

RECONCILIATION ITEMS THAT WEAKEN WORK REQUIREMENTS

I. FLSA/Minimum Wage

- Work Activities Permitted -- The House proposal would allow states whose benefits levels don't support the minimum wage for the required number of hours to count work activities that current law does not permit them to count.

To get up to 20 hours a week, states could count any of the following activities, none of which count under current law:

- (1) job skills training directly related to employment;
- (2) education for those with no high school diploma;
- (3) job search and job readiness assistance in excess of 6 weeks (current law: the first 6 weeks always count as work); and
- (4) vocational educational training in excess of 12 months (current law: the first 12 months always count as work).

To go from 20 to 30 hours a week, states could count any items from this same list of activities; but current law already permits activities (1) and (2) to count for hours over 20.

- Deducting child support retained by the state -- In defining the maximum number of hours of workfare participation per month, the House bill deducts child support retained by the state from welfare and food stamp benefits before dividing by the minimum wage. This is intended to prevent women from having to "work off" their own child support, but it raises a number of difficult fairness questions.

Special Note on Nickles Amendment -- This amendment is intended to ameliorate one consequence of the Labor Department's minimum wage guidance. Applying either to current law or to the House bill, it says that regardless of minimum wage requirements, states may issue sanctions against recipients. The question is whether current law already permits this, and DOL and HHS are investigating this question. For example, it may be that sanctions can be viewed as "wage garnishments" deducted after payment of the minimum wage.

One easy solution that the agencies may offer is to allow a sanction to be imposed, but at the same time to cut the hours of work required. We have to decide if that solution is unacceptable to us. We have taken no position on the Nickles amendment to date.

II. 20% Vocational Education Limit

- Current law is arguably somewhat murky on this issue. It says that "not more than 20% of individuals in all families...may be determined to be engaged in work" because of vocational education or high school attendance by teen parents. The liberal interpretation (which the Education Department urged us to embrace publicly without success) is that the cap is 20% of the entire caseload. The conservative interpretation is that the cap is 20% of those engaged in work. Therefore, measuring whether the reconciliation proposals weaken the work requirement depends on what interpretation you start with. Since teen parents attending high school "share" the 20% cap with vocational education, and teen parents are 6% of current caseload, many argue that this leaves little or no room for vocational education. (According to CRS, one-third of teen parents have diplomas, so teen parents attending high school are 4% of current caseload -- or less, since many don't actually attend school.)

The proposals vary widely in terms of the percent of the caseload that can be in vocational education and still count as working -- from 2% to 20%.

- **Percent of Caseload that can be in vocational education and count as working:**

- House Education and Workforce (strict interpretation of current law):

- FY98: 20% cap applied to the 30% required to work = 6%; less 4% teen parents = 2%
- FY02: 20% cap applied to the 50% required to work = 10%; less 4% teen parents = 6%

- House Ways and Means (strict interpretation, but increase cap to 30% and take out teens):

- FY98: 30% cap applied to the 30% required to work = 9%
- FY02: 30% cap applied to the 50% required to work = 15%

- Liberal Interpretation of Current Law (20% of total caseload, teens part of cap):

- FY98: 20% cap applied to total caseload, less 4% teen parents = 16%
- FY02: same = 16%

- Senate (liberal interpretation, plus take out teens):

- FY98: 20%
- FY02: 20%

III. Domestic Violence Exemption

This Senate amendment would allow states to grant waivers from the 5-year time limit for victims of domestic violence in excess of the 20% cap now in the law. In addition, it would require HHS to exclude recipients with such waivers in computing state work participation rates and penalties.

The House has no such provision. We have not yet taken any position on this amendment.

- Current Law -- States may exempt up to 20% of the monthly caseload from the 5-year time limit for reasons of hardship "or if the family includes an individual who has been battered or subjected to extreme cruelty."

In addition, states have an option to certify that they have and enforce standards to identify and provide services for recipients with a history of domestic violence; and to waive program requirements "such as time limits..., residency requirements, child support cooperation requirements; and family cap provisions" when it would endanger, penalize, or put at risk such victims.

- Senate Amendment (Murray) --

- States shall not be subject to any numerical limitation in granting domestic violence waivers.
- HHS must exclude recipients granted domestic violence waivers by a state when it determines whether a state has complied with work participation rates and enforcement of the time limit, as well as whether penalties should be imposed.

75/25

Barry

- Harkin / → if there were going to get
\$6 bn ~~the~~ appropriation

BR

what do we want in return for

FICA/FUTA/ETC

→ 25% cap? welfare

→ fix definition welfare (private sector
(dropped out))

→ add back

→ add grade discrimination
→ already Title I

prohibition community
service for
private
for profit

of Shaw, Pagan, Levin, Harkin can agree

Sect may receive some funds ?



~~_____~~
Voc Ed - still support Byrd

Add

- involuntary reduction of hours
only \$36i

Ed L

GOP will say

→ GOP. didn't want
to work it out, we
were willing to talk
substate

- 1) Could you do integration
+ integration in rest of state
- 2) 10 conditions would have
given 500 conditions + delay
- 3) Dual system and not enough
\$ → getting it up &
failures

Gov - much better to blame us
2000 argument

→
Who was negotiated lang.

The Inquirer

International

Monday, July 28, 1997

Clinton to press states on welfare

In a speech to governors today, he will urge that a windfall in federal aid go into antipoverty efforts.

By Jodi Enda

INQUIRER WASHINGTON BUREAU

WASHINGTON -- President Clinton will challenge the nation's governors today to plow what for many states is a windfall in federal welfare money back into programs for the poor.

States have profited handsomely from the booming economy, which has slashed their welfare rolls but not their share of federal welfare payments. And Clinton, eager to brand welfare reform a success, wants to ensure that governors use the unexpected gains to help put poor people to work.

"Because the caseloads have dropped so dramatically, the states are basically getting more money per person on the rolls than they ever expected or than they ever had," said Elena Kagan, deputy assistant to the President for domestic policy. "The question is, how does the state use that money? Does it put it back into the system and help more people get jobs? Or do they say, 'Oh, look, this is a surplus. We'll build roads with it?'"

In a speech to the National Governors' Association meeting in Las Vegas, Clinton will urge states to spend newfound money on programs such as child care and transportation that enable welfare recipients to find and keep jobs, Kagan said.

Clinton also plans to push the governors to step up the collection of child-support payments, a problem that many states have failed to effectively address even though stricter enforcement would make welfare unnecessary for many single parents.

Subsidies for employers

Clinton also is expected to encourage states to subsidize employers that hire long-term welfare recipients, Kagan said. Currently, 34 states hand over the equivalent of workers' welfare checks to their employers, who use it to pay part of their wages, according to the American Public Welfare Association, which represents state human-service agencies.

What Clinton does not want is for states to fritter away money intended to help welfare recipients, a concern heightened by the likelihood that, eventually, the economy will tighten and job opportunities will dry up.

"Texas is not making the right choices," one administration official said, by way of illustration. Texas has reaped a \$363 million surplus based on declining welfare rolls, but it has used just \$126 million of that on services for welfare recipients, according to the Center for Public Policy Priorities, a private research institute in Austin. The rest of the money was used to fill gaps in other parts of the budget, the center reported.

Clinton encouraged

While the administration and a number of welfare experts agree it is too soon to judge the ultimate success or failure of the year-old welfare law, Clinton will tell governors that "we have every reason to think that welfare reform is working," Kagan said.

"It's much too early to generalize, but we don't have any indications that states are not trying to do their very best," said Anna Kondratas of the Urban Institute, a nonprofit research organization that is monitoring the effects of welfare reform. Since Clinton took office in January 1993, about three million people have dropped off the welfare rolls for a decline of more than 20 percent, from more than 14 million people to fewer than 11 million, according to federal figures. More than one-third of those left the welfare system in the last year, and those remaining represent the lowest percentage of the population on welfare since 1970.

But no one knows why they left -- how many found jobs, how many didn't like new work rules, how many got married, or how many ran into state-imposed deadlines. The President's Council of Economic Advisers, in a report dated May 9, attributed 44 percent of the drop to the strong economy.

Even before Clinton signed the welfare law last August, he and former President George Bush had granted most states permission to try new programs, including some that limited the time people could collect welfare benefits or the time they had to find work. The Council of Economic Advisers attributed nearly one-third of the decline in welfare recipients to these changes.

Philadelphia Online -- The Philadelphia Inquirer, International -- Copyright Monday, July 28, 1997

The Secretary may award up to 5 percent of funds under this subpart to private entities, such as CDCs, CAPs and nonprofits of demonstrated effectiveness employing welfare recipients, that demonstrate ability to work with a political subdivision or private industry council.

of assistance under this part

Recips Fams (199) no/some
 Get ~~some~~ CS-% family 92

MS	103,160	37,108	90/10	-	3711
AL	89,240	32,101	95/5	x.4	1605 x .4 = 642
LA	190,380	68,482	95/5	x.4	3424 x .4 = 1369
TN	175,150	63,004	99/1	x.4	630 x .4 = 252
SC	85,990	30,932	98/2	x.4	619 x .4 = 247
ARK	53,420	19,216	95/5	x.4	961 x .4 = 384
TX	592,070	212,975	97/3	x.4	6,389 x .4 = 2555
WV	88,680	31,899	93/7	x.4	2,233 x .4 = 893

1,378,09 495,717 10,055

12.6%
 welf pop

Total Families:
 3,950,000

0.25%

overstated
 only w/fore
 only fam of 2



Cynthia A. Rice

07/22/97 09:01:34 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Byrd rule update

Tonight, Joan Huffer of Senator Dachle's staff gave me an update of their discussions with Senate Parliamentarian Bob Dove (I believe she'd already filled you in, Barbara).

- 1) Dove says he believes FLSA violates the Byrd rule and does not expect to see anything that would change his mind.
- 2) Dove believes the new version of the privatization provision does not violate the Byrd rule. He told this directly to Senator Phil Gramm based on the fact that the new provision had a cost and covers all states. Huffer thinks there are still grounds on which the provision violates the Byrd rule, and will try to argue them tomorrow, but believes Dove won't want to reverse himself on a statement he made directly to Senator Gramm.
- 3) Huffer spoke to one of Dove's assistants on the House vocational education provision. The assistant will recommend to Dove that he rule it violates the Byrd rule.
- 4) SSI State Supplement. When Huffer told Dove that CBO couldn't decide if the provision had a small cost or a small savings, Dove told Huffer he thinks it violates the Byrd rule. Now CBO has apparently changed its mind and plans to assign a small cost. Huffer will go back to Dove with this new news tomorrow and try to persuade him it shouldn't matter.

Message Sent To:

Bruce N. Reed/OPD/EOP
Elena Kagan/OPD/EOP
Kenneth S. Apfel/OMB/EOP
FOLEY_M @ A1 @ CD @ LNGTWY
Janet Murguia/WHO/EOP
Barbara Chow/WHO/EOP
Barry White/OMB/EOP
Keith J. Fontenot/OMB/EOP
Lisa M. Kountoupes/OMB/EOP
Diana Fortuna/OPD/EOP
Emil E. Parker/OPD/EOP
Charles Konigsberg/OMB/EOP

7/18

Jade Smalligan

Treasury/OMB

- use reauthorization to come to Joanne

[HHS doesn't]

→ Treasury, HHS, OMB sat down on Wed.

→ Ken

→ Karl Schultz

→ Olivia Golden

→ Mark Mazur

- me

Monday

7/22
OMB/Treas/HHS

Olivia

could do

- 1) Give IRS names
- 2) Require child SSN by 2002

Karl

1) will help us defend EITC now

What could we do before 2002?

Olivia - could have agreement
that after 10/1/98 - develop plan

Or could ask voluntary states
to provide data IRS

Sect. drafted by Joplin next day or two

Treasury will draft by long in rest
day or two

OPTIONS:

1) Provide IRS access to Child Support Registry. Require States to report to HHS children's name and SSNs on all cases in the Registry.

- Deadline to add data on children is a key variable. Deadline for compiling the Federal Child Support Registry is October, 1998. Suboptions include providing a HHS one or two additional years to compile the data on children.

2) Provide IRS access to Child Support Registry. Require States to report to HHS children's name and SSNs for IV-D cases and in any other cases in which the States have already collected the information.

- Similar to option 1 but data collection requirement is narrowed to avoid States being required to collect new data. Similar to option 1, deadline for HHS is an issue.

3) Provide IRS access to Child Support Registry. Require States to provide IRS annually with a database of children's names and SSNs linked to parents who are owed or owe child support.

- Some in HHS have argued that State reporting would be more effective. Treasury and OMB staff believe State reporting to IRS would be more costly and burdensome for both IRS and the States than options 1 or 2.

4) Provide IRS access to Child Support Registry. Stagger deadlines for State's to report to HHS.

- States who have an established statewide reporting system and are collecting children's SSN would be required to report the data to HHS by October 1, 1998. All other States would be required to report by October 1, 2003.

5) Provide IRS access to Child Support Registry. No new data added to the Registry.

- This option would only remove the IRS disclosure obstacle and postpone the data collection issue until later. Under current law, HHS has the authority to require States to report children's name and SSNs.



FAX COVER SHEET

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION,
HUMAN SERVICES

PHONE: (202) 690-6311 FAX: (202) 690-8425

DATE: 7/18/97

TO: Cynthia Rice

FAX: 456-7431

FROM: Lauren Griffin

SUBJECT: Child Support Enforcement

PAGES (including cover): 4

Cynthia

As you know we have been meeting with Treaury, IRS and OMB re: a compromise to the Kohl amendment. I understand you were given the option paper today. I also wanted you to have a copy of the Comments we made to the first dreaft of the option paper because the General comments represent OCSE/HHS' concerns. OCSE's number one concern is meeting the the statutory deadline, 10/98, for the federal case registry to be up and running.

Comments to Options for using for using the Federal Case Registry for Tax Enforcement Purposes

General Comments

HHS is certainly open to helping IRS improve the integrity of the tax system, and especially the accuracy of EITC payments. Action with a potential immediate or short-term beneficial effect could be working with IRS and State child support agencies to help IRS create a file linking parents and children in cases with child support orders drawing upon SSN information already contained in State agency automated records. An action step of this sort coupled with further study and/or experimentation would be responsive to the tax compliance problem without impeding timely implementation of the new child support enforcement tools authorized last year.

General comments about the option paper:

1. Treasury's real interest is child support cases with a support order. That excludes a large number of cases because paternity and/or an order have yet to be established. The focus on cases with an order doesn't come across until late in the paper, nor is there any acknowledgment that the Federal Case Registry may only reflect a case--not at which point in the process (i.e., paternity establishment, order establishment, or enforcement of an order) in which the case presently resides. This latter fact, in addition, is dynamic and thus subject to change at any time.
2. Yesterday, Treasury said their focus was EITC compliance. The paper, however, refers to the range of Internal Revenue Code provisions that are impacted by child custody and the duration of that custody during a given tax year. Much more information would presumably be required to verify eligibility for tax provisions beyond the EITC. And the importance of and impact of non-IV-D cases, i.e., those cases outside the public child support system, varies significantly if one is concerned with, say, the child care tax credit as opposed to the EITC.
3. The description of State case registries doesn't adequately recognize the current status of automated systems, especially in heavily populated States like California, Michigan, Pennsylvania, et al. No one, at the moment, can predict with confidence when statewide systems will be up and running in these jurisdictions so establishing an arbitrary date (i.e., October 1, 2003) by which States are to collect and report certain information which they may not now gather doesn't make much sense.
4. It would not be useful to States in administering their public assistance programs, as indicated towards the bottom of page 3, to have the SSNs of parents and children because they could achieve the same linkage via case number.

Specific Edits

Comments on Background:

1. First paragraph replace the second sentence with the following: "Although HHS has not yet issued final regulations on the Federal Case Registry (FCR), the Office of Child Support Enforcement (OCSE) has been working with the States on the design of the FCR including the data elements that will be transmitted by the States since September 1996."
2. Third paragraph (which consists of only one sentence): delete "At this time, HHS envisions that". It is also recommended to move the sentence to the end of the preceding paragraph.

Comments on Option 1:

1. Under "Pros", delete the last point. Current systems requirements allow States to obtain the necessary information to administer public assistance cases. States can also collect children's SSNs now. This applies to all options and does not take additional legislation.
2. Under "Cons", add an additional point: "At this stage in the development of the FCR, adding additional data elements could impede the implementation of the FCR by 10/98 as required by the Personal Responsibility and Work Opportunity Act of 1996. This does not preclude expanding the data base at a later date, but it is critical that the system first be built."
3. Under "Cons", add another additional point: "There would be significant costs for data collection and systems changes at both the Federal and state level. The Joint Tax Committee is now estimating that the Kohl amendment provisions would produce zero savings in the next five years and may in fact cost money. In addition, the provisions may be considered an unfunded mandate."
4. Under "Cons", add another additional point: "This is likely to raise significant privacy concerns for some people, especially since it includes information on persons who have not applied for IV-D services. There already has been one recent attempt in Congress to limit the retention of information in the National Directory of New Hires. When used as a pointer system the Federal Case Registry avoids much of the potential criticism for "Big Brother" aspects. If the information retained and access is significantly expanded, the criticism could be increased, potentially threatening the entire Federal Case Registry."

Comments on Option 2:

1. Similar cost and privacy concerns as discussed above.

Comments on Option 3:

1. Under the description of the option, replace "the data linking. . . children" with ""an extract

from their system listing the custodial parent's name and ssn; the non-custodial parent's name and ssn linked to the name and ssn of the children"

2. Under "Cons". This point is not accurate. It is not clear that the burden to the States and the IRS would be significant as compared to obtaining this information from the FCR and the net costs to the Federal Government would probably not be increased. This would not produce "similar data files". The HHS file is continually updated. The IRS would not have a "database" of a similar nature. They would simply have annual extracts or tapes from a point in time.

3. Under "Pros", add: "This option is likely to raise less significant privacy concerns because the IRS is not obtaining this sensitive information from a large single database."

Comments on option 5:

1. Under "Pros", delete the first point and substitute, "The IRS would have information which could be used as under option 1 and 2. SSNs of children are already a systems certification requirement. To the extent that States have or will be adding this information it could be obtained by the IRS."

2. Under "Pros" add, "This would not require new reporting requirements beyond what is already required."

3. Under "Pros", add, "This would allow the Secretaries of Treasury and HHS to work in a cooperative manner to pilot this effort and try different approaches to see what works best".

4. The "Con" is entirely inaccurate as written. The only major difference between this option and the others is essentially that option 5 provides flexibility to try either a state access or FCR access approach. There is already enough Secretarial authority to dictate the data elements requirements. In addition, OCSE has offered to give the IRS access to the an automated system of State cases, the Child Support Enforcement Network (CSENET), that will allow the IRS to obtain the additional information (about the specific child the taxpayer is claiming) through an automatic transmission.

FAX COVER



Income Maintenance Branch

Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503



To: Cynthia Rice

Organization: _____

Fax Number: _____

From: Jack Samblyga

Date/Time: _____

Number of Pages: Cover + _____

Notes:

Income Maintenance Fax Number: (202) 395-0851
Voice Confirmation: (202) 395-4686



Department Of The Treasury
Office of Tax Analysis
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

To: Name: Jack Smallgen/Edwin Lau
Firm/Organization: Office of Management and Budget

Fax Number: 395-0851
Phone Number: 395-7759

Number of pages (Including this cover sheet):

Date; Time: July 17, 1997; 10:16pm

From: Janet Holtzblatt
Phone: 202/622-1327 Fax: 202/622-0236

Comments:

Final version.

NOTE: THIS MESSAGE IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHOM IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL, AND/OR RESTRICTED AS TO OR EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAWS. If the recipient of this message is not the addressee (i.e. the intended recipient), you are hereby notified that you should not read this document and that any dissemination, distribution, or copying of this communication, except insofar as is necessary to deliver this document to the intended recipient, is strictly prohibited. If you have received this communication in error, please notify the sender immediately by telephone, and you will be provided further instructions about the return or destruction of this document. Thank you.

UNCLASSIFIED

OPTIONS FOR USING FEDERAL CASE REGISTRY OF CHILD SUPPORT ORDERS FOR TAX ENFORCEMENT PURPOSES

Background

Child Support Enforcement: The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 mandated the creation of a Federal Case Registry of Child Support Orders (referred to below as the FCR) by October 1, 1998. Although HHS has not yet issued final regulations on the data elements to be provided by the States to the FCR, the Office of Child Support Enforcement (OCSE) has been working with the States since September 1996 on the design of the FCR, including the data elements that will be transmitted by the States. At a minimum, however, it appears likely that the FCR will include the names, social security numbers, and the State case identification number of individuals who are owed or who owe child support, or for or against whom such support is sought to be established. The file may also contain an indicator showing whether the individual was the custodial parent, noncustodial parent, or the putative parent; this indicator will show custody status at the point at which the taxpayer entered the system, and may be revised at the State's discretion.

HHS is required to match data in the National Directory of New Hires against the FCR every two working days and to report information (such as the location and employment of the parent owing child support) to the State child support agency responsible for the case within two days. HHS envisions that the FCR will serve as a pointer to more detailed data files located in each state.

The 1996 Act also establishes State-wide Case Registries, which will contain data elements on both parents, including their names, social security numbers, dates of birth, case identification numbers, and any other information required by HHS. It will also contain the amount of support owed under the order and other amounts due or overdue, any amounts that have been collected and distributed, the names and birth dates of any child covered by the support order, and the amount of any lien imposed by the State. The State Registry will be used to extract data for purposes of sharing and matching with Federal and State data bases and locator services, including the FCR, Temporary Assistance for Needy Families agencies, and Medicaid agencies. (Implementation of the automated data systems has been slower than anticipated, especially in the heavily populated States like California, Michigan, and Pennsylvania.)

Tax Enforcement: Taxpayers may claim several tax benefits based on the presence or support of a child:

(1) Taxpayers may be eligible to claim an exemption for dependent children for whom they provide over half the support. In the event of divorce or separation, the custodial parent is generally entitled to the dependent exemption, but may waive the exemption to the noncustodial parent; in either case, over half of the child's support must come from either or both parents.

-- DRAFT --

(2) Single parents may claim head of household filing status if they provide over half the costs of maintaining the household in which both they and their son or daughter reside for over half the year. As a head of household, the taxpayer qualifies for a more generous standard deduction and tax brackets than if he or she files as single.

(3) The proposed child credit will extend additional tax benefits to parents who claim their children as dependents.

(4) Taxpayers may also qualify for the child and dependent care tax credit if they incur child care costs in order to work. The taxpayer must reside with the child who must be his or her dependent (or would have been a dependent, if the custodial parent had not waived the exemption to the noncustodial parent).

(5) Lower income working parents are also eligible for the earned income tax credit (EITC). An EITC qualifying child must meet three tests: age, residency, and relationship. Under the residency test, the child must reside with the taxpayer for over half the year (a full year if the child is not the taxpayer's own or grandchild).

When claiming a dependent exemption or the EITC, taxpayers must provide a valid taxpayer identification number (for EITC purposes, the TIN must be a social security number) for each child. During initial processing of tax returns, the IRS verifies the social security number for dependents and EITC qualifying children and can deny exemption and EITC claims before refunds are paid out if invalid TINs or SSNs are provided.

Without further investigation, the IRS does not have independent information to verify whether a child is either residing with or supported by the taxpayer. Using other information (including various screening devices based on taxpayer characteristics), the IRS identifies questionable claims. The IRS can then determine whether such questionable cases should be investigated further, using the more labor-intensive "deficiency procedures." If questions arise during the initial processing, the return can be referred to examination for a deficiency procedure prior to the payment of a refund. Deficiency procedures may also be instituted after a refund has been paid.

Options

Option 1: The IRS would be able to obtain information from the Federal and State Case Registries to help verify taxpayers' eligibility for the EITC and possibly other tax benefits for children. This information would be used to (1) identify questionable claims and (2) provide further insight when researching questionable claims.

In addition, States would be required to collect names and social security numbers (SSN) of all children involved in child support cases and be able to link the SSNs of children with both parents (either directly or through the case file identification number). In addition, States would be required to provide the linked data file of parents and children to the FCR. States would be required to meet this requirement by ____ (or the phased-in deadlines described in Option 4 without the Treasury evaluation or the rescission regulatory power).

By January 1, HHS would provide IRS with an extract, from the FCR, linking the names and SSNs of parents who, during the prior calendar year, were required to pay child support to the names and SSNs of the children covered by the support order or agreement. The extract would also link the names and SSNs of parents who, during the prior calendar year, are supposed to receive child support and the children covered by the support order or agreement. The IRS would match this extract to the Master File during the processing of returns in order to identify questionable claims of the EITC and possibly other tax benefits related to children. The IRS would still be required to investigate further using deficiency procedures; however, because the questionable claims could be identified during initial processing, any outstanding refunds (or the amount attributable to the questionable claim) could be frozen until the case was closed.

Pros

- The extract, containing the linked SSNs of parents and children, could be used during the initial processing of over 120 million returns each year. The extract would provide a unique signal of a possible problem, allowing the IRS to identify questionable cases and determine whether further investigation is desirable before paying out a tax refund.
- Using information from the tax returns and other administrative data, the IRS determines if a claim is questionable. Without further investigation, the IRS does not have access to independent information regarding the residency or support of the child. This option would improve IRS's ability to identify questionable claims. Further, these questionable claims could be identified before the refund has been paid out, increasing the likelihood that an IRS enforcement action will be successful.
- The IRS would also be able to obtain additional information from the Federal and State Registries, which could be used when researching cases which have been identified as questionable.
- According to Treasury, this option will raise scorable revenues and reduce the EITC error rate by improving the IRS's ability to target questionable claims for pre-refund audits. Short-term savings, however, may be negligible if many states are not able to provide complete data for some time.

- Both tax-writing committees have signaled that they plan to investigate EITC noncompliance this fall. While the Administration has taken a series of aggressive legislative and administrative actions to reduce EITC error rates (including eight new steps proposed this spring), members of both committees have expressed concern that these actions do not suffice. Both Republican and Democratic staff have already express interest in options which would improve IRS access to child support and other administrative data. Adoption of Option 1 would demonstrate the Administration's continued commitment to reducing the EITC error rate, especially because the information would be available in a format which could be used to target limited audit resources.

Cons

- The Office of Child Support Enforcement is not planning to require SSNs for children involved in the child support or paternity establishment cases. This information is not necessary to administer the Federal Parent Locator services required under the welfare reform act.
- Requiring SSNs would increase reporting burdens for both parents and States. In particular, it may be exceedingly costly for States to collect the SSNs of children whose child support claims are not being enforced by State agencies. This requirement may be viewed as unfunded mandate.
 - The option may increase other costs for the States and the Federal government. Estimates are not available at this time regarding the costs of data collection and systems changes at either the Federal or State level.
- At this stage in the development of the FCR, adding new data elements could impede the implementation of the FCR as required by the Personal Responsibility and Work Opportunity Act of 1996. This does not preclude expanding the data base at a later date, but it is critical that the system first be built.
- Expansion of the FCR may raise privacy concerns for some people, especially if the FCR includes information on persons who have not applied for IV-D services from the States and if access is expanded. There has already been one recent attempt in Congress to limit the retention of information in the National Directory of New Hires. If the information retained and access are significantly expanded, criticism could increase, potentially threatening the entire FCR.

Option 2: Same as Option 1, but States would be required to collect or provide SSNs of children whose child support case was being handled through a State child support enforcement

agency (IV-D agency) and in any other cases for which the data are already being collected.

Pros¹

- Parents would not be required to report the SSN of their children, unless they have requested assistance from the State in obtaining child support. Relative to Option 1, Option 2 reduces the reporting burden for both States and some parents.

Cons

- The extract would not contain complete information regarding all parents required to pay child support or for whom paternity is being established.
 - However, it would still include information for at least half the child support cases, and these may be the cases of greatest interest to the IRS (because of the presumed overlap between child support and paternity cases, handled through a state agency, and EITC claimants).

Option 3: Same as either Option 1 or 2, but each State would be required to provide the IRS with an extract linking the SSNs and names of the parents owed or who owe child support or for whom paternity is being established with the SSNs and names of the children by the beginning of the year.

Pros

- Reduces the burden to the OCSE.

Cons

- The costs of this option, both in absolute terms and relative to the first two options, have not been estimated. If States are required to report certain information to both OCSE and the IRS or if the IRS does not have the expertise to construct a clean data file from extracts provided by the States, this option could increase the burden to the States and the IRS and the net costs to the Federal government. If the IRS and the OCSE have very different data needs and the IRS has the in-house expertise, Option 3 may be more cost-efficient than the other options.

¹ Pros and cons, detailed in the discussions of options 2 through 5, are relative to those detailed in the discussion of option 1.

Option 4: Same as Option 1 or 2, but (a) deadlines for complying with this provision would vary among States and (b) the IRS would be required to report to the Secretaries of Treasury and HHS on the effectiveness of the data for improving tax compliance. Based on the findings of this report, the Secretary of HHS, with the concurrence of the Secretary of the Treasury, could issue a regulation rescinding the requirement that the States obtain SSNs of children covered by child support orders or agreements included in the Federal or State Child Support Registries.

States would be required to collect SSNs of children by October 1, 1998 if they have established a statewide reporting system and are collecting children's SSNs and all other states would be required to collect this information by October 1, 2003. The Treasury Department study would examine returns filed during the 2000 and 2001 tax filing seasons.

States, which have not collected SSNs for children in the past, could be required to collect SSNs only for new child support or paternity establishment cases. (Alternatively, this requirement could be a substitute for the phase-in schedule described in the preceding paragraph.)

Pros

- Reduces the burden to States and HHS by phasing in the requirement that SSNs be collected for children.
- Allows for evaluation prior to full implementation of the requirement that SSNs be collected.

Cons

- Some States may feel that they have been treated inequitably, if they are required to provide SSNs earlier than other States.
- The HHS Inspector General, with the cooperation of the IRS, has already examined this question and found that the IRS would benefit by access to the FCR. While research and evaluation is useful, limited IRS research resources might be better applied to other compliance questions, which have not been examined as extensively.
- The evaluation will not be useful unless it is based on a fairly representative sample. It is not clear whether the States, which met the earlier deadlines, would be representative of the complete file, when fully implemented. If the file contains only information on new child support cases, evaluation at this early stage may not provide useful information about the ultimate effectiveness of the data.

Option 5: The IRS would be able to obtain information from the Federal and State Case Registries for purposes of verifying taxpayers' eligibility for tax benefits for children. Data would not be added to the FCR, unless it met the needs of the Federal Parent Locator Service.

Pros

- The IRS would be able to obtain additional information from the Federal and State Registries, which could be used when researching questionable cases.
- States would not be required to collect the SSNs of children involved in child support or paternity establishment cases, thus reducing their reporting burdens. No new privacy concerns would be raised as a result of this requirement.
- Under current law, HHS has enough Secretarial authority to dictate data elements in the FCR. HHS could still use this authority at a later date to obtain the SSNs of children, without disrupting its goal of meeting the October 1, 1998 deadline for the initial construction of the FCR. At this time, it is unclear whether subsequent data requirements will be easier or more difficult to implement after the initial construction of a data file.

Cons

- Unless States are required to collect the SSNs of children involved in child support or paternity cases, the IRS could not efficiently identify questionable cases for pre-refund audits with the information available from the FCR.
 - HHS has offered to give the IRS access to an automated system of State cases, the Child Support Enforcement Network (CSENET) that will allow the IRS to obtain additional information about the child the taxpayer is claiming through an automatic transmission. While access to the CSENET would be very valuable in an on-going investigation, Tax Policy and IRS do not believe that the IRS would be able to access this information in a systematic and timely fashion during the initial batch processing of millions of tax return each night during the filing season. Further, because the States are not currently required to obtain the SSNs of children, even the CSENET will not be able to match children's identity using an unique identifier.
- As indicated earlier, Congress will be revisiting the issue of EITC noncompliance this fall. In discussions with Treasury about the Kohl amendment, JCT staff have expressed some skepticism about the effectiveness of any option that extends IRS access to the FCR without a statutory requirement for the child's SSN, and their views will influence the tax-

writing committees' assessments of this proposal for reducing EITC error rates.

• Because of privacy concerns, there may be less objection to an SSN reporting requirement mandated by legislation than one dictated by regulation.

-- DRAFT --

Copy for
Emil

Return original
to C Rice
2/2

Olivia

- Report from
OMB instead

- will give me
paragraph

What section
of Senate
passed bill?

Parsons in
Section 104

FAX TRANSMITTAL

DATE: 7-9-97

TO: Cynthia Rice

FAX NUMBER 456-7028

VOICE NUMBER _____

FROM: Paul Legler

FAX NUMBER _____

VOICE NUMBER 690-7148

NUMBER OF PAGES, INCLUDING COVER 4

Comments fyi

DRAFT

THE KOHL AMENDMENT AND CHILD SUPPORT ENFORCEMENT

DRAFT - 7/8/1997

On June 27, 1997 an amendment offered by Senator Kohl was adopted as part of the tax bill. The Kohl Amendment provides for "expansion of coordinated enforcement efforts of the Internal Revenue Service and the HHS Office of Child Support Enforcement (OCSE)." The amendment is directed at providing additional information to the IRS for purposes of determining federal tax compliance. However, as drafted, the amendment could seriously jeopardize the efforts of OCSE and the States to implement important child support provisions of the PRWORA.

The PRWORA provided for the creation of a Federal Case Registry (FCR) and National Directory of New Hires (NDNH) to track delinquent parents across state lines. The Kohl Amendment could impose significant costs and problems for HHS in implementation of the FCR and NDNH by requiring the inclusion of additional data elements. The amendment also imposes new requirements on States that cannot be met without significant data collection and computer systems costs. In addition, the amendment includes an effective date of October 1, 1997. This effective date would be impossible to meet. An expansion of a coordinated effort between IRS and HHS needs much further analysis before it could be implemented.

Background

The PRWORA provided for the creation of a Federal Case Registry (FCR) and National Directory of New Hires (NDNH) to track delinquent parents across state lines. Vendors under contract with OCSE are already well on their way towards building the FCR and NDNH. The NDNH has an October 1, 1997 effective date with the FCR to be fully up and running and receiving information from the States by October 1, 1998. The FCR will contain data elements sent to it by the States based upon information in State Child Support Case Registries. As designed and being constructed, the information in the FCR will be very limited and include only names of parents, their social security numbers, and case identifiers. The NDNH will contain new hire information as well as wage information from quarterly wage reports.

The PRWORA also requires that the IRS shall have access to this child support information for administration of the Earned Income Tax Credit (EITC) and for verifying a claim with respect to employment in a tax return.

The Kohl Amendment Requirements

The Kohl Amendment adds additional data requirements on both the Federal and State level. Specifically, the Kohl Amendment would:

- Require each State to include the "custodial status of any child" in their State Child Support Case Registry. (This information would also be required to be sent by States to the Federal Case Register.)
- Provides IRS with access to, "the names and social security numbers of the custodial parents linked with the children in the custody of such parents," through the Federal Case Registry.
- Requires the above conditions to take effect on October 1, 1997.

Concerns Raised by the Kohl Amendment

The Kohl Amendment could impose significant costs and problems for HHS in implementation of the FCR and NDNH by requiring the inclusion of additional data elements.

The Kohl Amendment would require that the SSN and custodial status of children be included in the FCR. OCSE does not currently plan to include childrens' names and SSNs in the FCR because these elements are not needed for the purposes of the expanded FPLS. The additional information required by the amendment would expand the size of the FCR, require additional significant costs, and delay the implementation of FCR and NDNH. It would also be extremely difficult for OCSE to monitor and verify information from the State Case Registries concerning custodial status. Therefore, OCSE could not guarantee the accuracy of the data, reducing its usefulness for the IRS.

The Kohl Amendment imposes new requirements on States that cannot be met without significant data collection and computer systems costs.

As drafted, the amendment is ambiguous as to whether it applies solely to IV-D cases or includes non-IV-D cases. In many non-IV-D cases, the availability and accuracy of children's birthdates, SSNs and custodial status is virtually non-existent. At this time we do not know the magnitude of the problem because this data is not currently captured in an automated fashion.

The custodial status of children may switch many times in the course of a year. Verifying information and updating custody status on IV-D cases in the FCR will be extremely difficult for States, and virtually impossible for non-IV-D cases. In addition, custody is a term that does not easily translate to a single data element because there are so many State variations on joint custody, joint legal custody, and joint physical custody. Additional data elements can increase the cost of systems dramatically.

Accurate information to be entered on custody would have to come from a variety of sources-- divorce hearings, custody and visitation hearings, neglect, abuse, dependency, warding, guardianship, termination of parental rights, adoption, and domestic abuse hearings. This would involve literally millions of court and administrative determinations from district courts, county courts, juvenile courts, family courts, etc. This information is not in an automated format in most states and there may not even be a systematic recording of these orders. To automate this information would be a huge task. It has taken many

years and billions of dollars to automate child support data and some States are still having problems. Adding additional data elements will be a significant undertaking. The financial burden in terms of development and staffing needed to collect and verify custodial status and SSN verification could be extensive. This would be a huge unfunded mandate on the States. Unlike CSE, there appears to be no financial benefit for the State from a federal tax compliance initiative. And to the extent that costs were covered by the federal match, federal costs could also be very significant.

It is unlikely that State CSE Agencies will have the resources to take on this new responsibility when they are already struggling with many other child support automation requirements. CSE Agencies are currently engaged in monumental efforts to comply with child support certification, welfare reform mandates and year 2000 systems compliance. Burdening the States with another requirement could further jeopardize State's efforts to complete the development of Statewide certified systems.

The Kohl Amendment includes an effective date of October 1, 1997. This effective date would be impossible to meet. An expansion of a coordinated effort between IRS and HHS needs much further analysis before it could be implemented.

OCSE is under a statutory mandate imposed by the PRWORA to implement the NDNH by October 1, 1997 and the FCR by October 1, 1998. Imposing additional systems requirements at this time could potentially jeopardize these implementation dates. In addition, logistically the October 1, 1997 date required by the Kohl Amendment is impossible for States given that the FCR will not be implemented until October 1, 1998.

The Kohl amendment is also premature because these issues need much further analysis before the concept could be implemented. These issues have just started to be discussed between government agencies. On June 26, 1997, representatives from OCSE, OMB, IRS and the Department of Treasury met to discuss issues surrounding IRS' needs and intentions for using data from the FCR to combat EITC fraud. The discussion primarily focused on trying to determine what data IRS needs in order to verify EITC claims and how frequently they need data. The IRS and Treasury Department are still uncertain about how information in the FCR can or even should be used to assist their tax compliance efforts. Treasury agreed to provide OCSE with an option paper within the next two weeks. Until the IRS can fully delineate its requirements, OCSE is unable to determine the full impact on State Child Support Enforcement (CSE) systems and the implementation of FPLS.

OCSE also recommends that the IRS examine other options that would assist them in fraud detection and tax compliance. For example, in May 1997 the State of Wyoming provided IRS with an extract file of specified data elements from their state-wide child support system. The feasibility of each State performing this service for the IRS on an annual basis needs to be examined. The importance of this issue requires that an independent feasibility study and cost/benefit analysis be completed.

The Kohl amendment attempts to include additional information in Child Support Enforcement automated systems which can be used to improve taxpayer compliance with Internal Revenue Code provisions "which grant tax benefits based on support and residence provided dependent children."

The Child Support Enforcement Program is a Federal/State grant-in-aid program with State and local social service and law enforcement agencies largely responsible for day-to-day operations. Pursuant to the 1996 welfare reform legislation, the Federal government is building an automated registry of child support cases nationwide. The registry, in turn, will be linked to case registries of State child support enforcement agencies which will be much more comprehensive in terms of the data maintained. These registries will be part of statewide automated support enforcement systems being developed and implemented by the States.

As written, the Kohl amendment would expand the data collected by these new systems. At this time, it is not clear whether the new data related to custody and residence of a child over the course of a tax year is available in a format that could be included in an automated system or whether the child support system is the most effective and efficient method for collecting such data. Much of this information may exist in disparate paper files and many of the cases may not be a part of the child support system. Therefore, it would be important to take time now to answer these basic questions about availability, efficiency and effectiveness before requiring such a significant change in the child support enforcement program. Further, neither the Federal case registry nor all state registries will be in place until a year or more after the Kohl amendment's October 1, 1997 effective date.

A dialogue is already underway between OMB, Treasury and HHS to come up with the most logical and least expensive way to make child support-related data available for tax compliance purposes. Calling for further analysis and a report to the Congress would be a reasonable substitute for the existing Kohl amendment if something must be enacted into law at this time.

July 9, 1997

MEMORANDUM

To: Mr. Rangel
Mr. Levin

From: Deborah Colton

Subject: MAJOR HUMAN RESOURCE ISSUES IN CONFERENCE

In the next day or so, conferees will be named for the spending side of budget reconciliation. This memorandum briefly outlines the major human resource issues that will be before you.

Welfare-to-work grants

1. Distribution of funds

Competitive vs. formula grants.— With limited resources, it is important to spend the available funds wisely. This has led many to conclude that a competitive application process will be especially valuable, since allocating the money purely by a formula does not account for the capacity of the recipient to carry out the program. The *Administration* supports a 50-50 split between competitive and formula grants as Ways and Means proposed. The House Education Committee proposed 5 percent competitive, 95 percent formula. House Republicans appear to be united at 10 percent competitive, 90 percent formula. The Senate adopted 25 percent competitive, 75 percent formula.

Targeting to poorest areas.— The *Administration* also supports the Ways and Means proposal to reserve 65 percent of the competitive grants for cities with large poverty populations. House Republicans appear to support 65 percent for this purpose; however, the actual funds set aside would be small since, under their plan, only 10 percent of the total funds would be competitive.

2. Federal administration

The Senate bill gives HHS responsibility for administering the welfare-to-work funds. All versions of the House bill put DOL in charge, in consultation with HHS and HUD. The *Administration* supports the House bill.

3. Local administration

In the House bill, service delivery areas, created under the Job Training Partnership Act (JTPA), may apply for either the competitive or the formula grants; political subdivisions may receive only the competitive funds. Service delivery areas are not authorized to receive any funds under the Senate bill; only political subdivisions may receive both types of funds. Competitive grants may go to other community organizations and non-profit agencies. The *Administration* supports the House bill, preferring to use the JTPA structure to deliver services. Note that the JTPA structure has been designed to serve the unemployed; the expertise of JTPA agencies in placing long-term welfare recipients in jobs is unknown. It no doubt varies considerably by State.

4. Performance bonus

There is support among "Blue Dog" Democrats and the Administration for performance based funding under the welfare-to-work initiative. The Senate bill has one such approach; the *Administration* is working on a proposal to present to the conferees. Given the short duration of these funds, and the difficulty in precisely measuring performance, it will be a challenge to craft a meaningful performance bonus.

5. Allowable activities

The President's initial welfare-to-work proposal was sold as an attempt to fill a large gap in the new welfare law — the lack of true job creation. Consistent with that approach, the House and Senate bills restrict the allowable activities to those that result in more jobs for long-term welfare recipients. The basic TANF block grant, which replaced AFDC and its work programs, should be used to meet the training, education and work experience needs of welfare families. House Republicans now want to add workfare and community service to the allowable welfare-to-work activities. The *Administration* position is unclear. If "workfare" type activities are added it would dilute considerably the resources available for true job creation.

6. Eligible participants

Both the House and Senate bills attempt to target funds on the hardest to employ welfare recipients. Staff should be instructed to craft language that extends eligibility to no more than 35 percent of the total TANF population.

House Republicans also seem to want to set aside funds for "profiling" at the beginning who is likely to receive cash assistance for a long time and target

services to this population. This is a concept that has worked, with some success, in the unemployment compensation program. Care must be taken, however; House Republicans have proposed to limit the "mandatory" activities of these families to job search and working off your benefit. States should have the discretion to target the full array of services/programs to these families.

Worker protections

1. Application of minimum wage and FLSA to employees and work experience/community service participants

Minimum wage.— The House bill establishes a formula for determining the number of hours a TANF recipient can be required to work in exchange for cash assistance: TANF cash assistance plus food stamps divided by the minimum wage gives you the required hours. The House bill also lets States count other activities, including job search and education, toward the work requirement once the recipient has "worked off" all the hours that result from the minimum wage formula. The Senate has no such provision, leaving the entire issue to State discretion. The *Administration* is opposed to counting other activities toward the work requirement.

Fair Labor Standards Act.— The House bill curtails the application of the FLSA for certain TANF recipients. As a result, work experience and community service participants are not protected from employment discrimination or sexual harassment. In addition, the proposed grievance procedure does not give these participants the same recourse to address health and safety concerns, nor are they entitled to the same appeal rights.

2. Displacement

The two House Committees adopted virtually identical anti-displacement language; the Senate bill is similar. All were modeled after the language negotiated by House Republicans with the Administration under the pending workforce bill. The House Republicans now want to scale back the displacement language for TANF recipients, especially by curtailing the grievance procedure and allowing workfare participants to infringe on other employees' opportunity for promotion. The *Administration* supports the Senate displacement language and would like to add to it one part of the House language, ensuring that the Federal government does not pre-empt State non-displacement laws that provide greater worker protections than Federal law.

3. Applicability

Once the package of worker protections is agreed to, the remaining policy decision is whether to apply these protections *only* to the new welfare-to-work program or to the work activities of TANF as well. The *Administration* supports the application of one set of rules to both programs.

SSI/Medicaid for legal immigrants

1. Restoring SSI to those legal immigrants on SSI/Medicaid as of August 22, 1996

Both bills grandfather all legal immigrants receiving SSI when the new welfare law passed and extend the exemption for refugees and asylees.

2. Disabled legal immigrants

The Senate bill restores SSI/Medicaid eligibility to legal immigrants present before but disabled after August 22, 1996; the House bill does not. The *President* will not sign a bill that fails to protect disabled legal immigrants.

NOTE: The combination of grandfathering and restoring eligibility for legal immigrants who become disabled in the future, costs \$2.5 billion more than the budget agreement set aside for legal immigrants. Some have suggested a sunset on the provisions to stay within (or closer) to the funds available under the budget agreement.

3. Other issues

The Senate bill restores Medicaid for future immigrant children; provides SSI and Medicaid to those legal immigrants who are too disabled to satisfy the naturalization requirements; and treats Amerasian and Cuban Haitian legal immigrants like refugees. If resources are available, the *Administration* supports these provisions.

Miscellaneous

1. SSI State supplements

The House bill allows States to reduce the SSI benefits of 2.8 million elderly and disabled Americans; the Senate has no provision. The *Administration* wants the

House provision dropped.

2. TANF transfers to title XX

The House bill permits States to transfer TANF funds to the title XX social services block grant without also transferring funds to the child care block grant; the Senate has no provision. The Administration supports the Senate, arguing that the House provision dilutes State welfare-to-work resources and was not part of the budget agreement.

3. Vocational education in TANF

Both versions of the House bill (Ways and Means and Education) narrow the base against which the cap on vocational education applies. Ways and Means also excluded teen parents — all of whom should be in school — from the cap. The Senate bill doesn't narrow the base (it retains current law) but does remove teen parents from the cap. The Administration notes that this was not part of the budget agreement and wants to retain current law (i.e., drop all provisions).

4. UI Pennington

The House bill overturns the Pennington Court case which requires some States to use the most recent data to establish the base period for UI eligibility. It would give States full discretion to establish the base period. The Senate has no provision. The Administration has not taken a position.

J:\DCOLTON\WP\CBRSPCH17-9 Conference memo.wpd

July 18, 1997

MEMORANDUM

TO: Cynthia Rice, DPC

FR: Cliff Johnson, CBPP 

RE: JTPA Maintenance of Effort and Competitive Grants to Nonprofits

As promised, here are options for provisions in the welfare-to-work grants that may discourage the shifting of JTPA funds away from longer-term welfare recipients. These options, which could be used separately or in combination with one another, include:

- A simple statement that funds made available under this program shall be used to supplement and not supplant TANF and JTPA funds already used for these purposes.
- A state plan provision requiring that the plan describe how funds provided under this new program will be used to provide services and activities beyond those already available in TANF and JTPA.
- A more specific requirement that the state provide information on the level of JTPA services provided to the population eligible under the welfare-to-work grants in a base year, accompanied by assurances that this level of services will be maintained.

In light of concerns about more burdensome data collection and reporting requirements, our suggestion would be to add provisions of the sort described in the first two bullets above to the bill. The statement that funds shall supplement and not supplant TANF and JTPA funds could be added to Section (5)(C) on limitations on use of funds. The description of how funds will be used to provide services and activities beyond those already available in TANF and JTPA would fit in the state plan requirement contained in Section (5)(A)(ii)(I).

With regard to eligibility of nonprofit organizations for competitive grants, it is my understanding that there has been some discussion of a requirement that nonprofit applicants provide evidence that such application is not in conflict with welfare-to-work programs of the relevant unit of local government. This strikes me as one sensible approach to prevent unreasonable numbers of nonprofit applications to the Department of Labor.

I hope this information is of some use. Let me know if we can be helpful in some other way, and thanks again for the time on Wednesday.

Employment & Training Administration
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210
tel: 202/219-6050
fax: 202/219-6827

fax transmittal

for:

Cynthia Rice

fax #:

456 - 7431

from:

Jean Fitzgerald (Ray's ofc)

date:

7/21/97

re:

2 NAB letters

pages

5

(including this cover sheet)

NOTES:

Per your Request



Fax Cover Sheet

DATE: July 21, 1997

TO: Ray Uhalde
Acting Assistant Secretary
Employment and Training Administration
U.S. Department of Labor
Washington, D.C.

FAX NUMBER: 219-6827

FROM: Tom Lindsley
Vice President, Policy and Government Relations

PHONE: (202) 289-2932

NAB FAX NUMBER: (202) 289-1303

TOTAL NUMBER OF PAGES: 4

REMARKS: Attached are copies of the letters we sent to Senate leadership on the Labor Department's role in administering the welfare grant program in budget reconciliation legislation. As you requested.

NATIONAL ALLIANCE OF BUSINESS

June 30, 1997

Honorable William V. Roth, Jr.
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Legislation to implement the FY 1998 balanced budget agreement proposes a new grant program authorizing up to \$3 billion over three years for localities to help welfare recipients with the transition from welfare to work. The House version of this program places responsibility for its administration under the U.S. Department of Labor and the local agencies that know how to match individuals with jobs. The Senate version puts the program under the Health and Human Services Department and the state and local welfare agencies.

As tight labor markets persist in a strong economy, thousands of employers are preparing to hire individuals who are making the transition from welfare to work. Therefore, the timing is right for tying this program to effective labor market institutions. The program should support the essential services that would maximize this unique opportunity for hiring welfare recipients in both the public and private sectors.

Welfare recipients should not be segregated in yet another separate program that does not have effective connections to the labor market. The challenge is to merge the services available in the welfare system with the services, job placement, and training available in the mainstream workforce development systems at the state and local levels.

We believe that welfare-to-work programs must be closely aligned with the workforce system overseen by the Secretary of Labor and the community partnerships with employers who are charged with preparing people for work.

The mandate to move welfare clients into the economic mainstream heightens the imperative that public systems adopt the norms of the modern workplace. If there is a national commitment for welfare reform, there must be a similar commitment to ensure that public systems are responsive to the work place standards by which employers operate. Employers simply are not willing to

CHAIRMAN

James F. Orr III
UNUM Corporation

PRESIDENT & CEO

Roberts T. Jones

BOARD OF DIRECTORS

Leo C. Beebe
K-Tron International, Inc.

Thomas D. Bell, Jr.
Bursan-Mandelier

Kathleen J. Burke
BankAmerica Corporation

James C. Cabrera
Drake Beam Morse, Inc.

Michael J. Carey
Johnson & Johnson

Bruce Carswell
GTE Corporation

Gale Duff-Bloom
J.C. Penney, Inc.

Jerome H. Grossman
Health Quality, Inc.

Richard S. Gurin
Siney & Smith

John R. Hoff
Arthrex, Inc.

Sidney Hurman
Harman International Industries, Inc.

Albert Horer
Siemens Corporation

Lawrence A. Hough
Sallie Mae

Jerry D. Jackson
Energy Corporation

Glenn R. Jones
Long International, Inc.

Malcolm R. Lowell, Jr.
National Policy Association

Donald C. Mann
The Prudential Insurance Company

Pedro E. Mata
Mata Global Solutions

Brian D. McAuley
Imagine This, Inc.

Jewell Jackson McCabe
National Coalition of 100 Black Women, Inc.

John R. McKernan, Jr.
Hathaway Shirts

Richard L. Measelle
Arthur Andersen

Norman E. Rickard, Jr.
Xerox Corporation

Judy Byrne Riley
NAFIC

Bert C. Roberts, Jr.
MCI Communications Corporation

Edward B. Rust, Jr.
State Farm Insurance Companies

Richard F. Schubert
Drucker Foundation

T. Quinn Spitzer
Kemper-Tregoe, Inc.

Roger T. Staubach
The Staubach Co.

Anne-Lee Verwillb
I&M Corporation

A. William Wiggenshorn
Motorola, Inc.

Alan L. Wurtzel
Circuit City Stores, Inc.

Sam Yau
National Education Corporation

Raul Yaneswiro
National Council of La Raza

COUNSEL

Robert A. DuArment

Page 2

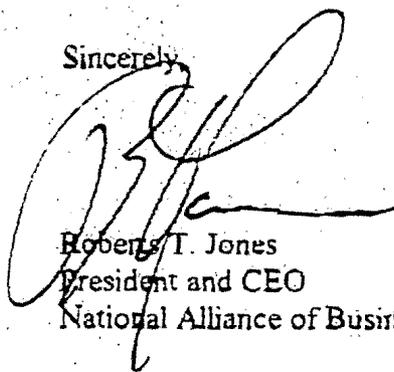
hire individuals who fall short of their job standards, nor are they willing to work with systems that are unresponsive to them as customers.

If government-funded programs are not required to make that link to the skill needs of employers, programs quickly become irrelevant and useless to job seekers, because of extensive changes occurring in the modern workplace.

The Alliance strongly urges you to support a final compromise bill that gives responsibility for this program to the Secretary of Labor and to the state and local workforce development systems, which are more appropriately attuned to the demands of local job markets.

We believe that this position is common sense and good public policy based on the intended results of the program, and should take absolute precedence over committee jurisdictional issues.

Sincerely,



Robert T. Jones
President and CEO
National Alliance of Business

cc: House and Senate Leadership
Members of the Committee of Conference



NATIONAL ALLIANCE OF BUSINESS

CHAIRMAN
James F. Orr III
UNUM Corporation

PRESIDENT & CEO
Roberts T. Jones

BOARD OF DIRECTORS
Leo C. Beebe
K-Ton International, Inc.

Thomas D. Bell, Jr.
Burson-Marsteller

Kathleen J. Burke
BankAmerica Corporation

James C. Cabrera
Duke Beam Mgmt, Inc.

Michael J. Carey
Johnson & Johnson

Bruce Corwell
STP Corporation

Gale Duff-Bloom
J.C. Penney, Inc.

Jerome H. Grossman
Health Quality, Inc.

Richard S. Gurin
Binney & Smith

John R. Hall
Ashland, Inc.

Sidney Harman
Harman International Industries, Inc.

Albert Hoyer
Siemens Corporation

Lawrence A. Hough
Sallie Mae

Jerry D. Jackson
Entergy Corporation

Glenn R. Jones
Jones Interchange, Inc.

Malcolm R. Lovell, Jr.
National Policy Association

Donald C. Mann
The Prudential Insurance Company

Padro F. Mata
Mata Global Solutions

Brian D. McAuley
Imagine The, Inc.

Jewell Jackson McCabe
National Coalition of 100 Black Women, Inc.

John R. McKernan, Jr.
Hawaiian Shirts

Richard L. Moeselle
Arthur Andersen

Norman E. Rickard, Jr.
Xerox Corporation

Judy Byrne Riley
NAFIC

Bart C. Roberts, Jr.
MCI Communications Corporation

Edward B. Rust, Jr.
State Farm Insurance Companies

Richard F. Schubert
Drucker Foundation

T. Quinn Spitzer
Kupfer-Tregoe, Inc.

Roger T. Staubach
The Staubach Co.

Anne-Lee Verville
IBM Corporation

A. William Wiggernhorn
Motorola, Inc.

Alan L. Wurtzel
Circuit City Stores, Inc.

Sam Yau
National Education Corporation

Raul Yzaguirre
National Council of La Raza

COUNSEL
Roderick A. DeArment
Consulting & Billing

July 2, 1997

Honorable William V. Roth, Jr.
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

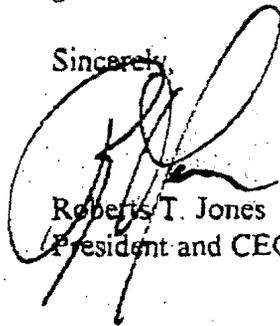
I recently sent you a letter on behalf of the Alliance urging that the new welfare reform (welfare-to-work) grant program in the budget reconciliation bills be directed through public employment and training agencies, which have effective ties to the labor market and to private sector jobs.

We have identified over 2,500 employers who are hiring welfare recipients, and this list is increasing daily. During this implementation period, employers need all the help they can get from employment and training agencies. Pre-employment services, counseling, skill assessment, and support services like transportation and child care, are critically important for hiring many participants. This new grant money is essential for maintaining the momentum we see developing.

The obvious link between an individual on welfare and a job is knowledge and skills. Directing these grant funds in any other way, which would not support this transition from welfare-to-work, would delay employment and would lose critical momentum among employers.

I urge you to ensure that these funds are administered effectively through the employment, training, and support service agencies under Department of Labor programs, where employers work in partnership with local government. I urge that the conference agreement on budget reconciliation reflect this priority.

Sincerely,



Roberts T. Jones
President and CEO

CHARLES W. STENHOLM

17th District
TEXAS

1211 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6605
Fax (202) 225-2234
e-mail: Texas17@hr.house.gov
Home Page: <http://www.house.gov/stenholm/>

**Congress of the United States
House of Representatives
Washington, DC 20515**

DISTRICT OFFICES:

P.O. Box 1237
STAMFORD, TX 78663
(915) 773-3633
FAX (915) 773-2833

P.O. Box 1101
ARLINGTON, TX 79604
(915) 673-7221
FAX (915) 670-9047

33 E. TWINS AVENUE, #310
DALLAS, TX 75202
(915) 856-7004
FAX (915) 856-2700

AGRICULTURE COMMITTEE
RANKING MEMBER

FAX TRANSMISSION COVER SHEET

TO: Gynthia Rice

DATE: _____, 1997

FAX #: _____

NO. OF PAGES FOLLOWING: _____

____ THE HONORABLE CHARLES W. STENHOLM

____ AUER, LOIS

____ McLAUGHLIN, LAURE

____ CHALMERS, KACE

____ NETTLES, CINDY

____ HAMILTON, JAMES

____ SLOCUM, JULIE

____ JOHNSON, ANDY

____ TICE, BECCA

____ LORENZEN, ED

____ TURNER, JULIE

Comments: FYI

Note: This fax transmission contains confidential information from the Office of U.S. Congressman Charles W. Stenholm. It is intended solely for the addressee(s). If you received this fax in error, please DO NOT disclose, copy, or distribute any part of this transmission. Instead, please notify us immediately at (202) 225-6605. Thank you.

The Coalition

July 11, 1997

The Honorable Bill Clinton
The White House
Washington, DC 20500

Dear Mr. President:

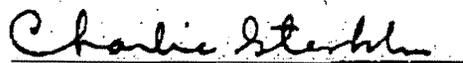
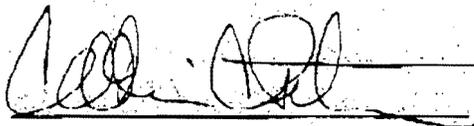
As members of the Coalition, we look forward to working with you to enact a credible balanced budget plan built on sound, sustainable policies that have bipartisan support. We applaud the work that you and others have done to bring us to this point. However, we recognize that much work remains to be done to enact legislation to implement the balanced budget agreement.

As you know, we proposed a balanced budget plan that was based on the twin principles of credible deficit reduction and sound public policy. While we are pleased that the budget agreement reflects the policies in the Coalition budget in several areas, we are concerned that many of the policies contained in the agreement fall short of the principles outlined in the Coalition budget. While we recognize that the budget agreement limits the flexibility of the conferees and the administration to make dramatic changes in the plan, we believe that it is possible to address many of our concerns within the scope of the conference and the budget agreement.

The attached document outlines our priorities in the upcoming conference. We will evaluate a conference report based on five basic principles. First, it must provide credible deficit reduction. Second, it must include comprehensive budget enforcement provisions. Third, tax cuts must be targeted to productive investments, small businesses and farmers. Fourth, the Medicare and Medicaid policies should reduce the long-term growth of these programs while protecting the availability and quality of care. Finally, provisions in the agreement providing increased funds for priority programs should be structured to accomplish the goals of the program in the most cost-effective manner possible. We will enthusiastically support reconciliation legislation that incorporates these principals.

We look forward to working with you to enact a balanced budget plan that we can all be proud of. Thank you for your consideration.

Sincerely,



Allen Boyd

Jim Turner

Marion Berry

Virgil Good

Tommy Smith

Scotty Barber

Tim Hall

Mike McIntyre

Alan Piner

Tom Jones

Chyl

BUD CRAMER

CHARLES W. STENHOLM

17th District
TEXAS

1211 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6605
FAX (202) 225-2234
e-mail: Texas17@h.house.gov
Home Page: <http://www.house.gov/stenholm/>

**Congress of the United States
House of Representatives
Washington, DC 20515**

DISTRICT OFFICES:

P.O. Box 1237
STAMFORD, TX 79663
(915) 773-3623
FAX (915) 773-2833

P.O. Box 1101
AGRENE, TX 79604
(915) 943-1221
FAX (915) 676-8647

30 E. FRENCH AVE., #518
SAN ANGELO, TX 76901
(915) 666-7004
FAX (915) 668-2700

AGRICULTURE COMMITTEE
RANKING MEMBER

FAX TRANSMISSION COVER SHEET

TO: Cynthia Rice

DATE: _____, 1997

FAX #: _____

NO. OF PAGES FOLLOWING: _____

____ THE HONORABLE CHARLES W. STENHOLM

____ AUER, LOIS

____ McLAUGHLIN, LAURE

____ CHALMERS, KACE

____ NETTLES, CINDY

____ HAMILTON, JAMES

____ SLOCUM, JULIE

____ JOHNSON, ANDY

____ TICE, BECCA

____ LORENZEN, ED

____ TURNER, JULIE

Comments: FYI

Note: This fax transmission contains confidential information from the Office of U.S. Congressman Charles W. Stenholm. It is intended solely for the addressee(s). If you received this fax in error, please DO NOT disclose, copy, or distribute any part of this transmission. Instead, please notify us immediately at (202) 225 6605. Thank you.

- **Allocation of payments for Disproportionate Share Hospitals** We are concerned about the allocation of DSH savings among States. Reforms of the DSH program should address past abuses of the program, but should not penalize states that have legitimately accessed DSH funds consistent with the purpose of the program. We encourage you to work to reduce DSH funding in a manner that distributes the cuts more evenly among the states.
- **Targeting of DSH payments to hospitals.** Given the reduction in federal DSH spending, it is extremely important that the remaining DSH funds be targeted to institutions that serve the highest proportion of Medicaid and low-income populations and are therefore in greatest need of assistance. As you know, many rural hospitals fall into this category. DSH savings should be linked to a federal standard targeting the remaining funds to needy hospitals. In addition, DSH payments should be made directly to hospitals, and should not be linked to managed care contracts.
- **Medicaid payments to hospitals and nursing homes** We believe that the repeal of the Boren amendment must be accompanied by safeguards to protect hospitals and nursing homes from dramatic reductions in Medicaid reimbursements. We strongly support the House language establishing a payment floor for payments to hospitals and nursing homes for 18 months. We also support the Senate language requiring a public process in Medicaid rate-setting.

Effective use of funds for new initiatives

Many of us have reservations about providing increased funding for new programs as part of a plan to balance the budget, but we recognize that the new initiatives are an important part of this agreement. Given our limited financial resources, it is extremely important that the new funds be used in the most efficient manner possible. All new programs, or increased funds for existing programs, should contain safeguards to ensure that the funds are used for the purposes intended by the agreement and directed to programs and activities that most effectively accomplish the goals of the agreement.

- **Distribution of welfare to work funds through competitive grants.** A substantial amount of the welfare to work funds should be distributed through competitive grants to reward innovative programs at the local level that move welfare recipients into private sector employment.
- **Performance bonus for successful welfare to work programs.** A significant portion of the welfare to work funds should be reserved for bonus payments to reward states who demonstrate success in using welfare to work funds to move hard-to-serve welfare recipients into private sector employment. Performance bonus payments should reward performance directly attributable to welfare to work funds and should take into account the economic conditions in the state.
- **Effective work program for food stamp recipients.** The provisions providing additional funding for food stamp employment and training programs should be structured to encourage states to create the maximum number of effective work slots for food stamp recipients subject to work requirements, with a goal of creating 300,000 work slots over the next five years. In addition, the program should establish incentives that reward states the create slots that successfully move unemployment food stamp recipients into private sector employment.

- **Standards for Medicaid Managed Care** There should be strong financial and quality standards for Medicaid managed care programs. In general, we support the Medicaid managed care quality standards in the Senate bill, which are very similar to the quality standards that were included in the Coalition budget.
- **Efficient use of funds for children's health programs.** States should be required to use the increased funding to provide health insurance to low-income, uninsured children. In addition, there must be strong safeguards to ensure that increased federal funds for children's health are not used to supplant current state spending or shifted to other programs. The children's health care bill developed by the Democratic Caucus Task Force on Children's Health, which was co-chaired by Rep. Marion Berry, accomplishes all of these goals.

Larry R. Matlack 07/14/97 11:40:55 AM

Record Type: Record

To: Elena Kagan/OPD/EOP, Janet Murguia/WHO/EOP, Cynthia A. Rice/OPD/EOP, Diana Fortuna/OPD/EOP
cc: Barry White/OMB/EOP, Lisa M. Kountoupes/OMB/EOP, Jeffrey A. Farkas/OMB/EOP, Maureen H. Walsh/OMB/EOP
Subject: BYRD

Attached is a revised list of Byrd Rule welfare-to-work issues Chuck is taking up to the Hill, hurriedly amended this morning to capture, we think, the results of the Saturday meeting with the Ds. As Chuck's note says, we can reach him if there's anything fatal in here. Let any of us know if there are significant problems you believe need to be raised, serious omissions, or other issues that we should consider.

----- Forwarded by Larry R. Matlack/OMB/EOP on 07/14/97 11:28 AM -----



Charles Konigsberg
07/14/97 11:04:00 AM

Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: BYRD

Message Creation Date was at 14-JUL-1997 11:04:00

FOLLOWING IS A REVISED BYRD LIST, BASED UPON COMMENTS RECEIVED THIS MORNING. I WILL BE MEETING WITH BUDGET STAFF AND WH/LA FOR THE NEXT COUPLE HOURS TO FINALIZE THE LIST. IF YOU IDENTIFY ANY OTHER PROBLEMS WITH THE LIST, PLEASE PAGE ME. THANKS.

7/14/97

DRAFT - POSSIBLE BYRD RULE VIOLATIONS

[Note: the following is not intended to be a comprehensive list; it is limited to identifying which of the objectionable reconciliation provisions (i.e. objectionable on policy grounds) may also violate the Byrd Rule.]

o Privatization (Food Stamps and Medicaid): House Passed Bill (Section 1003, Food Stamps; and Sec. 3457, Medicaid). Background: The House bill permits any State to contract with a private sector entity to conduct income verification and eligibility determinations for Food Stamps and Medicaid. The Senate includes no such provisions (dropped per Byrd rule). The Administration

strongly opposes the provisions in the House bill and urges the Conferees to drop them from consideration. Nature of Byrd violation: the provision does not affect federal revenues or outlays.

o Welfare-to-Work:

--Senate Section 5822(a)(2)(c) --Nonapplication of any minimum wage requirements with respect to individual sanctions. (i.e., the Nickles, amendment.)

--(FLSA) House sections 5004 and 5005, and 9004, 9005 -- make people in workfare and community service activities not employees for purposes of FLSA; and counts items other than cash and food stamps for minimum wage (no budget effect)

--Temporary Assistance for Needy Families (TANF) Work Activity Rules: Would limit vocational and educational training as a work activity in TANF; House Passed Bill (sections 9003, 5002), Senate Passed Bill (Sec. 5905(k)).

Background: The House bill includes two sets of provisions --one from the Ways and Means Committee and the other from the Education and Workforce Committee --which narrow the base of eligible recipients against which the cap on vocational education in TANF applies. (The Ways and Means Committee also excludes teen parents in school from the cap and sets the cap at 30 percent of the narrower base, while the Education and Workforce Committee makes no other changes.) The Senate bill maintains the existing base against which the cap on vocational education applies, but removes teen parents who attend school from the 20 percent cap on vocational education. The Agreement did not address making changes in the TANF work requirements regarding vocational education and educational services for teen parents. The Administration voiced concerns about these provisions in several letters and urged Conferees to drop them from consideration. Nature of Byrd Violation -- no effect on Federal budget

--TANF transfers to title XX: House Passed Bill (Section 9002).

Background: The provisions reported by the House would allow States to divert TANF funds away from welfare-to-work efforts to other Title XX social service activities. (The Senate included no such provisions.) The Agreement did not address making changes in the TANF transfer provisions. The Administration voiced concerns about these provisions in several letters and urged Conferees to drop them from consideration. Nature of violation: The provision does not effect federal revenues or outlays.

July 10, 1997

Dear Mr. President:

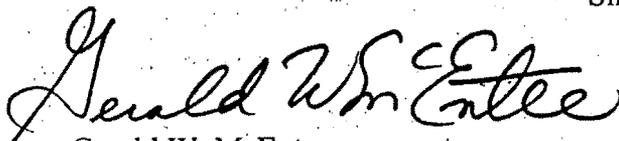
We want to thank you for your strong opposition to congressional attempts to use the balanced budget bill to overturn your administration's policies on privatizing the Food Stamp and Medicaid programs and on applying the Fair Labor Standards Act and other worker protections laws to workfare workers.

As a result of our mutual efforts, the Senate now has clear record rejecting all privatization provisions. We believe that the Senate's action provides a solid basis from which to resist provisions in the House bill which would allow all states to privatize food stamps and Medicaid operations.

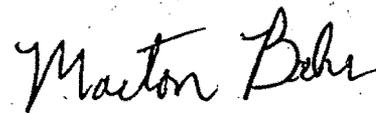
In addition, we are making important progress protecting working people on and off welfare. We have strongly defended your administration's ruling that workfare workers should have the same rights and protections as other workers. Moreover, we have been pleased at the progress made in moving the welfare-to-work program through the legislative process and are seeking to ensure that it will be used to create real jobs at livable wages rather than workfare. Finally, we have seen significant Congressional support for incorporating effective nondisplacement protections in the conference agreement so that working people do not end up paying for welfare reform with a loss in jobs and income.

We now are at a critical juncture in the deliberations on the conference agreement. We believe your continued strong leadership is essential to achieving a favorable outcome on all these critically important issues.

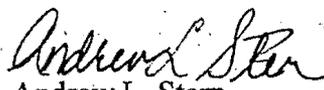
Sincerely,



Gerald W. McEntee
International President



Morton Bahr
President
Communications Workers of
America



Andrew L. Stern
President
Service Employees
International Union

COMMITTEE ON FINANCE

SD-219 (ZIP: 20510-6200) 224-4515

William V. Roth, Jr., DE, Chairman.

John H. Chafee, RI
 Charles E. Grassley, IA
 Orrin G. Hatch, UT
 Alfonse M. D'Amato, NY
 Frank H. Murkowski, AK
 Don Nickles, OK
 Phil Gramm, TX
 Trent Lott, MS
 James M. Jeffords, VT
 Connie Mack, FL

*Daniel Patrick Moynihan, NY
 Max Baucus, MT
 John D. Rockefeller IV, WV
 John B. Breaux, LA
 Kent Conrad, ND
 Bob Graham, FL
 Carol Moseley-Braun, IL
 Richard H. Bryan, NV
 J. Robert Kerrey, NE*

STAFF MEMBERS

Agent, Myrtle MAJ ST ASST SD-208	44515	McClanahan, Patricia MIN TAX COUN SH-203	45315
Anderson, Bruce CHF EDIT SH-231A	44515	Merulla, Robert EDIT SH-231A	44515
Autor, Erik INTNATL TRADE COUN SD-219	44515	Olchyk, Samuel TAX COUN SD-219	44515
Baker, Robert LEG FELLOW SD-219	44515	Passman, Maury MIN TAX COUN SH-203	44515
Becchi, Rosemary TAX COUN SD-219	44515	Patterson, Mark MIN ST DIR, CHF COUN SH-203	45315
Blair, Mark HEARING CLK SD-219	44515	Paull, Lindy ST DIR & CHF COUN SD-219	45000
Blum, Janet SYS ADMR SD-219	44515	Pearson, Christina DPTY PRESS SECY SD-219	44515
Bonmartini, Gioia HLTH ANLST SH-203	44515	Peterson, Lori TAX COUN SD-219	44515
Burnett, Laird MIN PROF ST SH-203	45315	Podoff, David MIN CHF ECON SH-203	45315
Butterfield, Jane CHF CLK SD-219	44515	Polk, Frank GEN COUN SD-219	44515
Cribbs, Sallie CORRESPDC MGR SD-205	44515	Prater, Mark CHF TAX COUN SD-219	44515
Drummond, Faye MIN SR HLTH COUN SH-203	45315	Preiss, Jeremy INTNATL TRADE COUN SD-219	44515
Fant, Bill SH-203	44030	Ridenour, Donna ST ASST SD-219	44515
Fisher, Douglas TAX COUN SD-219	44515	Roesser, Tom TAX COUN SD-219	44515
Foster, Connie SD-219	44515	Savage, Darcell HRNG CLK SD-219	44515
Giordano, Nick MIN CHF TAX COUN SH-203	45315	Singh, Rakesh MIN RES ASST SH-203	45315
Gulya, Brigitta TAX COUN SD-219	44515	Smith, Dennis HLTH & WELFARE ANLST SD-219	44515
Hooff, Churchill SD-219	44515	Steiger, Doug MIN PROF ST SH-203	45315
James, Julia CHF HLTH ANLST SD-219	44515	Testa, Kristen MIN PROF ST M SH-203	45315
Koops, Virginia PRESS SECY SD-219	44515	Thorson, Eric CHF INVEST SD-249	44515
Lamb, Deborah MIN TRADE COUN SH-813B	45315	Vachon, Alexander HLTH & SOC SEC ANLST SD-219	44515
Lee, Lisa MIN RES ASST SH-813B	45315	Woodward, Joan ECON & CHF BUDGET ANLST SD-254	44515
Lewis, LaShawn MIN ST ASST SH-203	45315		

SUBCOMMITTEE ON HEALTH CARE

SD-219 (ZIP: 20510-6204) 224-4515

Phil Gramm, TX, Chairman.

William V. Roth, Jr., DE
 John H. Chafee, RI
 Charles E. Grassley, IA
 Orrin G. Hatch, UT
 Alfonse M. D'Amato, NY
 Don Nickles, OK
 James M. Jeffords, VT

*John D. Rockefeller IV, WV
 Max Baucus, MT
 Kent Conrad, ND
 Bob Graham, FL
 Carol Moseley-Braun, IL
 Richard H. Bryan, NV
 J. Robert Kerrey, NE*



DATE: 7/14

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

PHONE: (202) 690-6311

FAX: (202) 690-8425

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
HUMAN SERVICES LEGISLATION
ROOM 413 H HUMPHREY BUILDING

TO : Cynthia Rice - WH

OFFICE : Roy Walde - DOT

ROOM NO : _____

PHONE NO : _____

FAX NO : _____

FROM:

- MARY M. BOURDETTE 456-7431
- BARBARA P. CLARK 219-6827
- GREG JONES
- PATRICIA SAVAGE
- JOSEPH WARDEN
- LAUREN GRIFFIN
- LULA BARNES

TOTAL PAGES INCLUDING COVER) : 8

REMARKS: *Cynthia & Roy - I'm sending this to both of you to move this process along re technical / operational problems with WTW. Several of these are fairly important - esp. # 1, 5, 6, 8, 9, 11 and 12 on the way! Items done.*

I'm worried that if we don't pass these into the Hill soon, we may be too late. How about if you would eliminate any you think are moot, objectionable, etc. Thanks Mary

Technical Issues in Ways and Means Welfare-to-Work Grants Draft Proposal (June 13th, 12:50 pm)

1. Conforming Changes to Lead-In and Use of "Secretary" (pg. 2 and continuing)

Providing the new welfare to work grant provisions as simply an add-on to existing 403(a) seems confusing. Plans under Part A as defined in section 402, for example, are 2 year plans to the Secretary of Health and Human Services. The new paragraph (5) envisions that amendments to these plans will be provided to the Secretary of Labor annually but reference to this is not made in section 402 which deals with the plan under this part (which would include the new 403(a) (5) amendments).

More broadly, the bill refers to "the Secretary" as being the Secretary of Labor (pg. 22, line 12). When HHS and HUD are involved, it specifically refers to the respective Secretaries of those Departments. These are confusing designations especially when viewed in the context of the entire TANF sections of the Social Security Act.

We suggest that conforming changes recognizing the new paragraph (5) be provided in sections 401 and/or section 402 or that some explanatory lead-in language be provided in paragraph (5). We suggest the Secretary of Labor be identified in each subparagraph as appropriate, rather than providing a blanket definition solely for the new paragraph (5) of the Secretary.

Also for clarity, we would revise the reference to an amendment to the plan (pg. 4 line 1) as simply a change to the plan since in effect the plan in question is an amendment to a plan.

2. Distribution of Funds

The language describing the first option for distributing funds within States (pg. 8, line 14) is confusing. It speaks to an amount in proportion "to the number (if any) by which the number of individuals ..."

We suggest that the extraneous language be removed and this be reworded to provide "in proportion to the number (if any) of individuals residing..."

3. Governors' Projects

Page 11, line 11 provides that the Governor may designate an agency other than the state TANF agency to administer these projects with no reference to the need for coordination with the State TANF agency.

We suggest that coordination with the State TANF agency be required.

4. Allowable Activities

On page 18, line 4, subparagraph (V), one allowable activity for which funds can be used are "Job support services, excluding child care if such services are not otherwise available." Clarification is needed on what is meant by "not otherwise available." It is not clear whether this is meant to address cases where other Federal funding is not available for a particular service or, whether the language means that other Federal funding may be available for a service but that such a service has not been located in a particular community or SDA. In other words, is the intent to allow States to use these grants to fund an activity that is covered by another Federal program?

We suggest that clarification be provided. If the intent is to allow States to use Federal funds from different programs to cover the same service, then no change is necessary. The current language can certainly be interpreted to mean that States have broad flexibility to fund services. However, if the intent is to restrict State use of funds to services not covered by other Federal program funds, then appropriate language should be inserted in the bill.

5. Applicability of Section 404 (pg. 20, line 4)

Paragraph (C)(iii), Limitation on Applicability of Section 404, provides that those rules do not apply with the exception of (b) 15% cap for administrative costs; (f) authority to operate employment placement programs and (h) use of funds to carry out a program to fund individual development accounts.

We suggest that the reference to paragraph (h) be further defined to provide limiting subparagraph designations to (h)(2)(B)(iii) because qualified purposes under paragraphs (i) Postsecondary Educational Expenses and (ii) First Home Purchase, under this section do not appear in alignment with the allowable activities provided under (5)(C)(i) of the proposal.

6. Grants to Tribes (pg. 30, line 6 and continuing)

a. Secretary

The new grants to Indian Tribes language (proposed section 412(a)(3) does not include a definition of Secretary as was provided with respect to the new section 403(a)(5). The language provided on pg. 22 is embedded in section 403 and does not extend to section 412.

b. Amount of Tribal Grants

Language is not provided indicating how the set-aside dollars are to be distributed among tribes submitting a plan. The language appears to provide complete discretion to the Secretary.

c. Tribal Submission

Language on submission of the plan speaks to an addendum to the tribal TANF plan, if any. This may be drafting, but appears to envision a link to Tribes which have TANF plans.

We recommend that additional clarifying language be provided on each of these issues. We assume the Secretary in question is the Secretary of Labor and language as provided on pg. 22 would be in order in this section. With respect to the grants, we suggest that some formula and/or threshold be provided and that eligible tribe be further refined to specify "tribes operating TANF programs or tribal JOB programs." On the last item, we recommend that the language be revised to provide "an addendum to the tribal assistance plan, or in the absence of such a plan, an independent welfare to work plan which...."

7. Non-competitive Formula Issues

On page 21, line 20, poverty is defined for purposes of the formula but the TANF and unemployment data is not.

We suggest that clarification be added with respect to these formula measures. For example, we may want a date or fiscal year or to point to what data to use -- e.g. average monthly TANF adult caseloads for the preceding fiscal year as reported to HHS by x date.

8. Single Audit Act

Under TANF, section 409(a)(1)(A), any amount paid to a State under section 403 of the Social Security Act is subject to a penalty via the Single Audit Act. Is the intent to have WTW funds subject to this penalty?

If the intent is to have funds subject to a penalty under the Single Audit Act, then the current bill language permits this penalty. If the intent is not to have wtw covered, or if DOL has a different monitoring mechanism, then the bill language needs to be changed.

9. State Reporting Requirements and Regulatory Authority

Placing the welfare to work piece within TANF severely limits the Federal Governments ability to regulate (sec. 417 states that unless otherwise stated the Feds can not regulate). The only express regulatory authority provided for wtw is with respect to the interpretation of required beneficiaries (pg. 19, line 4). It is not clear this limitation will allow effective implementation of the proposal or that it is the desired intent since the Secretary of Labor is given discretion in a number of areas.

Similarly, there are no specific reporting requirements for cases covered by wtw funds. Unless this section explicitly provides for data reporting (recipient characteristics and financial) we (nor DOL) will not be able to require additional reporting.

We suggest that language be added to provide reporting of specific data elements related to wtw cases. At a minimum we need financial reporting that they are spending the money and what they are spending it on. In terms of recipient characteristics at least we would want an identifier in the TANF case record that the person is a recipient of services under this new program. We also suggest that regulatory discretion be provided for purposes of the new 403(a)(5).

Further, the Secretary will be unable to effectively evaluate how grants have been used without an authority to require grantees to submit data

10. WTW and TANF Interactions

Further, embedding WTW into TANF could create unforeseen problems in that concepts which are currently contained in TANF could become applicable in unintended ways to WTW. For example,

- it would be undesirable for WTW expenditures which would be regarded as assistance under TANF to become subject to the TANF rules that apply to receipt of assistance, such as assignment of child support and time limits, and
- where the WTW grantee is a state, does section 417 preclude regulating the conduct of the state?

11. Supplantation

There is no language in the bill that would prohibit WTW funds from supplanting current State expenditures.

12. Evaluations

The current evaluation language in HR 2015 provides for determining how grantees use the funds and identifying and evaluating a limited set of particularly promising approaches. This is compatible with the funding level and is feasible. Other language under consideration could suggest a much more ambitious agenda that the Department would not be able to carry out with the proposed funding level. We'd be prepared to work on modifications to clarify that the evaluations would examine the success of a limited set of approaches to ensure that expectations were compatible with resources.

**Technical Issues in the Senate Welfare-to-Work Proposal
(Dated June 24, 1997)**

1. State Reporting Requirements and Regulatory Authority

Same as House comment #9.

2. Grants to Tribes (page 29, item (c)(3)(A))

Language is not provided indicating how the set-aside funds for Tribes are to be distributed. The language appears to provide complete discretion to the Secretary. However, the Secretary is not given the authority to regulate the criteria for distribution.

3. Tribal Submission (page 29, item (c)(3)(B)(i))

Language on submission of the plan speaks to an "addendum to the tribal family assistance, if any, of the Indian Tribe." Does this language envision the coverage of Tribes not presently operating a Tribal work or TANF program? If so, then the language needs to be changed. We suggest "an addendum to the tribal family assistance plan, or in the absence of such a plan, an independent welfare-to-work plan. . . ."

4. Evaluation of Welfare-To-Work Proposals (page 30, item (j))

We do not believe that funding is sufficient to permit us to fulfill the evaluation requirements. Additionally, this requirement is problematic since it does not include any data reporting requirements for grantees.

5. Report to Congress (page 30, item (j)(2))

We believe that two years should be added to both dates. The grants will be awarded in FY 1998, so the January 1999 interim report will only permit reporting the grants awarded. Additionally, since the funds can be spent through 2002, the January 2001 report cannot be final report on the grants.

6. Small State Minimum (page 20, item (a)(5)(A))

The 0.5 % minimum for small States in the Senate language is calculated from the entire amount of funds (minus set-asides for evaluation and Indian Tribes), which results in a larger grant for small States than it would if the 0.5% were calculated only from the non-competitive portion of funds.

7. Allowable Activities

Same as House comment #4.

8. Non-competitive Formula Issues

Same as House comment #7.

9. WTW and TANF Interaction

Same as House comment #10.

10. Supplantation

Same as House comment #11.

Draft: July 8, 1997

RECOMMENDED CHANGES IN WELFARE-TO-WORK PROVISIONS (H.R. 2015)
(new language shown in bold italics and underlined)

1. Allowable activities; community service and work experience.

Modify the new section 403(a)(5)(C)(i) [as proposed to be modified by the House Staff Discussion Draft of June 24, 1997, at page 17, lines 1 through 18] as follows:

"(i) ALLOWABLE ACTIVITIES. -- An entity to which funds are provided under this paragraph shall use the funds to move into the workforce recipients of assistance under the program funded under this part of the State in which the entity is located and the noncustodial parent of any minor who is such a recipient, by means of any of the following:

"(I) The conduct and administration of community service or work experience programs, except that no recipient shall participate in any such program for more than 90 days, and a service strategy shall be developed for each recipient participating in a community service or work experience program that is designed to ensure that the program will enable the recipient to move promptly into other employment.

"(II) Job creation through public or private sector employment wage subsidies.

"(III) On-the-job training.

"(IV) Contracts with public or private providers of readiness, placement, and post-employment services.

"(V) Job vouchers for placement, readiness, and post-employment services.

"(VI) Job retention or support services if such services are not otherwise available.

Of the funds provided to any entity under this paragraph in any fiscal year, not more than 15 percent shall be expended for administrative purposes.

2. Additional State plan provision.

In H.R. 2015 as passed by the House (bill print HR 2015 EH):

Page 590, on line 6, strike "and"; on line 11, strike the period and insert a semicolon and the word "and"; and between lines 11 and 12, insert the following new subclause:

"(dd) set forth performance goals for moving recipients participating in activities funded under this paragraph in unsubsidized employment lasting not less than 9 months.

3. Evaluation of welfare-to-work programs.

In H.R. 2015 as passed by the House (bill print HR 2015 EH):

Page 607, on line 4, strike "and"; and between lines 4 and 5, insert the following new subparagraph (and redesignate the succeeding subparagraph accordingly):

"(2) shall evaluate the success of welfare-to-work grant activities under sections 403(a)(5) and 412(a)(3) in meeting performance goals for moving recipients into lasting unsubsidized employment; and

Janice / Deborah

AS/S



~~1~~ ① FLSA
PRIV > Byrd

② DOL / PIC

③ Formula / Comp / Citers

Give

① workfare

② state based
enforcement worker
protection

③ ~~Count food~~
Stamps

To Do

- get letter w/ yo signature

- priv
- FLSA

Byrd Rule

Drake guidance

- Konigsberg doing list
w/ Sue

- Hillay to Hogland Monday

Brian
SSI kids

Ken = need fill-back work option
in case we need to western
work in order to strike FESA

Seth

FLSA can "fine" below
min wage but recoup
would have to
write check

w/o Nicks
states could sanction

sets precedent that
employers can take back
would never permit require
employer to do
McDonalds ex

State pay to employer → min wage
if break rules, state fines individuals
→ garnish wages

HR 2015

- S004 Work Exp
- S005 Lower Work Hours
- S006 Worker Protection

Don't want to reoplin participation rates

① FLSA - Worker Protection S004 S005

② Privatization

③ DOZ/Pics →

- support Goodling ← -mays
- working Senate Leadership
- one paper = Labor Dept issues that run through Finance
- Goodling

④ Distribution of Funds

⑤ ~~Worker Protection~~
Anti-Displacement

⑥ Allowable Use / Community Service

\$ cities

- ① Formula to states - drop unempl as factor
(House offer)
- ② Drop small state minimum
*.5 → .25
- ③ Formula / competitive split
Prefer competitive because encourages
innovation
65 - cities
25 - rural
10 - for edcs

④ Within state formula

Senate - above average poverty and unempl
→ lots of \$

House - ^{at least} 50% by poverty ~~also~~ above 5%
other 50% - share of unempl
upto gov - share of arselord

Distribution of ~~600~~ \$

- Goals
- #1 Ensure formula goes to cities
 - #2 Protect share of competitive funds for 100 cities

Debrah

- Blue Dogs

- \$ to CDCs + → Harkin
and not to cities

- ~~How~~ How are we going to ensure we
get innovation out of this?

→ what you do with \$

→

→ demand performance

Nothing has which prevents — in end
create zero jobs

Now that we know 75% formula,
how do we get result we want?

FLSA

Allowable use

"Community Service"

Debrah

→ price to going to less than
50/50 should be dropping
Community service as allowable
use"

→ About that, should limit
the \$ and limit the hours

Anti-Discrimination

~~XXXXXXXXXX~~

- develop independent state process idea
- remedies → Senate version in
- gender + religion discrimination

For Tuesday

- ① what are priorities → formal
- ② Discrimination paper → Pay will do one page
- ③ Po

7/15/97

House Dems

- Expecting Senate after today
(mostly House people)

→ let local areas join together
to meet thresholds

→ Deborah: Act should include
can't work off child support

→ ~~don't~~ make sure people can't
work more than 40 hrs

Deborah -

Toughest displacement issues
are grievance/appeal
remedies

~~FX if the guy sitting
closest to Small
is Bonior's guy~~

~~XXXXXXXXXX~~

Kennedy announced

\$41 mi

Several thousand people

Sandy

Welfare work

→ Discussions bet

Wt and Cong Ds + Rs

→ All sit around a table

Legal Imm

→ Wt needs to work w/ Senate Rs

(internal pressure working
in our favor)

→ House Ds stay out (don't stir up)



Cynthia A. Rice

07/14/97 07:37:41 PM

Record Type: Record

To: Elena Kagan/OPD/EOP, Laura Emmett/WHO/EOP, Janet Murguia/WHO/EOP, Virginia N. Rustique/WHO/EOP

cc: Bruce N. Reed/OPD/EOP

Subject: Information for Levin meeting (Tuesday at 11:00)



conf0714.wpd



confdol.wpd

Agenda

Janet suggested on Saturday that we have an agenda to try to keep the meeting on course. Attached is one we could use (it's written fairly neutrally -- no mention of positions or fallback options).

Goals of this Meeting

In my mind, our goals are to:

1) Make sure Levin et. al. understand how the formula will drive funds to the neediest areas, and why competitive funds, while desirable for other reasons, won't be as desirable. Ray Uhalde is preparing a one-pager to use to help explain this. He promised me a fax tonight to review.

2) Ensure that Levin et. al. understand the strong effort we are making to strike the provisions in the House bill which undermine the minimum wage, worker protections, and the work requirements. Seth Harris will be about 10-15 minutes late, so I put this 2nd on the agenda so he'll be there.

Janet -- will you want to raise the effort to get 41 Senate signatures to help us gain leverage in conference?

Elena, the staff already understand that we consider the work rates part of the parcel to strike, but the members may need to hear it from us.

Also, we may wish to raise the Nickles amendment here. DOL is preparing options which they could describe verbally (I've described them in the attached). It's premature to hand out paper, but I believe we need to alert them that "strike Nickles" is not our first choice (although it is DOL's).

3) Stress that we want the Senate anti-displacement provisions applied to all of TANF, but have prepared options on grievance/appeals process, remedies, and types of protections if needed. Again, I think it's premature to hand out paper except for the side by side of House/Senate provisions we showed staff Saturday, but DOL will be prepared to verbally describe options (again, I've described DOL's work in the attached.)

4) Stress that we share their view that this program's primary goal is to move recipients promptly into

private sector employment. We could offer language to ensure that all "allowable uses" including community service would have to be designed to ensure that goal. DOL will have possible language ready we could give them. DOL knows that we do not want to propose to limit the number of months of workfare or the percent of funds spent on it.

7/9/97

To Do

① ~~More~~ More clarification -
~~what~~ what counts as work
(Pontaskins)

② when
- want to know
EITZ > what is the law on
FICA > what is the law on

["Impact significant" Dennis Smith]

③ Family Violence

L

7/11/97
Levin et al.

Formula

- how well we weigh in
Coordinate so Dsc can help
- ~~Ab~~ ~~can~~ fulfill ~~is~~ 95/5 !!
 - they've gone out online

Agency

→

- Staff meet over weekend
give recommendations of priorities

Perf Bonus

- Doug = Dennis doesn't like

Allowable activities

- draws over weekend
- package w/ "c service" will lose H Demos

Levin = want it identical to the Administration
that we shape the Signal program
→ as much computer as possible

Janet = since inter-related
→ present complete package

Levin = we should talk about
how we handle above 30 hpw

Use Dem money to get to Dem gov's on FLSA

Debrah = 16 Dem gov's hpw is problem
we could talk about

Levin = 7/3/4 mi / contingency fund

Drop market

→ Figure out what's in all
bills + figure out where to go
not really

Le: Infringement on parental off
→ need consistent principles
→ welfare - was 9 months
behind S.O. started one month
ago
→ no contradicting discrimination
of w. workers as workers

Clay brew empl hired at lower wage
Drop those who would get
paid more

Clay staff -

Non-employees
health + safety
sex disc

→ we need to add

Levin:

→ motion to instruct

Chair
Levin = get cost estimate for Kennedy
to be called

July Kennedy - still have limiting
Sept 30 date

Daly still 24,000 sewing will
not continue because they
are not "qualified alien"

SSI Supplement (Foley)

Used Levin - we need to do some work
- Mickey Kaus article



5:00 H137

Repubs + Dems ~~members~~ members

Invited me, Paul, Mary

House offer to Senate

Friday
mtg

3:30 Levin

4:30 Hillen

Ron

Ron walk-through

WZW

2 big decisions:

- 1) who primary administering agency
- 2) split bet. competitive + formula

offered DOC

offered (95% formula 5% comp)

Water protection

- offered House language / water protection

- possible member issue

Kept 65% set aside +

work hours

DOC 2d

→ will have CR report -

- participation states already achieved

offer Senate = tens in cap 90 applies to number 25%

Transfer of funds - as approved by WTM - offer

2

Family Violence

offer = no Senate
but GAO study

SSI mtice of effort > Keep

Nonchizer

- No changes in offer

VI

House - overturn Pennington - in offer

Levin

Percent Competitiveness

Allawbe use

offer adds "community service / work experience"
to WRM language

Levin = major change

= where are definitions?

= aim is job creation, not community service/work exp

= what is Admin position?

? Talbot: Community service may be needed for had to serve

Clay Both notes passed st. also this

Shaw
- should be middle ground
→ broadly covered positions
→ let's work w/ language
→ put some restrictions
→ Mr. Levin makes a good pt.

Levin
→ Work w/ Admin
→ tailor / not simply substitutional \$
for TANF

Shaw
Think Repubs will hold tight to 95/5
for first offer

Camp
Don't understand how community save
will dilute this?

Levin
Unfair to mix welfare work w/ part of poor

Camp
~~Think~~ Think of community save not productive?

Levin
Goal = use funds in creative, private sector way

Camp Community Service and contract group?

—
—

==

Clay None of this is in either bill - why is it there?

Ron in "job readiness" - clarification
etc Toby there

Clay - DOL is this job readiness?

Ray - [Err]

Talbot But what M says "job readiness"
As Admin or the states going to have
flex to

Levin We will have to work this out D, R, Repubs
If you guys to insist on 95/5

Clay 417-14 House voted to instruct conferees
Move on p-14 delete House prov
P-16 =
grievance

Staw Don't think House action requires
us to drop this

day motion failed

Staw Comm serve

→ would be happy to work w/ you
on community serve

I do not want states to
know this & in the pool

Want it to go to parent of the pool

→ at some pt may need income \$36i

Think Comm serve would be helpful
to states

Vocal

Levin

offer House Educ
but 25%

25% of those engaged in
work

Levin

- wants neutral materials

- Admin going to need to take
a position

→

3:30 Levin
Fr Jan

4:30
w/ Hilkey

**

Seth Hanis

7/14

- 1) Remedies
- 2) Grievance / Appeals
- 3) Merits

Grievance - Few options for independent agency
- Really isn't an independent strategy

① → process w/in UI process
→ leads to 3 person independent board

② State EEO

→ not disrupt independ of govt
→ may not know about health
+ safety

→ Let states choose among these

Remedies

→ anti-discrimination → Senate remedies

→ use remedies for laws listed in
TMAP for gender + religion
→ health + safety ??

Nichols amendment

Options

- ~~① Allow states to garnish in way that's consistent w/ FLSA~~
- ~~② Allow fine but not garnishment~~
- ~~③ Variation of garnishment~~

① States can sanction
But recipients must receive min wage
[Fines option]

② State can sanction through fine
but in practice would result in < min wage,
then person could choose writing check
or deduction [state employees]

③ State can sanction by reducing the
amt of the person's pay; as long
as person making the decision to
sanction is not employer or employee but the

"garnishment"

employer

→ would restrict people working for welfare agency

→ but transportation agency could

(4) (a) Allow state to

- either FLSA fine or (#1)

- garnishment (#3)

(b) #2 but person who decides
can't be employer or employed
by employer.

▶ **Jeffrey A. Farkas**
07/14/97 12:26:14 PM

.....

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc:
bcc:
Subject: Re: Language to Ensure no Spending in 2002

Here's the language. The section number for the insert may change (we may not want to strike the existing language there).

Amend Sec. 403(a)(5)(C)(vi) of the Ways and Means reported provisions to read as following:

"(vi) Expenditure of Funds Before Fiscal Year 2002.--

"(I) Any obligations made under the authority of this paragraph are contingent upon the expenditure of funds occurring by September 30, 2001. As a condition of receiving grants under this authority, grantees must agree at the time of grant award that the United States shall have no liability after September 30, 2001 to liquidate obligations to such grantee existing on such date.

"(II) Notwithstanding any other provision of law, including chapter 15 of title 31 of the United States Code, the funds made available under the authority of this paragraph shall remain available for expenditure until September 30, 2001, after which any unexpended balance shall be canceled, shall not be available for obligation or expenditure for any purpose, and shall lapse and revert to the Treasury, and any funds remaining unexpended as of this date shall be returned by the grantees within 30 days to the administering agency and shall immediately thereafter revert to the Treasury."

Cynthia A. Rice



Cynthia A. Rice

07/14/97 11:20:47 AM

Record Type: Record

To: Jeffrey A. Farkas/OMB/EOP
cc:
bcc:
Subject: Re: Language to Ensure no Spending in 2002

Thanks for the update. When you get a chance, would you fax the latest language to me at 6-7431?
Jeffrey A. Farkas



Jeffrey A. Farkas

07/14/97 09:02:53 AM

.....

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc:

Subject: Re: Language to Ensure no Spending in 2002

Just to give you an update, CBO nixed the language that I gave you last week, but had some suggestions about how to write a provision that would prevent outlays in FY02. (I didn't get page 2 of your fax so I don't know exactly which language you have.) We drafted new language and shared it with them on Thursday, but their GC has been out of the office and hasn't commented on it yet. Hopefully they'll opine today. We'll let you know.

WELFARE REFORM

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ONE HUNDREDTH CONGRESS

SECOND SESSION

FEBRUARY 4, 1988

(Part 3 of 3)



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

84-181

WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office,
U.S. Government Printing Office, Washington, DC 20402

involved, and we think that the Government of America can provide those kinds of necessary services—effectively, and economically.

We have, for the last decade, been sitting down with public employers to deal with ideas on productivity in order to improve the public service; and our union is always ready, willing, and we believe able to do it.

But we think that in almost all circumstances, the public sector can provide a service in a more economic, efficient way to the citizens.

Senator PACKWOOD. Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, Senator Packwood. Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Mr. Chairman. I have an opening statement I would like to put in the record.

Senator MOYNIHAN. We will put it in the appendix of the record and I think that should be done with Mr. Durenberger's and Mr. Chafee's statements as well.

Senator ROCKEFELLER. Mr. McEntee, as you know, I represent West Virginia. You have referred to West Virginia; and I must say that, as I listened to you talk, even though you mentioned West Virginia, it seems you don't know much about the State.

As Governor, I started the CWEP Program a number of years ago. It is my feeling that when a State is in a recession, which we have been in for a long time, when there isn't public money available to teach people, train people, give people the kinds of services that you and I want to see them get, and when you get as little as \$1 million—as we did in our last cycle from WIN—that you do what you can to assist AFDC recipients become independent and self-sufficient.

I can remember that back in 1982 and 1983, we had 21 percent of our people unemployed. In 1984, when I ran for the Senate 17 percent of our people unemployed. I hear you now, and there a lot of labor unions and antipoverty groups that are asking us to drop the CWEP option. I know your argument is that it is not good enough; it is demeaning; it puts the nation's poor at an unnecessary risk—this seems to be what you said in your testimony.

My question to you is: I don't really understand why CWEP is so bad in your judgment. Nationwide, in 1987 only 4.2 percent of all AFDC recipients were enrolled in CWEP. In the Moynihan bill, CWEP is not a mandate, it is an option.

I mean, there are people in southern West Virginia that are participating in work experience who otherwise would be doing nothing; and it is not a question of being demeaning for those who are working under the program because this is their only opportunity. Plus for the communities involved there is no other way in which they can get the services other than through CWEP.

It is not a question of \$9 versus \$3 an hour; it is a question of no dollars versus no jobs versus no people.

And so you look at CWEP, let's say from a governor's point of view now, and you decide what you must do, and you decide that doing something is better than doing nothing at all.

Ethically, why is that wrong?

Mr. McEntee. Oh, I don't know whether I would address it ethically, I mean, in terms of being wrong. The way you put the ques-

tion, it is a very difficult one to answer. The public employer becomes the employer of last resort.

I appreciate the work ethic of folks in West Virginia. We have a union down in West Virginia that we are trying to build. It is very difficult, and it is a tough State. It is a tough State with a lot of unemployment.

But we think that where you have people working in the public sector, with the public employer as a last resort, at the minimum wage with no benefits; and where there are people working at a different kind of wage with fringe benefits, performing the same service, or in a generally recognized similar classification that, those people getting the minimum wage would appreciate getting the comparable wage and fringe benefits.

Now, does that mean that maybe less people would be working? I think the answer to that is probably yes. But if we would multiply that all across the United States, if we would have private employers being employers of the last resort and using workforce in a factory or in starting up a factory operation, we would have hell to pay across this country in terms of machinists and tool and dye makers and all kinds of folks that have a negotiated contract, that have through their blood, sweat and tears been able to get a decent rate and fringe benefits, if other folks came in and did those jobs.

We suffer from this in the public sector all the time. It doesn't happen in the private sector, but we would have chaos on our hands if it did. We recognize the problem, and it is a damned hard problem to deal with in terms of West Virginia.

What we say is, you know, let's have a Government in Washington, DC that is going to come up with more dollars, more funding in the domestic area to try and take care of situations like that, in terms of training and retraining for possible openings in jobs.

And our union is out in the forefront of that and certainly willing to support any kind of legislation and any kind of candidate that is for that kind of program.

But we recognize the problem in West Virginia.

Senator ROCKEFELLER. You recognize it, but it doesn't get reflected in your position; and I guess that is what I care about. I went to West Virginia as a VISTA worker, and I spent two years working in a coal mining community; there were 56 families, of which 50 were on welfare. Nobody had any kind of work whatsoever, and I used to glory in the old dollar an hour program, Mr. Chairman, which has since been dropped.

But quite frankly, when people went off to get a dollar an hour by working on the State road or cleaning up brush at the side of the road, they came back with their dignity intact. If they were with a department of highways supervisor who didn't treat them well, yes they came back with their dignity out of tact; but the point is that the opportunity to work was compared to absolutely no opportunity at all.

I really don't know of anything more demeaning than no hope, no opportunity, no work. It seems to me that what Senator Moynihan is trying to do is to get a bill passed. Yes, it is not everything everybody wants, but it seems to me to be a route to get a majority of votes in the Congress and get it signed by the President. That we would achieve a certain degree of progress, which strikes me as

reasonable, as practical, and in terms of my own words, ethical. And I thank the chairman.

Senator MOYNIHAN. I thank the Senator. If I may exercise a personal privilege, you will perhaps recall that we met when you were a VISTA volunteer in West Virginia; and I was Assistant Secretary for Labor and came down on one of those distant days. You have come a long way, and you haven't stopped yet. Senator Heinz.

Senator HEINZ. I don't know which of you has come further. [Laughter.]

Senator MOYNIHAN. Well, I have stopped.

OPENING STATEMENT OF HON. JOHN HEINZ, U.S. SENATOR FROM PENNSYLVANIA

Senator HEINZ. Mr. Chairman, first let me apologize to you and our witnesses for not being here at the beginning of these hearings. This is one of those days where it is a ten-strike for all my committee chairmen. A Banking Committee is going on, which I haven't gotten to yet. I had to testify before the Rules Committee on the Aging Committee budget. I had to testify before the Environment and Public Works Committee. They wish you well, Mr. Chairman; they miss you. That was on the bill that Senator Mitchell and I introduced to address the oil spills that have taken place.

I am glad I finally made it to the Finance Committee and, in particular, to time it so well to welcome somebody whom I had for many years the privilege to claim as a constituent, Gerry McEntee, who—before he became so exalted and important here in Washington—was equally exalted and important in Pennsylvania.

Mr. McENTEE. Senator, I am still registered in Pennsylvania. I vote there.

Senator HEINZ. You can tell I really know that. [Laughter.]

And I would ask unanimous consent that my statement be included as part of the record.

Senator MOYNIHAN. Of course, it will be.

Senator HEINZ. I have a couple of questions for President McEntee, but before I pose them, I can't resist making an observation about Senator Rockefeller's comments on job training, with which he is intimately familiar.

Part of the solution to the hard-pressed budgets that States have for job training rests in two initiatives that Senator Rockefeller has taken the leadership on and in which I have been active myself for a long time.

First is the Trade Adjustment Assistance Program, which needs to be made an entitlement, which is under the Senate bill, thanks also, I might add, to Senator Moynihan, and which we hope—by the time we complete action on the trade bill—will reflect the kind of thinking that this committee, the Finance Committee, put into it.

So, there is an underwritten guarantee that, at least in the area of trade impacted workers, there is the real prospect, not the empty promise, of training.

But equally important is the initiative that Senator Rockefeller and I have jointly undertaken to assure that there is adequate funding for displaced workers, Title 3; and we are hopeful that

that, which comes to us in the trade bill courtesy of our friends on the Labor Committee—whose help we welcome—is also retained.

And should both provisions survive conference, as we hope they do, it will make the jobs of governors, such as Senator Rockefeller used to be, one heck of a lot easier, even if it will not address every single one of the problems, including some of the problems that Senator Rockefeller mentioned.

Jerry, I would just like to ask you kind of a philosophical question. You take understandable exception to the broad waiver authority. My question is: Given the fact that Medicaid, AFDC, and in the same sense Title 20, which are our main programs aimed at helping poor people, are genuine Federal/State partnerships. We pay, in the case of the first two, roughly 50 percent of so; in the case of the latter, a higher match. At what point would you draw the line between what you characterize as total flexibility of the States and reasonable flexibility for the States?

How should that line be drawn?

Mr. McENTEE. I don't know that we are sure right now where we can draw that line, but Senator Packwood asked essentially the same kind of question, in terms of our opposition to waivers.

In this bill, we believe it is 10 State demonstration with 7 different programs. I think it is much more in the Dole bill. We would be inclined and certainly willing to sit down with members of the staff of this committee and talk about where we would possibly draw that line in terms of waivers.

We are frightened by the waivers. There is some language in the House bill that would allow for some types of experimentation. Maybe that is the answer, and maybe it isn't. But what we are afraid of here is that the waivers would be just so broad and the States would have such flexibility in terms of the entire seven Federal programs that we could find ourselves in trouble in terms of future support for the programs. However, we are ready—even though I am not crazy at all about the waiver situation—to sit down and see if we could have a meeting of the minds on some language.

Senator HEINZ. Mr. Chairman, might I presume one further brief question?

Senator MOYNIHAN. Please.

Senator HEINZ. Thank you, Mr. Chairman. On CWEP, I don't. Claim to be an expert on the House bill, but my understanding is that, compared to the Senate bill, there are three principal differences; and correct me if I am wrong.

The first is that there is a time limitation—6 months. The second is that there is a prohibition against reassignment. And the third is that there is a grievance procedure.

From your standpoint, were you to suggest a priority ranking for the Senate in adopting not all three but less than three—simply because we are probably stubborn old you-know-whats—but would you give us a priority ranking that if you were a Senator and you were going to adopt only one, or if you were going to adopt two, of those House provisions, which one or two would you adopt?

Mr. McENTEE. Right at this moment, we wouldn't single out any of them; but this is the first time this question has been posed to me.

Barbara Pryor

West Virginia Department of Health and Human Resources



Bureau for Children and Families
Office of Family Support
Capital Complex, Building 6
Charleston, West Virginia 25305
(304) 558-3186 (W&T)
(304) 558-8290 (DIM)

To:

John Aquilon
Barbara Pryor

Of:

FAX Number:

(202) 224-7665

Number of Pages (Including Cover):

6

Comments:

From:

Shawn Paterno

If you have difficulties with this fax transmission please call:

Charlatte

Name

Telephone

FAX Number: (304) 558-2059

JOBS Program Costs

Federal Fiscal Year 1994

Total Program Costs \$ 12,727,938

Salaries & Fringe Benefits

State Office Staff	\$ 860,149
Joint Functions	118,754
Allocated Costs	426,648
Total	\$ 1,405,551 (11% of total)*

Case Management

Salaries & Fringe Benefits \$3,889,343 (31% of total)

Current Expense \$ 1,167,394 (9% of total)

Contracted Services \$3,878,036 (30% of total)

Client Payments \$2,387,614 (19% of total)

Total Contracted Services and Client Payments \$6,265,650 (50% of total)**

* State office staff can be considered fully administrative as can the joint function and allocated costs. The combined costs of these categories is \$1,405,551 or 11% of the total program costs. Administrative costs of 10-20 percent are generally considered conservative.

** Fifty percent (50%) of all JOBS program costs are returned to West Virginia's economy. Our contracted services activities create employment opportunities for organizations providing classroom training. They employ instructors, coordinators, clerical staff, etc. Client payments are used to purchase gasoline, tools, clothing, license, etc.

CWEP Success Stories

Case Number 1:

Tammy W. had never worked outside the home when she was placed in CWEP at one of our local Department of Health and Human Resources offices. She proved to be a good worker and with this established work history, was referred to the newly opened Wal-Mart.

Tammy was hired through an on-the-job contract for six months of subsidized employment. She completed the contract and continued to work at Wal-Mart in unsubsidized employment. Two years later, she was promoted to the position of Department Manager and received a nice salary increase.

The CWEP program gave Tammy the needed work experience and history to successfully obtain employment and economic independence.

Case Number 2:

N. Dean was an unemployed father of two children when he entered the JOBS program in February 1992. He was unable to obtain unsubsidized employment and was placed in the CWEP program with the Human Rights Commission where he was subsequently hired as a temporary employee. At the end of the temporary employment, he returned to the JOBS program and was again placed in CWEP.

He had some difficulty with the second CWEP assignment and received counseling from the JOBS case manager about work expectations and requirements. After counseling and an adjustment period, he settled into a routine and was recognized by the CWEP sponsor for his job performance. Several months later, he was hired by the CWEP sponsor.

Shawnee Hills

Case Number 3:

Teresa S. enrolled in the JOBS program in July 1991. She had experience as a cashier and receiving room clerk but had not worked since 1984. She had been on AFDC approximately 4 years. Teresa had her GED but lacked confidence. She was placed in a Job Readiness class to improve her self esteem and was then referred to job search classes. She failed to obtain employment following a period of job search.

She was assigned to the American Red Cross as a CWEP participant in July 1993. She was able to use her clerical and computer skills in the CWEP assignment. This improved her skills and further boosted her self confidence. The CWEP sponsor was very impressed with her attitude and dependability.

At the end of the CWEP assignment, she was referred to another activity. Her work at the American Red Cross was so exceptional that they decided that they could not operate without Teresa. They created a part-time position for her with the hopes of making it a full-time permanent job in the near future. The Red Cross counted her months as a CWEP participant as job experience and gave her a starting salary of \$6.00 an hour which is above the standard entry level.

Federal Fiscal Year 1994
AFDC/U RECIPIENTS AND JOBS PARTICIPATION

Total Adult AFDC/U recipients ----- 69,302
Total referred to JOBS ----- 37,448
(14762 new enrollees + 21884 carried over from previous year)
Exempt from referral to JOBS ----- 31,854

Reasons for exemption:

1. Dependent child under 16.
2. Full-time student age 16 through 19 attending school or vocation/technical training.
3. Age 60 or over
4. Physically or mentally incapable of engaging in employment or training.
5. Needed in the home on a substantially continuous basis to care for another
6. Parent/caretaker with a child under the age of three. Caretakers under 20 without a high school diploma/GED must participate regardless of the age of the children. Only one parent/caretaker can be exempt for this reason.
7. Employed an average of 30 hours/week in unsubsidized employment
8. Remoteness.
9. A pregnant woman during the last six months of the pregnancy.

AFDC/U recipients enrolled in JOBS program ----- 37,448
Total JOBS enrollees engaged in activities ----- 29,925
JOBS enrollees not in an activity ----- 7,523

Reason for non participation

1. Lack of transportation
2. Lack of reasonable access to transportation resources
3. No education/training resource available
4. Lack of day care
5. Refused to participate
6. Temporary barrier (short term illness or incapacity)
7. Lack of staff resources to work with people
8. Insufficient number of employers in area

Job Opportunities and Basic Skills Training (JOBS) Program
Program Activities
October 1, 1993 - September 30, 1994

JTPA/OJT	63
Job Readiness	2881
Job Search	301
College	2246
*Education	5053
CWEP	8594
Job Skills	3217
Job Development/Placements	<u>224</u>
Total	22,579

*Education Includes:

- High School
- ABE
- ESL (English as Second Language)
- Adult Secondary Education
- HSE
- GED

Entered Employment	Full Time	4560
	Part Time	<u>2786</u>
Total		7346

22,579
7,446

Total For All Activities 29,925