 1988, Congress enacted the Family Support Act (FSA), which established a new employment and training program for recipients of AFDC called the Job Opportunities and Basic Skills Training (JOBS) program. The purpose of JOBS is to assure that needy families with children obtain the education, training and employment that will help them avoid long-term welfare dependence. JOBS requires states to set up welfare-to-work programs, to fund the programs by matching federal dollars, and to compel some welfare recipients to participate in these programs. Through these programs, participants receive basic and vocational education, job skills and job readiness training, on-the-job training and community work experience. They are also eligible to receive support services, such as transportation, child care and Medicare up to a year after they complete training.

Perhaps the most significant aspect of JOBS is its emphasis on participant responsibility. JOBS stresses that welfare recipients have an obligation to pursue the opportunities and take advantage of the activities presented to them. One of the shortcomings of the current welfare system is the absence of expectations it places on participants. Only by moving towards a policy which recognizes and rewards participants' efforts to help themselves will we eliminate the long-term nature of public



assistance. To this end, the President's proposal to impose time limits on the receipt of welfare is a step in the right direction. However, without continuing and strengthening this emphasis on mutual obligation, as required under JOBS, time limits will only be partially effective.

The foundation upon which to build welfare reform is already in place. A coordinated, comprehensive welfare system can be constructed with refinements to the existing structures and can become an integral component of the workforce development system. JOBS is the culmination of a great deal of welfare experience and reflects what programs need, such as design flexibility and the encouragement to coordinate with other, appropriate agencies and community-based organizations. In fact, most interested parties believe that the ingredients for a successful welfare-to-work program are contained in JOBS.

Many observers also recognize that the potential for success in an expanded Family Support Act and JOBS program lies in their emphasis on individualized services and assistance. Many of the education and training programs in states, however, are not capable of addressing the unique needs of welfare recipients. Target groups from welfare-to-work programs differ from those that have traditionally been served effectively by education and training programs. When compared with other students in education and training programs, welfare recipients have generally been found to have lower average achievement, lower average motivation, greater need for support services, and a higher incidence of personal problems. Welfare-to-work programs should be designed with the flexibility necessary to address different needs.

Because of welfare recipients' special needs, states and localities have found it necessary to adapt existing education and training programs. Many education providers have found that welfare recipients by and large require more counseling than non-welfare recipients. Others have adapted their established curricula to meet the needs of welfare recipients. In some local education agencies in California, for example, educators decided to create classes expressly for adult welfare recipients. The Job Training Partnership Act (JTPA) is moving toward a system with an assessment process and an array of appropriate services that succeed in matching services to the person. The effort needs to be expanded to include JOBS participants.



Another significant aspect of the JOBS program is its emphasis on providing work experience. Many JOBS programs use Community Work Experience or Work Supplementation not as ends in themselves but as components of a program designed to prepare participants for work. As a component, work experience is a way for the participant to make choices about potential professions, become accustomed to the job readiness skills that a permanent position requires, and to develop additional skills. In addition, the program staff can use work experience as an assessment tool of a participant's training or education needs.

The Family Support Act of 1988, and specifically the JOBS program, lays the groundwork for reforming the welfare system. The Act's emphasis on participant responsibility, the importance it places on the provision of employment and training services to welfare recipients, and its encouragement of employment programs such as Community Work Experience and Work Supplementation, begin to move in the direction of a reformed and improved welfare system.

### Principle 3

*Public service employment should be evaluated by weighing the benefits it would provide against the costs it would impose.*

The idea of mandating some type of work experience is controversial because it inevitably leads to a debate about public service employment. The President has said that under his plan after two years welfare recipients would be asked to take a job in either the private or public sector. Presumably, those unable to find private sector jobs would be placed in some type of public service employment. The questions associated with public service employment are too numerous to be discussed definitively in this paper, yet it is clear that, however well-designed and well-constructed a public service employment program is, it should not be a permanent alternative to unsubsidized private sector employment. Additionally, public service employment should not position welfare recipients against unionized workers, dislocated workers, and existing workers for jobs. In general an effective public service employment program will need to be carefully managed to avoid pitfalls of supplanting or replacing regularly funded private sector jobs. The benefits of public service employment are the



values and habits of work it instills, the sense of participant responsibility it imparts, and the skills and training it provides to participants.

## Principle 4

*Welfare reform should preserve the flexibility allowed to the states and should encourage state experimentation with their own welfare plans.*

The environment for welfare reform experimentation was established by the Family Support Act of 1988 and by the federal government's response to requests from the states for waivers. The states have used this flexibility and made major changes to their welfare systems. For example, Wisconsin has been a leader among states experimenting with welfare reform. Widely known for its Learnfare program, which reduces welfare benefits for teenage truancy, Wisconsin has also proposed a more aggressive child support collection system than the one found in the Family Support Act.

In Ohio, teen parents receive a bonus in their welfare grant for being enrolled in a school program leading to a high school diploma or its equivalent and for meeting monthly attendance requirements. Maryland has proposed cutting benefits for recipients not receiving preventive health care or not keeping children in school. New Jersey is experimenting with denying benefits to mothers if they have additional children. Michigan has abolished its general assistance program, which provided benefits to adults with no children. Recently, Wisconsin became the third state to begin work on a time-limit plan, joining Vermont and Florida. Vermont was granted a waiver from federal rules to proceed with its plan, Florida will submit a waiver request shortly, and the Wisconsin legislature will soon vote on its time-limit proposal.

Much of the progress that has been made on welfare reform has been the result of ideas like these developed, tested, and refined at the state level. Almost every state has some experimental innovative approach in its welfare-to-work program and although many state experiments will be controversial, it is through state flexibility and experimentation that widely acceptable program solutions will be found. Allowing, indeed encouraging, these demonstrations to continue should be a key component of a reformed welfare system.



## Principle 5

*Welfare reform should preserve the safety net for children and the disabled. Furthermore, steps should be taken to address the root causes of poverty and avert welfare dependency before it begins.*

The goal of all welfare-to-work programs should be to help participants find productive employment and become contributing members of our workforce and society. However, programs should not be considered to have failed if all participants in them do not reach this goal. There will still remain a segment of the welfare population which will have great difficulty becoming self-sufficient. There are a number of welfare recipients who cannot work because of age or disability. In the efforts to reform the welfare system it is essential that we not lose sight of our commitment to providing citizens a safety net below which no one is allowed to fall.

Today, the business community is defining its role in public policy by seeking greater involvement in school reform, vocational education, dislocated worker training programs, job-training for the disadvantaged, school-to-work and youth apprenticeship programs. As the business community continues to provide input into these and other critical issues affecting the quality of the American workforce, questions about long-term welfare dependence will be addressed. Many of the flaws of our welfare system today could be corrected by taking action sooner and addressing problems before they occur.

## A Role for Business

Although the proposed framework for reform is primarily addressed to public-policy makers, there is a distinct but closely related role for the business community. As detailed earlier in this paper, business has a critical stake in the success of our welfare-to-work system. As this system is further integrated into a workforce investment strategy, the business community's stake becomes even higher and the benefit of having business involved in the design and implementation of welfare-to-work programs is even greater.

Businesses can help ease the transition from welfare-to-work by adopting voluntary "family friendly" policies that recognize the



barriers many welfare recipients face in gaining full-time employment. Many of the hurdles welfare recipients face in maintaining productive employment are only indirectly related to income. AFDC recipients often have child care, transportation, health care and other needs that prevent them from finding and maintaining full-time jobs. Recognizing the interrelationship between these issues and the welfare reform debate is a necessary first step in constructing a more enlightened welfare system. These are issues to be addressed by both the public and private sectors. There are, nevertheless, steps the business community can take voluntarily to remove some of the obstacles welfare recipients face on their path to self-sufficiency.

Many companies, large and small, have begun to adopt policies that provide support for employees struggling to balance family, health, transportation, and other concerns. These concerns are often what keep welfare recipients from maintaining employment. The extent to which businesses can address them will be a critical factor in the success of reformed welfare system.

Additionally, employers have a key role to play at the local, state, and federal levels in the design and implementation of welfare-to-work programs and welfare reform strategies.

**At the local level**, businesses are often the best predictor of labor market trends and needs. Businesses also know the skills required of the current and future workforce in their industries. The business community can bring this knowledge and experience to the development of effective welfare-to-work programs. Local private sector leaders can serve an important role as outside brokers, or barometers, for public programs related to employment and training. Very often it is the "neutral" business volunteer who motivates public agencies and officials to work more effectively and to coordinate resources more efficiently toward a common goal.

**At the state level**. Many of the most innovative ideas on welfare reform have emerged from state efforts to restructure their programs. States will continue to experiment with ideas and as such it is at the state level where business can have an impact on overall policy direction. Critical to the success of programs at this level is the ability to coordinate statewide public/private employment and training strategies.



## Summary and Conclusions

At a time of limited public resources, coordination among job training and education programs is a critical common sense issue for employers. Welfare-to-work programs should be coordinated with other employment and training resources available for similar population groups. This can be done through comprehensive state-level coordination policies that provide criteria for coordination in the local planning process.

**At the federal level.** AFDC has been and remains a federally funded program. Overall policy decisions that impact welfare programs will be made in Washington. The business community can make its voice heard as the Administration, the Congress and national organizations frame a redesigned welfare system. Appropriate issues for the business community to raise at the federal level include: increasing incentives for welfare recipients to seek and maintain employment; creating incentives for employers to hire welfare recipients; developing program performance evaluation criteria; and simplifying program requirements.

President Clinton has indicated that welfare reform will be prominent on the domestic public policy agenda. There is nearly universal agreement that the current system has several fundamental problems and serves to perpetuate the conditions it was designed to correct. The question is no longer whether something needs to be done but rather what can be done.

The business community can help to answer this question by advocating policies that have productive employment as their end results. The issues confronted in moving welfare recipients into productive employment are directly related to issues in building a world-class workforce capable of competing in the global economy.

The debate on welfare reform will require that we address many broad issues including the proper role and responsibility of federal, state, and local governments, their relationship with the business community, the reciprocal obligations of those receiving public assistance, and the most appropriate way to empower those in poverty to take control of their own lives.



THE WHITE HOUSE

Dear Bill,

Thank you for sharing the paper on welfare and business with me! I'm sharing it with Bruce Reed and Kathi Way of my staff who are leading the Domestic Policy Council effort on welfare reform.

Sincerely, Carol H. Rasco



xc: Reed (uk)  
Way

**NATIONAL ALLIANCE OF BUSINESS**

*25<sup>th</sup> Anniversary of Helping America Work*

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National Council of La Raza

June 7, 1993

**Ms. Carol Rasco**  
**Assistant to the President for Domestic Policy**  
**Executive Office of the President**  
**The White House**  
**1600 Pennsylvania Avenue, N.W.**  
**Washington, D.C. 20500**

Dear Ms. Rasco:

I am delighted to provide you with the enclosed paper, *A Business Approach to Welfare Reform*.

This paper describes some of the issues in our current system of public welfare, outlines the social and economic costs of this system, and suggests a framework for the business community's involvement in its reform. It does not attempt to answer the many questions sure to be discussed during the debate on welfare reform. Nonetheless, the paper raises the issues business believes are essential to welfare reform efforts and discusses how those issues should be addressed. Fundamentally, the paper proposes the need for a business approach to welfare reform, because there can be no comprehensive attempt at reform without employer involvement.

For the past twenty-five years, the National Alliance of Business has worked with business and all levels of government to help citizens with special problems obtain training and jobs. In this, its 25th Anniversary year, the National Alliance of Business is rededicating itself to serving as the nation's catalyst for building an internationally competitive workforce. This mission includes all Americans because we cannot afford to lose the productive talents of any citizen.

Central to this mission, are the Alliance's efforts to improve local welfare-to-work programs and, thereby, our nation's welfare system. NAB comes to this discussion as the only organization representing the role of business in welfare-to-work programs. Much of the Alliance's involvement has been aimed at increasing participation by the private sector in the development of welfare-to-work programs.

Since August 1990, NAB has been the prime contractor to the U.S. Departments of Health and Human Services, Labor and Education for the development and delivery of training and technical assistance to state and local Job Opportunities and Basic Skills Training (JOBS) program operators. This contract has given NAB hands-on experience in implementing welfare-to-work programs at the national, state, and local level. Additionally, through its field offices, the Alliance has also been involved in numerous welfare-to-work projects that entail providing technical assistance to states. Clearly, the Alliance has a great deal of first-hand experience which it will contribute to the formulation of any welfare reform proposal.

Knowing of your deep commitment to providing education and training opportunities that help disadvantaged citizens move toward self-sufficiency, I want to share this paper with you. I hope that this paper will be of use to you in your deliberations about welfare reform. I look forward to hearing your comments and thoughts about this important issue.

Sincerely,

A handwritten signature in cursive script that reads "Bill".

William H. Kolberg  
President  
National Alliance of Business

*Finally - should we say something about need to health care for universal coverage prob. solving ~~the~~ where a person transitioning off welfare has coverage but person by whom they work who has worked years still has no coverage?*

TALKING POINTS  
HEALTH CARE AND WELFARE REFORM

We must have comprehensive health care reform before we can move forward on the President's domestic agenda. Without reform, health care costs will continue to explode and eat up our investment dollars. Without reform, people will continue to be locked into jobs and on welfare.

*current* → *perhaps should say "or"*

The bottom line: real welfare reform cannot happen without comprehensive health care reform.

The President has already launched a major, comprehensive welfare reform effort. It has four parts: the Earned Income Tax Credit; health care reform; personal responsibility and education and training.

(1) Expanding the Earned Income Tax Credit. Enacted in last year's budget, this step will ensure that no family that has a full-time worker will have to raise its children in poverty. Expanding the EITC represents a giant step forward in reducing those dependent on welfare.

(2) Passing comprehensive health care reform. Today millions of welfare recipients stay on Medicaid -- the federal government's health care program for the poor -- because taking a job means they will lose health benefits for themselves and their children. True health reform will eliminate so-called "Medicaid lock" and enable people to seek jobs, secure in the knowledge that they and their children will be covered. By ensuring universal coverage, the Health Security Act provides the necessary foundation for welfare reform. In fact, the proposals being drafted by the President's working group on welfare are specifically designed to complement health reform.

(3) Ensuring personal responsibility. The President's welfare reform plan will include initiatives to prevent teen pregnancy and ensure that parents fulfill their child support obligations.

(4) Promoting education and training. The final part of the President's welfare plan includes programs for job training and education to ensure that people are trained for tomorrow's jobs and are able to be retrained when necessary.

President Clinton has been at the forefront of welfare reform in this country since he led the nation's governors in writing and passing the Family Support Act of 1988. The same Republicans who today are calling for welfare reform voted against that Act and refused to fund it under President Bush. We have to look past the rhetoric and examine the record.

No President -- Democrat or Republican -- has done more to "end welfare as we know it." President Clinton's four-step welfare reform package makes economic and common sense. But health care reform must come first.

*Also -- Need a sentence about people often coming back on welfare after getting off due to need for health care.*

*Bruce/Kathi what else should be said here*

*this first sentence needs to emphasize that POTR & Govs. are working w/ Congress*

*what are facts on this?*

*We have to be careful here. I don't think the states are drawing down all the A's even now due to inability to pay match. Kathi <sup>how</sup> could we say it?*

THE WHITE HOUSE  
WASHINGTON

*file: Welfare Reform  
Current Priority  
Projects*

December 2, 1993

**MEMORANDUM FOR THE PRESIDENT**

**FROM:** Bruce Reed  
Mary Jo Bane  
David Ellwood

**THROUGH:** Carol Rasco

**SUBJECT:** Draft Discussion Paper on Welfare Reform

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

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

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

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

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

EITC - #'s

TA to states  
Job devel.

## DRAFT DISCUSSION PAPER

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## DRAFT DISCUSSION PAPER

### HIGHLIGHTS

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

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

## INTRODUCTION

### THE VALUES OF REFORM: WORK AND RESPONSIBILITY

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

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

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

### FROM WELFARE TO WORK

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

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

We recommend five fundamental steps:

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

**Promote Parental Responsibility and Prevent Teen Pregnancy**

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

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

**Make Work Pay**

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

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

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

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

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

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

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

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

**Enforce Child Support**

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

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

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

### **Reinvent Government Assistance**

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

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

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

## **A NEW BEGINNING**

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

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

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

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

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

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

We turn now to the specifics of the plan.

## **PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY**

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

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

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

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

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

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

### **CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS**

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

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

Support Two-Parent Families. First, we propose to eliminate the current bias in the welfare system in which two-parent families are subject to much more stringent eligibility rules than single-parent families. Under current law, two-parent families are ineligible for assistance if the primary wage-earner works more than 100 hours per month or has not been employed in six of the previous thirteen quarters. In addition, States are given the option to provide only six months of benefits per year to two-parent families, whereas single-parent families must be provided benefits continuously. These disparities would be eliminated.

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

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

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

In addition, the following option is under consideration:

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

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

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

**ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY**

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

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

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

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

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

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

### ENCOURAGING RESPONSIBLE FAMILY PLANNING

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

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

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

*Should school be discussed  
mention clinics in health reform*

## MAKE WORK PAY

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

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

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

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

### CHILD CARE FOR WORKING FAMILIES

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

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

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

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

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

Expand Child Care for Low-Income Working Families. We also propose significant new funding for low-income, working families. The At-Risk Child Care Program, currently a capped entitlement which is available to serve the working poor, is capped at a very low level and States have difficulty using it because of the required State match. We propose to expand this entitlement program and to reduce the barriers which impede States' use of it.

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

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

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

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

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

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

### ADVANCE PAYMENT OF THE EITC

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

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

Strategies to expand the effectiveness of the EITC include:

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

### OTHER SUPPORT FOR WORKING FAMILIES

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

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**Work Should Be Better than Welfare**

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

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

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

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

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

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

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

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

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

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**Demonstrations**

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

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

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

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

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

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

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

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

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

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

**ENHANCING THE JOBS PROGRAM**

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

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

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

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

**Immediate Focus on Work and Participation in JOBS**

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

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

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

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

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

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

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

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

### **Expanding the JOBS Program**

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

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

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

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

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

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

**Integrating JOBS and Mainstream Education and Training Initiatives**

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

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

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

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

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

### MAKING WELFARE TRANSITIONAL

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

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

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

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

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

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

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

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

**WORK**

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

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

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

**Administrative Structure of the WORK Program**

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

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

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

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

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

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

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

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

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

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

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

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

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

## Characteristics of the WORK Assignments

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

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

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

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

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

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

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

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

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

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

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

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

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**Economic Development**

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

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

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

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

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

## ENFORCE CHILD SUPPORT

### A. CHILD SUPPORT ENFORCEMENT

1. A Universal and Simplified Paternity Establishment Process
2. Appropriate Payment Levels
3. Collection and Enforcement
4. Providing Some Minimum Level of Child Support

### B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

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

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

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

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

## CHILD SUPPORT ENFORCEMENT

Components of the improved child support enforcement system are:

### A Universal and Simplified Paternity Establishment Process

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

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

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

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

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

### Appropriate Payment Levels

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

### Collection and Enforcement

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

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would be frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance. The IRS role in full collections, tax refund offset, and providing access to IRS income and asset information would be expanded.

- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
- Eliminate most welfare/non-welfare distinctions to achieve broader, more universal provision of services.
- Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
- Enhance administrative power to take many enforcement actions.
- Simplify procedures for interstate collection.
- Create a new funding formula and place an emphasis on performance-based incentives.
- Reinvest State incentive payments in the child support program.

**Providing Some Minimum Level of Child Support**

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

Options under consideration include the following:

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

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

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

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

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

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

## **ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS**

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

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

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

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

## REINVENT GOVERNMENT ASSISTANCE

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

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

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

### SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

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

There are two basic options for reform:

*Option 1: Simplify and coordinate rules in existing programs.*

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

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

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

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

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

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

### PREVENTING WASTE, FRAUD AND ABUSE

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

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

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

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

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

**PERFORMANCE STANDARDS AND STATE FLEXIBILITY**

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

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