



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

November 21, 1994

~~FILE~~
 With response
 to original
 Merrill letter

file

The Honorable Steven Merrill
 Governor of New Hampshire
 State House
 Concord, NH 03301

Dear Governor Merrill:

I wanted to further respond to your comments on the Work and Responsibility Act of 1994 relayed in your September 21 letter to the Assistant to the President for Domestic Policy, Carol Rasco.

Throughout the development of this legislation, the Clinton Administration found the input of governors and state officials an invaluable resource. Your thoughts on a national welfare reform framework are appreciated, and we are encouraged by the welfare reform innovations under consideration in New Hampshire and in many other states. As you recognize, the President's welfare reform legislation provides significant state flexibility in designing a new welfare system as well as easing state budgetary concerns through enhanced match rates.

I would like to take this opportunity to clarify in more detail several of the points you raised in your letter. First, I feel that we are in agreement that job retention and protection for those who lose their jobs are crucial priorities. In addition, the Work and Responsibility Act contains provisions that will ease the transition from welfare to work for WORK program participants. These include increasing funding for child care for the working poor, enhancing other support services to ease the transition from welfare to work, and monitoring of employers to determine the rate at which they retain subsidized employees after the WORK program ends.

Second, I would like to highlight the state options available within the Individual Development Account (IDA) components of the legislation. In addition to a national unsubsidized IDA program, states will be able to apply for competitive grants to operate

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six-year IDA demonstration projects. Up to five hundred dollars in initial financial assistance can be placed in these accounts, and participant contributions may be subsidized in amounts ranging from fifty cents to four dollars for every dollar deposited. We are interested in hearing more about New Hampshire's IDA proposals and welcome further discussion on this issue.

Third, we welcome your favorable comments on the Work and Responsibility Act's child support enforcement components. The Administration's Welfare Reform Working Group worked closely with the State Child Support Enforcement Directors in drafting this proposal and the reaction that we have had from the states has been very positive.

Regarding the treatment of child support for AFDC recipients, it should be noted that the provision which permits states to pass all current child support through to AFDC families and adjust the AFDC amount to reflect the child support income is an optional provision. States may choose to do this, but are not required to treat child support income in this manner. A number of states have expressed a strong interest in adopting this option.

You ask if the 80 percent enhanced funding for systems will be available to make changes to the distribution subsystem in NECSES in order to count child support payments in the calculation of AFDC. We anticipate that this would be an allowable cost under enhanced funding, although we will likely not make a final decision until we have an opportunity to fully study the issue and regulations are promulgated. In any event, such costs would receive at least 75 percent funding under the proposed change in the base rate, plus any performance based funding which New Hampshire is eligible to receive.

You have raised some concerns about the cost outlay associated with a Child Support Assurance demonstration. Based on a national simulation, we estimated that net CSA program benefit cost would be between \$2.3 and \$3.9 billion depending on the generosity of the minimum CSA payment and prior to any increases associated with CSA program administration or decreases due to savings in other programs. When AFDC, Food Stamp and federal taxes offset, and program administration costs are included, the net costs (federal and state) would be between \$1.4 and \$2.5 billion.

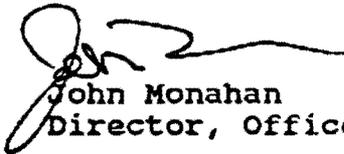
The above costs are national; the cost to a state the size of New Hampshire for a demonstration would not be high. We have not done state-by-state cost projections for demonstrations, but we would be glad to assist you in such an effort if your state is interested. We would certainly encourage you to consider seriously the possibility of a demonstration of such a program.

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Please do not hesitate to have your staff contact me if you would like additional information on the Work and Responsibility Act or to have further discussion on the statewide reforms you have proposed in New Hampshire. I can be reached at 202/690-6060.

Thank you again for your comments. The Administration agrees that state flexibility in developing welfare alternatives is essential to successful national welfare reform. We are looking forward to continuing to work closely with you and your fellow governors as the national welfare reform discussion moves forward.

Sincerely,



John Monahan
Director, Office of Intergovernmental Affairs

cc: Carol Rasco