AK - get Mayor's list from ToA

Welfare to Work Budget Ideas
11/24/99 DRAFT

1. **Child Support Enforcement:** While child support collections have risen dramatically under the reforms enacted by this Administration, in too many cases child support is an unreliable source of income for families moving from welfare to work and other low income families. We could put forward a package of proposals to a) collect more child support; b) provide more reliable support for mothers and children; and c) help low-income fathers get jobs so they can support their kids. These proposals could be coupled with new collection data we expect to have shortly showing collections since 1992 have nearly doubled, from $8 billion to an expected $15.5 billion or more.

some are exec actions

Call Neil Wolin

Mtg IVD directors

a) **Collecting More Support:** We are exploring the feasibility of increasing federal involvement in garnishing wages in interstate child support cases. Currently, the federal government, through the newly created federal databases (FPLS), locates the jobs and bank accounts of deadbeat parents in other states, but then relies on the states to follow up and begin the process of establishing orders and/or sending withholding notices to employers of delinquent parents. The Federal part of this process has been extremely successful. According to HHS, in FY 1999 2.8 noncustodial parents owing child support had their home address or employer identified through the FPLS. Information gathered by advocates suggests that in many States the information from the FPLS is received but not used. Because we do not require state reporting on this information, these problems are difficult to verify.

A partial solution to this problem would be to give the FPLS the authority to send income withholding orders directly to identified employers when a match is made. This approach would achieve three positive results:

1. It would reduce the amount of information flowing back to the States on which state action is necessary. This reduction in volume might enable the States to process and act on the information they do receive.

2. It would ensure the proper use of new hire information in cases with an order. If the FPLS sends the withholding order to the employer, it will know that action has been taken and that the purpose of creating the FPLS has been served.

3. It will shorten the time the family has to wait for support. If the FPLS sends a withholding order immediately after making a match, considerably less time will pass before the employer begins withholding and the family receives payment.

Two other provisions of PRWORA are also important to note here. PRWORA mandated that all states adopt the Uniform Interstate Family Support Act, which requires employers to honor income withholding orders in interstate cases, once a properly filled out income

BR: IRS Notice to fathers: you owe child support and if you don't pay up we'll withhold your tax return

IRS Notice to employers: your employee owes child support and if you don't institute withholding we'll garnishee his tax return.

withholding order is received. Therefore, the law already requires employers to honor documents which would come from the Federal government. In addition, PRWORA mandated the development and use of an interstate income withholding form. This form has been developed and could be easily used by the Federal match system in communicating with employers.

Obstacles to this idea do exist. First, the Federal Case Registry (FCR), within the FPLS, does not maintain payment information or indicate whether the case is an interstate one. This information along with medical support information would require extensive State and Federal systems changes that would be needed to facilitate communication and to ensure that accurate payment data is maintained. Also, States currently enjoy the flexibility to apply a myriad of variables in income withholding of which HHS would have to be aware to issue orders correctly in the interstate context. For example, States define "income" differently. States have different child support guidelines and even within the same type of guidelines there are variations. States have different ages of majority when income withholding terminates. Some States charge interest on child support arrears that accumulate. Furthermore, States also treat medical support differently on factors such as what they consider to be an "unreimbursed' expense. We will work through these issues to see if they are surmountable.

clearinghouse

Another, related proposal we could make would involve announcing targeted audits of states to ensure they are acting quickly to collect and distribute support. OMB has some ideas in this area we plan to discuss.

b) **Streamlining Child Support Distribution Rules So Mothers Get More Reliable Child Support Income**: The current child support distribution rules are complex and often counterproductive. When a father pays support in a given month, whether or how much of that support goes to his children depends on a complex set of rules involving whether the child is or ever was on welfare, and whether the father owes past due support that accumulated before the mother and child were on welfare, while they were on welfare, or after they left welfare. As a result, there is often little connection between what a father pays and what his family gets, parents have less incentive to cooperate with the child support system, families can't count on stable child support income, and state child support staff spend time figuring out how to distribute payments every month among 14 categories – time they should use to collect more support.

HHS has proposed a two part proposal, which simplifies the child distribution rules at a cost of $500 million over 5 years, and also provides federal match to states that pass through child support to families on welfare, at a cost of $100 million over 5 years. (These proposals cost money because collections which under the current rules would go to the state and federal governments for past-due support accrued before or while the family was on welfare would go instead to the family.) The cost of the pass through proposal is kept low by providing federal match only to states that increase their pass through from current levels (about half the states currently pass through $50 or more) up to a cap of $100 per month. We would suggest amending this to give the handful of states now passing through $100 or more some incentive by providing federal match for either additional pass through up to a total of $100 per month or $50 more than the current pass-through level.

Republican House members and states are very interested in reforming the distribution rules; in particular Rep. Nancy Johnson's Ways and Means subcommittee staff have indicated they plan to make this a priority in the coming months. House and Senate Democrats and some Republicans are interested in increasing pass through to families on welfare, including Senators Kohl, Snowe, Bayh, and Domenici who have introduced bills to do so.

HHS partially funds these proposals by an initiative to require states to seize gambling proceeds from parents who owe child support, raising just over $200 million over five years. This proposal makes sense conceptually, but needs work on implementation (currently HHS would give casino employees direct access to federal databases). OMB is working on other pay-for ideas (including some we proposed last year which were not enacted) which we will discuss with them shortly, with the goal of having a proposal which is fully paid for within child support.

c) **Child Support Law Enforcement Initiative**: We believe Congress enacted the first year of a five year $34 million increase in funds we requested last year to better enable U.S. Attorney's offices to prosecute the most flagrant child support violators (those who violate the felony laws under the Deadbeat Parents Punishment Act). We will get a more complete update, but in any case should support $5 to $8 million in FY 2001 for this purpose. EG - get update / OMB $5 mi on possible add back 1.0t for 101

d) **Enable more Low Income Fathers to Work and Pay Child Support** (see Welfare-to-Work grants and Ex-Offender Employment sections below). In addition to proposals through DOL and DOJ, we may be able to identify funding through the Office of Child Support Enforcement's baseline resources for demonstration grant funds to support innovative responsible fatherhood initiatives.

Interim rule on TANF due Jan 1

2. **Welfare-to-Work Grants**: New investments in the Welfare-to-Work program could help both long-term welfare recipients (mostly mothers) and non-custodial parents (mostly fathers) get and keep jobs. Since 1998, the WtW program has invested more than $350 million in projects helping non-custodial parents of children on welfare to work and support their families. At the same time, the new technical amendments which include an explicit personal responsibility contract requiring child support cooperation for non-custodial parents and expand eligibility for non-custodial parents should increase the program's focus on fathers. There are several ways we could propose additional resources for Welfare to Work:

a) **Propose additional $750 million - $1 billion in FY 2001, similar to our FY 2000 proposal**, with some additional program changes we proposed this year that were not enacted as part of the technical amendments (including requiring states to spend at least 20% on low income fathers, increase funding for tribes, allow tribes to apply directly for competitive grants, rolling unallocated formula funds to competitive grants and giving preference to communities and tribes from states who chose not to apply).

b) **Propose $250 - $500 million only for competitive grants in FY 2001, with major emphasis on responsible fatherhood.** Depending on out-year funding situation, we could propose a multi-year request that totals $1 billion, which would prevent protests from the local officials who were the strongest supporters of our $1 billion FY 2000 proposal. Major advantages of this approach include: there has been strong unmet demand for competitive grants (DOL has received applications requesting $6.5 billion for about $700 million in available competitive grant funds), this gets funds directly to locals (many competitive grantees are cities and counties), it positions us for working with Hill on fatherhood proposals, and it targets resources where they are most needed. We may wish to broaden the purposes of WTW if we want to sell WTW as the vehicle for fatherhood grants to include marriage-promotion, which was a key focus of the Fathers Count Act which passed the House at the end of session.

   In addition to targeting a substantial portion of resources to responsible fatherhood initiatives, we could also target other key priorities as we did in the FY 99 competition. Resources for tribes (see below) could be accommodated within this funding level.

   Note: OMB has a proposal, still at the conceptual stage, for competitive grants to fund job retention, skills upgrading and Medicaid/Food Stamp outreach that would help those who have left welfare and other low wage workers and would operate through DOL's One Stops. They would propose such grants as the new WtW proposal, but understand now our interest in competitive grants that also focus on fathers. We will be meeting to discuss their ideas further and figure out whether they can work together.

c) **WTW and Cars**: We could allow a certain portion of WTW funds to be used to help people lease or purchase a car. DOL has opposed the concept to date, and it may take a statutory change, but this could be worth revisiting especially if we are trying to make other programs more car-friendly.

d) **WTW Resources for Tribes**: In order to ensure adequate resources for tribes, we could propose continuing tribal formula allocations of $15 - $30 million per year within the overall funding level identified above. Last year we proposed doubling resources from 1% of $1.5 billion, or $15 million, to 3% of $1 billion, or $30 million. In addition, we should again propose allowing tribes to apply directly for competitive grants. Based on the response received from Hill staff this year, we believe there is significant interest in this issue, particularly in the Senate. See below also description of tribal welfare to work proposals from Interior and other agencies.

e) **Extend the three year deadline** for formula and competitive grantees to spend down FY 1998 and FY 1999 funds. This may have outyear costs, though OMB's score would likely be less than CBO's.

Fatherhood stmt for SOU

3. **Additional Responsible Fatherhood Proposals Proposed by the Vice President:**

a) **Require All Fathers Who Owe Child Support to Pay or Go to Work:** As a condition of receiving federal child support funds, we could propose federal legislation requiring every state to have a law requiring all non-custodial parents -- mainly fathers -- to pay child support or go to work. "Deadbroke dads" who need a job in order to pay child support would get help in finding one. This initiative could be funded through existing TANF funds or Welfare-to-Work funds. This proposal would significantly expand upon successful initiatives in selected communities, such as Tampa Bay, Florida, which require non-custodial parents of children on welfare who owe child support to work or go to jail.

b) **"Don't leave home without it" - No New Credit Cards For Parents Who Owe Child Support:** Parents who have a history of not paying child support should not be rewarded with new financial benefits until they meet their responsibilities towards their kids. We could challenge credit card companies to deny new credit cards or additional lines of credit to parents who owe a substantial amount of child support (over $5,000). To help credit card companies meet this challenge, the Federal government could directly provide timely data on parents owing child support to the credit bureaus instead of relying on state reporting.

c) **Increase the number of fathers establishing establish paternity** by requiring programs that receive federal funds such as day care providers, Head Start centers, schools, health clinics, and food stamps offices to offer voluntary paternity establishment services to families. Short of a new mandate, we could probably accomplish a lot through MOUs and technical assistance, building on efforts HHS has already begun.

exec. action

are legis propsl

outside budget

d) **Eliminate the marriage tax penalty in EITC** – this is on NEC's draft list.

e) **Supporting Marriage.** There are several ways to promote and strengthen marriage. As the Vice President proposed, we could support approximately $20 million per year in competitive grants to community and faith-based organizations to help couples prepare for and strengthen their marriage, become better parents, and reduce domestic violence. We could challenge states to use their TANF grants for these purposes. The High Performance Bonus measures proposed to go into effect October 1, 2000 will include a measure rewarding states for improvements in the percentage of poor children living with two married parents, so states will have an additional incentive to invest resources in such activities.

is this in HHS's submission?

Something not proposed by the VP which we could add is funding for National Center for Health Statistics to improve data on marriage and divorce. In the past several years they have stopped collecting detailed information from states due to budgetary pressures and concerns about the quality of the data. This has received a surprising amount of press attention, some have used this to criticize the Administration for being 'weak on marriage', and House W&M staff have expressed interest in restoring funding. We could either wait for them to do so, or pre-empt them with a modest funding proposal [HHS has done only very preliminary estimates – probably no more than $10 million.]

f) **Increasing funds for Access and Visitation.** We could double funding from $10 million to $20 million a year for grants to facilitate non-custodial parents' access and visitation with their children through mediation, supervised visitation, and development of parenting plans. Fathers' advocates argue that this will result in increased child support collections. Some women's groups oppose these grants because they are perceived to favor fathers. Several communities are using these grants to promote connections between prisoners and their children, so we may want to link this into the re-entry/ex-offender proposal.

g) **Fund a National Clearinghouse and Public Service Campaign.** The Vice President proposed launching a national public service campaign to encourage fathers to embrace their responsibilities and establish a national clearinghouse for states and local communities to share best practices, but did not identify specific resources. Our FY 2000 WTW reauthorization proposal included a 1% set aside for research and technical assistance similar to a clearinghouse. House and Senate fatherhood bills currently include funding for a clearinghouse and public service campaigns, though in somewhat different forms. We might want to identify several million dollars in our Welfare-to-Work proposal for similar activities that would give us some leverage with the Hill on this issue.

Mtg late next wk (1/4) [illegible] DOJ, DOL, [illegible] OMB, DPC

4. **Ex-Offender Employment**: Because many low-income non-custodial parents have criminal records and a high proportion of men in prison are fathers, we're exploring ways to help men in prison become better fathers and prepare them for employment upon their release. DOL has proposed $200 million in the FY 2001 budget for ex-offender training through the Workforce Investment Act, and DOJ is proposing a re-entry program (see crime team memo). In concept, these proposals have merit and could be packaged into a strong initiative that promotes public safety, responsible fatherhood, and employment have merit.

5. **Increasing Nontraditional Employment for Women.** DOL has proposed $11 million for a Women Achieving Parity initiative, including $2 million for a demonstration program to provide non-traditional employment for low-income women, especially in hi-tech fields. We are learning more about the proposal, but it sounds appealing as a way to provide some balance to our fatherhood initiatives by helping us respond to women's group who have urged us to promote more high-wage, non-traditional jobs for former welfare recipients. This could be packaged with existing initiatives within DOT to help employ women in non-traditional highway jobs.

6. **Tribal Welfare Reform Employment Initiatives.** We are working with Mary Smith to review and possibly reshape proposals submitted by Interior's Bureau of Indian Affairs ($30 M), DOL ($6 M) and HHS ($10 M) related to helping tribes address welfare reform and promoting employment and self-sufficiency in Indian Country. We're not yet sure where OMB stands on these proposals. These could be packaged with roll-out of the final rule for Tribal TANF, currently scheduled for February 2000.

→ can tribes apply for ATJ directly (legislative changes)

model 1,000,000
32,000 626
18 homeless

7. **Housing vouchers**: We should support HUD's overall request for \$983 million for 172,000 new Section 8 vouchers, with the caveat that 50,000, rather than the 25,000 HUD proposed, be used for welfare to work. In addition, we should propose designating approximately 1,000 vouchers for family reunification awarded on a competitive basis for responsible fatherhood demonstration projects that encourage non-custodial parents to re-unite with their families. This would build on a promising father's program implemented in Hartford. OMB advises that Congress has historically provided several thousand family unification vouchers, even in years when they provide no new vouchers, though these vouchers have traditionally focused on keeping families together to avoid foster care. In addition, OMB is proposing an initiative to make Section 8 vouchers work better in tough markets, such as where rents exceed the Section 8 amounts, where there is a shortage of affordable housing, or where landlords are reluctant to accept Section 8 vouchers. Senators Bond and Wellstone expressed concern about this issue this year, and both the Center on Budget and Policy Priorities and Urban Institute support taking some action. We will be getting more information from OMB shortly, but just wanted to get this on the radar screen for now as something that may be worth supporting.

8. **Transportation, with emphasis on Cars to Work theme:** There are several ways we could help low income families get the transportation they need to get to work.

   a) **Access to Jobs Transportation**: Support funding at full authorized level of \$150 million. Funding of \$150 million would roughly double the number of communities served (as many as 150 new projects) and provide continued funding for the multi-year projects approved in FY 1999. For FY 2000, Congress provided funding only at the guaranteed level of \$75 million, then earmarked about \$50 million of the funds, leaving only about \$25 million for competitive grants.

HHS or DOL?
Talk to BChow

   b) **Family Loan Program**: We could provide one-time seed funding totaling \$15 million to one or more national organizations to provide loans to low-income families, which under current models families use primarily to repair or purchase cars. This could be done through a competitive process structured to attract a few qualified national organizations. The Ways to Work loan program has already provided \$13 million in microloans averaging \$1,800 to over 12,000 families in about 30 sites to help them move to self-sufficiency and is now seeking federal funding to expand this effort to reach over 50,000 families in 70 communities over the next 10 years. Language was included in the FY 2000 appropriations bill urging DOL to consider providing \$1 million to this organization. TANF funds could be used for this purpose, though state by state investments may be an inefficient way to spur a national effort.

AK checking what does this mean?

NEC - connect to New Markets
→ check w/ Treasury

   c) **Promote Car Leasing**: Another option is to help low-income families lease cars, which provides access without the ongoing responsibility of ownership. We are working with NEC to investigate several ideas, including tax credits to encourage companies to enter this market (building on a model by former Detroit Lion Mel Farr who the President met with during his first New Markets Tour), more generous depreciation rules on used cars, making the tax code more favorable for working poor people who buy or sell used cars,

→ make more clear in new revised guidance that TANF can be used for car leasing or subsidies to families to offset leasing costs. As with loans, TANF funds could be used for this purpose.

d) **Auto Choice**: Since insurance is often a barrier to car ownership among the poor, PPI has suggested we explore a legislative proposal called "Auto Choice" that provides incentives for states to work with insurance companies to offer lower cost insurance options for a minimum level of coverage. We need to find out from NEC [Sarah Rosen] whether the Administration has views on this issue. } AK to talk to Paul

e) **Welfare-to-Work**: we may want to allow at least some portion of WTW funds to be used for car leasing or purchase (see WTW section above). } AK to talk to DOL

f) **Food Stamp Vehicle Limit**: See below.

g) **IDAs** -- Expand to Include Cars: See below.

9. **Food Stamps**: There are several proposals we could make to help ensure access to food stamps for working families. Unlike the executive actions we took last July, these require legislative changes.

Erica talk to Jennifer re baseline don't lower costs to 1.3 bi

a) **Food Stamp Vehicle Limit**: Currently families with incomes under 130 percent of poverty who own a car worth more than $4,650 are not eligible for food stamps. In recognition of the importance of a reliable car for families moving from welfare to work, most states have increased their vehicle asset limits for TANF. This proposal would give states the option to conform this food stamp vehicle limit to the vehicle limit used in their TANF or Medicaid program, ensuring families that work their way off welfare do not suddenly face the loss of their food stamps if they buy a reliable car. This builds on the executive action we took this summer, which clarified that states could use the higher TANF limit for families receiving TANF funded services, even if they did not receive TANF-funded cash assistance. This will cost $1.6 billion over 5 years, and is part of broader bipartisan anti-hunger legislation, introduced by Senators Specter and Kennedy and Representatives Walsh and Kaptur which is strongly supported by advocacy groups and also includes legal immigrant food stamp benefits (see below), an increase in the shelter deduction ($495 million over 5 years) and increased funding for TEFAP – emergency food ($20 million appropriation per year).

EG to follow up

b) **Food Stamp Outreach**: We should propose at least $10 million for FY 2001 for on-going food stamp outreach efforts, including campaign materials and an enhanced 1-800 number. In addition, we are examining a $27 million proposal made by HHS for a "Neighborhood Innovation Program" designed to give grants to help low income working families, and think this could be used for outreach for Food Stamps, Medicaid, and other programs. We are also exploring whether a "Community Food and Nutrition" HHS program that Congress funded at $5.5 million for FY 2000 could be useful in this regard.

c) **Improving Nutrition Among the Elderly**: Less than 30 percent of the elderly who are eligible for food stamps actually participate. For many, the application process is too complicated while others are to embarrassed to seek out and use food stamps. To overcome these barriers, USDA proposes to spend $65 million over five years ($15 million in FY 2001 and $25 million in '02 and '03) to conduct a pilot program which will test an array of alternative application and benefit structures over three years. These alternatives would test a commodity alternative for the elderly, a streamlined food stamp application process, and provide assistance in completing applications. We plan to examine this proposal closely to see if it is worth supporting.

d) **Food Stamps for Legal Immigrants**: see section on Legal Immigrants below.

BR-review cars??

10. **Individual Development Accounts**: We should support HHS's request for funding the Assets for Independence IDA demonstration program at full authorized level of $25 million and should consider expanding IDA use to include cars needed to get or keep a job. Currently, both the IDA demonstration program and the IDA provisions under TANF allow these matched savings accounts for three purposes: to buy a first home, pay for higher education, or start a small business. This change could be included in a package of IDA technicals that the Corporation for Enterprise Development has proposed and the agencies are currently reviewing. Helping families to save for a car reinforces the importance of saving while giving them access to a vehicle which will allow them to get a job, keep a job, or take advantage of job opportunities they couldn't otherwise access, and reduce long and stressful commutes. In FY 2000, the Administration proposed $20 million for IDAs, but Congress only appropriated $10 million.

NEC-sending proposals to Treasury

11. **Homeownership**: We are working with NEC to explore a number of options to promote home-ownership among low-income families and think this, along with other proposals, could be part of a proposal to reduce the "asset gap" among racial and ethnic minorities. We understand Treasury is developing a proposal to encourage homeownership through a tax credit that reduces monthly costs for low-income homebuyers. PPI has proposed "no interest second mortgage tax credits" to lending institutions that are willing to make small no-interest 25 year loans to qualified low-income families to use as down payments. Incentives could also be provided to employers to help their low-income employees buy homes, such as Bank of America's Associate Home Ownership Program which was highlighted in the President's August 3rd welfare town hall. This approach has the advantage of connecting employment and home ownership, and enlisting employer participation, but on balance, it probably makes more sense to subsidize individuals than businesses. We could certainly highlight leading-edge companies such as Bank of America, whose efforts would complement a tax credit for families, in any announcement. We are also exploring ways to highlight existing authority to use Section 8 vouchers toward homeownership, through publication of housing regulations and other administrative actions.

12. **WOTC/Welfare to Work Tax Credits**: We should support multi-year extension or permanent extension of these credits beyond the new December 31, 2001 date. Cost to be determined.

Generate followup

13. **Transitional Medicaid**: The transitional Medicaid program, which provides a year of Medicaid for families leaving TANF due to increased earnings or child support, is expiring in

George/BK/Jeff Farkas → cost

doesn't expire until 9/30/01

FY 2001 and we should propose to extend it. [Need to verify costs, whether HHS proposed it, what health team thinks].

AK: OMB probably won't OK all proposal HHS made → pending dir review → do we want to push for more from OMB

14. **Increasing Targeted Substance Abuse Treatment.** We could build on our success in the FY 2000 budget process by requesting an additional increase for SAMHSA's Targeted Capacity Expansion Grant program. In FY 2000 we succeeded in getting $114 million, slightly above our request of $110 million and more than double FY 99 levels. These funds are provided on a competitive basis to communities to meet emerging substance abuse problems and unmet treatment needs. In past years, a significant number of grants have focused on women moving from welfare to work, and other high priorities such as Native Americans, youth offenders, and HIV/AIDS. We could also designate a portion of these resources for treatment in communities who participate in the re-entry initiative. These grants are a high priority for Mayors and for the Congressional Black Caucus, and HHS proposed a substantial increase in its budget submission. See below for discussion of involvement of faith-based groups in substance abuse treatment.

15. **Legal Immigrant Benefits**: At a minimum we should repeat the proposals we made last year, and there are compelling reasons to go further in several areas.

    a) **Health Care**: Our FY2000 proposal would have provided a state option to cover children and pregnant women under CHIP and Medicaid, regardless of when they entered the U.S. (Under current law, states have this option only for immigrants who arrived in the U.S. before 8/22/96.) This proposal has bipartisan support and was introduced by Senators Chafee, Mack, McCain, Jeffords, Moynihan, and Graham and costs $325 million over five years.

    The immigrant groups support expanding our proposal by adding one introduced this year by Senator Moynihan and Rep. Levin that would expand this Medicaid state option to also cover disabled immigrants irregardless of when they enter the U.S. This proposal would cost about $2 billion over 5 years. The groups identified this as their highest priority to add to our proposals from last year.

    b) **Domestic Violence Victims**: The immigrant groups say their second priority above our proposals from last year is to allow legal immigrants who are qualified under the Violence Against Women Act due to domestic violence to be eligible for all federal public benefits, including SSI, food stamps, TANF, Medicaid, and CHIP, regardless of the date of entry. Cost is likely to be small, but is yet undetermined.

    c) **Refugees**: The groups' third highest priority is to eliminate the 7 year limitation on the exemption from all benefits for refugees and asylees. The argue many elderly or disabled refugees have a very hard time learning English or otherwise qualifying for naturalization and will lose benefits without this extension. The Balanced Budget Act extended these benefits from 5 to 7 years.

    d) **Food Stamps**: Last year, our budget contained a modest food stamp proposal making legal immigrants in the United States on August 22, 1996 who subsequently become elderly eligible for food stamps, at cost of $60 million over 5 years. (The 1997 Agricultural Research Act covered those already elderly as of 8/96.)

There is growing support for a much broader restoration, which would make all legal immigrants eligible for food stamps (this principally adds adults who entered the U.S. before 8/96 and all immigrants who entered the U.S. after 8/96 to the restorations made by the Agricultural Research Act.) This proposal would cost $975 million over five years. This broader restoration was included in bipartisan anti-hunger legislation introduced by Senators Specter and Kennedy and Representatives Walsh and Kaptur which is strongly supported by advocacy groups and also includes expanding the food stamp vehicle limit (see above), an increase in the shelter deduction ($495 million over 5 years) and increased funding for TEFAP – emergency food ($20 million appropriation per year).

It is also possible to devise a proposal to restore food stamps to specific subsets of the legal immigrant population (e.g., all those eligible under our SSI proposal – see below; all immigrants who entered the U.S. before 8/96; all household with children and/or elderly, irregardless of date of entry).

e) **SSI Disability Payments**: SSI payments for the poor disabled also confer Medicaid eligibility. The Balanced Budget Act of 1997 restored disability and health benefits to 380,000 legal immigrants who were in U.S. before 8/96 and become disabled after entry. Our FY 2000 budget would have restored eligibility for SSI and Medicaid to legal immigrants who enter the country after that date if they have been in the United States for five years and become disabled after entering the United States, at a cost of about $1 billion over 5 years. This proposal needs to be rescored but will be much more expensive this year, since with the passage of time more immigrants would qualify.

Neither the Balanced Budget Act nor our FY 2000 proposal restored SSI to the poor elderly who are not disabled (who would be covered under SSI if they were citizens and many of whom eventually will qualify as disabled as they become frail). This provision is included in the Moynihan/Levin bill, but this expansion of our proposal has not been identified as high a priority as others listed above by the key groups we have consulted. We do not have a score of the cost of this addition.

Values Proposal

16. **Promoting Faith and Community**: There are a variety of proposals we could make to promote faith and community including ones to increase charitable giving to community-based organizations, improve the performance of nonprofit community based groups, and increase the involvement of faith-based institutions in providing social services, including:

Campaign? proposal

a) **Deductibility of Charitable Contributions for Nonitemizers**: One broad change that could effect both the level and composition of individual gifts would be to allow non-itemizers to claim a deduction (or tax credit) for charitable contributions above a certain floor. In addition to affecting the total amount of charitable contributions, allowing non-itemizers to take such a deduction could also affect the proportion of gifts going to different types of recipients since non-itemizers gifts disproportionately benefit religious organizations and social service groups as opposed to educational institutions and private

CR- write up some rhetoric

foundations. There are a number of ways this proposal could be structured, which could cost from $2 to $6 billion a year.

b) **Allowing Charitable Giving Until April 15**: If the charitable deduction is meant to provide some incentive for charitable giving, there should be consideration of the entire design of the program in order to achieve this purpose in the most effective manner. The cost of this proposal is negligible.

c) **Excise Tax on Investment Income of Private Foundations**: Private foundations pay an excise tax on their net investment income, which includes interest, dividends, and net capital gains and is reduced by expenses incurred to earn this income. While the intent of the distinction between a 1 and 2 percent rate of tax on investment income was to prevent foundation disbursements from falling, the mechanism is unduly complicated and may even reduce foundation giving. This excise tax should be eliminated or modified. Cost to be determined.

d) **Improving Disclosure by Charitable Organizations**: Because of the public nature of charities, their tax returns are open to the public and by far the most important source of public information about charitable organizations are the IRS Forms 990 annual information returns. Over the years, the amount of information to be included on these returns by charitable organizations has increased, as have the penalties for failure to file and accurately completing these returns. Despite the evolution, the Forms 990 are frequently criticized both by charities who have difficulty completing them and by the public that has difficulty reading them. Requiring electronic filing of Forms 990 would make it easier for the public to access this information and reduce fraud.

e) **Nonprofits Capacity Building Program (NCBP)**: In order to create a stronger and more effective nonprofit sector, capacity and technical assistance could be provided to train and manage assistance for nonprofit and community-based organizations through development centers nationwide. Two approaches to this concept include:

EG to think about next steps

Need fleshed out 2 prog proposal

→ will follow up w/ non profits

→ set up org mtg

Option 1: Creating a Nonprofit Capacity Building Program (NCBP) to provide training and management assistance to nonprofits. The four objectives of the NCBP would be: 1) to strengthen the capacity and effectiveness of the nonprofit community; 2) to increase community development; 3) to assist a wide range of nonprofit organizations regardless of their size and development; and 4) to broaden the technical and management assistance delivery system to more nonprofit organizations.

The structure of the program could be through grants made by a Federal agency (i.e., HUD) to Statewide nonprofit associations or technical assistance providers (501(c)(3)) who would then provide services to other nonprofit and community-based organizations. This approach could be funded at $50 million per year.

The NCBPs will provide counseling, training and technical assistance in all aspects of nonprofit management. These services may include: assisting nonprofits with start-up, budgeting and financial management, marketing, fundraising, board development, volunteer management, human resources, strategic planning, personnel management and program evaluation. They could also assist in creating and maintaining a centralized access point of information and databases about nonprofit organizations.

Conf Call

Option 2: Provide these type of services through existing programs, such as the Small Business Administration. We are going to talk to SBA about this approach but our initial sense is that there exists institutional hesitancy on the part of both SBA and nonprofits to pursue this path because of some of the different needs and goals of small businesses and nonprofits.

EG - [illegible] DOL exp[illegible]
Add to CDFIs?

f) **Social Venture Capital Fund**: We are working with NEC to explore the idea of setting up a quasi-governmental social venture capital fund to make investments in social programs in priority areas such as education/training, child care, and other anti-poverty initiatives. The Fund would draw its staff from the private and non-profit sectors and not be part of the civil service. Salaries would be pegged to the performance of the programs to improve incentives for the staff to identify promising programs and cut off funding for repeatedly poor performing programs. The fund could be modeled after Venture Capital Funds, but investments would be targeted to effective social programs. Formulas would be developed to account for the social value of the programs to determine clear returns to capital.

Genie to review for call w/ Kathleen Sylvester

g) **Second Chance Homes**: Provide funding through HHS for second chance homes, including homes funded by faith-based organizations, to teen parents to help them and their children succeed. Perhaps these funds could fall under the rubric of preventing child neglect, and could be funded through IVB or IVE programs (will coordinate with our children and families team). States can use TANF funds for these purposes.

Do by exec action

Asked Leanne → hasn't work a) community based children's b) faith based ministries

h) **Assistance to Children of Prisoners**: Propose new funding in the HHS Community Services Block Grant programs to fund community and faith-based organizations to assist children of prisoners (current CSBG funding is about $500 million per year). This could perhaps be coupled with the other ex-offender proposals, including possible faith-based ministries in re-entry programs.

incorporate into re-entry

DOJ = competitive grants include these two as purposes / scope?
→ 2 pager ... AK
Meet w/ Leanne

get examples

i) **Faith Based Involvement in Substance Abuse Treatment, Juvenile Justice, and After-School Programs**: Propose to allow federal substance abuse treatment, juvenile justice, and after-school funds to be used by faith-based organizations. The substance abuse treatment idea is included in the Frist-sponsored Senate SAMSHA reauthorization bill. A House bill, by Representatives Watts ~~and Talent~~, allows faith-based groups to receive funded through both SAMSHA and Medicaid. (Currently, faith-based groups can be Medicaid providers only if they are actually ~~health~~ care providers (for example a Methodist hospital) or are involved in certain outreach activities). The Juvenile Justice bill in conference included provisions allowing faith-based groups to provide certain services. Faith-based groups are not currently eligible for direct funding through the 21st Century Community Learning Centers program, but the Department of Education has made clear that faith-based groups can be partner with programs that receive direct funds.

Look @ OMB report

through partnership

Leanne - are there any existing JJ grants

clarify on House debate + vote Lana + AK
Talk to BR about what kind of faith-based
3) Resource book - faith-based conf, HHS - Genie

What about housing - Eric to call
child care - Genie to ask Nicole
Head Start
training programs AK
feeding programs
SSBG? - Genie current law

17. **Tax Credit for Work Expenses for People with Disabilities**: We should propose again the tax credit developed by our health team, which would providing a $1,000 tax credit for work-related expenses for people with disabilities. Under this new proposal, workers with significant disabilities would receive an annual $1,000 tax credit to help cover the formal and informal costs that are associated with employment, such as special transportation and technology. Last year, this tax credit was estimated to cost $700 million over 5 years and projected to help 200,000 to 300,000 Americans.

EG to followup w/ Kalil

18. **Increased Access to Technology for People with Disabilities**: We should make again the proposal NEC developed for last year's budget which would: (1) help make the federal government a "model user" of assistive technology; (2) support new and expanded state loan programs to make assistive technology more affordable for Americans with disabilities; and (3) invest in research, development and technology transfer in areas such as "text to speech" for people who are deaf, speech recognition, and eye tracking for people who cannot use a keyboard. Last year's proposal cost $35 million in FY 2000, more than doubling the government's current investment in deploying assistive technology.

19. **Labor Department Funding for Employment of People with Disabilities**: The Department of Labor has proposed $148 million in FY 2001 to help increase the employment of people with disabilities. The concept is worth considering, but we need to work with DOL and OMB to better define what the funds would be used for.

→ OMB Joanne Cianci → TI dept of Work → fund
→ call Eric Johnson DOL → One Stops
→ Look @ directives + meet again Monday
→ which to fund in budget

Various Ways to Package Welfare Budget Ideas
11/24/99 DRAFT

	Promote Responsible Fatherhood	Support Working Families	Help People Get to New Jobs	Move More People from Welfare to Work	Encourage Saving and Asset Building	Promote Faith and Community	Foster One America
1. Child Support Enforcement	√	√		√			
2. Welfare to Work Grants	√			√		√	√
3. VP Fatherhood Ideas	√	√		√			
4. Ex-Offender Employment	√	√					
5. Nontraditional Employment for Women		√		√			
6. Tribal Welfare Reform				√			√
7. Housing Vouchers	√	√	√	√			
8. Transportation		√	√	√			
9. Food Stamps		√	√	√			
10. IDAs		√	√		√		√
11. Homeownership		√			√		√
12. WOTC/WtW Tax Credits				√			
13. Transitional Medicaid		√		√			
14. Substance Abuse Trtmnt	√		√			√	
15. Legal Immigrant Benefits		√					√
16. Promoting Faith and Community		√				√	
17. Work Expense Tax Credit for People with Disabilities		√		√			
18. Technology for People with Disabilities		√		√			
19. Funding for Employment of People with Disabilities		√		√			

DEAR LORD BE GOOD TO ME THE SEA IS SO WIDE AND MY BOAT IS SO SMALL

Children's Defense Fund

December 7, 1999

See p 3-4

Mr. Jack Lew
Director
Office of Management and Budget
Old Executive Office Building
Washington, D.C. 20502

RE: Children's Defense Fund FY2001 Budget Priorities

Dear Mr. Lew:

As the Administration begins to set budget priorities for the next fiscal year, we urge you to consider the following priorities of utmost importance to children:

CHILD CARE

We appreciate the President's continued recognition of the importance of child care for working families. However, we were disappointed by your recent comments to the press that indicated the Administration won funding for all of its priorities in FY2000. With four bipartisan victories on the Senate floor to increase investments in child care in 1999, we joined millions of families throughout the country in hoping that any final budget bill would include a significant increase in child care. Unfortunately, child care funding was not a priority for the conference committee this year. Therefore, we urge you to maintain and expand the Administration's commitment to a substantial new investment in child care and after-school programs in FY2001. We urge the Administration to:

- Increase the Child Care and Development Block Grant (CCDBG) by $20 billion over the next five years with an $818 million increase included in the discretionary funding portion of CCDBG to increase total discretionary funds to $2 billion to be made available October 1, 2000.

- Restore the set-aside of $50 million for infants and toddlers and $10 million for research to be available October 1, 2000.

- Maintain the set-aside of $172 million for improving child care quality and the $19 million for school-age care and child care resource and referral services in the CCDBG.

- Increase Head Start by $1 billion in FY2001. We were heartened to see the Administration expand its commitment to Head Start this year in order to meet the higher quality set-asides. It will be important to continue to support substantial new investments in both Head Start and Early Head Start in order to reach more children, help Head Start meet the needs of working families, and continue to bolster program quality.

- Provide $10 billion over five years in mandatory funding for a new Early Learning Fund to ensure that all children can enter school ready to learn. This will allow communities to expand and improve the quality of child care, create new early education opportunities for children, including infants and toddlers, help Head Start meet the needs of working families, and provide parents with information to help ensure that their children get a good start.

- Expand the sliding scale for the Dependent Care Tax Credit (DCTC) and make it refundable to help the lowest income families with the cost of child care.

25 E Street NW
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Telephone 202 628 8787
Fax 202 662 3510
E-mail
cdfinfo@childrensdefense.org
Internet
www.childrensdefense.org

CHILD WELFARE SERVICES

In order to help states achieve the goals of safety and permanent homes for children, as envisioned by the Adoption and Safe Families Act, we recommend that the Administration include a new $200 million down payment for a Child Welfare/Alcohol and Drug (AOD) Partnership in its FY2001 Budget.

An estimated 40-80 percent of children in the child welfare system today have families with alcohol and drug problems. Although two-thirds of the families need alcohol and drug treatment, less than one-third actually receive it. New partnerships between child welfare and AOD agencies are needed to ensure safety and permanent homes for these children and appropriate alcohol and drug treatment and prevention services for their families. The Department of Health and Human Services laid the groundwork for such a partnership in *Blending Perspectives and Building Common Ground*, the April 1999 Report to Congress on Substance Abuse and Child Protection, and in the Stakeholders meeting, jointly sponsored by the Administration for Children and Families and the Substance Abuse and Mental Health Services Administration, in early November.

To ensure meaningful collaboration between the two systems, the Child Welfare/AOD Partnership should require the state child welfare and substance abuse agencies to jointly plan, apply for, and administer the new grant funds, and contribute to the state match. Grants also should be administered jointly by the Administration for Children and Families and the Substance Abuse and Mental Health Services Administration in HHS. These grant activities should be focused on families with alcohol and drug problems who come to the attention of the child welfare system.

An increase in resources and flexibility will allow child welfare and alcohol and drug agencies to implement a range of comprehensive individualized alcohol and drug prevention and treatment services; improve screening and assessment procedures; eliminate barriers to treatment and to child safety and permanence; develop effective engagement and retention strategies; provide cross-system training; improve data collection; and evaluate states' progress in all of these areas.

PREVENTION/AFTER-SCHOOL/JUVENILE JUSTICE

The $250 million increase in FY2000 for the 21st Century Community Learning Centers Program was a hopeful signal for the millions of children home alone, without adult supervision, each week after school. However, this program is still extremely modest given the number of young children as well as teen-agers who do not have access to constructive after-school activities. Substantial new investments are still needed given the role that after-school programs can play both in keeping children safe from harm and in helping them stay on track academically. We urge the Administration to:

- Increase the 21st Century Community Learning Centers by $550 million to a total of $1 billion to help schools and community-based organizations start, operate, and expand programs for children and youth.

- Expand Title V, Local Delinquency Prevention, from $95 million to at least $250 million. Title V is a prevention program worthy of continued and increased support. It represents an effective model of community collaboration in which community stakeholders -- including locally elected officials, law enforcement, private nonprofit organizations, and youth workers -- come together to develop a plan for juvenile delinquency prevention. This cost-effective program that keeps children and communities safe, has been increased but continues to receive a fraction of what new punishment initiatives like the Juvenile Accountability Incentive Block Grant receive (unauthorized but funded at $250 million).

- Increase the Juvenile Justice and Delinquency Prevention formula grants to states and communities by $268 million to ensure a strong juvenile justice system that holds children accountable, helps them get back on track, but does not put them in adult jails and prisons or undermine their potential to become productive members of the community.

STRENGTHENING FAMILIES

We are pleased that efforts to cut the Temporary Assistance for Needy Families (TANF) block grant were unsuccessful in the FY2000 budget, and urge the Administration to take the strongest possible stance in FY2001 to prevent cuts from taking place. The final TANF regulations published last April are extremely helpful in clarifying to states the many opportunities to use TANF funds wisely to provide work supports for families seeking to leave welfare. However, additional changes would encourage investments in the supports families need. We urge the Administration to:

- Restore funding to $2.3 billion for the Social Services Block Grant (Title XX) to assist states in meeting the diverse needs of children and families.
- Exempt months in which TANF recipients work and yet remain eligible for reduced support from counting toward the time limit.
- Allow a broader range of activities to count toward the required hours of work participation, including post-secondary education, training, and other activities states judge to be appropriate parts of an individual's "personal responsibility plan" intended to enable parents to overcome barriers to employment.
- Allow states with caseload declines of more than 20 percent since August 1996 to increase the percentage of exemptions from the time limit allowable under TANF.
- Provide funds for at least an additional 100,000 Section 8 housing vouchers for FY2001.
- Restore Food Stamps for legal immigrants still denied this assistance, including parents of children, elderly between the ages of 60-65, and immigrants who enter the country legally on or after August 22, 1996. Food stamp cuts affecting families with high shelter costs should be rescinded.
- Reauthorize the Welfare-to-Work block grant. Now that the eligibility criteria are less restrictive, we have every hope that states will spend more of their Welfare-to-Work block grant funds. The Administration should continue to press for an additional $1 billion.
- Provide block grant support for services for noncustodial parents. The Fathers Count bill that passed the House in the 106th Congress would provide $150 million for various jobs, parenting, and other services to help fathers be a positive presence in their children's lives through financial and other forms of support. We support these services for noncustodial parents (fathers or mothers), although we also support stronger protections for custodial parents at risk of domestic violence.
- Make the child tax credit refundable. Families with children with the greatest need have little federal income tax liability and can only benefit when tax credits are refundable.
- Expand the Earned Income Tax Credit by providing help to families with more than two children. An expanded EITC would recognize the costs of child-rearing more accurately than the current formula.

CHILDREN'S HEALTH

The Childhood Immunization program (Section 317) is the primary federal source of funds for immunization infrastructure, including assessment of population-wide immunization rates, vaccine preventable disease surveillance, public education and outreach, and vaccinations in public clinics for groups whose health insurance does not cover vaccinations (the Vaccines for Children program is essential in paying for vaccines for uninsured or Medicaid-insured children, but not for under-insured children). The Section 317 and Vaccines for Children programs complement each other and provide the states and public health officials with the resources they need to continue to increase (as well as maintain) childhood immunization rates. We urge the Administration to:

- Fund the Childhood Immunization program at $585 million. This is a $95 million increase over the FY2000 funding level of $490 million. The increased appropriation for Section 317 is essential to sustain infrastructure and outreach initiatives as well as to adequately fund necessary vaccine purchases.

- Provide sufficient funds to give states the option to provide legal immigrant children health coverage through Medicaid and the Children's Health Insurance Program (CHIP).

CHILD SUPPORT ENFORCEMENT

We understand the Administration is considering a substantial revision of the federal role in the child support enforcement program. It is essential that funding changes encourage the additional commitment of state and federal resources to this under-resourced program, and not reduce federal investments. Reducing the federal commitment would result in significant setbacks in the collection and enforcement of child support obligations for millions of children. Under this Administration, states have made some progress in improving paternity establishment, enforcement of orders, and child support collections. We urge the Administration to continue to bolster states in their efforts, rather than reducing the federal government's investment in the program.

We also urge that the federal government take a leadership role in exploring how to make child support a more reliable source of income for low-income single parents struggling to support their children through work. Funding for child support assurance demonstrations would be an important step in this direction. Similarly, states should be encouraged to pass through to families at least some of the child support dollars collected on their behalf and to disregard some or all of the amount passed through in calculating assistance levels.

IN SUMMARY

No doubt, there are many competing priorities under consideration as part of the FY2001 budget. However, if we can find the resources to ensure the Pentagon enters the next millennium secure, we ought as well to find the resources to ensure that our children enter the next millennium equally secure. While overall poverty is declining, the number of poor children still remains unconscionably too high at 13.5 million. As you know, poor children are at risk of poor nutrition, low educational performance, and much lower future earnings as adults. This Administration can lay the foundation for a better future for our children. For the President's final budget submission, please consider a major investment in children so that the legacy of this Administration will truly put children first.

Sincerely,

Marian Wright Edelman

CC: Secretary Donna Shalala

FYI - The part of Bruce's email to Barbara Chow on our issues —

pet-aside for after

-- should we try again on teacher scholarships?

CHILD CARE
1. Move CCDBG to discretionary side, scale back to $5b over 5
2. Scale back Early Learning Fund if possible Was $600m/yr →
3. An inexpensive paid leave demo
4. Whatever you recommend on SSBG
5. Child care tax 6 ~~Community~~ Campus Ch.

WELFARE/FOOD STAMPS/IMMIGRANTS
1. Child support enforcement/distribution rules/pass-through: 100m/yr (maybe more if we can come up with a good enforcement idea)
2. Competitive grants for welfare-to-work: 250-500m, with another 500-750m of formula grants in the out-years (and extend the 3-yr deadline for when they can spend down the $). We're looking at the VP's proposal for work requirements for fathers.
3. Cars-to-work: Raise the food stamps vehicle limit (1.6b over 5), plus perhaps a few other cheap bells and whistles
4. IDAs: 25m
5. Food stamp outreach: 10m (We're also looking at USDA's proposal on elderly nutrition)
6. Whatever you think we can get on immigrant benefits
7. Re-entry: DOL has proposed a training program for ex-offenders; we're also looking at a DOJ proposal on fathers leaving prison. Maybe we should combine all these fatherhood proposals together into a single package.
8. Allen

In the no-cost department, we'd like to expand charitable choice to whatever social services programs we can.

Rachael F. Goldfarb
12/02/99 07:08:14 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP, Julie K. Anderson/WHO/EOP@EOP, Daniel Sakura/CEQ/EOP@EOP, Carl Haacke/OPD/EOP@EOP

cc: William G. Dauster/OPD/EOP@EOP
Subject: Low Income Homeowner Tax Credit

Bill Dauster suggested that you also join us -- I simply forgot to place you on our list. But I have remedied that problem, and you will receive all future notices for the group.

Thanks,
Rachael

--------------------- Forwarded by Rachael F. Goldfarb/OPD/EOP on 12/02/99 07:05 PM ---------------------------

Rachael F. Goldfarb
12/02/99 07:01:45 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: Low Income Homeowner Tax Credit

Replace2.wk4 Replace2.mr

Hello Everyone,

I have managed to talk with most of you (or your assistants) on the phone regarding the meeting that Sarah Rosen Wartell would like to convene on **low income homeowner tax credits**. She would like to hold the meeting on:

December 9, 1999
2: 30 pm in Room 231 of the OEOB

I have compiled your emails into a list so that we can email you any future announcements about meetings or pass along any relevant documents/information. Please email me if there is anyone you would like me to include on this list (including assistants, if you'd like them to receive any meeting notices as well.)

Lastly, I have attached two documents on Homestead Mortgages as a substitute for Mortgage Revenue

Bonds. Please email me or call if you have any difficulty opening the attachments and would like me to fax them to you. (456-5351).

Thank you,
Rachael Goldfarb

Message Sent To:

William G. Dauster/OPD/EOP@EOP
Jason Furman/OPD/EOP@EOP
Paul J. Weinstein Jr./OPD/EOP@EOP
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DRAFT

Draft - to be replaced w/ new one

Bruce Davie
November 24, 1999

A PROPOSAL FOR "HOMESTEAD MORTGAGES"

Summary:

- The tax code would be amended to allow State and local housing finance agencies (HFAs) to designate qualifying mortgages as "Homestead Mortgages" (HMs) as an alternative to issuing tax-exempt mortgage revenue bonds (MRBs). Each HM would be charged against State private activity bond volume caps in a manner calculated to maintain revenue neutrality.

- Originators of HMs would be allowed a tax credit, calculated monthly, equal to a percentage of the HM's unpaid principal. The tax credit would be taken into taxable income.

- HMs would come in two varieties:

  -- "regular" HMs would require mortgagors, eligible under the MRB rules, to pay interest at a rate equal to about 85 percent of conventional mortgage rates;

  -- HMs for use by qualified mortgagors in targeted areas [and to rehabilitate historic homes in those areas] would require mortgagors to pay interest at a rate equal to about 70 percent of conventional mortgage rates.

- Subsidies provided to home buyers through HMs would, on a revenue neutral basis, be about four times the subsidies provided through MRBs, thus

  -- "regular" HMs would provide about twice as many home buyers with twice the subsidy provided through MRBs, or

  -- "special" HMs for use in targeted areas would provide about four times the subsidy to the same number of home buyers assisted through MRBs.

How Homestead Mortgages Would Work.

1. For every $1 of private activity bond volume cap allocated to an HFA (or, in the case of issuers of veterans mortgage bonds, the section 143(l)(3) volume limitation) the HFA could, in lieu of issuing an equal amount of bonds, elect to certify $2 of "regular" HMs or $1 of "special purpose" HMs. These offsets maintain revenue neutrality relative to current law.

2. Regular HMs would be for those home buyers qualifying under the current law rules for

MRB-financed mortgages, e.g., meeting the first-time home buyer rule, having a qualifying level of income, and buying a house within the purchase price limits. Similarly, regular HMs would be available for qualifying veterans in the five States where veterans mortgage bonds may be issued under current law. These mortgages would be fixed-rate mortgages amortized over a standard 30-year period but the credit would only be available to the mortgage originator (MO) during the first 10 years. If the mortgage had not been prepaid at the end of 10 years monthly payments would increase to what they would have been with a conventional mortgage at the conventional rate applicable at the time of origination.

3. The annual credit rate for regular HMs would be 15 percent of the conventional rate. The MO of a regular HM would, on a monthly basis, be allowed a tax credit equal to one twelfth of the annual credit rate times the outstanding principal, so long as the mortgage was not in default. The annual credit rate would be set at 15 percent of the conventional rate (FHLB rate?) on 30-year mortgages for the day the MO gave the home buyer a "lock" on a mortgage application. The credit would be taken into taxable income by the MO. In principle, an MO with a sufficient tax liability to use the credit currently should be indifferent, for example, between a conventional mortgage with a 7.75 percent interest rate and a regular HM with a 6.5875 percent interest rate. This indifference is not dependent on the MO's marginal tax rate.

4. The MO could sell the HM into a securitized pool of mortgages, but if so, the MO, as servicer of the HM, would make payments into the pool identical to payments made with respect to a conventional mortgage. Since the MO would be making payments in excess of those received from the mortgagor, the MO would be "financing" these payments until "reimbursed" by recognizing the credit by reducing quarterly estimated tax payments. The MO would be compensated for this added expense, as explained below.

5. An MO could sell remaining rights to credits and payments from mortgagors (and obligations to make payments into a mortgage pool) to another entity. An MO might want to do so if expected tax liabilities to be offset with credits did not materialize.

6. Special purpose HMs would be for homes in targeted areas, would have an annual credit rate set at 30 percent of the interest rate on conventional mortgages, and would otherwise be similar to regular HMs. The current law targeted area rules (higher income and purchase price limits) would carry over with respect to qualifying census tracts (70 percent or more of families having incomes of 80 percent or less of the State's median family income). The rules for designated "areas of chronic economic distress" (which require HUD approval) would be modified. Designations made more than 5 years ago would automatically expire. Other current designations would expire 5 years after their date of designation and new designations would expire after 5 years. Empowerment Zones and Enterprise Communities would be added to the list of targeted areas. [In addition, special purpose HMs of up to $200,000 could be used by for rehabilitation of homes in historic districts or on the National Register of Historic Places that are also located in targeted areas.]

7. Housing agencies could designate the home buyers eligible to receive HMs in one or both of two methods:

a. directly, by issuing eligibility certificates to qualified buyers who would then shop for the participating MO offering the lowest net-of-credit interest rate.

b. through agreements with nonprofit community housing organizations or local housing agencies that would issue eligibility certificates, perhaps conditioned upon completing a home buyer education program.

The certification process would include classifying home buyers in terms of credit worthiness.

Housing agencies would be free to adopt additional restrictions on eligibility both to further State or local housing policy goals and avoid excess demand for HMs.

7. The section 143(m) recapture rule of current law would be amended. Under current law the recaptured "federally-subsidized amount," cumulates over the first 5 years of a mortgage financed with MRBs at a rate of 1.25 percent of the principal of the mortgage per year. The amendment would make the federally subsidized amount equal to the cumulative credits over the first 5 years associated with the taxpayer's individual mortgage. These amounts would be reported to the taxpayer annually on Form 1098..

Additional Details regarding Tax Credit Mortgages

The following is suggested as a framework for assuring that the subsidy provided by HMs appropriately passes through to the mortgagor. The main feature of this framework is that it separates the certification of eligible buyers and determination of their credit worthiness from the mortgage origination process.

2. The HFA contracts with one or more entities to act as "certification agents" (CA). For example, CAs could be non-profit housing agencies, local government housing offices, or mortgage companies who are not "qualified mortgage originators" (MO). The HFA could itself act as a CA. Potential home buyers would be certified by a CA as meeting the applicable MRB rules, e.g., their level of income is low enough, they are first-time buyers, and that they meet what ever other criteria the HFA might impose. CAs would also perform the credit, net worth, and income testing usually done to qualify mortgagors. A certain amount of home-owner education might be required prior to "certification." The CA would also classify the home buyer with respect to repayment risk. The CA would then certify the home buyers as eligible and specify the maximum monthly payment and down payment they can afford and indicate the applicable risk category. A copy of the certification would go to the HFA. The home buyer would take the certification to a participating MO. Certifications would expire after [3] months.

CAs would have to be compensated for their services by housing agencies. Under HFA - CA agreements, CAs might be allowed to charge a modest fee [e.g., $100] to potential buyers whom they certify but such agreements should not allow CAs to charge what the market will bear. On net there ought to be some payment going from the HFA to the CA with that cost being recovered by the HFA through fees paid by MOs, as indicated below.

3. Housing agencies would select a set of qualified MOs through an open competitive process held periodically. Potential MOs would submit bids to originate a specific volume of qualifying mortgages by a date certain, specifying the maximum percentage of the benchmark mortgage rate they would charge to the mortgagor with respect to the different categories of risk into which home buyers would be certified by CAs. (This would follow the current law determination of effective mortgage rate in section 143(g)(2) of the Code, the provision used to take points into account in determining that the rate on a MRB-supported mortgage is no more than 1.125 percentage points higher than the bond yield.) The benchmark mortgage rate might be the weekly FHLB rate for 30-year, fixed-rate mortgages. A potential MO would also specify minimum "lock-in periods."

To compensate HFAs, MOs would be charged a fee based on the volume of HM origination awarded to them. Since the fee structure would be announced in advance, potential MOs would be expected to take it into account when making their bids. A statutory cap could be placed on such fees.

The award of authority to create specific amounts of tax-credit mortgages to MOs selected by HFAs through this competitive process would be made public, along with the terms of the winning bids. In particular, this information would be conveyed to CAs so that they could use it in counseling potential home buyers.

4. A home buyer would take his certification from the CA to a MO (or shop around among MOs). MOs could offer a mortgage with an effective rate no higher than that specified in their agreement with the HFA. The MO would not be required to issue the mortgage, but would have an incentive to do so (as long as the MO had unused authority left) because of the non-refundable fee paid to the HFA. Issuance of the mortgage would be reported to the HFA and the certifying CA in sufficient detail to allow such agencies to check to see that the mortgage conforms to the MO-HFA agreement.

MOs would have to recover their payments to housing agencies and any extra costs they incur in originating these mortgages. This compensation would come in the form of an allowable half a point to be paid by the mortgagor at the closing plus a small difference between the percentage credit rate and spread between the interest rate paid by the buyer and the benchmark mortgage rate. This suggested framework relies on an open competitive process to keep the difference between the credit rate and the spread to a minimum. A maximum difference could be specified legislatively but that might become a de facto minimum.

In particular, MOs would have to be compensated for the time lag between when interest income would normally be received and the "cashing" of the credits in connection with quarterly estimated tax payments. The MO would be the taxpayer eligible for the credit. If the mortgage was transferred to a pool (securitized), the MO would make a payment into the pool at the benchmark mortgage rate, as if the mortgagor were paying that rate. Thus, from the pool's perspective, HMs would be indistinguishable from conventional mortgages.

5. The amount of the credit is determined each month on the basis of the unpaid principal balance and can be claimed by MOs only as payments by the mortgagor are actually made. At the end of each year, the MO (or servicer) would provide the mortgagor with a statement similar to IRS Form 1098) currently provided to verify the amount of mortgage interest that may be deducted. The amount of the tax credit for the year claimed by the lender would appear as additional information on this form. These reported credit amounts would form the base of the recapture mechanism should the mortgagor sell within the ten-year recapture period (see section 143(m)). This information on Form 1098 would also assist the IRS in checking compliance.

6. Even with this framework there is the danger that the compensation of the housing agencies and CAs will sop up too much of the subsidy. Perhaps natural political forces can be relied upon to minimize those expenses. One technique would be to require housing agencies and CAs to post on a web site appropriate information about their operations, fees etc. so that interested housing advocacy groups, journalists, and politicians could see what's going on. Perhaps there ought to be a public approval process similar to section 147(f) before agencies can access the volume cap.

Walking Through Spread Sheets

Parameters: The attached summary spread sheet lists in bold the parameters used to calibrate the consequences of mortgages supported by MRBs and HMs, in comparison to conventional mortgages. The non-bold parameters are derived from those listed in bold. The benchmark interest rate for 30-year fixed-rate mortgages is on line 1. The annual credit rate specified on line 4 for a special HM is derived as 30 percent of the benchmark rate. (Fixing the credit rate in absolute terms gives "bad" results when the benchmark rate varies over broad ranges.) The MRB rate is also set as a fraction of the benchmark rate. The fraction shown on line 5 was arbitrarily chosen to set the interest rate on MRBs at 6 percent when the benchmark rate is 7.75, which mirrors current market relationships. The interest rate on mortgages supported by MRBs (line 8) is derived from the spread set by HFAs between that rate and the bond yield on the MRBs. Current law allows a maximum spread of 1.125 percentage points. The initial spread sheet assumption is a 1 percentage point spread that results in rates on mortgages supported by MRBs being 75 basis points below benchmark rates. This appears to be typical of MRB programs, based on an examination of State HFA web sites.

Revenue losses from having tax-exempt bonds outstanding are based on the assumption that taxable bonds would be outstanding had MRBs not been issued. The parameter for the spread between taxable and tax-exempt bond rates is on line 9 and the tax rate for bond holders on line 15. The revenue consequences of either MRB mortgages or HMs are also affected by itemized deductions (interest, first-year points and property taxes) taken by home owners. For this purpose a mortgagor tax rate is set (line 17), a property tax rate specified (line 18), and an offset for a portion of the standard deduction foregone as a result of itemizing. The latter is set on line 21 somewhat below the standard deduction for a joint return on the assumption that some other itemized deductions would be claimed when the home-owner deductions are enough to switch taxpayers into itemizing.

The spread sheet provides a test to assure that the MO is not suffering a loss from the obligation to put into a mortgage pool some cash before being "reimbursed" by the credit. The "premium" on the mortgage rate charged by the MO is listed on line 11. This is a dimension along which potential MO would compete as housing agencies auction off the right to originate HMs. The extra half point charged by the MO (line 20 - line 14) is assumed to be offset by the MO's payment to the HFA (line 23).

All the parameters listed in bold can be changed.

Metrics: The spread sheet automatically generates three metrics used to evaluate the substitution of HMs for issuance of MRBs.

The first metric (line 29) tests for approximate revenue neutrality between the 10-year net revenue cost of MRBs and MRB-supported mortgages and the 10-year net revenue cost of HMs. For this purpose the comparison is based on an equal draw (line 2) from the private activity bond volume cap and the assumption (line 22) that for every $100,000 of mortgage revenue bonds issued, $95,000 of mortgages are originated. The slippage is due to the use of bond proceeds to cover the cost of issuance and reserve funds.

The second metric (line 30) is the present value (calculated at an after-tax interest rate) of the after-tax additional net income accruing to the MO over what would be realized from issuance of the unsubsidized "benchmark" mortgage. The MO tax rate is given on line 16.

The third metric (line 50) compares the present value (calculated at the benchmark mortgage rate), over a 10-year period, of the total mortgagor savings from HMs to the mortgagor savings from mortgages financed by MRBs. The attached spread sheet shows that comparison for "special" HMs, indicating that the benefits are about 4 times the benefits for MRB mortgages. For "regular" HMs (the volume of which would be twice the draw-down from the private activity bond volume cap) the line 3 parameter changes to .15 and the line 50 metric changes to 1.95. Approximate revenue neutrality is maintained.

The spread sheet results are quite robust. In general, the comparison from the mortgagor's perspective of HMs to MRB mortgages improves as interest rates decline.

Detailed 2- page spread sheet: This spread sheet shows how the metrics on the summary page are calculated. The details of the benchmark mortgage and mortgage supported by MRBs are straight-forward. The HM has been structured so that the mortgagor pays a constant monthly amount during the first 10 years. At the end of 10 years the remaining principal is identical to the remaining principal at the end of 10 years for a benchmark mortgage. The constant payment for the first 10 years of the HM is set to amortize the difference between the original principal and the amount outstanding at the end of 10 years had the mortgage been a "benchmark" mortgage and pay interest, at the subsidized interest rate, on the principal remaining at the end of 10 years. This results in a small amount of excess principal payments being made over those ten years (line 58, which is equal to the difference between line 21 and line 50). If the mortgagor prepaid at anytime over the first 10 years the excess would be recognized by the MO paying that amount as a "rebate." (Note: The phenomenon of excess principal payments could be solved by structuring the HM so that the monthly payment increased very gradually over the 10-year period. On balance, it seems better to keep the payments constant for the sake of simplicity to the mortgagor, making automatic payments from bank accounts, for example.)

The final part of the detailed analysis shows HMs from the MO's point of view. The extra half point received is assumed match a payment to the HFA. Since the CA is performing functions that the MO would ordinarily perform, the cost shown on line 62 may be less, with offsetting additional payments to the HFA (line 63) being a possibility. Each month during the 10-year period the MO receives the line 57 payment from the mortgagor and pays the line 24 amount to the mortgage pool. The difference represents a float item which the MO has to finance until such time as the credit (shown on line 67 on an annual basis) is "cashed" by reducing quarterly estimated tax liabilities. On average the float period for the difference in each month's payments is 2 months. Line 66 shows the cost of the float based on an interest rate equal to the benchmark mortgage rate. The MO's net income (line 68) is derived from the premium on the interest rate charged to the HM mortgagor, less the cost of the float. The line 69 cumulative amount shows that accumulated income (even without considering any interest build-up) is always sufficient to pay the "extra principal rebate" should the HM be prepaid prior to year 10. Prepayment would reduce the present value of the MO's after-tax income, but, given a 0.1 percent interest premium, not below zero.

Mary L. Smith
12/08/99 08:45:00 AM

Record Type: Record

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

cc:
Subject: New Homeless proposal

homeprop.129n.d Here is a new draft of the proposal. Liz- please let me know whether you want to meet on Friday or Monday. At the next meeting, HHS should come prepared to discuss where the grant should be located and other details regarding the proposal. Thanks, Mary

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INCREASING ENROLLMENT OF HOMELESS IN HEALTH PROGRAMS
DRAFT: December 7, 1999

Problem. A large proportion of homeless people do not participate in important health and income assistance program for which they are eligible. A new joint Department of Health and Human Service (HHS) and Department of Housing and Urban Development (HUD) report shows that only 37 percent of homeless clients receive food stamps; only 52 percent of homeless households with children receive Aid to Families with Dependent Children (AFDC)(data is pre-welfare reform); and only 30 percent receive Medicaid. These low participation rates may result from a lack of coordination across programs. While many McKinney-funded programs work with the homeless to enroll them in these programs, limited resources, lack of information on programs, and complicated application processes often prevent enrollment. The same holds true for non-health programs like TANF and Welfare to Work.

Proposal. This initiative would provide technical assistance and competitive grants to improve coordination among and enrollment in health and other programs addressing the needs of the homeless. HHS would form a task force from the Health Care Financing Administration (which runs Medicaid and the State Children's Health Insurance Program S-CHIP), the Administration for Children and Families (which runs TANF), the Substance Abuse and Mental Health Services Administration (which runs the Mental Health and Substance Abuse Block Grants), the Health Services and Resources Administration (HRSA) (which coordinates health outreach activities) and the Assistant Secretary for Planning and Evaluation (which coordinates evaluations). This task force would meet with state and local health and TANF officials, people running McKinney programs, and advocates to learn about both the nature of the barriers to enrollment and programs that work. This information would be used to develop criteria for a competitive grant program.

A new, $10 million grant program would be created in HRSA for FY 2001. Grants would be competitively awarded to [3 to 5] state health or social service agencies with innovate plans to provide outreach to homeless populations, particularly families and children, and to coordinate their homeless outreach activities across Medicaid, S-CHIP, Mental Health and Substance Abuse Block Grants, and TANF. States would be selected based on: (1) outreach activities for the homeless; (2) collection of data regarding homeless status during intake questioning; (3) accountability in treating the homeless; (4) future goals of addressing the needs of the homeless; and (5) outcome measures used to see whether the homeless needs are being addressed programs. At least $1 million would be set aside from the grants for an evaluation of the selected states.

CENTER ON BUDGET AND POLICY PRIORITIES

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To:	Cynthia Rice
FAX NUMBER:	456-7431
FROM:	Bob Greenstein
REGARDING:	
DATE:	December 3, 1999
NUMBER OF PAGES: (including cover sheet)	13

Comments:

CENTER ON BUDGET AND POLICY PRIORITIES

To: Jack Lew
Sylvia Mathews

From: Bob Greenstein

cc: Barbara Chow

Subject: Poverty Initiatives and the Next Budget

Date: December 3, 1999

Last week the NEC suggested I prepare a memo with ideas for initiatives to include in the final Clinton budget. I recognize that the list that follows is considerably longer than what you will have room for in the budget. This is a slightly revised version (after more thinking) of what I sent to Gene.

1. EITC

The time is propitious to propose a final set of Clinton EITC improvements. As you know, the vetoed Republican tax bill included an EITC increase (in the form of EITC marriage-penalty relief).

The 1993 EITC expansion has been one of the signature achievements of the Clinton Administration. This legacy can be enlarged upon by enhancing the EITC's effectiveness at reducing poverty among families with three or more children, simplifying the EITC/child tax credit relationship, and reducing for families close to the poverty line the high marginal rates to which the EITC contributes (something George W. Bush's proposal fails to do). There are three specific areas where important EITC improvements could be made.

- *A third tier*: I would strongly recommend adding a third EITC benefit tier — i.e., a benefit tier for families with three or more children. The poverty rate in 1997 was 12% for children in families with one child, 14% for children in families with two children, and over 25% for children in families with three or more children. Moreover, the poverty line and welfare benefits are adjusted for the number of children in a family, while wages are not. As more and more families move from welfare to low-wage work, we need more of an EITC boost for larger families.

  Bradley's child poverty plan includes a proposal for a third benefit tier. But Al Gore who was here first — the 1991 Gore-Downey bill featured this proposal. And it was the Clinton Administration that established the precedent in law for this approach when it secured inclusion in the 1997 budget deal of a refundable component of the child tax credit for families with three or more children whose payroll taxes exceeded their EITC.

This refundable child credit approach was an excellent foot-in-the-door. But it does not kick in until family income reaches about $25,000 and it is complicated. I'd suggest establishing a third EITC tier in a way that reduces the proposal's cost (and simplifies the tax code) by converting the refundable component of the $500 child credit into a new EITC benefit tier for families with three or more children. This approach also should make this initiative somewhat more palatable to Republicans, as it would convert one refundable credit component for larger families into another refundable credit for such families; that should be more acceptable to Republicans than adding a third EITC tier on top of the refundable component of the child credit. A third EITC benefit tier would be simpler and much better targeted than the refundable element of the child credit.

If the idea is adopted of converting the refundable component of the child credit into a third EITC benefit tier, I think this can be done for under $1 billion a year.

There would be some very large families with incomes around $30,000 that would be worse off, because the refundable component of the child credit they would lose would exceed the EITC benefits they would gain. But this is a price well worth paying to establish a third EITC tier.

Incidentally, one state has pioneered this approach and has established a state EITC with a third tier — Wisconsin under Governor Tommy Thompson. (I'd also note that a third EITC tier is a high priority for Hispanic groups like the National Council of La Raza. The proportion of poor families that work is higher among Hispanics than among non-Hispanic whites or blacks. In addition, Hispanic families have a larger average number of children than non-Hispanic families do.)

- *EITC marginal tax rate relief:* Combined marginal tax rates can be extraordinarily high on working families whose EITC, food stamp, and other benefits (such as child care) all phase down at the same time. These families can encounter marginal tax rates in the 50% to 100% range. George W. Bush has emphasized this problem and claimed incorrectly that his tax plan responds to it.

  The final Clinton budget could contain a proposal here. Such a proposal would demonstrate that progress can be made in addressing this problem without having to pass a $1 trillion 10-year tax cut and that the Administration's budget, unlike the Bush plan, is actually responding to this problem. Perhaps the best way to do this would be to lower the EITC phase-down rates for families in the part of the EITC phase-down range in which substantial numbers of families lose EITC and food stamp benefits at the same time and then to raise the EITC phase-down rates back up to current levels in the part of the phase-down range in which families no longer are eligible for food stamps or are very unlikely to be receiving them.

- *EITC marriage-penalty relief*: EITC marriage-penalty relief also can be provided. The vetoed tax bill and the House and Senate Democratic tax bills contained such a feature. But such a proposal probably does not make sense politically unless the budget also proposes middle-class marriage penalty tax relief, which would be costly and (in my view) is not a priority.

2. A related proposal to "make work pay"

Achieving the goal that President Clinton set for the nation — that if a parent works full time, the parent and his or her children should not live in poverty — entails that a family have a combination of full-time minimum wage earnings, the EITC, *and food stamps*. If a family of four or more fails to receive food stamps, it will be several thousand dollars below the poverty line. In fact, the food stamp benefit for which a family of four with full-time minimum wage earnings qualifies is nearly equal to the EITC benefit for which such a family qualifies.

Food stamp participation, however, is quite low among working poor families, a problem to which you have been devoting increasing attention. I think the Administration should include several proposals in the budget to help address this problem. The first two steps outlined below would be welcomed and endorsed by the governors on a bipartisan basis.

The first and principal such step is to give states the option of conforming the food stamp limit on the value of a vehicle that a household may own to the vehicle limit that the state has established in its TANF or Medicaid programs (so long as the TANF or Medicaid limit used is not more restrictive than the food stamp vehicle limit). The food stamp limit was originally set in 1977 to bar participation by families with luxury cars. Some 22 years later, however, the food stamp vehicle limit disqualifies families with very modest cars, because the limit is essentially the same in nominal terms as when it was first established in 1977. (It was established in 1977 as a $4,500 limit on the market value of a vehicle; today, the federal food stamp vehicle limit is $4,650 in market value.) During this 22-year period over which the food stamp limit has remained essentially unchanged, the CPI for used cars has *nearly tripled*. For the vehicle limit to have the same effect today as it had in 1977, the limit would need to be nearly $13,000.

When the food stamp vehicle limit was established in 1977, it was higher than the vehicle limits that most states used in their AFDC programs, reflecting the importance of food stamps to working poor families, many of which own modest cars that they must use to commute to their jobs. Today, by contrast, nearly every state has a more liberal vehicle limit in its TANF program than the federal food stamp limit.

Moreover, because the federal food stamp vehicle limit is *not* indexed to inflation, a larger share of working poor families become ineligible for food stamps each year. The 1993 reconciliation act contained a Clinton proposal to address this problem, but the welfare law repealed that provision.

This problem is taking on increasing importance. Recent research by Sandra and Sheldon Danziger in which they examined barriers to employment among welfare mothers in Flint, Michigan found the two top barriers to employment to be lack of a high school diploma and lack of access to a car. With a greater share of low-skilled jobs now in outlying suburbs and exurbs, lack of a car makes it more difficult for many low-skilled inner-city residents to hold jobs.

Over the past 12-18 months, states with governors of both parties have been increasingly vocal in attacking the food stamp vehicle limit as being anti-work and counter to welfare reform. Some Republican state officials use the food stamp vehicle limit as an example of why we should block-grant food stamps when the welfare law comes up for reauthorization in 2002. Fixing this problem would help make work pay, strengthen and reinforce welfare reform, and show we can address such problems without replacing the food stamp program with a block grant.

Furthermore, some bipartisan support for this proposal is developing on the Hill. The proposal is a central feature of a hunger relief bill that Senators Specter, Kennedy, Jeffords and Leahy introduced a few weeks ago in the Senate and Rep. James Walsh and some bipartisan co-sponsors introduced in the House. In addition, I believe Senator Lugar would be favorable to this proposal. CBO cost estimates show this proposal costing $1.3 billion over five years; the cost would be lower if a related regulatory change is made.

The second proposal to improve food stamp use among working poor families is a modest proposal to allow states to conform the treatment of several forms of income in the food stamp program to the treatment used in Medicaid. This would enable states to use a single definition of income in Medicaid and food stamps, which in turn should facilitate the development of simplified, joint Medicaid/food stamp applications for working poor families with children. This should help states boost participation by working poor families in both programs. I believe OMB attempted to secure inclusion of this proposal in the ticket-to-work bill. It costs only $18 million over five years, which makes it a bargain.

A final food stamp proposal that deserves consideration, a version of which is in the Specter-Kennedy/Walsh hunger bill, is a provision to adjust the cap on the food stamp shelter deduction for low-income households that do not contain an elderly or disabled member. The vast array of these households are families with children.

Eliminating that cap was the top food stamp priority of Leon Panetta and the Clinton Administration in 1993 and was part of the 1993 reconciliation law. The 1996 welfare law, however, repealed the 1993 provision. This was one of the features of the welfare law that President Clinton criticized most strongly in signing it, and in 1997, the Administration sought unsuccessfully to reverse this provision. The new bipartisan hunger bill on the Hill seeks *not* to eliminate the cap on the shelter deduction but takes a more moderate approach, raising the deduction cap a modest amount and indexing it.

Indexing the cap is particularly important. If the cap is frozen in perpetuity without any indexing mechanism, a growing number of poor families with children will hit the cap each year and have a more difficult time paying the rent and feeding their children adequately at the same time. I'd recommend restoring indexation. This will be increasingly significant over time.

Those who would be helped by such a provision such are primarily working poor families.[1] This provision would cost $150 million over five years.

3. Health Insurance

I hope the budget proposes some significant new steps to expand health insurance coverage. There is a renewed focus in the country on the issue of the uninsured. Moreover, Republicans are proposing unwise tax cuts for the purchase of health insurance, and the Administration and Democrats need an alternative. This may be an opportunity to make important progress here.

One of the biggest problems in this area is the large number of children in working poor families who are eligible for Medicaid but unenrolled. We'd recommend the following:

- The CHIP program provides an enhanced matching rate to states to cover children primarily between about 133 percent and 200 percent of the poverty line. We'd urge you to propose an enhanced matching rate to states to enroll more of the eligible children who are *below* these income levels. This could be done by taking the CHIP matching rate for each state and applying it to increases in the state's child Medicaid enrollment above the state's enrollment level in a base year. (Adjustments would be made so the enhanced match did not apply to older children aging in to Medicaid eligibility under the final stages of the 1990 mandate to cover children below the poverty line who were born after September 30, 1983.) This would give states more incentive to reach and enroll more working poor children.

  This might be accomplished simply by allowing states to use CHIP funds for this purpose. I'm not sure whether it would be best to augment CHIP funding or this simply should be made an allowable use of CHIP funds. (Note: Since children on welfare already are on Medicaid, and welfare rolls are continuing to fall, providing enhanced matching funds for increases in Medicaid child enrollment would result in providing these funds primarily to increase Medicaid coverage among children in working poor families.)

We even more strongly recommend that the Administration propose an initiative for states to extend coverage to more low-income adults. The best approach would be a new Medicaid option to cover all individuals up to the poverty line. That would be a terrific advance.

Another important advance would be an initiative to cover more low-income working parents. Census data show that nearly half of all working poor parents are uninsured throughout the year. Covering these parents would encourage work and help ensure that work is more

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[1] Those aided would largely be families with children that do not live in public or subsidized housing and have cash incomes between 50 percent and 100 percent of the poverty line. These are principally working families; in most states, families on welfare have cash incomes below 50 percent of the poverty line.

remunerative than welfare. It also should improve *child* health insurance coverage; research indicates that children are more likely to be insured where the whole family can secure coverage.

Under this approach, the Administration would propose a CHIP-like block grant for parents with incomes up to a certain level. The block grant would have an enhanced federal matching rate like that which CHIP provides. States would have broad flexibility over use of these funds, but there would be two basic rules the states would have to follow:

- In using block grant funds to cover low-income working parents, states would have to cover parents through the same program as their children. In other words, if a family's income was such that its children were Medicaid-eligible, and the state used block grant funds to extend coverage to the parents, it would make the parents eligible for Medicaid. Similarly, if a family's income made its children eligible for a separate state insurance program rather than Medicaid and the state elected to use its block grant funds to provide coverage to parents at that income level, the state would make these parents eligible for the same state insurance program as their children.

- States would have to cover poorer parents before less-poor parents. A state couldn't use block grant funds to extend coverage to parents above the poverty line until it had used block grant funds to cover the parents below the poverty line.

Other Health Insurance Issues

We also recommend that the Administration again include in the budget its proposal to expand the scope of the Medicaid "presumptive eligibility" option for children. Under the Administration's proposal, a state could use schools and other entities the state deems appropriate as presumptive eligibility providers. This fits very well with the Administration's increased emphasis on using schools to reach and enroll children in health insurance. This proposal was in the FY 1999 budget; it also was in the 1999 McCain tobacco bill. I'm told it fell through the cracks when the FY 2000 budget was put together.

In addition, I assume you will include in the budget a provision lifting the sunset on Transitional Medicaid Assistance for families that have just worked their way off welfare. TMA, which has been in federal law since 1988, sunsets on September 30, 2001. The Administration should propose to make it permanent. This can be coupled with two small but important proposals to make TMA more effective that were included in your FY 2000 budget.

I'd urge that another Medicaid-related proposal that OMB sought to attach to the "ticket-to-work" legislation also be included in the budget. The proposal in question is a Lugar bill to enable state and local Medicaid and CHIP agencies to make greater use, for Medicaid and CHIP outreach and enrollment purposes, of the lists that schools compile of children who are certified for free and reduced-price school lunches. This costs only about $50 million over five years.

Last, but not least, is the issue of expanding health care coverage for low-income legal immigrants. I assume the Administration will re-propose giving states the option to make legal immigrant children who have entered the country after August 22, 1996 eligible for Medicaid and state child insurance programs funded under CHIP.

We, and the principal groups that work on immigrant issues, have suggested one additional expansion related to health care coverage for legal immigrants. This year's Clinton budget proposed to make legal immigrants who enter the country after August 22, 1996 — and who become disabled after entry — eligible for SSI after they have been in the United States for five years; under that proposal, most such immigrants would become eligible for Medicaid at the same time. We assume this proposal will be in the FY 2001 budget. Our suggestion is to accompany this with a proposal giving states the option of extending Medicaid coverage during their first five years in the country to legal immigrants who have entered after August 22, 1996 and have become disabled after coming here.

4. A refundable tax credit for child care or higher-education costs

Consideration could be given to making either the Dependent Care Tax Credit or the Hope credit into a refundable credit. When the Administration considered such steps a few years ago in formulating the 1998 budget, I thought a proposal to make these credits refundable would be a political mistake. But I think the political climate has eased now and the Administration could consider making one, but not both, of these credits refundable.

- When the 1998 budget was being developed, the White House, Treasury, and we were all concerned that Republicans would strongly oppose creation of another refundable tax credit and fight such a credit by waiving the banner of EITC fraud and abuse. We believed the likely result would be that the Administration would not get the refundable credit and that the EITC would be further weakened politically.

- But the atmosphere seems to have changed. The EITC appears stronger now politically for at least two reasons. First, in the last two years, new research has demonstrated that the EITC has induced large increases in employment among single female parents. As a result, a number of Congressional Republicans now see the EITC as integral to the success of welfare reform. Second, in 1995-1996, Republicans believed their own rhetoric that the EITC was the most out-of-control entitlement in the budget, because its cost had risen exponentially over the previous decade. When we all responded that this growth was the result of the 1986, 1990, and 1993 EITC expansions and that the explosive cost growth would end when the 1993 expansion finished phasing in, many Republicans refused to believe it. Of course, the rapid cost growth did end when the expansions phased in, and EITC costs are now "well behaved." This has removed a significant source of EITC criticism.

- In addition, while only a few years ago Republicans vehemently opposed any more refundable credits and argued that such credits are inherently fraud-ridden, today key Republicans such as Dick Armey and a cadre of influential conservatives are promoting the creation of a refundable tax credit for the purchase of health insurance. This approach presents an array of problems as a way to expand health care coverage, but its emergence makes it harder for Republicans to argue that refundable credits are inherently fraud-ridden and that a refundable credit for child care or higher education costs is a terrible idea on those grounds.

We have not done work on the relative merits of making the HOPE credit refundable versus making the DCTC refundable, so I hesitate to rank them. But I'd suggest consideration of making one of these credits refundable.

5. Promoting Mobility Through Housing Vouchers

A growing body of research is finding positive outcomes from housing vouchers that enable poor families to move to areas with better job opportunities and/or schools and less crime. You did a fabulous job in securing 60,000 new vouchers in this year's HUD-VA bill. I hope the new budget includes either 100,000 more incremental vouchers (the same incremental level as was proposed in this year's budget), or 140,000 vouchers, the full level authorized under the 1998 housing bill.

6. Unemployment Insurance

Unemployment insurance reforms are badly needed. And there is a possibility for UI changes next year. The states want changes in UI administrative costs, and the Ways and Means Committee Republicans have told us they plan to push this next year. Employers want elimination of the 0.2 percent federal FUTA surtax. If such changes are made, reforms in the UI benefit structure ought to be secured in return. To do so, the Administration should have a UI reform package in the budget.

As Janet Norwood, the former BLS commissioner and former chair of the Congressionally-chartered UI advisory commission in the mid-1990s, has stated, the current UI system essentially discriminates against low-income workers. Only about one in three unemployed workers receive unemployment insurance benefits. Among low-income workers, the percentage is much lower.

The problem is most severe among low-income women with children. The UI system does not reflect current labor-market realities and is not very family friendly. It does not account for the part-time and intermittent employment patterns common among many low-skilled workers in today's employment market, particularly those who must juggle work and child-rearing responsibilities. In the mid-1990s, only one in six single mothers who worked in jobs paying $5.15 an hour or less (in 1997 dollars) and then became unemployed received unemployment insurance.

Last fall, the Labor Department advanced a package of relatively modest but solid UI reforms. My understanding is that there was significant White House interest in these proposals, but that most of the proposals did not make it into the FY 2000 budget due to lack of an offset of about $1 billion over five years.

This budget is the last chance for the Clinton Administration to propose needed UI changes. If such changes do not become law, the Clinton legacy may look harsher when the next recession hits; at that time, a sizeable fraction of mothers who have been working at low-paid jobs but are then laid off will not be able to get either UI (because of the deficiencies in the UI program) or cash welfare assistance (for such reasons as having exhausted their time on welfare under the welfare time limits). Welfare reform has made UI reform more urgent.

There also is another reason why this is a good time to pursue UI reform. Since the economic outlook is so sunny, 5-year and 10-year cost estimates for UI improvements will be very low. If we wait to seek these reforms until the economy weakens, the price tag will be much larger.

There is substantial agreement among people working in the field about some of the types of changes that are needed. Many of these changes were recommended by the UI advisory commission a few years ago.

- Financial incentives are needed for states to adopt an "alternative" base period for determining UI eligibility. Unemployed workers are eligible for UI benefits only if they earned sufficient wages during the "base year;" in most states, the base year is defined as the first four of the five *completed* quarters preceding the time a worker has become unemployed. This definition of base period ignores up to six months of the worker's most recent work history. Research indicates that use of this base period is a major barrier to UI receipt among low-wage workers, who tend to enter and leave the labor force more frequently than higher-wage workers. Low-wage workers are much better served if states adopt an alternative base period that bases eligibility for benefits on work during the four completed quarters preceding the time the worker became unemployed. A number of states (I think about eight or ten) have successfully adopted this more up-to-date base period.

  Most of the states established their UI systems at a time when the data and technology needed to process claims quickly were not available and it was necessary to use a base period that did not account for the most recent quarter of work. The technology has improved since then. More timely reporting is now available.

  A mandate requiring states to use the more recent base period would be the best approach from a policy standpoint but may not be feasible politically. If not, then financial incentives are needed for states to adopt the alternative base period. When past efforts have been undertaken to persuade states to adopt this base period, the administrative costs entailed have been a principal source of state concern and opposition. Federal legislation is needed under which the Labor Department would pay for, or share in, the costs of start-up and ongoing administration of the alternative base period; these costs principally involve additional staff-time to collect more up-to-date information about claimants. Funds also should be provided for DOL to provide technical assistance to states about the most efficient means to implement the alternative base period; this might include the development and distribution of software that enables employers to comply more readily with more timely reporting rules.

- Improving access to UI benefits for part-time workers also is important. A large number of workers are limited to part-time work due to changes in the labor market or family responsibilities.

  One problem faced by individuals who must limit their employment to part-time hours are the UI rules that most states use under which UI benefits are denied to individuals who seek only part-time work. These restrictions have an adverse impact on many women who must balance work and family obligations and attempt to do so by working part time.

  There are several possible approaches. One would be a requirement that a claimant who limits work search to part time work may not be disqualified on the grounds that the claimant is unavailable for full-time employment *if* there is good cause for the claimant to restrict her hours of work and there is a demonstrated labor market for part-time work in the area.

- A third area where reform is needed involves the definition of "good cause" for leaving a job. The UI program needs to be more family-friendly in this regard. Many women have to leave a job because of personal circumstances and family responsibilities. Such situations include moving to a new area because a spouse takes a new job there, changes in child care arrangements that alter a parent's potential work schedule or temporarily preclude work outside the home, and dealing with a range of family crises or emergencies such as domestic violence.

  Many states have rules that narrowly limit the definition of good cause for leaving a job to circumstances that relate to the job itself; these rules exclude circumstances that involve the types of family situations described above. By contrast, some other states have made it possible for an individual who leaves work for important family reasons such as those noted here to qualify for UI benefits when the individual again is available for work. Federal action is needed to induce or require states to adopt more family-friendly rules here.

Finally, improvements are needed in the extended unemployment insurance benefits program. Only about seven states have adopted the most responsive of the "extended benefits" triggers. As a result, if a major recession occurs, unemployed workers in a substantial number of states with high unemployment rates will not be able to receive extended benefits when their regular UI benefits run out.

Consideration should be given to establishing a higher federal matching rate for extended benefits, such as a 75 percent matching rate rather than the current 50 percent rate. The cost estimate for such a reform would be tiny now because the economic forecast is so bright. Such a reform could prove extremely important when the next significant recession occurs.

It makes sense for the federal government to pick up more of the unemployment compensation burden in areas experiencing high unemployment. In addition, if more states provide extended benefits, there will not be a need to move as quickly to 100-percent federally funded supplemental unemployment benefits in the next recession or to maintain the 100 percent federally funded benefits for as long a period.

7. Immigrant Benefits

We and several civil rights and religious organizations have discussed in detail with Barbara Chow and DPC our recommendations for immigrant benefit restorations in the FY 2001 budget. I won't repeat the full list of recommendations here but did want to emphasize the importance of this area. With Republican nervousness about Hispanic (and possibly Asian) voters in 2000, especially in California, the year ahead may provide an opportunity to extract further benefit restorations for legal immigrants.

OMB — and you and Barbara in particular — have been magnificent on these issues. Immigrants benefits would look very different today without your efforts. I know this remains an area of keen interest to you. I hope as you craft the FY 2001 budget, you can expand on the immigrant benefits proposals in last year's budget.

8. Child Support

Another area in need of change involves federal and state rules for the distribution of child support payments made on behalf of children in low-income families. Federal rules call for states to send to the federal government a portion of the child support paid for a child who is receiving cash assistance benefits. Most states divide *all* of the child support payments made for such children between the feds and the state, with the child receiving *none* of the payment. This also holds true for arrearage payments that cover months when the family was receiving cash assistance.

This procedure is supposed to result in the reimbursement of federal and state welfare costs incurred on behalf of such children. But this procedure is increasingly recognized as unwise — it effectively results in a 100 percent marginal tax rate on these child support payments. The child has the same income regardless of whether the father pays or not. Little wonder that many of these fathers fail to pay (or pay lesser amounts "under the table"). The result is lower child support payments than would otherwise be made — and greater child poverty. Moreover, this system creates disincentives for these fathers to work "on the books;" if they do so, they will have their paychecks garnished for child support payments that will go entirely to the federal and state governments rather than their children.

Reforms in child support financing are needed. Such reforms should include changes that result in a greater share of child support payments actually going to the custodial families.

9. Elderly Poverty/SSI Improvements

Poverty among elderly widows — and for that matter, among all elderly women living alone — is about as high as poverty among children. The Administration has spoken of improving the Social Security widows' benefit as part of Social Security reform. While excellent, such a step would not reduce poverty among elderly women that much by itself. Accompanying SSI improvements also are needed.

In particular, the SSI disregard that is applied to Social Security income, a disregard that has not been adjusted for inflation since SSI started more than a quarter century ago, needs to be increased. If this isn't done, an increase in Social Security widows' benefits will cause some low-income widows to become ineligible for SSI, and as a result, to lose their Medicaid coverage as well. That could make them worse off. Other poor widows would retain their Medicaid coverage but have their SSI benefits reduced one dollar for each dollar their Social Security benefits are increased. This would leave them no less poor. Also needed are improvements in the SSI assets limits, which have not been adjusted for inflation in over a decade.

I don't know whether you intend to include in the budget a specific proposal related to an improvement in Social Security widows' benefits. If you seek to finance the widows' benefit from the budget surplus, you presumably would include the proposal in the budget. But if you want to finance a widows' benefit improvement within Social Security, you either could include it in the budget or say, as you did last year, that it would be worked out as part of Social Security reform.

SSI improvements, however, are not financed from within Social Security; they must be accommodated within the *non*-Social Security budget. The question this raises is: do SSI improvements need to be part of the budget in order to be part of possible Social Security negotiations next year? Such SSI improvements would be very important, and they probably can be secured only in the context of Social Security reform. They could be phased in so they do not entail large costs over the next five years.

Andrea Kane 12/06/99 12:43:20 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP
cc: j. eric gould/opd/eop@eop
bcc:
Subject: Re: AK: Can you give us a run down on what Wendell said

Sure. He urged us to:
1) propose a very strong pass-through and distribution proposal that would put us in a good negotiating position with the Rs (he referenced Haskins/Mrs. Johnson's interest in doing something on distribtion, as well as Cardin's interest). He didn't have specific recommendation, though did indicate "something like Kohl". I think the general point was if something is going to move, we should make sure it's both pass through AND distribution.

2) make sure we have a bold Fatherhood proposal in the mix so we don't let Rs steal the issue. He's suggesting a bigger version of Title I of Fathers Count Act (which he reminded me he'd provided specs for), and threw out a figure of $200 M - $300 M. He described as 'demonstration grants to improve child support, fatherhood, and welfare to work policies'. It should include a focus on incentives for payment of child support, encourage interaction between the workforce and child support systems. He thinks all 3 partners (fatherhood programs, child support, and welfare to work/workforce) must be at the table. He prefers competitive grants in House bill to state block grants in Senate bill -- more targeted, more ability to emphasize issues/strategies we want. He could live without Title II (the 3 national 'earmarked' grants).

3) extend time for current grantees to spend WTW funds. We didn't have a chance to discuss other specifics re: WTW reauthorization but I think his general point was that given limited resouces, we should focus new resources primarily on fatherhood.

4) test economic incentives to pay child support. While he knows it's not likely his child support incentives proposals will be tested on a national level, he'd like to see a few states or communities try them - probably in the context of fatherhood grants.

Cynthia A. Rice

Cynthia A. Rice 12/06/99 12:01:01 PM

Record Type: Record

To: Andrea Kane/OPD/EOP@EOP
cc: J. Eric Gould/OPD/EOP@EOP
Subject: AK: Can you give us a run down on what Wendell said

regarding child support and the budget when you spoke to him? (Since he caught up with you, I never

Andrea Kane 11/30/99 06:26:10 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP, J. Eric Gould/OPD/EOP@EOP, Eugenia Chough/OPD/EOP@EOP
cc:
Subject: Treasury's response to car leasing and homeownership ideas

---------------------- Forwarded by Andrea Kane/OPD/EOP on 11/30/99 06:25 PM ---------------------------

From: Carl Haacke on 11/30/99 03:42:25 PM

Record Type: Record

To: William G. Dauster/OPD/EOP@EOP, Andrea Kane/OPD/EOP@EOP, Jason Furman/OPD/EOP@EOP
cc:
Subject: Treasury's response to car leasing and homeownership ideas

---------------------- Forwarded by Carl Haacke/OPD/EOP on 11/30/99 03:41 PM ---------------------------

Leonard.Burman@do.treas.gov
11/30/99 03:32:35 PM

Record Type: Record

To: Carl Haacke/OPD/EOP
cc: See the distribution list at the bottom of this message
Subject: Re: If you don't have this - might be interesting -Reply

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Date: 11/30/1999 03:27 pm (Tuesday)
From: Leonard Burman
To: ex.mail."Carl_Haacke@opd.eop.gov"
CC: talismanj,fantw,gerardig,davieb,nunnsj,plattj,kieferd,brashares
Subject: Re: If you don't have this - might be interesting -Reply

The used car leasing tax credit is the stupidest idea I have seen at Treasury, which is really saying a lot. Aside from being over the edge tax policy, it would also the Administration's total lack of commitment to its climate change tax incentive and its anti-sprawl initiatives.

Cars are not a merit good. Driving a car does not produce positive externalities (it actually produces many negative ones, such as pollution, congestion, and urban sprawl). A driving tax credit would encourage some people who are currently using alternative modes of transportation to drive instead, which would be a bad thing. The reason poor people can't afford cars is because they don't have money. If they get more money, they can buy a car or move closer to their jobs or spend their money on other things that are more important to them, such as food and housing. Our policies should be aimed at helping poor people to get out of poverty, rather than subsidizing certain kinds of consumption.

We have a proposal for a tax credit to assist low-income people to become homeowners by lowering their mortgage payments. (Some of the same arguments I just made apply here, but not all of them.) I think Sarah Rosen will be setting up a meeting to discuss. Lowering interest payments is a much better idea than reducing downpayments, because the latter discourages saving and encourages people who are highly likely to default on their mortgages to purchase homes. Helping poor people to experience personal bankruptcy is not one of this Administration's goals.

Encouraging localities to relax their zoning laws to allow higher density (affordable) housing is a terrific idea.

Len

Andrea Kane 11/30/99 06:26:51 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP, Eugenia Chough/OPD/EOP@EOP, J. Eric Gould/OPD/EOP@EOP, WEINSTEIN_P@A1@CD@VAXGTWY@VAXGTWY

cc:
Subject: Treasury homeownership idea

---------------------- Forwarded by Andrea Kane/OPD/EOP on 11/30/99 06:26 PM ---------------------------

From: Carl Haacke on 11/30/99 04:26:05 PM

Record Type: Record

To: William G. Dauster/OPD/EOP@EOP, Jason Furman/OPD/EOP@EOP, Andrea Kane/OPD/EOP@EOP

cc:
Subject: Treasury homeownership idea

I just spoke to Michael Barr at Treasury -- their own homeownership idea is not fully cooked and ready for White House consumption. They will send it over once Larry has OK'd.

Andrea Kane 12/07/99 03:58:55 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP

cc:

Subject: IDAs

Anil says HHS pass back includes full $25 M. He also indicated enthusiasm on the car idea. I informally broached the idea with Carmen Nazario who said she personally likes the idea, and will check around quietly with a few others in the dept. In terms of the package of IDA amendments, OCS is still reviewing them. Carmen had originally agreed to have a meeting in mid-Dec to discuss HHS views, but now is asking to postpone til mid-January. Apparently Don Sykes is trying to get more directly involved (which can only help, I think), and OCS is also considering whether there are other changes they'd want to propose besides those proposed by CFED. I told Carmen that we may want to include the car change in a package of IDA-changes so we need to keep this thing moving forward, but I don't think it's essential for our purposes that we conclude our review of the CFED proposals this month.

TO: Cynthia, Eric, Bernie
FROM: Andrea
I'm trying to set up a meeting w/ NEC and Paul for Wednesday a.m. Will let you know once confirmed.

DRAFT – 11/23/1999 8:51 AM

November _____, 1999

MEMORANDUM FOR JOHN PODESTA

FROM GENE SPERLING

RE FY 2001 BUDGET IDEAS

This memorandum provides a brief description of new ideas we are considering for the 2001 budget.

Education

College Completion: Record numbers of students are entering college, but there is a disturbing trend in college completion. College dropout rates are unacceptably high, particularly among minorities. We are working on an initiative to address this problem by increasing appropriations for grant programs, and encouraging colleges to front-load grants (for example, award a student's 4-year eligibility for Pell Grants in the first 2 years). Financial need is a primary factor influencing dropout rates, and students are much more likely to complete college if they make it through the first 2 years.

School Construction: We will need to re-propose a school construction initiative this year. We are currently considering the appropriate size and duration of this initiative, as well as whether it would be better to return the idea of funding the initiative on the spending side rather than structuring this initiative as a tax credit.

Poverty

Expand the Widow Benefit for Social Security to 75 Percent of the Couples' Benefit and Provide a Credit ($10,000?) for up to Five Years Spent Raising Children: The President could move further in endorsing a specific widow poverty option. He could also say that he would like us to get together and *do this option in a paid for manner that does not affect solvency*. One possibility would be to pay for this out of the on-budget surplus through transfers. It may be possible to change certain rules and accounting practices in Social Security to do this.

Getting to Work: A major factor in getting out of welfare and into a job is being able to drive to work. But the way the food stamp program works, it penalizes any beneficiary who owns a car worth more than $4,650. That car allowance was $4,500 in 1977 and has barely crept up since. In the meantime, as a result of welfare reform, states can now liberalize their car allowance for purposes of the TANF program, and more than 40 states have. We should give states the option of conforming their car allowance under the food stamp program to their car allowance for TANF (so long as they do not lower it). Because of Administration steps to increase categorical eligibility under food stamps, the cost of this option will be less than it was last year. As well, the intervening year has seen a worrisome drop in food stamp participation. Finally, with states liberalizing their TANF car allowance, this is now an idea that the states have pioneered.

Helping Low-Income Working Families: The poverty rate among children in families with three or more children is nearly twice that of families with fewer children:

Child Poverty Rate by Family Size	
Number of Children In Family	Poverty Rate
1	12
2	14
3	24
4	36

Source: Bob Greenstein examining 1997 data

As well, with welfare caseloads declining markedly, the question is raised whether work – which, unlike welfare, does not compensate more for larger families – still pays for people with larger families. For the sake of family formation, supporting work, and reducing poverty, the President could call for expanding the EITC to help these working families. A third tier of EITC benefits could be created for families with three or more children. The President began his Administration with a large expansion of the EITC. The poverty rate for children has fallen dramatically, but it is still too high. The EITC plus the minimum wage lifts full-time workers with one or two children out of poverty. With a one dollar increase in the minimum wage, a full-time worker with two or more children would have earned $15,115 in 1998 – which is about $1,500 below the poverty line for a family of four ($16,660). Adding an additional tier to the EITC would be a well-targeted way to pursue the goal that no parent working full time should have to raise children in poverty. Senator Gore introduced a proposal to do this (among other things) in the bill (S. 995) he introduced May 7, 1991. Congressman Downey introduced the companion bill (H.R. 2242) the same day.

Muni-Mac – Fannie Mae for Municipal Bonds as Part of New Markets Agenda: An institution modeled after Fannie Mae for municipal bonds could improve liquidity for risky and small municipalities. Many small and poor communities may face poor risk ratings because of the lack of quality information about these municipalities to provide investors with an accurate picture of future risks. Poor quality information creates uncertainty that can increase risk premiums. Muni Mac could help standardize municipal bond issues for selected markets so that these communities could better enter the bond market. More standardized and uniform issues could also facilitate bond pooling and thus diversify the risk of small and poor communities. This initiative could be incorporated into the broader New Markets agenda by helping these untapped communities.

Publish Annual Statistical Report on New Markets and Develop Website Database To Pool Data Useful to Investors To Locate Business Opportunities in New Markets: *Statistical report.* We argue that one of the reasons that there is hidden investment potential in New Markets is that there is an information gap that does not enable potential investors to identify productive business opportunities. The Federal Government can play a key role in filling this gap by publishing an annual statistical survey of New Markets to help investors understand this potential. Funding should include resources to pay for the pooling of existing data, making key statistical indicators more timely, and developing new useful indicators that do not currently exist. For example, many businesses are dependent on using the median income indicator to assess market capacity. But the aggregated figure hides what may be large numbers of households with much higher incomes within poor communities. We could therefore have Census collect data on the numbers of households that fit into various income brackets to help assess the distribution of income in poor communities and thus better target investment opportunities. *Website Database.* We can also set up a website that would enable easy access and sorting of Census data on local communities that would not be possible in printed form because of the volume of information.

Taxes

Cutting High Marginal Tax Rates: Some of the highest marginal tax rates in the tax system are those paid by people phasing off of EITC. If Congress really wants to reward work and lower tax rates, it should lower the rate by which EITC benefits phase down. Under current law, starting at $12,460 in income, EITC benefits decrease by 16 percent for families with one child and by 21 percent for families with two or more children. To maximize the number of working families EITC could lift out of poverty, we could lower the rate of decrease in EITC benefits until the poverty level for families of three or families of four, respectively

Eliminate the Marriage Tax Penalty – for the EITC Also: There are better and worse ways to address the "marriage tax penalty." Currently, about half of married taxpayers pay more taxes than if they were single filing separately and half pay less taxes. One way of addressing this is to make the standard deduction for married filing jointly double that of single filers. One limitation of this approach is that it provides a bonus for all married couples that take the standard deduction – whether or not they are paying a penalty. The other limitation is that it provides relatively little tax relief (about $210 for people in the lowest bracket). An alternative proposal could be better targeted and thus provide more for those who pay a penalty. It could also be pitched as being pro working family. We could make a new deduction that would be a fraction of the lower earner's income – so that couples with only one earner would not get marriage penalty relief, but couples who paid the largest penalty (those who earned about the same amount) would get the largest bonus. EITC marriage tax relief would be an integral part of this proposal.

Paid Leave Through the Tax Code: We have long been trying to create ways of paying people for the leave they take under FMLA. While we now allow states to create state programs through the UI system, the Federal Government can encourage companies to offer paid leave through tax deductions, or enable individuals to make up for lost pay through tax credits. (1) Provide corporate tax deductions to encourage firms to provide paid family leave for eligible uses. (2) Tax credit for lost pay during leave. We could offer individuals a progressively structured tax credit for the pay individuals lose during leave. The credit would be targeted to lower income families by making only those with joint earnings less than $100,000 eligible. The credit could also be progressive by offering $1 in credit for each $1 lost in pay to families earning less than $40,000 and $0.50 for each $1 lost in pay for families earning between $40,000 and $100,000.

Tax Reform: The tax code has become enormously complex. Nonetheless, the individual income tax remains a bulwark of fairness. Defense and maintenance of the income tax is necessary to sustain Government that has a progressive effect on personal income. The President could call for a Treasury study and proposal for how to simplify taxes – like the 1984 version by Secretary Regan cited by President Reagan in his 1985 State of the Union that helped lead to the 1986 tax reform law. Launching a campaign for tax reform would allow the Clinton-Gore Administration to steal the thunder of both Republican tax cutters and Democratic tax simplifiers from days gone by.

Individual Investment Credits – Flexible Tax Credits: The Administration could create Individual Investment Credits. The Credits would act like a voucher that could be transferable for an array of services that provide development support such as child care, pre-school, college, health, job training, or basic skills building. Every American would benefit, but the credits would be allocated according to a steeply progressive scale. Individuals themselves would decide how to use the credits where they need it most among the allowable services, instead of Government deciding for them. In order to enable people to claim the credits when they need them rather than during the tax cycle, collection could also be done through "employer provided advanced payment option." This option allows employees to estimate their eligibility and get refunds in real time from their employer through the tax withholding process. It is currently allowed for EITC and could be used as a vehicle for this form of credit. The Administration has already developed a solid track record of targeted tax credits for specific key investments such as education, child care, long term health care, and retirement. We could take a step further by broadening core support for an array of services while also providing Americans the flexibility to allocate for themselves how the financial support is used.

This flexibility would be more efficient and could also blunt some Republican criticisms that "American's should decide for themselves how to use their taxes.".

Taxation of Civil Rights Settlements: The taxation of civil rights judgments and settlements encourages lawyers to push for higher damages and increases litigation. Successful plaintiffs are taxed on the full amount of a judgment, notwithstanding that much of the proceeds go to attorneys' fees. Both business and the civil rights community would applaud exempting such settlements from taxation.

<u>Savings</u>

Children's Savings Accounts (CSAs): Provide $1,000 deposited into a CSA for the roughly four million babies born each year, followed by $500 yearly deposits until age five. The Corporation for Enterprise Development (CFED) estimates this would cost $40 billion. Eligible withdrawals from CSAs would be for: higher education, first-home purchase, and small business capitalization. Matching contributions could additionally be encouraged through additional tax incentives.

IDA Tax Credits: $10 billion over 10 years for two tax credits: (1) a Financial Institution Individual Development Accounts (IDA) Tax Credit for matching, on a one-to-one basis, IDA savings up to $500 per year; (2) and IDA Investment Tax Credit for private sector investments in certified IDA programs administered by 501(c)(3)s, credit unions, or CDFIs. These credits could increase the scale of IDAs by leveraging private sector involvement.

Boosting IDAs: $25 million for Assets for Independence Demonstration Program (AFI), a $5 million increase over the $20 million included in the FY 2000 budget and the maximum allowed under the authorization. AFI is currently the most important source of IDA funding. According to CFED, $25 million would allow about 12,000 low-income Americans to open up IDAs.

Executive Order To Encourage Savings, Either Among Federal Employees (as a Demonstration) or in the Private Sector: Last year, the President announced that the companies could make 401(k)s the default option; that is, they could automatically put new employees in a 401(k) unless they took action to opt out of the plan. There may be ways to extend this for the private sector, and also to have the Government do this with the TSP as a demonstration to the private sector. This could be part of an overall package to encourage savings for working Americans, possibly along with USAs or other tax incentives.

Medicare Reform

Plan To Strengthen and Modernize Medicare: The President should include his reform plan in the budget. We could include the June proposal unchanged, a modified version of it, or we could see if we could work with key Congressional members to develop a bipartisan plan for introduction in January. Below are the elements of the proposal that could or should be revisited.

Nature of drug benefit. At the end of 1999, it appears that we have made significant headway in gaining public support for a universal rather than a low-income benefit. This may, however, have created a problem. Given the cost of the universal benefit – and the likely higher cost in the new baseline – we may be faced with a choice of paying more for the same benefit or reducing the benefit. Indeed, the Breaux-Frist proposal includes a higher premium for beneficiaries for coverage that is about the same value as the President's (it allows managed care and private plans to design their own benefit within a certain dollar value, which we think is not viable). We fear that we may be headed down the path of the 1989 Catastrophic Act debacle, resulting in a universal benefit that will be too expensive or too modest to be supported by beneficiaries. As such, we may need to shift the discourse from a choice between low-income and universal coverage to decent versus substandard coverage. We may also want to consider modifying the design of the drug benefit to include some level of catastrophic coverage. This could be done by reducing the benefit cap to allow for adding some type of out-of-pocket limit. Some catastrophic coverage would make it more palatable to both liberal Democrats and some Republicans who are concerned about the insurance nature of the benefit. Such a policy, however, remains subject to the same criticisms that led us to reject it last spring: It has a higher growth rate over time, and is more complicated.

Inclusion of Balanced Budget Act (BBA) extenders. It is unlikely that we could credibly include the extension of BBA policies in our plan, in light of the recent Balanced Budget Restoration Act (BBRA). They comprised the majority, however, of the savings in our plan. Thus, if we do not include them in our budget, then we would need to consider alternative financing sources for the prescription drug benefit, such as a tobacco tax or additional surplus funding. While using a tobacco tax for the budget may be a non-starter, there appears to be support in the Senate for it as a financing source for a prescription drug benefit (the Snowe-Wyden drug benefit funded by a tobacco tax gained 54 votes in the budget resolution). In addition, the recent report about the decline in Medicare spending may lower the need for surplus for solvency and could justify the additional dedication of the surplus for prescription drug coverage.

Managed care and competition. Although most of the unwarranted managed care spending in the BBRA cannot be changed (the 2001 risk adjustment change gets implemented in April and most of the $4.8 billion results from the indirect effect of the fee-for-service changes on managed care payment rates), we could add a repeal of the change in the 2002 risk adjustment and rescission of the rate increase for 2002 to the competition proposal. (Savings: probably $0.5 to 1 billion over 5 years).

Medicare board. To the extent that we want to try to pass legislation next year, we will need to be more aggressive on the Medicare Board issue. Like the IRS, HCFA has developed a reputation as an immovable and archaic bureaucracy. While this is in large part untrue, it seems clear that no reform package will pass without changes to Medicare management. Thus, we should consider whether it is advisable to move out ahead of this issue, or simply be prepared to respond to Congressional proposals.

Policies To Reduce Fraud, Abuse and Overpayments: Medicare policies to reduce overpayments, fraud and abuse include: Medicare secondary payer enforcement, tightening up the partial hospitalization benefit, reducing overpayment for epogen, single fee for surgery, expand the DRG payment window, enteral nutrients payment change, and durable medical equipment payment changes. (Savings: about $4 billion over 5 years). In addition, Medicaid policies to reduce the windfall for administrative costs (cost allocation) and overpayments for generic drugs could save about $1.5 billion over 5 years. All of these policies were included in the President's FY 2000 budget.

Cancer Clinical Trials: A three-year demonstration would cover the patient care costs associated with certain clinical trials. This proposal was in the President's FY 1999 and 2000 budgets. (Cost: $750 million over 3 years)

Health Quality

Patients' Bill of Rights: The President will continue to encourage Congress to pass the bipartisan, Norwood-Dingell legislation. We did not include the revenue loss associated with this bill in our budget last year and it would probably be advisable to do the same this year. We have, however, explicitly supported the House Democrats position that its cost should be offset. As you may recall, they took this position to undermine the Republicans' lack of financing of their so-called "access" provisions in the House-passed patient bill of rights.

Privacy Protections: In the context of the Administration's overall commitment to privacy protections in health care, financial and other areas, we will likely want to initiate or endorse legislation to expand the scope of our authority to regulate in this area to include paper claims (not just electronic claims), to provide for greater enforcement authority to ensure the protections promised are real, and to contemplate the possibility of an earlier implementation of these protections (the HIPAA legislation constrains our ability to implement the privacy protections until two years after the final regulation is issued, which is planned for next spring). We would likely work with Congressional staff on this rather than initiate such legislation ourselves.

Genetic Discrimination: We will continue on our efforts to promote legislation to prohibit use the use genetic information in health insurance and employment situations. Again, this is a Congressional initiative that we will support rather than an explicit budget proposal.

Promoting Outcomes-Oriented Health Care: Last year, the Vice President appointed a commission to examine ways to promote and disseminate results of studies on effective health care practices. This proposal would give HHS a greater leadership role in accelerating this activity. (This may have discretionary costs.)

<u>**Health Coverage**</u>

Encouraging Small Businesses To Offer Health Insurance: This initiative would encourage small businesses to offer health insurance to their employees through: a new tax credit for small businesses who decide to offer coverage by joining coalitions; encouraging private foundations to support coalitions by allowing their contributions towards these organizations to be tax exempt; offering technical assistance to small business coalitions from the Office of Personnel Management. This proposal was in the President's FY 2000 budget. (Cost: $100 million over 5 years) (Note: could broaden)

Coverage of Parents of Children in Medicaid and Chip): This Administration could issue guidance on the CHIP 1115 option, allowing states that cover parents of children on Medicaid to access CHIP allotment funds for parents of children in CHIP. This option would only be available to states that have expanded coverage for children to at least 200 percent of poverty and have successful outreach programs in place. It could also provide state with the same, enhanced matching rate that is available for CHIP for the parents of children enrolled in Medicaid as an incentive to expand coverage.

Extending Transitional Medicaid: Under current law, families covered by Medicaid (under section 1931) can continue Medicaid coverage for up to one year after they become ineligible because of increased earnings or child support. This requirement expires in at the end of FY 2002. This proposal would lift this sunset. (Cost: likely several billion over 5 years)

Restoring State Options To Cover Legal Immigrants: Welfare reform prohibited states from providing Federally-subsidized health insurance for certain legal immigrants. This proposal would restore this option for pregnant women and children in Medicaid and the Children's Health Insurance Program (CHIP). This proposal was in the President's FY 1999 and 2000 budgets. (Cost: $300 million over 5 years)

Tax Credit for Individual Insurance: This policy would give people without access to employer-based insurance a tax credit, equal to 25 percent of the cost of coverage, for purchasing individual insurance. While it is not expected to have a significant impact on coverage, it would removes an inequity in the tax treatment of health insurance.

Accelerating the Tax Deduction for the Self-Insured: This policy, included in the Republican "access" bill, would allow for 100 percent deduction of health insurance for self-employed to be implemented in 2001 rather than the scheduled 2004. (Cost: about $3 billion over 5 years)

Health Care for the Near Elderly

Medicare Buy-In for Certain 55 to 65 Year Olds: This initiative expands the health options available for older Americans by: enabling Americans aged 62 to 65 to buy into Medicare, by paying a full premium; providing vulnerable displaced workers ages 55 and older access to Medicare by offering those who have involuntarily lost their jobs and their health care coverage a similar Medicare buy-in option; providing Americans ages 55 and older whose companies reneged on their commitment to provide retiree health benefits a new health option, by extending "COBRA" continuation coverage until age 65. This proposal was in the President's FY 1999 and 2000 budgets. (Cost: $1.8 billion over 5 years)

Health Care for Children

Option for Using School Lunch Information for Children's Health Insurance Outreach: Currently, school lunch programs are allowed to share enrollment information with other social programs, but not health insurance programs. The proposal would allow schools to elect to share school meal applications with Medicaid and CHIP staff unless parents opt not to have such information disclosed. When shared, application information may be used only for the purpose of child health insurance outreach and enrollment. (Cost: $50 million over 5 years)

Broadening Presumptive Eligibility for Children for Medicaid: This proposal builds on the 1997 option to allow workers in programs that provide services to children, like school lunch programs and child care subsidy programs, to provide families with immediate, temporary Medicaid coverage while their full application is being provided. This proposal was in the President's FY 1999 budget. (Cost: about $600 million over 5 years)

Option for Deemed Eligibility in Medicaid for Children: Currently, people enrolled in the supplemental security income (SSI) program automatically get Medicaid without filling out a separate application. This proposal would give states the same option for Medicaid-eligible children (note: states can use this option in CHIP under current law). Specifically, it would allow states whose income standards exceed the income eligibility for the Federal free- and reduced-price, WIC, Head Start, or Food Stamps to enroll children in Medicaid without a separate application. States would have to assure that they have safeguards against fraud and that they check immigration status.

Aligning Medicaid and CHIP: States would be required to use the same application for children eligible for Medicaid and CHIP, to simplify enrollment. States also must use the same redetermination process for Medicaid and CHIP.

Long-Term Care

Long-Term Care Tax Credit: This new tax credit compensates for a wide range of formal or informal long-term care for people of all ages with three or more limitations in activities of daily living (ADLs) or a comparable cognitive impairment. This proposal would benefit about 2 million Americans. This proposal was in the President's FY 2000 budget. (Cost: $5.5 billion over five years)

National Family Caregivers Program: The program is designed to assist approximately 250,000 families caring for elderly relatives who are chronically ill or disabled. It will support a caregiver support system in all states that provides information, education, counseling, and respite services directly to care-giving families. This proposal was in the President's FY 2000 budget. (Cost: $625 million over 5 years)

Offering Quality Private Long-Term Care Insurance to Federal Employees: Proposal allows OPM to offer non-subsidized, private long-term care insurance to all federal employees, retirees, and their families at group rates. Roughly 300,000 Federal employees are expected to participate in this program. This proposal was in the President's FY 2000 budget. (Cost: negligible)

National Campaign To Educate Medicare Beneficiaries About Long-Term Care Options: This campaign would provide Medicare beneficiaries with information about State administered home and community based care options including: what long-term care Medicare does and does not cover; Medicaid and Older Americans Act programs; and what to look for in a quality private long-term care policy. This proposal was in the President's FY 2000 budget. (Cost: $10 million for 2001)

Extending Medicaid Home and Community-Based Care Options: This proposal would remove the institutional bias in Medicaid by allowing states to cover people with income up to 300 percent of the SSI limit both within and outside of nursing homes. This proposal was in the President's FY 2000 budget. (Cost: $110 million over 5 years)

Promoting Assisted Living for People on Medicaid: This proposal would provide HUD grants to convert elderly housing to assisted living facilities if those facilities worked with Medicaid to ensure that Medicaid beneficiaries can live there. This proposal was in the President's FY 2000 budget. (Cost: $100 million over 5 years)

Disability

Extending Medicare for People with Disabilities: In the compromise on the Work Incentives Improvement Act, its Medicare benefit was limited to an additional 4 and a half years. The policy in our budget last year was unlimited. This proposal would remove the time limit. (Cost: $0 for 2001-05, about $200 million for 2006-10)

$1,000 Tax Credit for Workers with Disabilities: Under this proposal, workers with significant disabilities would receive an annual $1,000 tax credit to help cover the formal and informal costs that are associated with and even prerequisites for employment, such as special transportation and technology needs. This tax credit would help 200,000 to 300,000 Americans. This proposal was in the President's FY 2000 budget. (Costs: $700 million over 5 years)

Expanding Assistive Technology: This proposal would double the budget for assistive technologies that enable people with disabilities to work. (Cost: $35 million for 2001)

Parity for Mental Health Treatment: Following up on this year's White House Conference on Mental Health led by Tipper Gore, we should press on toward improving mental health parity in health insurance. And to help fight the scourge of substance dependency, we should ensure that parity is also ensured for coverage of substance abuse treatment.

Keeping Out of Institutions and Getting to Work: Millions of people with disabilities would prefer to live at home rather than in an institution. Millions of people with disabilities would like to contribute to the workforce, if they just had a little help. These two groups share the need for support staff to help them. By facilitating the providing of support staff for the disabled, not only would we help people with disabilities stay out of institutions and help people with disabilities live more productive lives, but we would also free up millions of middle-aged mothers and daughters, fathers and sons of people with disabilities, who are now taking time out from their jobs to help out their disabled relatives. We can build on the bipartisan success of the Work Incentives act.

Reinventing Government

Social Venture Capital Fund – Reinventing Government by Improving Investments in Social Programs: We could set up a quasi-governmental social venture capital fund to make *investments* in social programs in priority areas such as education/training, child care, and other anti-poverty initiatives. The Fund would draw its staff from the private and non-profit sectors, and its staff would not become part of the civil service. Salaries would be pegged to the performance of the programs to improve incentives for the mainline staff to identify promising programs and cut off funding for repeatedly poor performing programs. The fund would be modeled after Venture Capital Funds, but investments would be targeted to effective social programs. Formulas would be developed to account for the social value of the programs to determine clear returns to capital. Such a Fund could be part of a Vice Presidential re-invention effort to improve Government program incentives so that Government funding is held more accountable. While NPR and the Government Performance Review Act (GPRA) are making strides to improve the performance measures that are collected, they do not change the incentive structure to make funding dependent on performance.

Green Pages in the Phone Book – Government Service and Hotline Numbers: The Administration should develop a Green Pages section in the phone book that would describe in plain English basic rights and regulations the Government enforces, and services it provides with 1-800 numbers to find out more. The initiative could be introduced by the Vice President as part of his reinvention effort and be part of a full-scale customer service campaign. The Vice President's NPR office does have an initiative to modify their existing Blue Pages to make it more user friendly. The effort falls short, however, of its potential, and there are no plans to integrate it into a more visible campaign.

"Putting a Human Face on the Global Economy"

Launch an Economic Democracy Institution Building Initiative: The President could enhance his legacy of world economic leadership and contribute to building the new consensus on trade he seeks by issuing an appeal to international financial institutions and donor governments to raise the profile, increase the funding, and improve the coordination of assistance to countries that wish to build modern systems of public administration for the implementation of economic policies. He could urge the international community to offer not only expertise in the design of laws, regulations, and adjudicatory procedures, but also resources for the training and compensation of public administrators. It is quite possible that he will do so in December to a meeting with heads of international organizations in Seattle. As a follow up to this appeal to the international community, the Administration could propose a new program of bilateral assistance in this area, building on the considerable work AID and other agencies are already doing in developing countries. It might involve a high-profile exchange program that would bring developing country public administrators to the U.S. to learn how our public institutions operate as well as send our experts and resources to their countries for onsite assistance (an Economic Democracy Corps?). The initiative could be explained to the American public as helpful not only in aiding poor countries combat the scourge of corruption in their daily economic affairs (which places American businesses at a disadvantage because of our comparatively strong anti-bribery strictures) but also to ensure that financial, labor, environmental, and other protections are extended to entrepreneurs, investors, workers, and communities in practice as well as in law. Americans have a clear stake in the latter, as there is little that would respond more directly and constructively to concerns about the impact of globalization on workers and the environment in developed countries than an effort to improve the capacity of developing countries to administer their own labor, environmental, and other laws.

The cost to the U.S. of enhancing its bilateral activity in this area could be modest, anywhere from $25 million to $150 million per year above our current capacity building requests. US AID has forwarded to OMB an FY 2001 request for a $175 million plus-up in its governance and economic growth program, which covers the scope of activities entailed in this proposal. This is AID's major request for next year, and it seems quite willing to have it linked in some way to our "human face" and WTO developing country agendas. Some portion of this amount, when combined with our existing capacity building funding levels and initiatives, would be sufficient to leverage our contribution many times over with international institution funding. We may well launch the international organization aspect of this appeal in some form at the Seattle WTO ministerial as part of our developing country agenda there, in which case an FY 2001 budget request for additional USG funds for this purpose would be helpful follow through.

Institution building in developing countries is a missing (or at least seriously underemphasized) piece of the world's economic policy architecture. Particularly in the aftermath of the Russia corruption revelations, the U.S. is emphasizing the need to add good governance to our standard development prescription of sound fundamentals, openness, and competition. Institutions that enforce the rule of law in economic affairs influence the breadth of participation in the benefits from the expanded economic growth brought by trade and investment. As we hear repeatedly in trade debates, many developing countries fail to adequately implement and enforce investor, worker, consumer, and environmental legal protections. The reason is typically not the lack of good laws but rather weak public administration stemming from inadequate expertise and resources. As these countries expand trade and investment ties with developed countries, their weak domestic institutions can contribute to skepticism about the fairness of trading arrangements and fears about a race to the bottom with respect to social protections among citizens in advanced countries. Moreover, as we learned from our own industrialization, the absence of effective financial, labor, health and safety, and judicial protections can limit the gains to broad living standards from rapid industrialization and contribute to inequality in developing countries. This in turn can undermine public support for open markets and domestic reforms.

Call on World Bank and MDBs To Support Creation of Social Insurance Programs in Industrializing Countries: One of the lessons of the Asian crisis is that the human toll of financial crises is worse in countries without basic social protections. We learned this lesson in the United States in at an earlier stage of our own economic development. Out of the ashes of our own financial crash and economic depression, we created two basic social insurance schemes to lessen the human costs the accelerated economic change brought by a modernizing economy. The establishment of our unemployment insurance and Social Security programs in the 1930s not only made our economy more resilient, it also bolstered public support for market-oriented policies essential to the flexibility and innovation central to America's subsequent economic success. The forces of creative destruction unleashed by today's global information economy dwarf those we experienced earlier in our industrialization. We should stand ready to help newly industrializing countries seeking to institutionalize greater social protections for their workforces. The President could call on the World Bank in consultation with the regional multilateral development banks to take steps to provide technical and financial assistance in the design, capitalization, and administration of such programs. Again, this step ties in well with our efforts to reassure workers here that global integration will naturally and steadily lift living standards and working conditions in developing countries.

Call for a New Global Effort To Educate Children: UNICEF estimates that providing primary education to all kids would cost the world an additional $7 billion per year. UNICEF's estimate relates to all kids in all countries not now being provided primary education (a large proportion of those not now in school are girls). We might bring the international annual cost down by focusing on least developed countries or by phasing in the program (which would require a considerable period to implement in any event). We could make it effective by emphasizing a school lunch component (this would add a practical incentive for poor families to send their kids to school). Such a proposal would be a visionary, legacy-leaving initiative that would help reduce child labor and boost economic growth prospects in the developing world. The direct cost to the U.S. would be limited in that we'd be appealing mainly to international donors, notably the IFIs, but also private donors, to step up their efforts. The initiative would dovetail well with the Cologne Debt Initiative framework for channeling savings to developing country governments from debt relief into higher spending for poverty reduction, including education.

Energy and Environmental Technologies: The global markets for energy and environmental technology are growing dramatically. An increased supply of energy is needed for economic development around the world; failing to provide needed energy services would risk economic development and political stability. Likewise, the developing countries have a growing need for new environmental technologies; they are necessary to clean water, reduce environment-related health problems, and to promote sustainable development and the efficient use of global resources. The President could propose a comprehensive initiative to expand U.S. export of energy and environmental technologies, creating perhaps several hundred thousand new jobs. Moreover, we would at the same time be enhancing air and water quality, reducing the emission of greenhouse gasses and improving health around the world. The President's Committee of Advisors on Science and Technology (PCAST) has concluded that global markets for energy supply technologies alone could total $10 trillion over the next 20 years. The Department of Commerce believes that we could double the export of environmental technologies to

$36 billion by 2005, creating about 130,000 new jobs. U.S. firms need to capture a significant share of that market, however, if they are to remain competitive. PCAST has recommended approximately $250 million of additional spending in order take advantage of the opportunity that lies ahead. These funds would be used to promote increased joint technology cooperation in research, development and adaptation, including technical assistance and training, for buildings, industrial efficiency, transport, clean fossil energy, and renewables; to offer bilateral assistance to trading partners; increase support for energy sector policy reforms at multilateral banks; work with the private sector to promote practices that will facilitate the sale of such technology; and, streamline and enhance trade assistance at U.S. export agencies. The President noted as recently as his last press conference that developing countries need not develop along the same fossil energy fuel path that the United States and Great Britain developed, and this initiative is consistent with that thought.

High Tech

Internet Access for Rural America: Fiber optic cable is replacing traditional copper and coax cable as the primary source of data transmission. In rural areas, however, the small numbers of users per mile make the cost of installing fiber optic cable prohibitively expensive. In the Pacific Northwest, the Department of Energy's Bonneville Power Administration (BPA) has installed fiber optic cable within its right-of-way to provide communications between its facilities. In order that it has room to expand its data transmission capacity in the future, BPA's fiber optic cable contains excess capacity which BPA's has begun leasing to public utility districts (PUD) so that they may offer data transmission access to internet providers and their rural customers. BPA simply provides the backbone of the system, and the PUDs have to pay for the cost of local interfaces. The President could propose expanding such a program to all of the Federal power administrations, bringing affordable Internet access to a much greater geographic area.

Digital Divide: Currently, households with incomes of $75,000 and higher are more than twenty times more likely to have access to the Internet than those at the lowest income levels, and more than nine times as likely to have a computer at home. The President could launch a bold initiative to help close the digital divide, by:

- Expanding support for Community Technology Centers (currently at $32 million);

- Providing tax incentives for broadband investment in distressed urban and rural communities;

- Encouraging the development of content that will help empower low-income families (e.g. adult literacy, English as a Second Language, local information on child care, health care, transportation, information needed to start own micro-enterprise); and

- Subsidizing PC and Internet access to the home for low-income households;

- Encouraging the private sector to provide PCs and Internet access with a "telecommuting tax credit."

Information Technology for the Twenty-First Century: The President first called for this initiative in his 1998 MIT Commencement address, and it was included in the 1999 SOTU. The Vice President rolled out the initiative in California. This is the second year of a multi-year effort to significantly expand our investment in information technology research in three areas: (1) *Fundamental IT research:* (examples) Managing the Internet as it grows to connect not just millions of computer, but potentially billions of devices; developing software that is much more reliable and dependable; improving wireless technology so that it will provide broadband connectivity to rural America; real-time translation between multiple foreign languages; developing computers not based on computer chips – but biological mechanisms such as DNA. (2) *Scientific and other applications of IT:* Acquisition of very high-end computers capable of trillions of calculations per second; more accurate prediction of hurricanes and tornadoes, which can save lives and reduce evacuation costs; reducing the time required to develop live-saving drugs, and moving from determining the sequence of the human genome to determining the function of genes; (3) *Economic, ethical, legal and social implications of the Information Revolution:* Studies on the broad economic and social impacts of IT. *Rationale:* Information technology is driving the U.S. economy. In recent years, IT has accounted for 1/3 of U.S. economic growth, and is generating jobs that pay almost 80 percent more than the private sector average. All sectors of the U.S. economy are using IT to increase productivity and become more competitive. Many of the technologies that are responsible for the remarkable U.S. economic performance have their roots in Government-sponsored research going back to the late 1960's. The ARPANET is only the best known example – others include the first graphical Web browser – which led to the explosion of the World Wide Web. Companies rarely, if ever, fund research with a time horizon of longer than 3-5 years. Funding university research also helps address the skills gap – since it provides support for graduate students through research grants. A blue-ribbon commission (the President's Information Technology Advisory Committee) has endorsed doubling our current IT research investment. *Cost:* Last year's request was an increase of $366 million. We would be looking at a similar level of investment this year. Agency requests will be modified to reflect final FY 2000 appropriations. For example, NSF got almost full funding; Energy was zeroed out.

Nanotechnology: Nanotechnology is the ability to manipulate matter at the atomic and molecular level to create things with new, useful properties. A "nanometer" is a billionth of a meter. Nanotechnology could transform the 21st century in the same way that the transistor and the Internet transformed today's economy and society. Nanotechnology could lead to the following breakthroughs: Material that is strong as steel but 10 times lighter; the ability to detect tumors a few cells in size as opposed to waiting until they are visible to the human eye; the ability to store the equivalent of the Library of Congress on your watch; filters that can dramatically reduce air and water pollution by screening out small particles. The initiative has five elements, including: (1) support for fundamental research; (2) "grand challenges" (discussed above); (3) university-based centers of excellence; (4) education and training; and (5) research infrastructure (instruments). *Rationale:* Huge potential payoff – could be the next big thing. Beyond time horizon of companies – requires some real breakthroughs before the technology can be commercialized. Will help with the "balance" of our overall research portfolio by increasing support for physics, chemistry, materials science, electrical engineering, etc. Very high-level of interest in the research community – agencies can only fund a small portion of the meritorious research proposals that are coming in. *Cost:* Agencies have submitted requests for $311 million in FY 2001.

Educational Technology Research Initiative: Invest in research to improve the "state-of-the-art" of educational technology. Examples would include: use of speech recognition and speech understanding to improve reading performance of at-risk 3rd graders; modeling and simulation to allow students to learn by doing – similar to the way pilots learn to fly by using a flight simulator as opposed to getting lectures on aerodynamics; an intelligent tutor that recognizes common student errors and provides customized feedback. *Rationale:* Leverage Federal Government's investment in IT research by applying it to education. Current level of investment in education research (relative to total spending) is 0.1 percent – compared to 3 percent for industry and 10-15 percent for high-tech industries. Recommended by President's Council of Advisors on Science and Technology (David Shaw report). Research in this area has led to demonstrable results that show effectiveness of educational technology (for example, Carnegie Mellon Algebra Tutor significantly improves student performance on story problems). *Cost:* $50 million in Department of Education budget. This would support 10 centers of excellence – including research, development, and evaluation in a classroom setting.

Internet for Economic Development Initiative: On October 12, 1999, President Clinton said: "Now, last year we made – and this year we will make, through our aid programs in foreign countries – over 2 million microenterprise loans to poor people, to help them start their businesses in Africa, and Latin America, and Asia. If you could somehow marry the microenterprise concept to setting the infrastructure of the Internet out there, I do think it's quite possible that you could skip a generation in economic development in a way that would reinforce rather than undermine the environment." The President called for this in November 1998, too late to seriously affect the FY 2000 AID budget. The goal of initiative is to expand Internet and its applications in 11 developing countries. The Vice President has given several keynotes on the link between the Internet and development in developing countries. Elements of initiative include: policy reform (encouraging developing countries to adopt Internet and e-commerce friendly policies); training of people in developing countries; support for applications of Internet – including e-commerce for small and medium-sized enterprises, distance learning, and telemedicine. *Rationale:* Global spread of Internet will boost U.S. exports, because of dominant position of U.S. suppliers. If developing countries feel that they have a stake in the Information Revolution, they will be more likely to support U.S. positions on e-commerce. Major impact on economic and social development in developing countries. For example, farmers can get twice as much for their crops just by being able to find out the current price in the capital city. *Cost:* $45 million.

Manufacturing Initiative: The goal of this initiative is to strengthen competitiveness of U.S. manufacturing sector. Possible components include: export promotion (ExIm, Department of Commerce); incumbent worker training (Labor, tax incentives); helping small and medium-sized companies adopt e-commerce (Commerce); "green" manufacturing (Energy Dept.); 21st century manufacturing technology (NSF). *Rationale:* Concerns about manufacturing job loss. Importance of manufacturing to U.S. economy.

Vaccine Initiative: In his UNGA speech, President Clinton committed to hold a White House conference on vaccines for developing countries (for example, AIDS, malaria, TB). A budget initiative to encourage development of vaccines might include: Guaranteed purchase of vaccines if developed (for example, agree to purchase vaccines for each African new-born); funding for R&D; tax incentives for pharmaceuticals; purchase of vaccines that already exist. *Rationale:* Millions of people die each year from diseases prevalent in developing countries, but pharmaceutical companies don't have any incentives to develop vaccines. Diseases in developing countries can effect U.S. as well. Significant opportunities for leverage exist (Gates Foundation, other G-8 countries, etc.).

E-Society: [See separate memo.]

Other High Tech: Telecommuting tax credit. Initiative to encourage broadband deployment in rural or depressed urban areas for small and medium-sized businesses (Commerce is working on this). Tax credits for IT worker training (modified Conrad bill). DoD research budget: Issue is that Congress plussed up DoD research budget by $1 billion in FY 2000 above President's request. If we submit current FY 2001 request – it will look like a 14 percent cut from FY 2000 enacted. Overall level of research funding – Research Fund for America. Continued/expanded funding for previous initiatives: Community Technology Centers; Disabilities tech initiative; Digital Library for Education; Learning Anytime Anywhere; Non-profit applications of Internet and IT – Commerce program; Technology for adult literacy.

Summary of FY 2001 Agency Welfare Proposals
($ in nearest millions) – 11/19 DRAFT

HHS

Proposal	FY 2000 Request	FY 2000 Enacted	FY 2001 Request	Change from FY 2000 request
TANF	$17,004	n/a	$16,984	-$20
Child Support*	$3,217	$3,252	$3444	+$227
SSBG	$2,380	$1,775	$1,700	-$680
LIHEAP	$1,100	$1,100	$1,100	0
IDA	$20	$10	$25	+$5
CSBG	$500	$530	$500	0
Neighborhood Innovation Program	0	0	$27	+$27
Community Food and Nutrition	0	$5.5	0	0
Job Opportunities for Low-income Individuals	0	0	$11	+$11
Children's Research & Technical Assistance	$69		$64	-$5
Social Services Research and Demo	$6	$28	$6	0
Developmental Disabilities	$119	$155	$119	0

*Excludes collections, so passthrough, distribution and gaming proposals are not reflected in this table.

1. Child Support:

- Passthrough – Federal government shares in the cost of child support passed through to TANF families and disregarded for purposes of income eligibility. For amount above the state's current passthrough limit, the federal government will share with the state in the cost of a passthrough of up to $100 of current child support collected.
- Distribution – State option to simplify existing child support distribution rules. Collections made on behalf of families who no longer receive assistance would be paid directly to the family.
- Enforcement – Require state to intercept and gambling proceeds of noncustodial parents that owe overdue child support. This proposal will save $200 million over 5 years.

2. Community Services

- IDA -- $25 million, a $5 million increase above FY 2000 level.
- CSBG – Continues FY 2000 request of $500 million. There are also a few small discretionary grant programs under CSBG, including
  (1) JOLI – grants to nonprofits (including community development corporations) for job creation efforts for: individuals below 100 percent of poverty; microenterprise business opportunities for eligible participants; business expansion through technical and financial assistance to private employers in low-income communities. $10.5 million in discretionary grants that were zeroed out in FY 2000. Funding level nearly triples FY 1999 level.
  (2) Community Food and Nutrition – grants to public and private, state and locals to coordinate existing food resources, initiate new nutrition programs in underserved

areas, and identify sponsors of child nutrition programs. HHS proposes not to fund, in anticipation that Congress will.

(3) Neighborhood Innovation Program – Newly authorized in 1998, but never funded. $27 million would fund grants to neighborhood based nonprofits to support innovative approaches to addressing obstacles to succeeding at work.

3. Children's Research and Technical Assistance

- CSE Training and TA -- $14.4 million. This funding level is based on collections and would increase to $15.4 million if the CS passthrough legislation is enacted.
- CSE FPLS – $28.8 million. This funding level is based on collections and would increase to $30.8 million if the CS passthrough legislation is enacted.
- Welfare reform research -- $15 million
- Child welfare longitudinal study -- $6 million

4. Developmental Disabilities:

- Basic State Grants -- $64 million
- Protection and Advocacy -- $27 million
- Projects of National Significance -- $10 million
- Centers for National Excellence -- $17 million

5. Tribal Initiatives:
- Native American Programs- $10 million increase to support self-sufficiency through economic development and governance projects.
- Additional staff support for implementation of tribal TANF, child support, and child welfare -- $3.4 million.

DOL

Proposal	FY 2000 Request	FY 2000 Enacted	FY 2001 Request	Change from FY 2000 request
Welfare-to-Work	$750	n/a	$250	-$500
Lifelong Learning	n/a	n/a	$354	n/a
Disability Services – ODPET	n/a	n/a	$148	n/a
Vulnerable Workers	n/a	n/a	$21	n/a
Youth Activities	$1,001	$1,001	$1,251	+$250
Youth Opportunity Grants	$250	$250	$250	0
Adult Training	$955	$950	$1,055	+$100
Job Corps	$1,347	$1,359	$1,445	+$98
Ex-offenders	n/a	$15	$200	n/a

1. Welfare-to-Work: $250 million, reflecting our revised authorization proposal to spread extension over two years, with $750 million in FY 2000. This proposal may need to be revised.

2. Lifelong Learning: $354 million and 25 FTEs to close the skills gap and the wage gap between high school and college graduates. Funds will:

   - Support on-the-job training by employers to their current adult employees, particularly those who are less education or in smaller establishments.
   - Link youth to the post-school workforce system.
   - Help adjust older workers to the changing workplace.
   - Ensure that no groups, including individuals with disabilities and minorities, are left behind technological developments.
   - Improve access to and training on the Internet for all populations and geographic areas.

3. Disability Services: $148 million and 106 FTEs to establish a new Office of Disability Policy, Evaluation and Technical Assistance. The office will provide overall coordination and leadership in federal disability services, and help leverage local and private resources. ODPET will promote the employment of people with disabilities, and savings through reduced dependency spending and consolidation of existing programs.

4. Vulnerable Workers: $21.4 million and 23 FTEs as part of a new multi-year project to help vulnerable workers meet the challenges of an increasingly diverse, temporary and aging workforce. Funds will allocated as follows:

   - Temporary workers -- $1.5 million for an FLSA enforcement program targeting temporary workers; $2.5 million in grants to CBOs to provide outreach and training to contingent workers; and $500,000 in research.
   - Employee Rights -- $2.1 million to share information with workers and employers on employee rights and responsibilities. Handbooks will be developed in several languages and braille, and other outreach activities.
   - Older Workers -- $10 million in ETA for competitive grants to employment and training entities, such as Workforce Investment Boards, that partner with employers to hire or upgrade the skills of older workers, particularly in the manufacturing sector; and $3.4 million to expand the scope of the Survey of Occupational Injuries and Illnesses.

5. Youth Activities: $1.25 billion to help approximately 750,000 low-income, at-risk youth (age 14-21) prepare for academic success, employment, and good citizenship.

6. Adult Training: $1.1 billion to increase the number of adults to be served and to ensure successful implementation of WIA in all states and territories.

7. Ex-offender: $200 million to examine more effective methods to transition ex-offenders, particularly young and first-time offenders, into the mainstream economy. This initiative will be the first significant effort to address the labor market needs of this population, as targeted by WIA. An estimated 50,000 individuals would be served by the competitive grants to states, local WIA agencies, and corrections agencies that provide remedial education, pre-release and initial release activities such as career and life planning, and job placement.

HUD

Proposal	FY 2000 Request	FY 2000 Enacted	FY 2001 Request	Change from FY 2000 request
Vouchers	$491	$347	$983	+$492
EZs	$150	$70	$150	0
CEF	$125	$275	$400	+$225
APIC	$37	$20	$37	0
CDBG	$4,775	$4,800	$5,349	+$574
Regional Connections	$50	0	$50	0
Indian Housing Block Grant	$665	$620	$710	+$45
HOME Investment Partnership	$1,610	$1,600	$1,800	+$190

1. Vouchers: $983 million for 172,000 new vouchers, of which 25,000 will be welfare to work, 20,000 for homeless, and the remaining 127,000 for people on waiting lists for assisted housing. This request doubles the FY 2000 request to fund 25,000 welfare to work vouchers, 18,000 homeless vouchers, and 60,000 incremental vouchers.

2. EZs: $150 million for second year of Round II funding.

3. Community Empowerment Fund (CEF): $400 million to leverage $2 billion in private sector investments and create nearly 300,000 jobs.

4. America's Private Investment Companies (APIC): $1 billion to leverage $1.5 billion for revitalization efforts and job growth in rural areas and central cities.

5. CDBG: $5.3 billion (10 percent increase over FY00), limiting set-asides to $173 million. FY 2000 appropriation includes $55 million setaside for Regional Connections and $275 for the Economic Development Initiative.

6. Regional Connections: Authorize a $50 million program (proposed in FY00 as CDBG set-aside) to provide competitive grants to states and localities that coordinate strategic plans addressing urban and rural communities.

7. Indian Housing Block Grant: $710 million in grants to increasing number of eligible tribes for housing assistance, economic development and job creation activities.

8. HOME Investment Partnership: $1.8 billion to provide flexible funding for communities to construct or repair homes for low- to moderate-income families.

DOT

Proposal	FY 2000 Request	FY 2000 Enacted	FY 2001 Request	Change from FY 2000 request
Job Access and Reverse Commute Grants	$150	$75	$150	0

$140 million in Job Access Grants and $10M for Reverse Commute Grants

USDA

Food Stamps Legislative Proposals:

- Eliminate the fair market value test -- $190 million in the first year, and $1.875 over five.
- Phase in a lower the food stamp benefit reduction rate from 30 percent to 25 percent -- $260 million in the first, and $5.54 billion over five.
- Restore benefits to certain legal immigrants made ineligible by welfare reform by eliminating the five-year waiting period. $105 million in year one, and $1.545 billion over five.

Legal Immigrants

Proposal	FY 2000 Request	FY 2000 Enacted	FY 2001 Request	Change from FY 2000 request
ED – ESL/Civics Initiative	$70	$25.5	$75	+$5
SSA – SSI (plus related Medicaid)	$930	0	$930	0
HHS – Medicaid	$105	0	n/a	n/a

Summary of FY 2001 HHS Tobacco Proposals
($ in nearest millions)

Proposal	FY 2000 Request	FY 2000 Enacted	FY 2001 Request	Change from FY 2000 request
CDC Tobacco Use Prevention and Control	$101	$101	$131	+$30
FDA Youth Anti-smoking	$68	$34	$88	+$20

1. CDC -- $101 million to continue the National Tobacco Control Program, providing funds for states to: prevent initiation among youth, eliminate exposure to ETS, promote quitting among adults and youth, and eliminate disparities among population groups. Four program components include: (1) community interventions, (2) counter-marketing, (3) policy and regulation, and (4) surveillance and evaluation. In 1999, National Cancer Institute's ASSIST (17 states) program and CDC's IMPACT (32 states and DC) program were consolidated into the National Tobacco Control Program at $51 million. Requested increase would bring states wit the former IMPACT programs up to a comparable funding level as states with former ASSIST programs.

2. CDC -- $30 million and 10 FTEs to provide the Foundation for the New Millennium of Tobacco Use Prevention and Control. CDC would expand efforts to coordinate a national approach by:

   - Providing federal leadership -- $22.3 million for cooperative agreement support for the state National Tobacco Control Program, technical assistance, communication and education support to states, school health and oral grants.
   - Strengthening tobacco use science for public health action -- $6.3 million for surveillance and evaluation TA, lab and community prevention research.
   - Working with partners to create global tobacco programs -- $1.4 million to support global tobacco control efforts, TA, oversight, coordination of international data, and partnerships with multilateral organizations.

3. FDA -- $88 million to expand youth anti-smoking outreach and enforcement activities in all states.

   - Enforcement and evaluation – Expand inspections from 400,000 in FY 2000 to 540,000 retailers. Monitor compliance with rules such as advertising outside the proximity of schools and playgrounds, black and white text only ads, and elimination of vending machines except in adult-only places. Funds would also support completion of national retailer database.
   - Compliance outreach – Distribute retailer information kits and newsletters.
   - Product regulation – FDA may need to develop performance standards for cigarettes and smokeless tobacco products, classify products, and inspect industry practices.

J. Eric Gould 12/09/99 11:37:53 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP

cc:

Subject: Re: DOJ $ for child support enforcement

Let's discuss .. Kim Simmons at DOJ is chairing the child support task force within DOJ - she is brand new and knows nothing about the budget. She is looking into it but has no idea why they did not repropose the $5 million for FY01.

---------------------- Forwarded by J. Eric Gould/OPD/EOP on 12/09/99 11:36 AM ---------------------------

John E. Thompson
12/09/99 11:26:09 AM

Record Type: Record

To: J. Eric Gould/OPD/EOP@EOP
cc: See the distribution list at the bottom of this message
bcc:
Subject: Re: DOJ $ for child support enforcement

The 2000 President's Budget requested $5m for child support enforcement. The final 2000 appropriations legislation did not fund our request. DOJ has not requested any funds in 2001 for child support enforcement.

David J. Haun

---------------------- Forwarded by David J. Haun/OMB/EOP on 12/09/99 10:01 AM ---------------------------

J. Eric Gould 12/09/99 10:54:31 AM

Record Type: Record

To: David J. Haun/OMB/EOP@EOP

cc:

Subject: DOJ $ for child support enforcement

The FY 2000 budget provided $34 million/5 yr to beef up DOJ's legal support staff dedicated to child support enforcement. It is my understanding from Kim Simmons at DOJ that we didn't get any of it. Was

EvanBayh

United States Senator, INDIANA

FAX TRANSMISSION

CC: CR
EG
OC

Date: 12/20/99 Fax:

To: Andrea Crane

From: Sonia Gupta

Subject: Fatherhood

Number of pages including cover: 3

Comments:

Andrea,

thought you would want to have a copy for your files.

Please call with any ques.

224-8733

Son

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BANKING, HOUSING, AND URBAN AFFAIRS
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SPECIAL COMMITTEE ON AGING

United States Senate

WASHINGTON, DC 20510-1404

December 16, 1999

The Honorable William Jefferson Clinton
President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear President Clinton:

I am writing to urge you to include funding for S. 1364, the Responsible Fatherhood Act of 1999, in the Administration's Budget for fiscal year 2001. This legislative package has received support from a bipartisan group of Senators, the National Fatherhood Initiative, the Progressive Policy Institute, the Hudson Institute, the National Practitioners Network for Fathers and Families Inc., the National Center for Strategic Nonprofit Planning and Community Leadership, the Children's Institute International, and a bipartisan group of Governors.

Senator Domenici and I introduced the Responsible Fatherhood Act of 1999 in an effort to address our country's current epidemic of fatherlessness. Too many children today spend their days without the love, support, and presence of their fathers. The number of kids living in households without fathers has tripled over forty years, from just over 5 million in 1960 to more than 17 million today. Unfortunately, the United States leads the world in fatherless families. Vice President Gore indicated his understanding of this issue and the need for action when he unveiled his legislative suggestions last session.

Research has proven that when fathers are absent from their lives, children are:

- Five times more likely to live in poverty,
- More likely to bring weapons and drugs into the classroom,
- Twice as likely to commit a crime,
- Twice as likely to drop out of school,
- Twice as likely to be abused,
- More likely to commit suicide,
- Over twice as likely to abuse alcohol or drugs, and
- More likely to become pregnant as teenagers.

The efforts of the Administration to address this issue have been both appreciated and successful. However, more can be done. Therefore, in light of the heightened attention fatherlessness has received, and the increased need for a solution, we request that the Administration take an additional step and include funding for S. 1354 in next year's budget. A summary of the major components of the bill is attached. Please feel free to contact me with any questions and I look forward to working with the Administration on this important matter.

Sincerely,

Evan Bayh

Senator Evan Bayh

Bayh/Domenici Responsible Fatherhood Act of 1999
Summary, S. 1364

Title I: Public Awareness/Community Involvement

- **Media**
  Authorizes a $25 million Challenge Grant program to encourage states/communities to get donated air time from broadcasters. Donations are matched by the federal government one for one for messages that include themes of promoting responsible fatherhood. Requires at least 50% of funds be used to promote the formation and maintenance of married, two parent families and 50% of funds to be used to strengthen fragile families and promote responsible fatherhood. Donations can be a combined effort among state and local government, media, nonprofit, charitable, and religious organizations.

- **Responsible Parenting Block Grant**
  Authorizes a $50 million Block Grant program to the states to provide support to state and local government, nonprofit, charitable, and religious organizations' efforts to promote responsible fatherhood. Requires at least 50% of funds be used to promote the formation and maintenance of married, two parent families and 50% of funds to be used to strengthen fragile families and promote responsible fatherhood. States match 25% using any combination of state funds or in-kind/donations from local government, nonprofit, charitable, or religious organizations.

- **National Clearinghouse/Evaluation**
  Establishes a National Clearinghouse, authorizing $2 million per year to assist states and communities in their efforts to promote and support responsible fatherhood. Requires Secretary to contract with a nationally-recognized responsible fatherhood organization such as the National Fatherhood Initiative to act as a clearinghouse. Provides for evaluation of program efforts and review of funding impact. Creates a Best Practices clearinghouse, produces and distributes television, radio, and print advertisements and creates a web-site to share successful efforts among communities.

Title II: Removing Federal Barriers to Responsible Fatherhood

- **Child Support Enforcement Pass-Through**
  Encourage states to allow a defined amount of child support to pass through to the family instead of going directly to the government. Research demonstrates that fathers are more connected to their children and more likely to pay child support when they believe their child support is going to the family and not the government.

A mandate in the original welfare reform law in 1995 required states to pass-through the first $50 of child support directly to the family without counting against their income for purposes of TANF eligibility. The federal government shared the cost of that pass-through with the state. The mandate (and federal support) was removed in 1996 and now fewer than half of the states provide this pass-through on their own.

This new provision would reestablish the federal government as a partner to states that wanted to exercise an option to pass through up to $75 of child support payments per month directly to the family without impacting their TANF eligibility. As an additional incentive, states would be allowed to count their portion of the pass-through amount toward their maintenance of effort requirement.

- **Child Support Funds Flexibility**
  Allows states to use child support funds on fatherhood initiatives instead of paying funds back to TANF. Eight states have waivers from HHS to implement this program. An additional 10 states have applications pending before HHS for similar waivers. This provision would allow states to get this flexibility without a waiver if they exercised the pass-through provisions above and as long as they used the funds for services for noncustodial fathers.

- **TANF Bonus Performance Pool**
  Maintenance of two-parent families is currently a goal of the TANF program. Requires HHS to include formation and maintenance of two-parent families as factor in distributing TANF Bonus Performance Pool funds. Proposed regulations for distributing this $2 billion bonus pool focus solely on states' ability to move welfare recipients to work..