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HHS NEWS

Welfare Reform
Avis

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOR IMMEDIATE RELEASE
Monday, June 21, 1993Contact: HHS Press Office
(202) 690-6343

The Clinton Administration is today reaffirming its commitment "to end welfare as we know it" by making the welfare system the transitional assistance program it was meant to be. HHS Secretary Donna E. Shalala told the U.S. Conference of Mayors, meeting in New York, that "welfare reform is one of the highest priorities of this administration."

Shalala told the mayors that the Welfare Reform Working Group established by President Clinton has begun the task of developing a program whose goal is to enable recipients to leave welfare within two years.

The administration's vision of welfare reform rests on the twin themes of opportunity and responsibility, Shalala said. "We believe that our goal is realistic and in the best interests of welfare recipients and the American public. We want to provide welfare recipients the opportunity to prepare for and enter the workforce, which we believe they have a responsibility to do," she said in later remarks. "Welfare cannot last forever."

The Clinton Administration is convinced that welfare use and welfare costs can and must be curtailed. The best way to reduce long-term welfare costs is to end welfare dependency for the substantial portion of recipients who currently stay on the rolls two years or longer.

- More -

- 2 -

The Welfare Reform Working Group announced two weeks ago by the White House is co-chaired by Deputy Domestic Policy Advisor Bruce Reed and HHS Assistant Secretary for Planning and Evaluation David Ellwood. They will be joined by the HHS Assistant Secretary for Children and Families, when the position is confirmed by the Senate. Mary Jo Bane has been nominated for the ACF position.

The group is charged with exploring creative solutions to the obstacles that have prevented welfare recipients from entering or re-entering the workforce. The working group expects to consult with elected officials, experts, and program recipients from around the country in an effort to devise a plan to submit to Congress.

"There is a great deal of support for welfare reform on Capitol Hill and nationwide," said Secretary Shalala. "I am confident that working together with state and local officials, Congressional leaders and committee chairpersons, we will craft a legislative package that will successfully transition people from welfare to work."

###

THE WHITE HOUSE

WASHINGTON

July 9, 1993

file: Welfare Reform

**MEMORANDUM FOR DAVID GERGEN, GEORGE STEPHANOPOULOS, MARK GEARAN,
AND BOB BOORSTIN**

FROM: JULIA MOFFETT
SUBJECT: WELFARE REFORM

As you may know, the Welfare Reform Working Group held a background briefing this week. The briefing was well attended and generated a fair amount of print coverage about the process, differences from the Health Care Task Force, and main issues driving the development of the policy. While the briefing was intended for background purposes only, it shows that the issue makes news easily and, more importantly, it highlights the importance of a communications strategy as the Working Group proceeds throughout the Summer and into the Fall. There are two items that I wanted to bring to your attention as we look to develop this strategy:

1) The Working Group has scheduled a series of four public hearings and site visits to take place in Chicago (8/11), Washington, D.C. (8/19), New Jersey (TBD) and Tennessee (TBD). The two-day visits will be comprised of closed fact-finding site visits, closed political meetings, and open public hearings/roundtable discussions.

Although the President will not be directly involved in these visits, there is a need for a planned and consistent message from the White House to be conveyed on these trips, as with any instance the Working Group is in a position to make news. Without a communications strategy which accounts for these events, we lose an opportunity to gain mileage and credit and we make ourselves vulnerable to attacks on our progress and policy. This becomes more important when in an area with high CBC membership as well as a Chairman who's committee will play a large role in this down the road.

2) On the subject of preparing for attacks, a GOP proposal on welfare reform is due in mid-August, most likely on the 15th. Legislative affairs is gathering more information on its sponsors and content. The Working Group will still be in an information gathering phase and there will have been little Presidential involvement at this point. In addition to offering their own proposal, the Republicans may seek to get in front of us on this issue and accuse us of being slow in developing our plan.

In developing this strategy, we need to address how we inoculate ourselves from this attack and whether this warrants some higher involvement. For instance, I have heard an idea floating around for the President to address the NGA in Oklahoma on 8/15 on the topic of welfare reform.

October 20, 1993

file: Welfare Reform

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October 19, 1993

MEMORANDUM FOR CIRCULATION

FROM: BRUCE REED

SUBJECT: Mainstream Forum Press Conference on Welfare Reform
Wednesday, October 20, 9:45 a.m.

Rep. Dave McCurdy (D-OK) and his House colleagues in the Mainstream Forum have scheduled a press conference tomorrow morning to release a letter to the President urging their support for welfare reform. The letter endorses the basic principles of the President's approach, including a two-year time limit, child support enforcement, training, child care, and access to affordable health care for all as a way to make work pay.

Around 80 House Democrats have signed onto the letter. Reps. Jim Slattery (D-KS), Eric Fingerhut (D-OH), and Karen Shepherd (D-UT) took the lead in drafting and circulating it. A copy of the letter and the list of signatories is attached.

We welcome their support for the President's approach, and will continue to work with them and others in both houses and both parties to develop a welfare reform plan that is consistent with the principles he has laid out. The Administration's Welfare Reform Working Group has already met on a bipartisan basis with dozens of members (including McCurdy) and Hill staff, as well as state and local officials, recipients, caseworkers, business leaders, and others. We have also held a series of field hearings around the country, which will conclude Nov. 8-9 in Memphis. We will be making recommendations to the President later this year, and the plan will be announced in early 1994.

House Republicans are working on their own welfare reform plan, which could be announced later this month. While we don't know all the details or costs of their plan, we welcome their efforts to make this a bipartisan issue and help the President pass a welfare reform plan.

If you have any questions or wish to send questions my way, you can reach me at 456-6515.

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

October 19, 1993

Dear Mr. President:

We of the Mainstream Forum are writing today to share with you our support for reform of this nation's welfare system. We are encouraged that your Working Group on Welfare Reform, Family Support and Independence is conducting a thorough review of the system and are hopeful that its findings will lead to greater efficiency. We support the key provisions in your campaign promises to "end welfare as we know it": making work pay and establishing a two-year transitional period to move recipients off of welfare into jobs.

We applaud the Administration's effort to reform this country's health care system so that access to affordable health care is available to all. Affordable health care is key to moving welfare recipients off of welfare into jobs. Your work on health care should eliminate the need to choose between staying on welfare and receiving Medicaid benefits or working at a low wage job that does not provide coverage.

Our priority in reforming welfare must be to ensure access to job opportunities that move individuals from dependency to self-sufficiency. In calling for such job access, we strongly endorse prioritization of job placement, and access to adequate education and training. We support the establishment of a two-year transitional period on benefits, during which welfare recipients remain active in either a job search and/or work, or, when necessary, training and education.

The business community should be encouraged to play an active role in reshaping job training, education, and employment factors. Serious consideration must be given to economic incentives for private sector job creation. We also strongly endorse your call for community service employment for those welfare recipients who are not able to find jobs in the private sector.

Enforcement of child support is also essential at the federal level to ensure that, along with the recent increase in the EITC, working parents have the funds available to pay for child care and other costs associated with raising a child while working. Further, child care issues must be addressed in order to allow parents to pursue employment while feeling secure that their children are being cared for in a safe and supportive environment.

Finally, we believe that the costs and frustrations caused by the fragmented administration of the various welfare programs can be reduced by streamlining and updating existing processes and procedures.

We look forward to working with you on this critical issue.

Sincerely,

~~David McInday~~
~~Heub~~

~~Mark Lant~~

~~Bob Clements~~

~~Paul J. Condit~~
~~Phil Swett~~

~~Jim Bacchus~~

~~Wm. J. Mason~~

~~W. E. Fil~~

~~Henry Brown~~

~~Edson~~

~~Jim Statter~~
~~Jimmy Hayes~~

~~Nathan Deal~~
~~COO: C. P. P.~~

~~Jim Moran~~
~~Buddy Larden~~

~~Greg Laughlin~~

~~Frank Pillemer~~

~~Pat Linner~~
~~Sam Joseph~~
~~Rob Telleron~~

Signatories

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Representative Scotty Baesler
Representative James Barcia
Representative Thomas Barlow
Representative Sanford Bishop
Representative Rick Boucher
Representative Glenn Browder
Representative Bob Carr
Representative Jim Chapman
Representative Bob Clement
Representative Ron Coleman
Representative Gary Condit
Representative Jim Cooper
Representative Sam Coppersmith
Representative Jerry Costello
Representative Bud Cramer
Representative Pat Danner
Representative Buddy Darden
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Representative Calvin Dooley
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Representative Karan English
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Representative Bob Filner
Representative Eric Fingerhut
Representative Martin Frost
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Representative Gene Green
Representative Jane Harman
Representative Jimmy Hayes
Representative Bill Hefner
Representative Peter Hoagland
Representative Tim Holden
Representative Jay Inslee
Representative William Jefferson

Representative Don Johnson
Representative Tim Johnson
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Representative Blanche Lambert
Representative Martin Lancaster
Representative Larry LaRocco
Representative Greg Laughlin
Representative Bill Lipinski
Representative Nita Lowey
Representative Dave McCurdy
Representative Paul McHale
Representative David Mann
Representative Martin Meehan
Representative David Minge
Representative Jim Moran
Representative Bill Orton
Representative Frank Pallone
Representative Lewis F. Payne
Representative Collin Peterson
Representative Pete Peterson
Representative Earl Pomeroy
Representative Glenn Poshard
Representative David Price
Representative Bill Sarpalius
Representative Phil Sharp
Representative Karen Shepherd
Representative Ike Skelton
Representative Jim Slattery
Representative Louise Slaughter
Representative John Spratt
Representative Bart Stupak
Representative Dick Swett
Representative John Tanner
Representative Gene Taylor
Representative Frank Tejeda
Representative Karen Thurman
Representative Tim Valentine
Representative Charlie Wilson

CHAIRMAN'S OVERVIEW

Welfare Reform

MAKING
AMERICA
WORK

Mark -

I'll have clearer
copy later.

CHRasco

]

When I became chairman of the National Governors' Association in the summer of 1986, the Governors had been working hard for four years on education reform—one of the most fundamental issues of our time. Our association had just issued a report on what the Governors should be doing for the next five years to keep the reform handwagon rolling and our schools improving. Yet I assumed the chairmanship with the haunting sense that, as critical as these efforts were, we could and should do more.

As important as our educational reforms are, they will not reach millions of Americans who face barriers that prevent them from taking full advantage of better schools or even from becoming productive citizens.

As important as it is to prepare our people to succeed in a highly competitive world, education alone will not guarantee them opportunities. They also need sound economic policies to provide good jobs.

Because we plainly have both people problems and economic policy problems that must be addressed before our efforts in education can bear full fruit, I asked the Governors to face our responsibilities in these areas. Not with more studies, but with action plans and programs.

I asked the chairmen of the committees on Economic Development, Trade, and Agriculture to co-chair an effort to develop solid strategies for state and regional economic development activities, to highlight successful programs, and to explore the extent to which programs in place in prosperous areas would or would not be likely to help more depressed regions. The report of the Task Force on Jobs, Growth, and Competitiveness is the result of the work that Iowa Governor Terry Branstad, Massachusetts Governor Michael S. Dukakis, and Virginia Governor Gerald Baliles directed.

I also established a welfare prevention project, composed of five task forces dealing with the most widespread and crippling barriers to productive lives in America today: welfare dependency, school dropouts, teen pregnancy, adult illiteracy, and alcohol and drug abuse. The plans developed by these task forces emphasize prevention and are designed to enhance the ability of our people to live up to their God-given capacities and in so doing to provide the critical contributions we need from them. I am grateful to Delaware Governor Michael N. Castle, Minnesota Governor Rudy Perpich, Illinois Governor James R. Thompson, Missouri Governor John Ashcroft, and Kentucky Governor Martha Layne Collins for their work in chairing these task forces. Their work is found in the "Bringing Down the Barriers" Report.

Together these two reports comprise the project "Making America Work: Productive People, Productive Policies."

MAKING THE CONNECTION

The job of governing any state in 1987 is defined in large measure by the economic realities of our time. Some states and regions

are doing well; some are not. Within each state, some people are doing well; some are not.

Clearly many of our present problems grow out of the painful truth that we were largely unprepared for the onslaught of global economic competition over the last decade and a half. Too many of us for too long took it for granted that America's position as the world's dominant economic power was permanent. Now we know better. Since 1973, median income has declined 17 percent. Forces of international competition have disrupted the equilibrium of our society and called into question President Kennedy's adage that "a rising tide lifts all boats." Between 1981 and 1986, while several million jobs were added to the economy, 40 percent of Americans suffered a decline in real income, 20 percent held steady, and 40 percent enjoyed an increase.

America has split in other ways as well. Prosperity has a distinctive geographic feature. It can be found largely in the states along the Atlantic and Pacific coasts and in certain urban areas in the heartland. Most of America's continuing economic distress is found in our deflation belt, in the states from Canada to the Gulf of Mexico with economies based on agriculture, energy, mining, timber, and import-vulnerable manufacturing.

There have been deep and troubling ruptures in the fabric of American society. In 1985, for the first time, the percentage of our elderly citizens living below the poverty line was smaller than the percentage of the non-elderly in poverty, a remarkable achievement for which our country can be proud. Unfortunately, this development was paralleled by a dramatic rise in the number of single-parent households, often headed by divorced women whose incomes dropped markedly after divorce; huge numbers of young women and children in poverty; millions of adults so illiterate and unskilled they are unemployable in today's economy; high rates of welfare dependency, teen pregnancy, school dropouts, and drug and alcohol abuse. The consequences of these developments can be seen most vividly in the swelling number of the homeless throughout America.

The news is, of course, not all bad. In the last six years our country has gained about 10 million new jobs, far more than our competition in Europe. There is evidence in virtually every state that more and more manufacturers have been willing to make the hard decisions necessary to increase productivity to internationally competitive levels. The results of the last few years of effort in education are paying off. Our schools are getting better. Our children are learning more.

Moreover, it is important for Governors to note too that many of our problems and some of our sectional prosperity are rooted in international economics and national politics and, therefore, are beyond the direct reach if not the influence of Governors. For example, much of our current trade deficit is a function of the depression in Latin American economies. If the growth rates of the 1970s had prevailed there last year, our trade imbalance would have been 19 percent less. The high dollar that prevailed

***"America won't work
if Americans
can't work, or learn,
or believe in
promise (the
of tomorrow."***

**Bill Clinton
Governor of Arkansas**

until late 1985 plainly worked to subsidize imports and tax our own exports. The dramatic increases in defense spending over the last several years have helped some state economies much more than others.

Still it is plain that Governors can and must do more to make America work by creating more opportunities from the ground up and by reversing the tide of lost human potential that prevents so many of our people from seizing opportunities when they arise.

MAKING A DIFFERENCE

The policy recommendations in these reports include many actions already successfully taken in some states. Not all of them will be appropriate or even possible for other states. But every state will find something of value in the reports, areas in which more can be done to speed the processes of economic transformation and human development which are critical to our future.

There is no one solution to all the issues dealt with in *Making America Work*, but there are some clear conclusions that any Governor, or any American, regardless of political party, will reach from reading it.

1

No matter what burdens or benefits the international economy or national policies may bring to states, practical problem solvers can do things to *reduce* the human loss from welfare dependency and other barriers to full development and to *accelerate* local economic growth.

2

It is, therefore, *unacceptable* in 1987 for any Governor to sit on the sidelines and avoid tackling these issues head on.

3

We do need some help from Washington, most immediately a good welfare reform bill and a sustained commitment to reduce the deficit.

4

While we learned the hard way that we in government cannot solve these problems alone, we have also learned we can't leave them alone. Partnerships with the private sector have enabled states to make progress in other areas. They are essential here, but Governors must take the initiative.

5

While citizens have a *right* to insist that the states move aggressively in these areas, they also have *responsibilities* to help the efforts succeed. The heart of our welfare reform proposal is the contract that conditions the right to benefits on the assumption of personal responsibility to pursue a path to independence, through education, training, and work. Similarly, local leaders have a right to expect the state to offer every available and affordable economic development initiative, but unless they assume responsibility for making something happen in their hometowns, the state's efforts will be to no avail.

I believe this model could be used to address other national problems. For example, we might increase rather than decrease student loans to college students, but require the students in return for the *right* to the loans, to assume the *responsibility* of spending a few hours each month teaching illiterate adults to read or doing other public service.

6

Welfare prevention and competitiveness, like education reform, are issues of *common interest* to all Americans because we cannot maintain our standard of living or perhaps even our security if we have more incapacitated or underutilized people than our competitors have. That's why investment bankers and defense contractors should care about distressed farmers and at-risk children. We're all in this together.

MAKING A COMMITMENT

I believe Americans are coming together on these issues because we want to preserve the American dream. And we know it cannot be done if we continue to behave as a swarm of isolated individuals oblivious to the pain and untapped potential of our fellow citizens.

When I was a small boy I was taught, like so many of my generation, that I had to get a good education and work hard so that I could do better than my parents and grandparents had done. Citizens of that time took the overall economic health and strength of America for granted and worked to make sure their children could benefit from it more than they had.

Today I want my daughter to get a good education not only for her own benefit, but for me and my generation as well. And I know we need her classmates, some of whom are from poor families, to do well too because the future of our great American experiment depends on it.

That is perhaps the fundamental lesson of our time: America won't work if Americans can't work, or learn, or believe in the promise of tomorrow.

In this 200th year of our Constitution, the Governors have a special responsibility to make America work. This report is designed to help them fulfill it.

Bill Clinton

Bill Clinton
Governor of Arkansas
Chairman
National Governors' Association

THE WHITE HOUSE

WASHINGTON

December 2, 1993

93 DEC 7 P3:57

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Mary Jo Bane
David Ellwood

THROUGH: Carol Rasco 

SUBJECT: Draft Discussion Paper on Welfare Reform

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

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

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

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

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

DRAFT DISCUSSION PAPER

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DRAFT DISCUSSION PAPER

HIGHLIGHTS

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

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

INTRODUCTION

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

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

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

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

FROM WELFARE TO WORK

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

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

We recommend five fundamental steps:

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

Promote Parental Responsibility and Prevent Teen Pregnancy

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

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

Make Work Pay

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

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

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

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

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

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

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

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

Enforce Child Support

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

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

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

Reinvent Government Assistance

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

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

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

A NEW BEGINNING

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

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

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

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

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

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

We turn now to the specifics of the plan.

PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

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

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

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

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

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

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

CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS

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

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

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

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

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

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

In addition, the following option is under consideration:

Option: Allow States the option to limit benefit increases when additional children are conceived by parents already on AFDC if the State ensures that parents have access to family planning services. Non-welfare working families do not receive a pay raise when they have an additional child, even though the tax deduction and the EITC may increase. However, families on welfare receive additional support because their AFDC benefits increase automatically to include the

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

ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY

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

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

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

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

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

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

ENCOURAGING RESPONSIBLE FAMILY PLANNING

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

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

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

MAKE WORK PAY

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

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

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

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

CHILD CARE FOR WORKING FAMILIES

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

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

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

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

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

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

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

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

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

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

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

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

ADVANCE PAYMENT OF THE EITC

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

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

Strategies to expand the effectiveness of the EITC include:

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

OTHER SUPPORT FOR WORKING FAMILIES

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

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Work Should Be Better than Welfare

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

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

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

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

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

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

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

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

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

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Demonstrations

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

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

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

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

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

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

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

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

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

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

ENHANCING THE JOBS PROGRAM

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

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

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

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

Immediate Focus on Work and Participation in JOBS

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

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

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

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

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

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

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

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

Expanding the JOBS Program

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

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

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

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

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

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

Integrating JOBS and Mainstream Education and Training Initiatives

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

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

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

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

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

MAKING WELFARE TRANSITIONAL

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

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

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

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

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

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

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

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

WORK

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

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

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

Administrative Structure of the WORK Program

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

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

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

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

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

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

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

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

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

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

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

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

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

Characteristics of the WORK Assignments

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

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

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

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

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

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

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

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

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

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

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

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

Economic Development

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

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

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

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

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

ENFORCE CHILD SUPPORT

- A. CHILD SUPPORT ENFORCEMENT
 - 1. A Universal and Simplified Paternity Establishment Process
 - 2. Appropriate Payment Levels
 - 3. Collection and Enforcement
 - 4. Providing Some Minimum Level of Child Support
- B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

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

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

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

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

CHILD SUPPORT ENFORCEMENT

Components of the improved child support enforcement system are:

A Universal and Simplified Paternity Establishment Process

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

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

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

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

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

Appropriate Payment Levels

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

Collection and Enforcement

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

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- would be frequent and routine matches to various Federal and State databases including IRS, Social Security and Unemployment Insurance. The IRS role in full collections, tax refund offset, and providing access to IRS income and asset information would be expanded.
- Require routine reporting of all new hires via national W-4 reporting. New hires with unpaid orders would result in immediate wage withholding by the State.
 - Eliminate most welfare/non-welfare distinctions to achieve broader, more universal provision of services.
 - Increase tools for Federal and State enforcement, including more routine wage withholding, suspension of driver's and professional licenses and attachment of financial institution accounts.
 - Enhance administrative power to take many enforcement actions.
 - Simplify procedures for interstate collection.
 - Create a new funding formula and place an emphasis on performance-based incentives.
 - Reinvest State incentive payments in the child support program.

Providing Some Minimum Level of Child Support

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

Options under consideration include the following:

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

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

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

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

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

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

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

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

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

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

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

REINVENT GOVERNMENT ASSISTANCE

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

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

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

SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

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

There are two basic options for reform:

Option 1: Simplify and coordinate rules in existing programs.

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

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

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

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

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

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

PREVENTING WASTE, FRAUD AND ABUSE

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

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

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

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

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

PERFORMANCE STANDARDS AND STATE FLEXIBILITY

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

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

WHITE HOUSE STAFFING MEMORANDUM

DATE: 11/29 ACTION/CONCURRENCE/COMMENT DUE BY:

SUBJECT: Welfare Reform + '95 Budget

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☒	PASTER	☐	☒
McLARTY	☐	☒	QUINN	☐	☐
NEEL	☐	☐	RASCO	☐	☐
PANETTA	☐	☒	RUBIN	☐	☒
BAGGETT	☐	☐	SEGAL	☐	☐
EMANUEL	☐	☐	SEIDMAN	☐	☐
GEARAN	☐	☒	STEPHANOPOULOS	☐	☒
GERGEN	☐	☒	TYSON	☐	☒
GIBBONS	☐	☐	VARNEY	☐	☐
HALE	☐	☐	WATKINS	☐	☐
HERMAN	☐	☐	WILLIAMS	☐	☐
LAKE	☐	☐		☐	☐
LINDSEY	☐	☐		☐	☐
McGINTY	☐	☐		☐	☐
MYERS	☐	☐		☐	☐
NUSSBAUM	☐	☐		☐	☐

REMARKS:

No response necessary.
 The attached has been forwarded to the President.

RESPONSE:

JOHN D. PODESTA
 Assistant to the President
 and Staff Secretary
 Ext. 2702

THE WHITE HOUSE
WASHINGTON

November 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Mary Jo Bane
David Ellwood

THROUGH: Carol Rasco 

SUBJECT: Welfare Reform and the FY95 Budget

I. The Working Group Draft Options Paper

Later this week, the Welfare Reform Working Group will send you a draft options paper on welfare reform. We will continue to refine the document in early December, but we wanted you to see a draft of our recommendations now, as you begin to make decisions about the FY95 budget.

The Working Group has completed the last of its five regional hearings and site visits, and has met with more than 250 interest groups, hundreds of welfare recipients, and dozens of members of Congress, governors, and state officials in both parties. There seems to be remarkable agreement within the Administration on the basic elements of a welfare reform proposal. The Working Group, which consists of 33 subcabinet officials from eight agencies and the White House, held an all-day retreat last week to review its draft recommendations. At the end of the meeting, everyone burst into applause over the level of consensus that had been reached.

We will submit a draft options paper to you this week, and follow up with more specific decision memos and decision meetings as necessary. In the meantime, we will also need to consult further with states and with key members of Congress to begin building a coalition for welfare reform. We will probably need to share specific sections with a carefully selected small number of key players. Our goal, pending your decisions on key issues, is to have legislation ready early next year.

One important development: The American Public Welfare Association (APWA) will soon release its own consensus reform plan, which will be very similar to our recommendations, and will include a two-year time limit followed by work. The APWA plan was developed by a broad bipartisan group of state welfare directors, ranging from

Jerry Whitburn of Wisconsin to Barbara Sabol of New York. We are optimistic that many governors will go along.

The New York Times reported Sunday that we are looking at subsidies for private employers to hire people off welfare. We are focusing on many ways to move people from welfare to the private sector, and this is one option under consideration, but it is not as central as the Times article suggested.

II. Cost Issues

Although definitive cost estimates for welfare reform will depend on decisions you make about key aspects of the plan, the levels themselves are actually quite flexible -- especially during the first 4-5 years of the program. The plan can be phased in slowly, starting with new applicants coming onto the welfare rolls. (The Republican plan uses a similar, gradual phase-in.) The phase-in can be adjusted to fit the amount of money available for welfare reform in the budget.

Three areas are likely to require increased funding: child care for families who are working or in training; expansion of the JOBS program to give more people access to education and training; and administration of the community service jobs program for those who hit the two-year time limit. We would expect these costs to be in the range of \$1 to 1.5 billion in FY95, rising to \$5 to 6 billion when fully phased in.

Essentially all of these costs are on the entitlement side of the budget. Welfare reform does not require new domestic discretionary spending.

Given the very tight budget and the fact that no money was included in the previous budget for welfare reform, we have been operating on the assumption that any new money spent on this initiative will have to be offset by savings generated by the program and by other entitlement savings.

We have identified several possible sources. Savings could result from increased child support collections and reductions in the caseload. Other entitlement savings could come from a series of initiatives ranging from capping the growth of Emergency Assistance, some tightening of the rules regarding non-citizens seeking to collect public assistance, closer coordination of the tax and transfer system to reduce fraud, potentially making a portion of means-tested benefits taxable the way earnings are for those with incomes above poverty, and a number of other ideas. We are currently working with OMB and Treasury on these and other offsets.

Welfare Ref

Document No.

046448

WHITE HOUSE STAFFING MEMORANDUM

DATE: 12/7 ACTION/CONCURRENCE/COMMENT DUE BY: 12-9 noon

SUBJECT: DRAFT WELFARE REFORM PLAN

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	PASTER	☒	☐
McLARTY	☒	☐	QUINN	☒	☐
NEEL	☐	☐	RASCO	☐	☐
PANETTA	☒	☐	RUBIN	☒	☐
BAGGETT/VELASQUEZ	☒	☐	SEGAL	☐	☐
EMANUEL	☐	☐	SEIDMAN	☐	☐
GEARAN	☒	☐	STEPHANOPOULOS	☒	☐
GERGEN	☒	☐	TYSON	☐	☐
GIBBONS	☐	☐	VARNEY	☒	☐
HALE	☒	☐	WATKINS	☐	☐
HERMAN	☒	☐	WILLIAMS	☒	☐
LAKE	☐	☐		☐	☐
LINDSEY	☒	☐		☐	☐
McGINTY	☐	☐		☐	☐
MYERS	☐	☐		☐	☐
NUSSBAUM	☒	☐		☐	☐

REMARKS:

Please provide any comments/recommendations directly to this office no later than Noon on Thursday, 12/09.
Thanks.

RESPONSE:

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
Ext. 2702

THE WHITE HOUSE

WASHINGTON

December 2, 1993

93 DEC 7 P3:57

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Mary Jo Bane
David Ellwood

THROUGH: Carol Rasco 

SUBJECT: Draft Discussion Paper on Welfare Reform

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

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

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

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

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

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
INITIALS: JAM DATE: 8/1/16
201-0584-F

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DRAFT DISCUSSION PAPER

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DRAFT DISCUSSION PAPER

HIGHLIGHTS

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

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

INTRODUCTION

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

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

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

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

FROM WELFARE TO WORK

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

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

We recommend five fundamental steps:

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

Promote Parental Responsibility and Prevent Teen Pregnancy

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

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

Make Work Pay

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

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

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

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

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

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

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

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

Enforce Child Support

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

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

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

Reinvent Government Assistance

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

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

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

A NEW BEGINNING

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

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

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

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

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

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

We turn now to the specifics of the plan.

PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

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

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

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

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

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

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

CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS

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

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

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

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

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

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

In addition, the following option is under consideration:

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

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

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

ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY

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

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

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

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

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

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

ENCOURAGING RESPONSIBLE FAMILY PLANNING

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

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

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

MAKE WORK PAY

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

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

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

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

CHILD CARE FOR WORKING FAMILIES

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

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

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

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

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

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

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

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

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

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

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

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

ADVANCE PAYMENT OF THE EITC

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

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

Strategies to expand the effectiveness of the EITC include:

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

OTHER SUPPORT FOR WORKING FAMILIES

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

Work Should Be Better than Welfare

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

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

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

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

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

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

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

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

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

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Demonstrations

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

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

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

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

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

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

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

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

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

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

ENHANCING THE JOBS PROGRAM

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

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

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

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

Immediate Focus on Work and Participation in JOBS

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

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

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

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

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

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

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

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

Expanding the JOBS Program

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

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

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

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

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

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

Integrating JOBS and Mainstream Education and Training Initiatives

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

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

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

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

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

MAKING WELFARE TRANSITIONAL

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

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

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

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

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

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

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

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

WORK

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

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

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

Administrative Structure of the WORK Program

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

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

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

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

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

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

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

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

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

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

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

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

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

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Characteristics of the WORK Assignments

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

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

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

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

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

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

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

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

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

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

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

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

Economic Development

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

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

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

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

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

ENFORCE CHILD SUPPORT

- A. **CHILD SUPPORT ENFORCEMENT**
 - 1. A Universal and Simplified Paternity Establishment Process
 - 2. Appropriate Payment Levels
 - 3. Collection and Enforcement
 - 4. Providing Some Minimum Level of Child Support
- B. **ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS**

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

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

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

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

CHILD SUPPORT ENFORCEMENT

Components of the improved child support enforcement system are:

A Universal and Simplified Paternity Establishment Process

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

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

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

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

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

Appropriate Payment Levels

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

Collection and Enforcement

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

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

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

Providing Some Minimum Level of Child Support

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

Options under consideration include the following:

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

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

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

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

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

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

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

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

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

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

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

REINVENT GOVERNMENT ASSISTANCE

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

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

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

SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

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

There are two basic options for reform:

Option 1: Simplify and coordinate rules in existing programs.

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

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

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

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

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

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

PREVENTING WASTE, FRAUD AND ABUSE

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

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

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

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

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

PERFORMANCE STANDARDS AND STATE FLEXIBILITY

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

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

WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/5/94 ACTION/CONCURRENCE/COMMENT DUE BY: _____SUBJECT: TALKING POINTS
HEALTH CARE AND WELFARE REFORM

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☒	~~BAKER~~ GRIFFIN	☐	☒
McLARTY	☐	☒	QUINN	☐	☒
~~WHEEL~~ LADER	☐	☒	RASCO	☐	☒
ICKES	☐	☒	RUBIN	☐	☒
PANETTA	☐	☒	SEGAL	☐	☒
BAGGETT	☐	☒	SEIDMAN	☐	☒
EMANUEL	☐	☒	STEPHANOPOULOS	☐	☒
GEARAN	☐	☒	TYSON	☐	☒
GERGEN	☐	☒	VARNEY	☐	☒
GIBBONS	☐	☒	WATKINS	☐	☒
HALE	☐	☒	WILLIAMS	☐	☒
HERMAN	☐	☒		☐	☐
LAKE	☐	☒		☐	☐
LINDSEY	☐	☒		☐	☐
McGINTY	☐	☒		☐	☐
MYERS	☐	☒		☐	☐
NUSSBAUM	☐	☒		☐	☐

REMARKS:

RESPONSE:

JOHN D. PODESTA
 Assistant to the President
 and Staff Secretary
 Ext. 2702

TALKING POINTS HEALTH CARE AND WELFARE REFORM

We must have comprehensive health care reform in order to move forward on the rest of the President's domestic agenda. Without reform, health care costs will continue to explode and eat up our investment dollars. Without reform, people will continue to be locked in current jobs or on welfare.

The bottom line: we cannot end welfare unless we also have comprehensive health care reform.

THE PROGRAM

From the outset of this Administration, the President has been working to make good on his pledge to end welfare as we know it. This initiative has four major parts: the Earned Income Tax Credit; health care reform; personal responsibility and work.

The Earned Income Tax Credit (EITC). We ought to reward work over welfare. Enacted in last year's budget, the expanded EITC will ensure that any family that has a full-time worker will no longer live in poverty. Expanding the EITC represents a giant step forward in reducing those dependent on welfare.

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

Personal responsibility. The President's welfare reform plan will include initiatives to prevent teen pregnancy, ensure that parents fulfill their child support obligations, dramatically increase paternity establishment, and try to keep people from going on welfare in the first place. The message is clear: Governments don't raise children, parents do.

Work, not welfare. The final part of the President's welfare plan will build on the Family Support Act by requiring people who can work to do so within two years, either in the private sector or community service. This includes expanding child care for working families; providing education, training, and job search and placement for those who need it; and restoring the basic social contract of providing opportunity and demanding responsibility in return.

TIMING

Q: When will welfare reform legislation be introduced?

A: We expect to introduce welfare reform legislation this year and want Congress to pass it.

[if pressed on specific timing]

No decisions have been made. We think it's premature to make decisions on timing before you make decisions on policy.

Q: What comes first? Health reform or welfare reform?

A: The President has made clear that health reform is his number one domestic priority for 1994. The Administration and Congress want to enact both health and welfare as quickly as possible -- and consultations are continuing on the exact sequencing.

Q: The Republicans say you're dragging your feet on welfare reform. What's taking so long?

A: No President -- Democrat or Republican -- has done more than Bill Clinton to "end welfare as we know it."

Look at the record. President Clinton has been at the forefront of welfare reform in this country since he led the nation's governors in writing and worked with Congress to pass the Family Support Act of 1988. And when the House Republicans introduced their bill last November, they pointed out that it is based on proposals put forth by President Clinton in the 1992 campaign.

In addition, the Administration has been working closely with states and local officials to reward innovative welfare reform programs. In 1993, the Department of HHS granted a number of waivers for innovative state programs.

President Clinton's four-step welfare reform package makes economic and common sense, and will attract bipartisan support.

[if pressed]

Those who are criticizing us now are the same people who voted against the first part of the President's welfare reform package -- the EITC.