2 Copies of "Welfare Reform Financing Options"

04/12/94

TABLE 1 – PRELIMINARY SUMMARY COST ESTIMATES (FEDERAL AND STATE) FOR ELEMENTS OF A WELFARE REFORM PROPOSAL
(By fiscal year, in millions of dollars)

	5 Year Federal Package 1	5 Year Federal Package 2
PARENTAL RESPONSIBILITY		
Minor Mothers	(30)	(30)
No Additional Benefits for Additional Children	(220)	(220)
Child Support Enforcement		
Paternity Establishment (Net)	(90)	(90)
Enforcement (Net)	(160)	(160)
Computer Costs	370	370
SUBTOTAL, PARENTAL RESPONSIBILITY	(130)	(130)
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK		
JOBS-Prep	0	300
Additional JOBS Spending	2,295	2,295
Additional Child Care for JOBS	1,610	1,610
WORK Program	1,330	1,330
Additional Child Care for WORK	610	610
Savings from Child Care and Other Expansion	(100)	(100)
Transitional Child Care	445	445
Enhanced Teen Case Management	170	170
Savings - Caseload Reduction	(215)	(215)
ADP Federal and State Systems/Admin Efficiency	545	545
SUBTOTAL, JOBS/WORK	6,690	6,990
SUBTOTAL, JOBS/WORK AND PARENTAL RESP	6,560	6,860
WORKING POOR CHILD CARE	1,500	3,500
REMOVE TWO PARENT (UP) RESTRICTIONS	495	495
Comprehensive Grants	200	200
Non-Custodial Parent JOBS/WORK Programs	130	390
Access Grants and Parenting Demonstrations	30	70
Child Support Assurance Projects	120	290
IDA and Microenterprise Projects	60	145
SUBTOTAL SPECIAL INITIATIVES	540	1,095
IMPROVING GOVERNMENT ASSISTANCE (IGA)		
State Flexibility on Earned Income and Child Support Disregards	385	385
Generally Conform Assets to Food Stamps	0	100
Increase Territories' Caps	0	185
All Others	(5)	(5)
SUBTOTAL IGA	380	665
GRAND TOTAL	9,475	12,615

President's Table with Full Phase-In in FY 1996 with Further Adjustments in IGA, Working Poor Child Care, and Demonstrations; UP Two-Parent Provision as State Option. Comparisons between Package 1 and Package 2

Note 1: Parentheses denote savings.
Note 2: Five Year and Ten Year Federal estimates represent 80% of all expenditures except for the following: benefits are at current match rates; child support is matched at rates specified in the hypothetical plan; and comprehensive demonstration grants are matched at 100%.
Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group Co-Chairs.

Welfare Reform Financing Options

4/20/94 15:03	5 Year Total	5 Year Federal	5 Year State	10 Year Total	10 Year Federal	10 Year State
	Dollars in Billions					
Summary:						
A. Program Savings	6.00	5.11	0.89	16.12	14.32	1.80
B. Enforcement Savings	2.07	2.07	0.00	4.27	4.27	0.00
C. Extend Expiring Provisions	2.10	2.10	0.00	11.46	11.46	0.00
Total: Financing Options	10.17	9.28	0.89	31.85	30.05	1.80

Welfare Reform Financing Options

4/20/94 15:03	5 Year Total	5 Year Federal	5 Year State	10 Year Total	10 Year Federal	10 Year State
	Dollars in Billions					
A. Program Savings						
• Limit Emergency Assistance	1.50	1.50	0.00	4.00	4.00	0.00
• Make Current 5 Year SSI Deeming Rules Permanent and Extend to AFDC and Food Stamps. After 5 Years, Continue Deeming for those Sponsers with AGI > 40K for 10 years or Citizenship. Limit Assistance to some PRUCOLs.	3.13	2.24	0.89	8.70	6.90	1.80
• Income Test Meal Reimbursements to Family Day Care Homes	0.57	0.57	0.00	1.72	1.72	0.00
• Limit Deficiency Payments to Those Making $100K or More from Off-Farm Income per Year	0.49	0.49	0.00	1.05	1.05	0.00
• Graduated Interest Rates for Early Redemption of Savings Bonds	0.31	0.31	0.00	0.65	0.65	0.00
Subtotal	6.00	5.11	0.89	16.12	14.32	1.80
B. Enforcement Savings						
EITC:						
• Deny to Non-Resident Aliens *	0.13	0.13	0.00	0.33	0.33	0.00
• Require Reporting for DOD Personnel	0.16	0.16	0.00	0.40	0.40	0.00
Gambling:						
• Increase Withholding on Gambling Winnings > $50K to 36%	0.52	0.52	0.00	0.78	0.78	0.00
• Withholding Rate of 28% on Keno, Bingo, Slots	0.25	0.25	0.00	0.32	0.32	0.00
• Require Information Reporting on Winnings > $10K from Gambling	0.22	0.22	0.00	0.61	0.61	0.00

* Treasury currently reviewing this estimate.

Welfare Reform Financing Options

4/20/94 15:03	Dollars in Billions 5 Year Total	Federal	State	10 Year Total	Federal	State
• Limit Tax Deferred Annuity Interest Build-Up of 100K/50K per Year Annuities	0.80	0.80	0.00	1.83	1.83	0.00
Subtotal	2.07	2.07	0.00	4.27	4.27	0.00

C. Extend Expiring Provisions*

• Hold Constant the Portion of Food Stamp Overpayment Recoveries that States May Keep	0.05	0.05	0.00	0.12	0.12	0.00
• Fees for Passenger Processing and other Customs Services	0.00	0.00	0.00	1.04	1.04	0.00
• Extend Railroad Safety User Fees	0.16	0.16	0.00	0.41	0.41	0.00
• Guarantee the Securities Issued in Connection with VA's Direct Loan Sales	0.08	0.08	0.00	0.16	0.16	0.00
• Increase the Housing Loan Fee to 3% for Multiple use of the guaranteed home loan program when there is less than a 5% downpayment	0.03	0.03	0.00	0.14	0.14	0.00
• Increase the Housing Loan Fee on most guaranteed Loans by .75% (i.e., no downpayment loan fee increased from 1.25% to 2.00%)	0.14	0.14	0.00	0.78	0.78	0.00
• Extend VA's Authority to Consider Resale Losses in Determining Whether VA Should Pay the Guarantee or Buy the Foreclosed Property and Resell it	0.02	0.02	0.00	0.09	0.09	0.00
• Collect the Cost of Treating Service Connected Veterans for Non-service Connected Conditions from Health Insurers	0.39	0.39	0.00	2.95	2.95	0.00

* Some savings require additional administrative effort which may have discretionary costs.

Welfare Reform Financing Options

4/20/94 15:03	5 Year Total	5 Year Federal	5 Year State	10 Year Total	10 Year Federal	10 Year State
	Dollars in Billions					
• Collect Per Diems and Copayments from Certain Veteran's for Non-service Care	0.05	0.05	0.00	0.31	0.31	0.00
• VA pensions and Medical Care Cost Recovery. Verify veteran's self-reported income data with the IRS and SSA	0.21	0.21	0.00	1.35	1.35	0.00
• Cap means-tested pension benefits at $90 per month for veterans and survivors who receive Medicaid nursing home benefits	0.19	0.19	N/A *	1.30	1.30	N/A *
• Round down monthly benefit levels and provide reduced COLAs to beneficiaries grandfathered into the new survivors program	0.64	0.64	0.00	1.98	1.98	0.00
• Maintain GI benefit COLAs at 50%, which was to have been a full COLA in 1994 but was eliminated and reduced by 50% in 1995 in OBRA93	0.15	0.15	0.00	0.83	0.83	0.00
Subtotal	2.10	2.10	0.00	11.46	11.46	0.00
Total: Financing Options	10.17	9.28	0.89	31.85	30.05	1.80
Possible Alternative						
• Gambling Excise Tax at 4%	3.16	3.16	0.00	7.21	7.21	0.00

* This proposal represents a shift from federal VA costs to federal/state Medicaid costs. States would bear the cost of the federal savings.

April 20, 1994

Welfare Reform Financing Options

A. Program Savings

Limit Emergency Assistance

- 5 year Federal savings: $1.5 B 10 year Federal savings: $ 4.0 B
- Limit each State's AFDC emergency assistance expenditures.
- Specifics of this proposal are still under development.

Tighten Sponsorship and Eligibility Rules for Non-Citizens

SSI, AFDC and Food Stamps require that part of a legal immigrant sponsor's income is deemed available to the immigrant for a limited time, should he/she need public assistance. The following tightens benefit eligibility for non-citizens and lengthens the deeming period:

- 5 year Federal savings: $ 2.24 B 10 year Federal savings: $6.9 B
- Change the deeming period for AFDC and Food Stamps from three to five years, and permanently extend SSI's five year deeming provision (this currently reverts to three years starting in FY1997.)
- Deeming continues for another five years (10 year total) for aliens whose sponsors have adjusted gross income over $40,000.
- PRUCOL eligibility criteria in the SSI, AFDC, and Medicaid programs would be conformed to the tighter Food Stamps criteria.

Income Test Meal Reimbursements to Family Day Care Homes

- 5 year Federal savings: $.57 B 10 year Federal savings: $ 1.72 B
- Family day care homes in low-income areas would receive reimbursement for all meals at the "free meal" rate.
- Other homes could choose between:

  (a) not means-testing and thus receiving "reduced price" rates, <u>or</u>
  (b) means-testing, in which case meals for children under 185% of poverty would be reimbursed at the "free meal" rate and meals for children above 185% of poverty would be reimbursed at the "reduced price" rate.

Limit Deficiency Payments to Those Making $100,000 or More Annually From Off-

Farm Income

- 5 year Federal savings: $ .49 B 10 year Federal savings: $ 1.05 B
- Producers receiving $100,000 or more in off-farm adjusted gross income would be ineligible for Commodity Credit Corporation (CCC) crop subsidies.

Graduated Interest Rates for Early Redemption of Savings Bonds

- 5 year Federal savings: $ .31 B 10 year Federal savings: $ .65
- New savings bonds issued would initially yield 2% interest, which would gradually rise over 5 years to 4%.
- Current outstanding bonds unaffected.

B. Enforcement Savings

Deny EITC to Non-Resident Aliens

- 5 year Federal savings: $ .13B 10 year Federal savings: $ .33 B
- Deny EITC to nonresident aliens such as foreign students, professors, etc.

Require Income Reporting for DOD Personnel, for EITC Purposes

- 5 year Federal savings: $ .16 B 10 year Federal savings: $ .4 B
- Families living overseas and on active military duty would become EITC eligible (a coster).
- To finance the above cost, and produce net savings, DOD would report nontaxable earned income (such as subsistence and living quarters allowances) paid to military personnel, overseas and stateside. Such income is counted for EITC purposes.

Increase Withholding Rate on Gambling Winnings

- 5 year Federal savings: $ .52 B 10 year Federal savings: $ .78 B
- Increase the withholding rate from 28% to 36% for gambling winnings over $50,000. Odds of winning would be irrelevant.

Withhold 28% From Keno, Bingo and Slot Machine Winnings

- 5 year Federal savings: $ .25 B 10 year Federal savings: $ .32 B
- Impose 28% withholding on winnings over $7,500, regardless of the odds. (No withholding is currently done.)

Information Reporting on Gambling Winnings

- 5 year Federal savings: $ .22 B 10 year Federal savings: $ .61 B
- Require reporting on gambling, bingo, slot and keno winnings of $10,000 or more, regardless of the betting odds. (Reporting is currently required at various winning thresholds, if odds are 300:1 or more.)
- State lotteries exempt.

Limit Tax Deferred Interest Build-Up of Large Annuities

- 5 year Federal savings: $ .8 B 10 year Federal savings[1]: $ 1.83
- Prohibit tax deferral on interest accruing to annuities that pay annual interest incomes over $100,000 for couples, $50,000 for single persons.

C. Extend Expiring Provisions

Hold Constant the Food Stamps Overpayment Recoveries States May Keep

- 5 year Federal savings: $ .05 B 10 year Federal savings: $ .12 B
- Extend 1990 Farm Bill provision letting States keep 25% (rather than 50%) of Food Stamps recovered due to fraud/intentional program violations.
- Extend the provision letting States keep 10% (rather than 25%) of Food Stamps recovered due to other unintentional errors.
- This provision, which would extend the current recoveries rate structure, currently expires in FY1996.

Fees for Passenger Processing and Other Customs Services

- 5 year Federal savings: $ 0.0 B 10 year Federal savings: $ 1.04 B
- Extend the flat rate charge for merchandise processing and other U.S. customs services permanently.
- The current fee structure, extended by NAFTA, expires after FY2003.

Extend Railroad Safety User Fees

- 5 year Federal savings: $ .16 B 10 year Federal savings: $ .41 B
- Extend (and expand) railroad safety inspection fees.
- The provision would extend the fees permanently. Currently they are set to expire in FY1996.

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1 Preliminary staff estimate, based on extrapolation of prior year savings.

Guarantee the Securities Issued in Connection with VA's Direct Loan Sales

- 5 year Federal savings: $ .08 B 10 year Federal savings: $ .16 B
- Currently, VA may sell its direct loans (i.e., mortgages held by VA) to the secondary market. Secondary market institutions package these mortgages into securities and sell them to investors. VA has the authority through December 1995 to guarantee investors the timely payment of principal and interest on the securities. Because this guarantee eliminates risk to the investors, the investors will pay a higher price for the securities.
- Savings are net of increased costs due to increased default liability of this proposal.
- Permanently extending this provision would sustain the current higher price paid to VA for their direct loans sold to the secondary market.

Increase VA Housing Loan Fee for Multiple Use of the Guaranteed Home Loan Program

- 5 year Federal savings: $ .03 B 10 year Federal savings: $ .14 B
- The loan guaranty program, established to promote home-ownership among returning WWII GI's, guarantees mortgages made by private lenders to veterans, active duty service persons, and selected reservists.
- There is no limit on how many times a beneficiary can use the Home Loan Program. OBRA 1993 increased the fee to 3 percent through FY1998 for multiple use of the guaranteed home loan program when there is less than a 5 percent downpayment.
- This proposal would permanently extend the 3 percent fee for multiple use when there is less than a 5 percent downpayment.

Increase VA Housing Loan Fee by .75 percent

- 5 year Federal savings: $ .14 B 10 year Federal savings: $ .78 B
- Fees on VA guaranteed home loans decrease as the downpayment increases and can be financed as part of the loan.
- OBRA 1993 increased the fee on most guaranteed home loans by .75 percent through FY1998 (e.g., the no-downpayment fee increased from 1.25 to 2 percent).
- This proposal would permanently extend the fee increase. Increasing the fee reduces the taxpayers' subsidy to this program while continuing to offer veterans a downpayment and fee package that would be below conventional loan requirements. (Because the fee can be financed over the life of the loan, i.e., thirty years, the cost would not be significant to beneficiaries.)

Extend VA's Authority to Consider Resale Losses on Loans

- 5 year Federal savings: $ .02 B 10 year Federal savings: $ .09 B
- When a private lender forecloses on a VA guarantee property, VA uses a formula to determine whether it is more cost-effective to: (1) acquire a foreclosed property from the lender and resell it, or (2) pay the guarantee to the lender. Under current law, this formula takes into consideration the potential for losses on the resale of a foreclosed property through FY1998. This is consistent with the acquisition decisionmaking of private mortgage insurers who consider resale losses.
- This proposal would make permanent the inclusion of potential losses on the resale of a foreclosed property in the formula.

VA Medical Care Cost Recovery Program: Third Party Health Insurance Reimbursements.

- 5 year Federal savings: $ .39 B 10 year Federal savings: $ 2.95 B
- In 1986, VA received permanent authority to collect reimbursement for the cost of care from health insurers of nonservice-connected veterans. OBRA 1990 expanded this authority to allow VA to collect reimbursement from health insurers of <u>service-connected veterans</u> for treatment of <u>nonservice-connected</u> conditions.
- OBRA 1993 extended the service-connected authority to the end of FY 1998.
- This proposal would make this authority permanent.

VA Medical Care Cost Recovery Program: Per Diems and Prescription Copayments

- 5 year Federal savings: $ .05 B 10 year Federal savings: $ .31 B
- OBRA 1990 authorized VA to collect hospital and nursing home per diems and outpatient prescription copayments from certain veterans for treatment of their nonservice-connected conditions.
- OBRA 1993 extended this authority to the end of FY 1998.
- This proposal would make this authority permanent.

VA Pensions and Medical Care Cost Recovery Programs: Income Verification Match

- 5 year Federal savings: $ .21 B 10 year Federal savings: $ 1.35 B
- Under current authority, VA has access to IRS tax data to verify income reported by VA pension and medical care beneficiaries. VA's pension and medical care programs are means-tested.
- For pensions, the proposal would improve program integrity by reducing overpayments that occur when self-reported income is the only information used to verify eligibility. For medical care, the proposal would allow VA to

more effectively identify and collect copayments from higher income veterans.

- This proposal would make this authority permanent.

VA Pension Benefits for Veterans and Spouses in Medicaid Nursing Homes

- 5 year Federal savings: $ .19 B 10 year Federal savings: $ 1.3 B
- VA pensions is a means-tested program which provides monthly cash support to eligible veterans or their survivors. OBRA 1993 extended through FY 1998 a provision that caps pension benefits at $90 per month for beneficiaries receiving Medicaid nursing home benefits.
- This proposal does not affect the pension beneficiaries. It reduces the amount of income that the beneficiary would have to turn over to the Medicaid program to help offset the costs of their nursing home care.
- These savings are: (1) net of the lost receipts to the Federal Medicaid program, and (2) represent less Federal Reimbursement of State Medicaid programs.
- This proposal would make permanent this provision which is currently scheduled to expire in FY1998.

Round down and Reduce COLA Adjustment for VA Death and Indemnity Compensation (DIC) Benefits

- 5 year Federal savings: $ .64 B 10 year Federal savings: $ 1.98 B
- The DIC program provides monthly cash benefits to survivors of service-connected veterans who died during military service, or after service from their service-connected condition.
- OBRA 1993 provided authority to round down the monthly benefit levels to the nearest dollar and reduce the COLAs by 50% to beneficiaries who were grandfathered into the new DIC program. (The old DIC program based benefits on military rank; the new program pays a flat rate.)
- This proposal would make this authority permanent for those beneficiaries who benefited by electing to stay in the old payment structure.

Maintain Montgomery GI Bill (MGIB) COLA at 50 Percent

- 5 year Federal savings: $ .15 B 10 year Federal savings: $ .83 B
- Servicemembers and veterans who have elected and contributed to the MGIB program receive $400 per month towards educational benefits. Under Title 38, MGIB recipients were to have begun receiving annual COLAs increases on their benefits for the first time in FY 1994. OBRA 1993, however, eliminated the FY 1994 COLA and reduced by 50 percent the FY 1995 COLA.
- This proposal would permanently reduce future COLA increases by 50 percent in FY 1996 and beyond.

Possible Alternative

Excise Tax on Gambling Revenues

- 5 year Federal savings: $ 3.16 B 10 year Federal savings: $ 7.21 B
- Tax gross revenues (wagers minus winnings paid out) from all gambling activities at 4%. (Current Federal excise tax is imposed at a .25% rate on gross wagers from a small subset of gambling activities.)
- State lotteries would be exempt from this tax.

AHR

THE WHITE HOUSE

WASHINGTON

November 12, 1993

MEMORANDUM FOR THE PRESIDENT

file

FROM: BRUCE REED

SUBJECT: House Republican Welfare Reform Plan

Earlier this week, House Republicans announced their welfare reform plan, which is based on your campaign pledge to require welfare recipients to work after 2 years. A summary is attached.

I. Elements of the Plan

The Republican plan includes the following major provisions:

1. Work: Requires AFDC recipients to work at the end of two years. Provides $10 billion over 5 years to states to set up CWEP work programs. Phased in over 10 years, starting with 30% of new applicants in 1995. Gives states the option to drop recipients after 3 years in the work program (and a total of 5 years on AFDC). Also requires fathers of children on AFDC to pay child support or take part in a work program.

2. Parental Responsibility: Requires mothers to identify the father in order to qualify for welfare benefits. Requires teen mothers to live at home. Prohibits additional benefits for additional children born while on welfare. Includes other incentives for school attendance, immunization, parenting classes.

3. How to Pay for It: The Republicans raise about $20 billion by eliminating SSI and other welfare benefits (except emergency Medicaid) for most non-citizens. They raise another $~~20+~~ 10 billion by capping entitlement programs (EITC, AFDC, SSI, Section 8 housing, Food Stamps) at inflation plus 2% -- and by cutting all food and nutrition programs (Food Stamps, WIC, etc.) by 5% and block granting the money to the states. These measures allow them to spend $2 billion on training and $10 billion on work programs, and still claim $21 billion in deficit reduction over 5 years.

II. Pros and Cons

We intend to welcome the Republicans' contribution to the debate, applaud their emphasis on work, responsibility, and your two-year time limit, and pledge a bipartisan effort to pass a welfare reform plan.

If asked, we will express some concerns about the entitlement cap -- it's ridiculous to cap a powerful work incentive like the EITC -- and the across-the-board cut in nutrition programs. We expect the NGA and even some Republican governors to criticize this apparent effort to shift the burden of welfare spending onto the states. We think it's unrealistic to claim that welfare reform can lead to massive deficit reduction in the short run. The Republican plan also doesn't do as much as it could to improve child support collection, or to provide employment and training services to support people in work.

But there is much in the Republican plan that we can work with. We are considering recommending many of the same parental responsibility measures for our own plan, such as requiring mothers to name the father in order to qualify for benefits and no longer giving welfare benefits to teenagers who want to live on their own. The Republican work program is a serious, $10 billion effort to provide community service jobs -- and they phase in the program at a reasonable pace.

In fact, if they dropped the entitlement cap and block grant provisions, the Republicans would still have a revenue-neutral plan that invests $12 billion over 5 years -- which is not a bad starting point for the debate.

The Administration's welfare reform working group has just completed a series of regional hearings in California, Tennessee, Chicago, and New Jersey. We will present a series of options to you next month for consideration in the FY95 budget, and develop legislation for introduction early next year.

Republican Task Force Welfare Reform Bill
Summary of Preliminary CBO Estimates*
October, 1993

Provision	Year 94	95	96	97	98	Total
A. Savings						
Welfare for Noncitizens						
Food Stamps	-	0.4	0.8	0.8	0.8	2.8
AFDC	-	0.1	0.3	0.3	0.3	1.0
SSI	-	1.2	2.5	2.7	3.0	9.4
Medicaid	-	0.9	2.1	2.4	2.7	8.1
Paternity Establishment	0.1	0.2	0.4	0.4	0.4	1.6
Food Block Grant	2.2	2.0	1.4	1.4	1.3	8.3
Subtotal	2.3	4.8	7.5	8.0	8.5	31.1
B. Spending						
State Options**	-0.1	-0.3	-0.3	-0.3	-0.3	-1.3
Work Programs	-	-	-1.0	-1.5	-2.7	-5.2
Day Care	-	-	-0.7	-1.4	-3.0	-5.1
Subtotal	-0.1	-0.3	-2.0	-3.2	-6.0	-11.6
TOTAL	2.2	4.5	5.5	4.8	2.5	19.5

Note. Rows and columns may not add to totals due to rounding.

*CBO has not yet estimated all provisions of the bill.

**Assuming half the stated participate in each option.

SUMMARY OF WELFARE REFORM LEGISLATION SPONSORED BY HOUSE REPUBLICANS
Fall, 1993

I. ATTACKS THE TWO FUNDAMENTAL CAUSES OF WELFARE

CAUSE 1: NONWORK

- Less than 10% of welfare mothers work
- Although many mothers leave welfare within 2 years, many stay for 8 years or more; today there are more than 3 million mothers on AFDC who will remain on welfare during 8 years or more

THE SOLUTION: MANDATORY WORK

- When fully implemented, the Republican bill requires 63% of mothers who have been on AFDC for at least 2 years to work 35 hours per week for their benefits; mothers do not lose their benefits if they work in community or private sector jobs arranged by the state
- Mothers must use the first 2 years on AFDC (less at state option) to participate in education, training, work experience, and job search to prepare for a position in the private economy; if they do not find a job within that 2 years, they must participate in a community work job in order to continue receiving welfare benefits
- Provides states with an additional $10 billion to provide welfare mothers with employment services, including day care
- One adult in two-parent families on welfare must work 32 hours per week and search for a job 8 hours per week starting the first day they receive welfare
- Mothers applying for welfare must participate in a job search program while their application is being processed
- Fathers of children on welfare who do not pay child support must also participate in work programs
- Mothers who refuse to work have their benefits reduced and then terminated; states failing to ensure that parents work suffer serious financial penalties

CAUSE 2: ILLEGITIMACY

- Illegitimacy has risen wildly in recent years; now 2 of every 3 black children and 1 of every 5 white children are born out of wedlock -- and the rates are still rising
- Of illegitimate babies born to teen mothers, a shocking 80% will be on welfare within 5 years
- Teen mothers are the most likely to stay on welfare for many years without working
- Most of the increase in poverty and welfare in recent years is caused, not by a poor economy or reduced government spending (both are up), but by increased illegitimacy

THE SOLUTION: ESTABLISH PATERNITY, RESTRICT WELFARE, CRACK DOWN ON DEADBEAT DADS

- All mothers applying for welfare must identify the father or they will not receive benefits
- After identifying the father, mothers receive a reduced benefit until paternity is legally established
- Mothers who are minors must live at their parent's home, thus preventing them from using an illegitimate birth to establish their own household
- States must increase their paternity establishment rates, over a period of years, to 90% or suffer stiff penalties
- States are required to stop increasing welfare checks when families on welfare have additional children; states can avoid this requirement only if they pass a law exempting themselves
- States are required to stop paying welfare benefits to parents under 18 years of age; states can avoid this requirement only if they pass a law exempting themselves
- Deadbeat dads with children on welfare are required to pay child support or work

(OVER)

II. SLASHES WELFARE FOR NONCITIZENS

THE PROBLEM: TOO MUCH WELFARE FOR TOO MANY IMMIGRANTS

- Hundreds of thousands of noncitizens are added to the nation's welfare programs each year
- A recent study by the Social Security Administration shows that more than 11% of all recipients and 20% of elderly recipients of Supplemental Security Income are noncitizens
- Noncitizens also qualify for Aid to Families with Dependent Children, Food Stamps, Medicaid, housing, and other welfare benefits

THE SOLUTION: STOP WELFARE FOR NONCITIZENS

- Simply end welfare for most noncitizens
- Allow refugees to receive welfare for only a fixed number of years unless they become citizens
- Allow noncitizens over 75 to receive welfare
- Continue the benefits of current noncitizens receiving welfare for 1 year

III. EMPHASIZES PARENTAL RESPONSIBILITY

- Requires mothers who are minors to live at their parent's home
- Requires states, in most cases, to stop welfare payments to unmarried parents under age 18
- Requires states to terminate the cash welfare benefits of families that do not have their preschool children immunized
- Encourage states to reduce the cash welfare benefit of families that do not assure that their children attend school regularly
- Allows states to require AFDC parents to participate in parenting classes and classes on money management
- Allows states to discourage parents from moving to a new school district during the school year

IV. ATTACKS SEVERAL ADDITIONAL WELFARE PROBLEMS

- Requires adults applying for welfare to engage in job search before their benefits start
- Requires addicted recipients of welfare to participate in treatment programs or lose their benefits
- Converts 10 major food programs into a block grant that provides states with almost complete discretion over spending; funding for the programs is reduced by 5%
- Caps spending on Supplemental Security Income, Aid to Families with Dependent Children, Food Stamps, Public and Section 8 Housing, and the Earned Income Tax Credit to inflation plus 2% per year
- Provides states with much greater control over means-tested programs so they can coordinate and streamline welfare spending
- Encourages states to provide financial incentives to induce mothers on welfare to work and marry
- Allows states to let welfare recipients accumulate assets to start a business, buy a home, or attend college
- Allows states and local housing authorities to use more generous income disregard rules to promote work incentives
- Requires addicted recipients of Supplemental Security Income benefits to submit to drug testing; ends SSI benefits for those testing positive for illegal drugs

V. ACCOMPLISHES ALL THE ABOVE IN A BILL THAT REDUCES THE DEFICIT BY $20 BILLION OVER 5 YEARS

- The training and mandatory work provisions of the bill cost nearly $12 billion over 5 years
- The paternity establishment, job search, parental responsibility, block grant, and immigration provisions of the bill save about $31 billion over 5 years.
- Thus, the net impact of the bill is to reduce the budget deficit by almost $20 billion over 5 years.

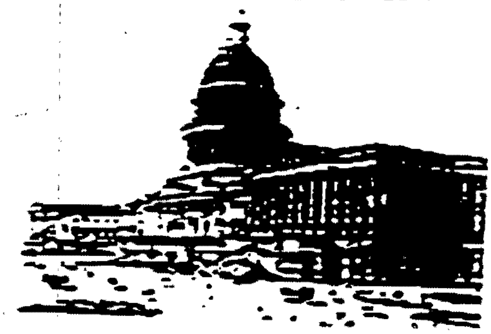
FYI:
Bruce meets w/ these folks 4/26

Tickler 3/2~~8~~

file: Welf Reform

Bruce —

per e-mail



• COUNCIL OF JEWISH FEDERATIONS • WASHINGTON ACTION OFFICE •
1640 Rhode Island Avenue, N.W., #500, Washington, D.C., 20036
202/785-5900(o) 202/785-4937 (f)

FACSIMILE COVER SHEET

TO: Carol Rasco

FROM: Diana Aviv

DATE: March 1, 1994

If there is some problem with the transmission of these pages, please contact us at the above phone number. 4

Council of Jewish Federations

WASHINGTON ACTION OFFICE • 1640 Rhode Island Ave., NW, Suite 500 • Washington, DC 20036 • (202) 785-5900 • FAX (202) 785-4937

DIANA AVIV
Director,
Washington Action Office

Carol Rasco
Assistant to the President for Domestic Policy
Office of Domestic Policy
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

March 1, 1994

Dear Ms. Rasco:

On behalf of the organizations listed on the enclosed letter, I am requesting a meeting with you as soon as possible regarding financing of the Administration's welfare reform proposal.

The enclosed letter outlines specific concerns that we have about one particular aspect of the President's proposal: funding welfare reform by limiting benefits to legal permanent residents.

We believe that a small meeting including representatives of three or four organizations most familiar with these issues is both timely and necessary. Due to the short time frame in which the Administration is operating on this matter, we hope to meet with you as soon as possible this week, before final decisions on financing are made.

Lanelle Polen from my office will be contacting your scheduler to explore the feasibility of such a meeting. Thank you for your consideration.

Sincerely,

Diana Aviv

Diana Aviv
Director

NORTH AMERICAN HEADQUARTERS: 730 Broadway • New York, NY 10003-9596 • (212) 475-5000 • FAX (212) 529-5842

February 25, 1994

President William J. Clinton
The White House
Washington, D.C.

Dear Mr. President:

We are writing to express our profound concern that the Administration's task force on welfare reform is considering cutting the availability of SSI and possibly other essential benefits to immigrants legally in the United States in order to finance its welfare reform initiative. This proposal severely threatens the health and well being of the most vulnerable members of our communities, particularly the elderly, blind and disabled immigrant family members of U.S. citizens. It is unacceptable to finance a legitimate public policy aimed at reducing poverty in the United States by creating and exacerbating poverty in major U.S. ethnic communities.

Sensationalized media coverage has suggested that recent increases in the number of immigrants receiving SSI benefits are an indication of "SSI abuse" by citizens who allegedly bring in their elderly parents with the intention of dumping their support onto the U.S. taxpayers as soon as possible. Such reports make a mockery of the struggles of immigrant and refugee families, many of whom are among the working poor who legitimately need assistance in supporting their households. Increases in SSI use among immigrants reflect increases in the overall immigrant population; a wide body of research shows that immigrant use of public services is in fact lower than that of the general U.S. population.

Family reunification is the cornerstone of the nation's immigration policy; studies conducted by the Department of Labor as well as a wide range of credible academic institutions are nearly unanimous in showing that immigrants pay more in taxes than they use in benefits. The nation enriches itself economically and culturally by reuniting immigrant families. By proposing to cut essential benefits to elderly, blind and disabled immigrants, the Administration will put many families in the untenable position of having to choose between family reunification and poverty. Such a choice offends the basic values of this nation and the broad array of ethnic communities which make it strong.

The suggestion that immigrants are taking advantage of the system at best does a great disservice to hard working members of U.S. ethnic communities, and at worst panders to xenophobia by perpetuating an "us versus them" dichotomy between U.S. citizens and newcomers. We were appalled by proposals to cut benefits to legal immigrants, which were supported by Republican members of Congress in an unscrupulous attempt to link immigration control with welfare reform. We are alarmed that the Administration -- which has thus far engaged the immigration debate constructively -- would perpetuate an atmosphere which can only be interpreted by our communities as a threat to legal immigrants and Americans alike. We urge you in the strongest possible terms to reject any proposal which would finance welfare reform by cutting benefits to legal immigrants.

Sincerely,

American Jewish Committee

Asian American Legal Defense and Education Fund

Asian Law Caucus

Asian Pacific American Labor Alliance, AFL-CIO

Asian Pacific American Legal Center of Southern California

Catholic Charities USA

Chinese for Affirmative Action

Council of Jewish Federations

Hebrew Immigrant Aid Society

International Ladies Garment Workers Union

Japanese American Citizens League

Jewish Community Federation of San Francisco, Peninsula, Marin, and Sonoma Counties

Jewish Federation of Metropolitan Chicago

Mexican American Legal Defense and Educational Fund

National Asian Pacific American Legal Consortium

National Asian Pacific Center on Aging

National Association for the Education and Advancement of Cambodian, Laotian, and Vietnamese Americans

National Council of La Raza

National Jewish Community Relations Advisory Council

Organization of Chinese Americans

United Jewish Appeal - Federation of Jewish Philanthropies of New York

United States Catholic Conference, Migration and Refugee Service

APR 20 REC'D

MEMORANDUM

TO: MACK MCLARTY

FROM: KEITH MASON

DATE: APRIL 19, 1994

SUBJECT: GOVERNOR MILLER (D-NV) / GAMBLING TAX

Since you met with Governor Bob Miller (D-NV) on the gaming tax issue when he was in Washington last month, I wanted to make you aware that he is seeking support for the attached letter from governors expressing opposition to a federal gaming excise tax as a funding source for welfare reform. You should also know that he is personally calling governors to ask them to sign this letter.

In the letter, Governor Miller offers several reasons why he opposes taxing gambling establishments to fund welfare reform: 1) taxing would set a new precedent whereby the federal government intrudes into an area that has historically been left to the States; 2) the federal government would be relying on one industry to finance the overhaul of the entire welfare system though there is no correlation between the two; 3) taxing gambling establishments would decrease state revenues that are depended upon to pay for unfunded federal mandates.

At this time, it is unclear as to how many governors will sign this letter. Please let Marcia or I know if you have any particular thoughts on this matter. Thank you.

cc: Marcia Hale
Carol Rasco
Bruce Reed
Rahm Emanuel

Attachment

STATE OF NEVADA
EXECUTIVE CHAMBER
Capitol Complex
Carson City, Nevada 89710

BOB MILLER
Governor

TELEPHONE
(702) 687-5670
Fax: (702) 687-4486

<<FOR IMMEDIATE ATTENTION...FOR IMMEDIATE ATTENTION>>

VIA FAX

RECEIVED
APR 13 1994
GOVERNOR'S OFFICE

TO: ALL GOVERNORS
FR: GOVERNOR BOB MILLER
DT: APRIL 12, 1994
RE: LETTER TO PRESIDENT re: FEDERAL GAMING TAX

Pursuant to our conversation, I appreciate your support in opposing a federal gaming tax to fund welfare reform. Attached is a letter to President Clinton for your review and signature. I believe it is imperative that we act promptly if we are to defeat this proposal.

If you would like to discuss this further, please call me directly or have your staff contact any of the following people on my staff at 702/687-5670,

Chief of Staff - Patty Becker
Legal Counsel - Margaret Springgate
Executive Assistant - Nicole Lamboley

Your immediate response is greatly appreciated. Time is of the essence.

Dear Mr. President:

We, the undersigned, firmly oppose the imposition of a federal gaming excise tax as a funding source for welfare reform.

The regulation, legality, and taxation of gaming has always been left to each individual state. The federal government should not intrude in an area that historically and constitutionally has been delegated to the States. We oppose federal intervention into an issue which affects the policing powers of each state. Of equal concern is the government's reliance on one industry to finance the overhaul of the United States' welfare system when there is no correlation between the industry and the problem. In effect, this proposal would set a precedent which would allow the federal government to target a specific industry as a primary financier of an unrelated federal program. We believe that this constitutes bad public policy.

In addition, you are well aware of our opposition to unfunded federal mandates. Many of the past unfunded mandates have been in the area of welfare reform. Recently, additional forms of gaming have been legalized in numerous states. It is clear that one reason legalized gaming is expanding is that it generates revenue for states -- revenue we have relied upon and utilized, in part, to pay for past unfunded federal mandates. The imposition of a federal tax on gaming only directs a revenue stream or potential revenue source from the States.

We assure you that we are committed to reforming the welfare system; however, we are unified in our position that targeting a new tax on a single industry, not associated with the problem and the regulation of which has been delegated to the States, is <u>not</u> the solution.

Sincerely,

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

ROUTE SLIP

TO Rosalyn	Take necessary action	☐
	Approval or signature	☐
	Comment	☐
	Prepare reply	☐
	Discuss with me	☐
	For your information	☐
	See remarks below	☐

FROM Doug Steiger (5-0804) DATE 5/11

REMARKS

Welfare Documents

*U.S. Government Printing Office: 1991 — 296-538

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

THE DIRECTOR

Memorandum

TO: Carol Rasco

FROM: Leon Panetta

RE: **Welfare Reform**

Attached are tables and summary memos describing the welfare reform financing options to be discussed at the meeting with the President tomorrow morning.

Welfare Reform Financing Options

5/11/94 9:33	Dollars in Billions					
	5 Year			10 Year		
	Total	Federal	State	Total	Federal	State
Summary:						
A. Program Savings	6.33	5.44	0.89	17.00	15.20	1.80
B. Enforcement Savings	2.07	2.07	0.00	4.27	4.27	0.00
C. Extend Expiring Provisions	2.10	2.10	0.00	11.46	11.46	0.00
Total: Financing Options	10.50	9.62	0.89	32.73	30.93	1.80

Welfare Reform Financing Options

5/11/94 9:33	Dollars in Billions					
	5 Year			10 Year		
	Total	Federal	State	Total	Federal	State
A. Program Savings						
• Limit Emergency Assistance	1.89	1.89	0.00	5.05	5.05	0.00
• Make Current 5 Year SSI Deeming Rules Permanent and Extend to AFDC and Food Stamps. After 5 Years, Continue Deeming for those Sponsers with AGI > med. family income for 10 years or Citizenship. Limit Assistance to some PRUCOLs.	3.13	2.24	0.89	8.70	6.90	1.80
• Income Test Meal Reimbursements to Family Day Care Homes	0.52	0.52	0.00	1.55	1.55	0.00
• Limit Deficiency Payments to Those Making $100K or More from Off-Farm Income per Year	0.49	0.49	0.00	1.05	1.05	0.00
• Graduated Interest Rates for Early Redemption of Savings Bonds	0.31	0.31	0.00	0.65	0.65	0.00
Subtotal	6.33	5.44	0.89	17.00	15.20	1.80
B. Enforcement Savings						
EITC:						
• Deny to Non-Resident Aliens *	0.13	0.13	0.00	0.33	0.33	0.00
• Require Reporting for DOD Personnel	0.16	0.16	0.00	0.40	0.40	0.00
Gambling:						
• Increase Withholding on Gambling Winnings > $50K to 36%	0.52	0.52	0.00	0.78	0.78	0.00
• Withholding Rate of 28% on Keno, Bingo, Slots	0.25	0.25	0.00	0.32	0.32	0.00
• Require Information Reporting on Winnings > $10K from Gambling	0.22	0.22	0.00	0.61	0.61	0.00

* Treasury currently reviewing this estimate.

PRELIMINARY

Welfare Reform Financing Options

5/11/94 9:33	Dollars in Billions					
	5 Year			10 Year		
	Total	Federal	State	Total	Federal	State
• Limit Tax Deferred Annuity Interest Build-Up of 100K/50K per Year Annuities	0.80	0.80	0.00	1.83	1.83	0.00
Subtotal	2.07	2.07	0.00	4.27	4.27	0.00

C. Extend Expiring Provisions*

	Total	Federal	State	Total	Federal	State
• Hold Constant the Portion of Food Stamp Overpayment Recoveries that States May Keep	0.05	0.05	0.00	0.12	0.12	0.00
• Fees for Passenger Processing and other Customs Services	0.00	0.00	0.00	1.04	1.04	0.00
• Extend Railroad Safety User Fees	0.16	0.16	0.00	0.41	0.41	0.00
• Guarantee the Securities Issued in Connection with VA's Direct Loan Sales	0.08	0.08	0.00	0.16	0.16	0.00
• Increase the Housing Loan Fee to 3% for Multiple use of the guaranteed home loan program when there is less than a 5% downpayment	0.03	0.03	0.00	0.14	0.14	0.00
• Increase the Housing Loan Fee on most guaranteed Loans by .75% (i.e., no downpayment loan fee increased from 1.25% to 2.00%)	0.14	0.14	0.00	0.78	0.78	0.00
• Extend VA's Authority to Consider Resale Losses in Determining Whether VA Should Pay the Guarantee or Buy the Foreclosed Property and Resell it	0.02	0.02	0.00	0.09	0.09	0.00
• Collect the Cost of Treating Service Connected Veterans for Non-service Connected Conditions from Health Insurers	0.39	0.39	0.00	2.95	2.95	0.00

* Some savings require additional administrative effort which may have discretionary costs.

Welfare Reform Financing Options

5/11/94 9:33	Dollars in Billions 5 Year Total	5 Year Federal	5 Year State	10 Year Total	10 Year Federal	10 Year State
• Collect Per Diems and Copayments from Certain Veteran's for Non-service Care	0.05	0.05	0.00	0.31	0.31	0.00
• VA pensions and Medical Care Cost Recovery. Verify veteran's self-reported income data with the IRS and SSA	0.21	0.21	0.00	1.35	1.35	0.00
• Cap means-tested pension benefits at $90 per month for veterans and survivors who receive Medicaid nursing home benefits	0.19	0.19	N/A *	1.30	1.30	N/A *
• Round down monthly benefit levels and provide reduced COLAs to beneficiaries grandfathered into the new survivors program	0.64	0.64	0.00	1.98	1.98	0.00
• Maintain GI benefit COLAs at 50%, which was to have been a full COLA in 1994 but was eliminated and reduced by 50% in 1995 in OBRA93	0.15	0.15	0.00	0.83	0.83	0.00
Subtotal	2.10	2.10	0.00	11.46	11.46	0.00
Total: Financing Options	10.50	9.62	0.89	32.73	30.93	1.80

* This proposal represents a shift from federal VA costs to federal/state Medicaid costs. States would bear the cost of the federal savings.

May 11, 1994

WELFARE REFORM FINANCING OPTIONS

The proposed financing for welfare reform comes from three areas: (a) reductions in entitlement programs (see "Program Savings"); (b) better enforcement of revenue raising measures and reductions in tax expenditures (see "Enforcement Savings"); and (c) extensions of various savings provisions set to expire in the future (see "Extend Expiring Provisions"). Total estimated federal savings for all proposals are roughly $9.62 billion over five years and $ 30.93 billion over ten years. Scoring of some of the items is not final and may change.

A. Program Savings

Cap the Emergency Assistance Program The little known AFDC-Emergency Assistance Program (EA) is an uncapped entitlement program which is out of control. In FY1990, expenditures totalled $189 million, in FY1995, it is estimated that expenditures will be $644 million and by FY1999 almost $1 billion. While the intent of the EA program is to meet short-term emergency needs and help keep people off welfare, States currently have wide latitude to determine the scope of their EA programs. Recently States have realized that the definition of the program is so broad that it can fund almost any critical services to low-income persons. Since the EA program has a Federal match, States have rapidly begun shifting costs from State funded programs such as child welfare services, family preservation, emergency medical services and homeless services into the matched EA program. States are funding services that address long-term problems as well as true emergency needs.

EA could be modified as follows: (a) In FY 1995, cap total payments at the FY1993 spending level, adjusted for inflation. (Using FY 1993 spending levels as a base avoids States incentives to ramp up current spending levels.) (b) Gradually phase over from the EA fund allocation formula to the AFDC allocation formula, with full phase-over by FY 2000. (The rationale for the phaseover is to minimize the effect on States with higher EA spending levels, which would otherwise drop quite suddenly, or the reverse.) The Federal match would continue at 50 percent up to the cap.

Critics of this proposal point out that much of the money now goes to programs such as child welfare and homeless relief. They also note that capping at the FY1993 level may hurt States whose spending rose in FY1994. On the other hand, child welfare funding and homeless program funding have increased dramatically under separate auspices.

May 11, 1994

Tighten Sponsorship and Eligibility Rules for Non-Citizens In recent years, the number of non-citizens lawfully residing in the U.S. who collect SSI has risen very dramatically. Aliens rose from 5 percent of the SSI aged caseload in 1982 to over 25 percent of the caseload in 1992. Since 1982, applications for SSI from legal aliens have tripled, while immigration rose by only about 50 percent over the period. Most of these applicants enter the country sponsored by their relatives. Currently 47 percent of aliens on SSI apply in their fourth year in the U.S. Until this year, current law required that for 3 years, the portion of the sponsor's income in excess of 110 percent of poverty be "deemed" as available to help support the legal aliens should they need public assistance. Last fall, to pay for Unemployment Insurance (UI) extensions, Congress extended the SSI deeming period from 3 years to 5 years until the end of FY1996, after which it reverts to 3 years.

The House Republican welfare reform bill finances its reforms by denying all means-tested benefits to non-citizens other than refugees and immigrants over 75 who have been in the U.S. for over 5 years. This proposal, which cuts off AFDC, Medicaid, Food Stamp and other program benefits in FY1996, would save about $21 billion over five years in combined State/Federal dollars. Since undocumented immigrants are already barred from collecting most benefits (except emergency medical services, child nutrition, and, in some cases, AFDC), this proposal mostly affects legal immigrants who have not yet become citizens. Such a policy is extremely difficult to defend as legal aliens are required to pay taxes and may contribute to the economy with their labor and technical expertise.

The proposal would extend the 5 year deeming provision permanently for the SSI program and apply the same 5 year rule to Food Stamps and AFDC programs. (Currently, Food Stamps and AFDC deem for 3 years.) After the first 5 years of deeming, deeming would continue for an additional 5 years only for those aliens whose sponsors have annual adjusted gross income greater than the median family income. Unlike the House Republican proposal, this option would affect only those immigrants who applied for benefits after the date of enactment. Current recipients would be grandfathered, as long as they remained continuously eligible for benefits. Those currently in the deeming period would not have this period extended.

Those who support changes to immigrants' benefit eligibility argue they are based on long standing immigration policy that immigrants should not become public charges. Sponsored immigrants are different from most citizens in that the latter typically spent their life working and paying taxes in the U.S. At the same time the proposal ensures that truly needy sponsored immigrants will not be denied welfare benefits if they can establish that their sponsors are no longer able to support them. The policy would not affect refugees or asylees.

May 11, 1994

Critics of this proposal argue that it feeds the already heightened hostility toward immigrants. A sizeable fraction of the immigrants come from poor countries, especially Mexico, and while the sponsoring family may not be poor (in which case deeming would have no effect), their incomes may not be particularly high. Attaining citizenship can be especially difficult for elderly persons. The Hispanic Caucus and a sizeable number of immigrant and religious groups are deeply troubled by any proposals affecting immigrants.

The second element of this proposal conforms eligibility criteria for all categories of noncitizens under the four Federal programs. Currently, due to different eligibility criteria in statute, and litigation over how to interpret statutory language, the four Federal programs do not cover the same categories of noncitizens. The Food Stamp program has the most restrictive definition of which categories of noncitizens are eligible for benefits (i.e., the eligibility criteria encompass a fewer number of immigration statuses). SSI and Medicaid have the most expansive definition of which categories of noncitizens are eligible for benefits, and the AFDC program falls between these extremes. This proposal creates eligibility criteria in the SSI, Medicaid, and AFDC programs similar to the criteria that currently exist in the Food Stamp program. The new list of immigration statuses required for potential eligibility for the SSI, Medicaid, and AFDC programs would also be the same as those listed in the Health Security Act. Savings from conforming the various welfare eligibility rules for different classes of immigrants to the Food Stamps rules are included in the cost estimates for extending deeming.

Income Test Meal Reimbursements to Family Day Care Homes The Child Care Food program provides food subsidies for children in two types of settings: child care centers and family day care homes.[1] They are administered quite differently. The subsidies in centers are well targeted because they are means tested. USDA estimates that over 90 percent of Federal dollars are paid to centers on behalf of low-income (below 185 percent of poverty) children. The family day care part of the program is not well targeted because it has no means test. A USDA-commissioned study estimates that 71 percent of Federal dollars support meals for children above 185 percent of the poverty line. While the child care center funding levels have been growing at a modest rate, the family day care funding levels are growing rapidly–16.5 percent between 1991 and 1992.

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[1] The subsidy rate for lunch served in family day care homes is $1.48 in the 1994 school year. The subsidy rate for a child care center lunch is $1.87 in the 1994 school year.

May 11, 1994

The following approach better targets the family day care funding to low-income children and creates minimal administrative requirements for providers.

- Family day care homes located in low-income areas (e.g., such as census tracts where half of the children are below 185 percent of the poverty line) would receive $.84 and $1.67 in breakfast and lunch reimbursements, respectively, during school year 1995. This is roughly equivalent to the "free meal" rate paid on behalf of low-income children in day care centers, whose families have incomes under 130% of poverty.
- All other homes would have a choice. They could elect not to use a means-test. If they elect this option, they would receive breakfast and lunch reimbursements at the reduced levels of $.54 and $1.27, respectively. Alternatively, a family day care home could administer a simplified, two-part means-test. Meals served to children below 185 percent of the poverty line would be reimbursed at the "free meal" rate. Meals served to children above 185 percent of the poverty line would be reimbursed at the reduced price rate.
- Intermediaries that serve family day care homes in low-income areas would be reimbursed an extra $10 per month for ongoing administrative costs and a $5 million setaside would help such day care homes to become licensed (or registered).

Critics of this proposal will argue that it may hurt children because family day care programs may drop out of the program. However, since the reimbursement would fall only slightly, and only for homes with higher income clientele, this seems rather unlikely.

Limit Deficiency Payments to Those Making $100,000 or More From Off-Farm Income Per Year USDA farm programs are criticized for unfairly supporting large farms and wealthy producers rather than smaller farms and lower-income farmers. The Congressional Office of Technology Assessment concluded that most big farms "do not need direct government payments and/or subsidies to compete and survive." One option is to make producers receiving $100,000 or more in off-farm adjusted gross income ineligible for Commodity Credit Corporation (CCC) crop subsidies (price support loans and income support payments). The proposed targeting of subsidies would direct farm payments to smaller, family farms, which deserve Federal financial help more than large agricultural enterprises. It would cause an estimated 1-2 percent of program participants to drop out of USDA farm programs. Most of these wealthiest participants include corporations and individuals for whom farming is not a primary occupation or source of income.

May 11, 1994

Graduated Interest Rates for Early Redemption of Savings Bonds The Savings Bond program is intended to provide a safe and attractive long-term investment opportunity for individual savers, and a cost effective form of public debt financing. Savings Bonds pay at least 4 percent interest (possibly higher after 5 years if market rates are higher) and may be redeemed on demand, without penalty, after 6 months. Each year, 40 percent of the bonds redeemed were outstanding for one year or less (65 percent were 3 years or less). For these "early redeemers," the Savings Bond program is overly generous and, due to the relatively high transaction costs, is not a cost-effective means of debt financing. Although Treasury does not maintain statistics on who purchases savings bonds, there is no reason to believe that a disproportionate share of such investors are low-income.

This proposal would eliminate the 4 percent interest floor, enacted in 1976, below which Treasury cannot lower the guaranteed rate. Treasury would issue new bonds with a 2 percent guaranteed rate that would rise, over a 5 year period, so that the cumulative percentage yield would reach 4 percent at the end of the fifth year. Graduated guaranteed rates have been used successfully in the past to make the yield to early redeemers similar to private market alternatives. It would have no effect on (a) Savings Bonds already outstanding or (b) Savings Bonds held for at least 5 years. No change is proposed to the market-based rates that apply after 5 years. Estimated savings are true savings and do not include the artificial savings that could arise from changes in the timing of interest payments.

B. Enforcement Savings

Deny EITC to Nonresident Aliens Under current law, non-resident aliens may receive the Earned Income Tax Credit (EITC). Because non-resident taxpayers are not required to report their worldwide income, it is currently impossible for the IRS to determine whether ineligible individuals (such as high income non-resident aliens) are claiming the EITC. The proposal would deny the EITC to non-resident aliens completely. It is estimated that about 50,000 taxpayers would be affected, mainly visiting foreign students and professors.

Require Income Reporting for DOD Personnel, for EITC Purposes Under current law, families living overseas are ineligible for the EITC. The first part of this proposal would extend the EITC to active military families living overseas. To pay for this proposal, and to raise net revenues, the DOD would be required to report the nontaxable earned income paid to military personnel (both overseas and states-side) on Form W-2. Such nontaxable earned income includes basic allowances for subsistence and quarters. Because current law provides that in determining earned income for EITC purposes such nontaxable earned income must be taken into account, the additional information reporting would enhance compliance with the EITC rules. The proposal is supported by DOD.

Withholding on Gambling Winnings Current rules require withholding at a rate of 28 percent on proceeds from a wagering transaction if the proceeds (amount received over amount wagered) exceed $5,000 and are at least 300 times the amount wagered (i.e., odds of 300:1 or higher). For lotteries, sweepstakes or wagering pools, proceeds from a wager of over $5,000 are subject to withholding at a rate of 28 percent regardless of the odds. No withholding is imposed on winnings from keno, bingo, or slot machines. There are three components to this revenue raising proposal, as follows:

- *Increase Withholding Rate on Gambling Winnings Over $50,000.* The first component of this proposal would increase the withholding rate on certain gambling winnings from 28 percent to 36 percent. The higher rate would apply only to winnings in excess of $50,000. In addition, it would apply to such winnings regardless of the odds. This is estimated to raise $516 million over 5 years. The increased revenues result from a speedup in collection of tax and enhanced compliance.
- *Expand Withholding to Other Winnings* The second component of the proposal would impose 28 percent withholding on gambling winnings of over $7,500 from keno, bingo, and slot machines regardless of the odds. This is estimated to raise $248 million over 5 years.
- *Require Information Reporting on Gambling Winnings* Currently, information reporting is required on gambling winnings in excess of $600 (except that in the case of bingo and slot machines the threshold is $1,200 and, in the case of keno, $1,500) but only if the payout is based on betting odds of 300:1, or higher. The proposal would extend the information reporting requirement to any winnings of $10,000 or more regardless of the betting odds. This would raise $215 million over 5 years.

Limit Tax Deferred Interest Build-Up on Large Annuities The proposal would cap the annual contribution that could receive tax deferred status in a tax deferred annuity. The cap would be set at $50,000 for an individual and $100,000 for a couple. If an individual contributed an amount to a tax deferred annuity which exceeded the cap, she would be taxed on the interest earned on the amount which exceeded the cap. For example, if an individual put $55,000 into a tax deferred annuity, she would have to pay annual taxes on the interest earned on $5,000. The cap would apply to total annual contributions, so that an individual could not avoid the limitation by buying multiple small annuities.

Certain annuities are exempt from the contribution limitation: pension annuities, immediate annuities and structured settlements. The provision would apply to contracts purchased or entered into on or after the date of enactment, as well as to additional investments in deferred annuity contracts purchased prior to date of enactment.

It is unlikely that many individuals would chose to purchase annuities exceeding the cap. Most savings accrue from taxing interest on those funds which are deferred from being placed in an annuity. For example, suppose an individual sells her home for $400,000. She immediately purchases a tax deferred annuity for $50,000 and since it would take her an additional seven years to put the remaining $350,000 in a tax deferred annuity, she invests it. She would have to pay taxes on the annual interest on the $350,000 until it is all invested in a tax deferred annuity.

Currently, there are no limits on the amount one may contribute to a tax deferred annuity.

C. Extend Expiring Provisions

Hold Constant the Portion of Food Stamp Overpayment Recoveries that States May Retain States are permitted to keep some portion of the 100 percent Federal Food Stamp recoveries as an incentive payment for pursuing fraud cases. This proposal would extend the 1990 Farm Bill provision which reduced the percentage of recovered Food Stamp overissuances retainable by State agencies for FY1991-1995. Under this provision, which would be extended to FY1996-FY2004, States could retain 25 percent of recoveries from fraud/intentional program violations (previously 50 percent) and 10 percent of other recoveries (previously 25 percent).

Extend Fees for Passenger Processing and Other Customs Services A flat rate merchandise processing fee (MPF) is charged by U.S. Customs for processing of commercial and non-commercial merchandise that enters or leaves U.S. warehouses. The fee, adopted by OBRA 1986, generally is set at .19 percent of the value of the good. Other variable customs fees are charged for: passenger processing; commercial truck arrivals; railroad car arrivals; private vessel or private aircraft entries; dutiable mail; broker permits; and barge/bulk carriers. NAFTA extended the MPF and other fees through September, 2003. The proposal would extend the fees charged permanently.

Extend Railroad Safety User Fees Railroad safety inspection fees were enacted in the Omnibus Budget Reconciliation Act of 1990 to pay for the costs of the Federal rail safety inspection program. The railroads are assessed fees according to a formula based on three criteria: road miles, as a measure of system size; train miles as a measure of volume; and employee hours as a measure of employee activity. The formula is applied across the board to all railroads to cover the full costs of the Federal railroad safety inspection program. The fees are set to expire in 1996. The 1995 President's Budget proposed to extend the fees through 1999 and expand them, effective in 1995, to cover other railroad safety costs. To help finance welfare reform, the fees could be extended permanently.

Guarantee the Securities Issued in Connection with VA's Direct Loan Sales Under current law, VA has the authority to sell its direct loans (i.e., mortgages held by VA) to the secondary market. Secondary market institutions package these mortgages into securities and sell them to investors. VA has the authority through December 1995 to guarantee investors the timely payment of principal and interest on the securities. Because this guarantee eliminates risk to the investors, the investors will pay a higher price for the securities. Permanently extending this provision would sustain the current higher price paid to VA for their direct loans sold to the secondary market.

Increase Housing Loan Fee for Multiple Use of the VA Guaranteed Home Loan Program The VA loan guaranty program was established to promote home-ownership among returning WWII GI's, most of whom were drafted into the military. This program guarantees mortgages made by private lenders to veterans, active duty service persons, and selected reservists. There is no limit on how many times a beneficiary can use the Home Loan Program. OBRA 1993 increased the fee to 3 percent through FY98 for multiple use of the guaranteed home loan program when there is less than a 5 downpayment. This proposal would permanently extend this 3 percent fee.

Increase Housing Loan Fee by .75 percent Fees on VA guaranteed home loans decrease as the downpayment increases and can be financed as part of the loan. OBRA 1993 increased the fee on most guaranteed home loans by .75 percent through FY98 (e.g., the no-downpayment fee increased from 1.25 to 2 percent). This proposal would permanently extend the fee increase. Increasing the fee reduces the taxpayers subsidy to this program while continuing to offer veterans a downpayment and fee package that would be below conventional loan requirements. Because the fee can be financed over the life of the loan (i.e., thirty years), the cost would not be significant to beneficiaries.

Resale Losses on Loans When a private lender forecloses on a VA guarantee property, VA uses a formula to determine whether it is more cost-effective to: (1) acquire a foreclosed property from the lender and resell it, or (2) pay the guarantee to the lender. Under current law, this formula takes into consideration the potential for losses on the resale of a foreclosed property through FY98. This is consistent with the acquisition decision making of private mortgage insurers who consider resale losses. This proposal would make permanent the inclusion of potential losses on the resale of a foreclosed property in the formula.

Medical Care Cost Recovery Program: Third Party Health Insurance Reimbursements. In 1986, VA received permanent authority to collect reimbursement for the cost of care from health insurers of non service-connected veterans. OBRA 1990 expanded this authority to allow VA to collect reimbursement from health insurers of service-connected veterans for treatment of non service-connected conditions. OBRA 1993 extended this authority through FY1998. This proposal would permanently extend collection authority beyond FY1998.

VA Medical Care Cost Recovery Program: Per Diems and Prescription Copayments OBRA 1990 authorized VA to collect hospital and nursing home *per diems* and outpatient prescription copayments from certain veterans for treatment of their non service-connected conditions. OBRA 1993 extended this authority to the end of FY1998. This proposal would permanently extend collection authority beyond FY1998.

VA Pensions and Medical Care Cost Recovery Programs: Income Verification Match Under current authority, VA has access to IRS tax data to verify income reported by VA pension and medical care beneficiaries. VA's pension and medical care programs are means-tested. For pensions, the proposal would improve program integrity by reducing overpayments that occur when self-reported income is the only information used to verify eligibility. For medical care, the proposal would allow VA to more effectively identify and collect copayments from higher income veterans. The current provision expires at the end of FY1998. This proposal would permanently extend collection authority beyond FY1998.

VA Pension Benefits for Veterans and Spouses in Medicaid Nursing Homes VA pensions is a means-tested program which provides monthly cash support to eligible veterans or their survivors. OBRA 1993 extended through FY 1998 a provision that caps pension benefits at $90 per month for beneficiaries receiving Medicaid nursing home benefits. This proposal permanently maintains the $90 monthly cap, reducing the amount of income that the beneficiary would have to turn over to the Medicaid program to help offset the costs of their nursing home care. On the other hand, savings accrue to VA, which reimburses the Medicaid program less. These savings are: (1) net of the lost receipts to the Federal Medicaid program, and (2) represent lost receipts in the States' Medicaid programs.

May 11, 1994

Round Down Benefit and Reduce COLA Adjustment for Death and Indemnity Compensation (DIC) Benefits The DIC program provides monthly cash benefits to survivors of service-connected veterans who died during military service, or after service from their service-connected condition. OBRA 1993 provided authority to round down the monthly benefit levels to the nearest dollar and reduce the COLAs by 50 percent to beneficiaries who were grandfathered into the new DIC program. (The old DIC program based benefits on military rank; the new program pays a flat rate.) This proposal would permanently extend VA's authority to round down the benefit levels to the nearest dollar and reduce future COLAs by 50 percent for grandfathered beneficiaries.

Reduce Future Montgomery GI Bill (MGIB) COLA Increases Service members and veterans who have elected and contributed to the MGIB program receive $400 per month towards educational benefits. Under Title 38, MGIB recipients were to have begun receiving annual COLAs ~~increases~~ on their benefits for the first time in FY 1994. OBRA 1993, however, eliminated the FY 1994 COLA and reduced by 50 percent the FY 1995 COLA. This proposal would permanently reduce future COLA increases by 50 percent in FY 1996 and beyond.

Bruce
Pls. handle

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Assistant Secretary
for Public Affairs

Washington, D.C. 20201

May 23, 1994

MEMORANDUM

TO: Carol Rasco
Assistant to the President for Domestic Policy

FROM: Avis LaVelle AL
Assistant Secretary for Public Affairs

Melissa Skolfield MS
Deputy Assistant Secretary for Public Affairs

SUBJECT: Welfare Reform Communications

Attached for your consideration is a preliminary communications rollout plan for welfare reform, assuming an introduction date of June 14. We have discussed this rollout strategy with Rahm Emmanuel and Bruce Reed; with David Ellwood and Mary Jo Bane; and with the legislative and intergovernmental team working on welfare reform here at the department. However, while this document incorporates many of the legislative activities discussed in a separate memo to Susan Brophy, it has not been formally reviewed by the White House legislative affairs, public liaison, or intergovernmental affairs offices. We look forward to discussing these recommendations in more detail at your convenience.

ATTACHMENTS:
Talking Points
Suggested Rollout Schedule

Welfare Reform Working Group
Talking Points: **OVERALL PLAN**
May 4, 1994

"It's time to honor and reward people who work hard and play by the rules. That means ending welfare as we know it--not by punishing the poor or preaching to them, but by empowering Americans to take care of their children and improve their lives. No one who works full-time and has children at home should be poor anymore. No one who can work should be able to stay on welfare forever. We can provide opportunity, demand responsibility, and end welfare as we know it." President Clinton, Putting People First, p. 164.

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

Under the President's plan, welfare will be about a paycheck, not a welfare check. To reinforce and reward work, our approach is based on a simple compact. Support, job training, and child care will be provided to help people move from dependence to independence. But after two years, anyone who can work, must work--in the private sector if possible, in a public service job if necessary.

Reform will make welfare a transitional system leading to work: a second chance, not a way of life. From the very first day, the new system will focus on making young mothers self-sufficient. With child care and job search assistance, many people will move into the workforce well before the two-year time limit. And from the very first day, teenage mothers will be required to live with their parents, stay in school, and attend job training or parenting classes. Everyone will be moving toward work.

Our approach also correctly focuses on young parents--those who have the most to gain and the most at risk. By initially focusing our resources on mothers under age 25, we will send a strong signal to teenagers that welfare as we know it has ended. They must get the message that staying in school, postponing pregnancy, preparing to work, and supporting their children are the right things to do. As welfare reform is phased in, a larger percentage of the caseload will be covered; and states which want to move even faster will be able to use federal matching funds to do so.

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

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

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

Our approach builds on the successful philosophy of the Family Support Act, championed by then governor Clinton in 1988. More federal funding will help states provide increased job opportunities and basic skills training to mothers over age 25, even before the plan is fully phased in.

INTRODUCTION AND SUMMARY
SUGGESTED WELFARE REFORM ROLLOUT SCHEDULE

Several assumptions underlie the recommendations made in this communications plan, which covers the next eight weeks. First, we assume that the "rollout" of welfare reform should be relatively low-key, especially in the first few weeks, as the Administration keeps the spotlight on health care reform. For that reason, we have relied mainly on surrogates (Cabinet secretaries and the Welfare Reform Working Group co-chairs) to carry the message during most of the period covered by this rollout document.

Second, the communications plan is designed to reinforce the three central elements of our plan: work, responsibility, and a focus on young parents. These three themes are reflected in the attached talking points; have been discussed with key congressional staff as a thematic focus for the early congressional hearings; and also provide what we believe is the best overall message to head off any attack from the right. Because the plan is likely to face continued and unfounded attacks for being "scaled back" or "not tough enough," it is particularly crucial to aggressively communicate our approach to teen pregnancy and to phasing in the plan early and visibly. We believe this is best accomplished by initially focusing attention on the young teen mothers who have the most at risk in the welfare reform debate.

We are suggesting a three-step process to build up to the announcement of welfare reform: stage-setting interviews by the President; a visible series of events focusing on child support enforcement, the most widely supported yet often overlooked part of the plan; and a series of media briefings by the co-chairs in the days immediately preceding the announcement.

We have also assumed that the announcement itself will be in Washington, D.C., and we are strongly recommending that welfare recipients be a visible part of the announcement event. As you know, the President has expressed interest in visiting one or more local welfare-to-work programs with members of Congress, and we are suggesting that one such event be scheduled for the week the plan is unveiled. But however the public rollout is structured, we believe it is important that the first Presidential activities on this issue convey that the Clinton Administration is "ending welfare as we know it - not by punishing the poor or preaching to them, but by empowering Americans to take care of their children and improve their lives."

Finally, we have suggested a number of events in June and July designed to show continued momentum of the welfare reform legislation. Because this latter part of the rollout schedule is the most difficult to plan in advance, this document shows only a relatively low-profile series of events keyed to a tentative congressional hearing schedule. We want to point out, however, that there are many exciting welfare-to-work, child support enforcement, and teen pregnancy prevention programs across the country which could easily be added to the travel schedules of the President, Vice President, and Cabinet secretaries.

WEEK OF MAY 23

FOCUS

Given the constraints of the President's schedule and the continued focus on health reform, we recognize that any welfare reform activities should be relatively low profile during this first week. However, we believe it is important for the President to accept interview requests from the four news magazines that are now preparing major cover stories on welfare reform. If possible, we are suggesting that he also do interviews with the major dailies.

The White House and HHS intergovernmental affairs team also suggests that the appropriate Administration officials meet with the leadership of the National Governors' Association, which is meeting in Washington, D.C. this week.

SUGGESTED ACTIVITIES

POTUS:

Media interviews with Time, U.S. News, Newsweek, Business Week.
Media interviews with major dailies: Washington Post, New York Times, Los Angeles Times, USA Today, Wall Street Journal.
Private meeting with the NGA, if appropriate.

SHALALA/CO-CHAIRS:

If the NGA meeting is added to the presidential schedule, the Welfare Reform Working Group co-chairs, Secretary Shalala, and other Cabinet Secretaries should attend. We might also follow the meeting with a press briefing about how welfare reform will build on successful state efforts. If the NGA meeting is not placed on the President's schedule, no media activities of this kind seem necessary.

WEEK OF MAY 30

Congressional Recess - POTUS in Europe

FOCUS

With Congress in recess, we suggest using this week to focus attention on the child support enforcement provisions of the welfare reform plan, which are unlikely to receive media attention the day of the plan's announcement. There is wide agreement on the value of increasing parents' responsibility for their children, and a public event with members of the Congressional Caucus on Women's Issues could help increase their support for the overall plan. A background paper on child support enforcement has been prepared by HHS, and would be released this week as well.

Subject to the health reform schedule, district town hall meetings with members of Congress might also be arranged for the Welfare Reform Working Group co-chairs and for Secretary Shalala. Briefings for key staff (including House and Senate Democratic press secretaries) might also be arranged this week as well.

SUGGESTED ACTIVITIES

SHALALA:

Child support event with members of the Congressional Caucus on Women's Issues. (Although Congress is in recess, a number of local-area members of Congress could be invited to attend.)

CO-CHAIRS:

Release of child support background paper/press release.
Small background briefing on our child support enforcement plan.

NOTE: During the Welfare Reform Working Group's hearings around the country, several divorced and single mothers testified compellingly about the need for improvements in the child support system. Interviews with these single parents would be arranged for television and radio outlets. We may also want to develop features on programs which provide noncustodial fathers with job training to help them meet their child support obligations.

WEEK OF JUNE 6

Congressional recess ends June 7
POTUS in Europe through June 9

FOCUS

In the week immediately preceding the plan's announcement, we suggest taking advantage of the recess lull to hold a series of briefings for key Washington reporters. In addition, Secretary Shalala's previously scheduled speech to the U.S. Conference of Mayors would be used to preview the broad outlines of the plan. (The USCM will be voting on a welfare reform resolution during their conference.) While in Portland, Secretary Shalala and David Ellwood might also do a welfare reform site visit with members of the Oregon delegation and/or some of the mayors in attendance.

Secretary Shalala might also attend a welfare reform event with Rep. Lynn Woolsey (a former welfare recipient) or other members of the California delegation while she is on the west coast. If the schedule permits, she and David Ellwood might also plan to attend a Los Angeles Times editorial board meeting.

SUGGESTED ACTIVITIES

SHALALA:

Welfare reform event with selected members of the California delegation, June 10.
U.S. Conference of Mayors speech in Oregon, June 12.

CO-CHAIRS:

Washington Post editorial board meeting; possible Washington Times editorial board meeting.
Embargoed background briefings for columnists; major dailies; White House press corps; Capitol Hill press corps; minority press.
Features pitched to print and broadcast media on local "programs that work."

Briefings for Hill; intergovernmental groups; relevant interest groups.

NOTE: Ellwood in Portland for the USCM conference.

WEEK OF JUNE 13

INTRODUCTION WEEK

FOCUS

If the schedule permits, we are suggesting several events that focus attention on the basic philosophy of the Administration's plan: work and responsibility. As discussed in the introduction, we believe it is important for welfare recipients to be visibly involved in some way in the suggested events. Subject to their mark-up schedule for health reform, the Senate Finance Committee and the House Ways and Means Committee have also expressed interest in holding hearings shortly after the plan's announcement.

SUGGESTED ACTIVITIES

POTUS:

JUNE 13: Announcement speech at Georgetown University, where the President first spoke of welfare reform as part of the "new covenant." The President would be introduced by a former welfare recipient; other young mothers who testified at the working group's hearings should be present and acknowledged in some way. Members of the Working Group invited to attend.

JUNE 14: President tours a local welfare-to-work program with the congressional leadership, the Vice President, and Secretaries Shalala, Reich and Riley. One possible location for this site visit is Jubilee Jobs.*

JUNE 15: In a separate memo, HHS has suggested that the President provide pre-taped remarks for a previously scheduled welfare-to-work teleconference with businesses in eleven cities across the United States. (The conference is jointly sponsored by HHS, the Department of Labor, the Department of Education, and the National Alliance of Business.) This would provide a third day of regional press, and might also be of interest to the television networks.

SHALALA/CO-CHAIRS:

Attend above, plus:

JUNE 13: Shalala/Bane/Ellwood/Reed: morning shows, satellite media tours, radio interviews.
Ellwood on MacNeil/Lehrer (pending request).

JUNE 15: Testify at kickoff House Ways and Means Committee hearing (subject to committee schedule).
Participate in HHS welfare-to-work conference, possibly with Secretary Reich and Secretary Riley.

JUNE 16: Testify at kickoff Senate Finance Committee hearing (subject to committee schedule).

WEEK OF JUNE 13, cont.

JUNE 16: Shalala at National Press Club. (pending request)

JUNE 17: To provide a transition to the next week's focus on young teen mothers, Secretary Shalala is planning a visit to a teen pregnancy prevention program she helped found in New York City while at Hunter College. While there, she could also meet with the New York Times editorial board and do a media roundtable with reporters and editors from women's magazines.

JUNE 19: Shalala on Sunday public affairs shows.

* Founded in 1981, Washington, D.C.'s Jubilee Jobs operates on the premise that the best step for a person ready and able to work is to be placed in a job as quickly as possible. Jubilee Jobs places over 500 applicants in entry-level jobs annually; no fees are charged. As part of its assessment process Jubilee Jobs runs Cana Industries, a bulk mailing service that is its main work-training program for the long-term unemployed. In addition, Jubilee Jobs runs the Barnabus Self-Employment Fund, a micro-enterprise development fund designed to provide training and small loans to prospective business owners.

WEEK OF JUNE 20

FOCUS

This week would be the first of three weeks of activities spotlighting teen pregnancy prevention, work, and responsibility. As discussed in the introduction, we are suggesting a "theme a week" approach to continue the momentum of the President's announcement. Ideally, each week would be anchored by a congressional hearing.

SUGGESTED ACTIVITIES

POTUS:

Visit to a local teen pregnancy prevention program with members of the Maryland or Virginia congressional delegation. One possible location for this site visit is the Paquin School in Baltimore.*

CO-CHAIRS:

One of the co-chairs should testify at a Congressional hearing focusing on our "carrots and sticks" approach to teen pregnancy prevention: case management,pregnancy prevention grants, sanctions for failure to live at home and stay in school, and a phased-in approach to time limits that starts with young women under age 25.

As discussed in the introduction, we are suggesting a strong, early defense of our approach to teen pregnancy prevention and the phase-in to help pre-empt expected attacks from the right.

* The Laurence G. Paquin School, a Baltimore City Public Alternative School, serves expectant and parenting middle and secondary school adolescents. Approximately 300 students between the ages of 12 and 19 are enrolled, and the curriculum is a comprehensive program for grades 7-12. Support services include a health center, career counseling, and an on-site day care program. Special programs include 'Young Sensations,' a vocational entrepreneur program which designs and manufactures clothes for infants and toddlers; 'For Dads Only,' a counseling program for young fathers; and 'Pair and Share,' an inter-generational education program to help the students' mothers return to school and learn marketable skills.

WEEK OF JUNE 27

FOCUS

The second week after the announcement focuses on work, and the fundamental transformation of welfare into a transitional system designed to move young mothers quickly from dependence to independence. While it is extremely difficult to predict the congressional workload four weeks from now, we are again assuming that one of the relevant committees would be interested in a thematic hearing focused on the core of the President's plan.

It might be possible to add other events to the schedule, depending on interest groups' endorsement of the plan. These events might be structured press conferences, or friendly groups might simply testify at congressional hearings.

SUGGESTED ACTIVITIES

CO-CHAIRS:

Reed or Bane testify at Congressional hearing focusing on moving welfare recipients from welfare to work. The hearing would focus on the promise of education and training; the new time limits and work requirements; local flexibility in designing the work program; and the involvement of the private sector.