WELFARE REFORM

THE PRESIDENT HAS SEEN
01-17-00

THE WHITE HOUSE

WASHINGTON

January 14, 2000

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Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Cynthia Rice

SUBJECT: Second Chance Homes

We understand Jane Fonda would like to talk to you about second chance homes. Ms. Fonda has been very involved in teen pregnancy prevention efforts, and is the founder of the Georgia Campaign for Adolescent Pregnancy Prevention.

Background on Second Chance Homes

As you know, the 1996 welfare law included a provision you championed to require unmarried minor parents to attend school and live with a parent, guardian or adult relative in order to receive TANF, unless these options are not available or appropriate. For teens unable to live at home or with relatives, states must provide access to an adult-supervised and supportive living arrangement such as a second chance home. States can use TANF funds to pay for these homes.

To date, several states (including Massachusetts, Nevada, New Mexico, Rhode Island, and Texas) have statewide second chance homes programs, and at least 16 states have local programs. Rough estimates show that current programs are serving about 1,000 teen mothers each year.

What More We Can Do

This fall, we began to consult with experts about what more we could do to encourage second chance homes. (One of these experts, Kathleen Sylvester, formerly of the Progressive Policy Institute, has also been working with Fonda, which may have prompted this call.) Fonda may be calling to urge you to do more in general on second chance homes; or she may be urging you specifically to include new funding in your budget.

In general, we do not think funding is an obstacle to the expansion of second chance homes. States currently have $4.2 billion in unobligated TANF funds, or 11 percent of the total awarded, that they could devote to these efforts. Thus, we did not recommend to you any new spending in the FY 2001 budget.

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However, there are several very helpful steps we believe we could take by executive action, and once the budget is completed, we were planning to work with HHS and HUD to develop such a package, which we believe could include:

1. Issue HHS guidance to states making clear how they can use TANF and other federal funds for second chance homes. In our experience, guidance like this often spurs action by providing reassurance to state budget officials and fodder for state advocates.

2. Direct HUD to make certain surplus properties available, at a 50 percent discount, to nonprofit groups that want to purchase them to create second chance homes. Since TANF funds cannot be used to purchase property, this action would provide another way to subsidize such purchases. (It is not necessary to purchase property in order to run a second chance home, of course – TANF funds may be used to rent property for such homes – but this action would provide additional options.)

3. Direct HHS to use existing evaluation funds to research the impact and effectiveness of these programs. We believe more states and communities will be willing to put homes in place if there is more concrete evidence of their effectiveness in helping teen parents become self-sufficient and prevent additional out-of-wedlock births.

Note that we have not yet vetted these ideas with the agencies, but plan to very shortly.

<u>Support for Second Chance Homes</u>

There is widespread political support for second chance homes. Senator Moynihan and Senator Bradley have both proposed new funding for second chance homes (Moynihan at $45 million a year and Bradley at $300 million a year). Governor Bush, as part of his faith-based platform, said he would provide a block grant to states (amount unspecified) for pilot maternity homes.

THE WHITE HOUSE

WASHINGTON

April 5, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Secretary Shalala's Report on Welfare Reform

Following your recent conversation with Secretary Shalala about welfare reform, she has provided the attached summary of the impacts and implementation of reform. This report pulls together evidence from many of studies we have described before, providing a helpful comprehensive summary. The report urges you to make your FY 2000 budget and other proposals to help low income working families a high priority. Her key points include:

Research Evidence

- Employment: There is solid, consistent evidence -- both from evaluations of state welfare reform demonstrations and national data -- that welfare reform has led to increased employment and earnings for welfare recipients. State studies show employment increases between 7 and 29 percent, and earnings increases of 16 to 27 percent. The employment rate of previous-year AFDC adult recipients increased from 19 percent in 1992 to 25 percent in 1996, and jumped to 32 percent in 1997.

- Family income: When earnings are combined with the EITC and other benefits, families who go to work should have more income than if they remain on welfare. For example, in the average state, a women with two children would be better off working 20 hours a week than she would be on welfare. At the same time, there is some early evidence that some of the most disadvantaged families may be losing income.

- Child outcomes: There are no early indications that rates of foster care or child abuse have increased as a result of welfare reform. For example, a recent study from Wisconsin found 5 percent of former welfare recipients (19 families) had a child live with someone else because they couldn't care for them after leaving welfare, but almost as many respondents (16) said this had happened to them before they left welfare. Maryland found that only 3 children (all in one family) had been placed in foster care out of a sample of 1,810 children in families who had left welfare.

- Food Stamps and Medicaid: As you know, enrollment in Food Stamps and Medicaid has fallen recently for a variety of reasons. The memo reviews the possible explanations but does not have definitive explanations for these trends. We continue to work closely with HHS and USDA to better understand the factors contributing to these trends and to ensure that the federal and state agencies are doing everything possible to make sure those who are eligible for these benefits continue to receive them.

- Legal immigrants: The memo underscores the importance of our current budget initiatives to restore benefits to vulnerable legal immigrants.

State policy choices

- Across the country, there has been a strong and pervasive shift towards encouraging, requiring, and supporting work. Most states require parents to engage in some form of work sooner than the 24 month federal requirement -- 23 states require immediate participation in work -- but they have flexibility to define what counts as work for this purpose. The memo indicates that Pennsylvania is the only state that treats this work requirement as a strict time limit that could lead to terminating families from assistance.

- There is significant variation in state use of sanctions, time limits, and diversion. Thirty eight states terminate assistance for families not cooperating with work requirements (typically cutting off benefits after several infractions, and restoring benefits to those who subsequently comply), while the remainder reduce benefits. Eight states have chosen a lifetime time limit shorter than five years, while five states plan to use state funds to extend benefits beyond the federal five year time limit and another five plan to impose time limits on adults only. It is too early to determine the impact of time limits since only a small fraction of recipients have reached them. Many states are experimenting with a variety of strategies to divert families from receiving cash assistance by providing lump sum emergency payments and other supports and requiring an applicant to search for a job before receiving assistance.

- States are in varying stages of designing strategies for and making investments in helping long-term recipients move from welfare to work and succeed on the job. The challenge is to convince states to invest unspent TANF funds on these adults.

The Unfinished Agenda

To make work pay and ensure the long-term success of welfare reform, Secretary Shalala encourages you to focus on three issues:

- Help low income families retain their jobs and find better ones by: enacting your initiatives to expand child care, raise the minimum wage, and maximize access to Medicaid and CHIP; making Food Stamps more accessible for working families; and through the TANF rule, encouraging states to help working families with transportation, child care and other supports.

- Invest in all families, including the hard-to-serve by: reauthorizing DOL's Welfare-to-Work program, encouraging states to invest TANF funds in hard-to-serve populations as well as non-custodial fathers, and resisting efforts to cut the TANF block grant.

- Treat legal immigrants fairly by enacting our new proposals to restore additional disability, health and nutritional benefits and by releasing guidance on public charge.

THE WHITE HOUSE

WASHINGTON

October 21, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Andrea Kane

SUBJECT: Minority Welfare Caseloads

You asked us to evaluate recent reports that African-American and Hispanic families are leaving welfare more slowly than whites, and to consider what more we could do to ensure all welfare recipients are making the successful transition from welfare to work. Here is a brief summary of the trends, along with some new ideas we are developing for consideration in your FY 2000 budget.

I. Caseload Trends

We have worked closely with NEC, CEA, OMB, HHS, and the Census Bureau to examine the most recent welfare caseload data (generally through 1997). As detailed in the attached tables, the data show:

1. Most of the changes in the welfare caseload can be attributed to changes in the composition of the population as a whole -- specifically, population growth explains nearly two-thirds of the difference in caseload decline between Hispanics and whites and nearly half the difference between blacks and whites.

Since 1994, the *number* of welfare cases has indeed dropped more among whites (26 percent) than among blacks (18 percent) and Hispanics (9 percent). However, when population growth is taken into account, the difference narrows dramatically. The *rate* of welfare dependency has dropped sharply for all populations -- by 26 percent among whites, 21 percent among blacks, and 20 percent among Hispanics. In other words, minorities are leaving or staying off welfare at nearly the same rate as whites, but make up a growing share of the welfare population because they make up a growing share of the population as a whole. [See Table 1.]

2. The difference in caseload decline is even narrower among adults. Since 1994, the adult rate of welfare dependency has declined by 30% among whites, 26% among blacks, and 24% among Hispanics.

Child-only cases -- which are decreasing more slowly because they are not significantly affected by welfare reform efforts to move recipients from welfare to work -- are disproportionately minority. The child-only caseload includes citizen children born to illegal immigrants, children whose parents receive SSI, and children living with relatives who are not on welfare. [See Table 2.]

The composition of the welfare caseload has changed gradually over time, largely driven by population changes. The composition of the adult caseload has not changed significantly since 1994; the most recent national data shows it is now 37 percent white, 37 percent black, and 21 percent Hispanic. [See Table 3.]

3. There is encouraging evidence that the employment rates of minority welfare recipients are catching up with the employment rate for whites. Between 1996 and 1998, the percentage of all prior year welfare recipients who were employed in the next year increased by 28%. The increase was highest for Hispanics (49%), followed by blacks (44%) and whites (5%). [See Table 4.]

4. Recent trends in marriage and teen illegitimacy rates could exacerbate the increasing proportion of Hispanic families on welfare. While the proportion of never-married single mothers is increasing for the entire population, the rate of increase is largest for Hispanic women. Also, the birth rate to unmarried teenagers is increasing for Hispanics while declining for whites and blacks. [See Table 5.]

5. To keep racial disparities from emerging as a problem down the road, we should do all we can to break the cycle for long-term recipients, who are disproportionately minority. Minorities are more likely than whites to be on welfare in the first place, and more likely to end up as long-term recipients once they go on the rolls. Blacks and Hispanics on welfare tend to have lower educational levels, marriage rates, and larger families than whites, and are more than twice as likely to live in central cities and areas of concentrated poverty. Hispanics also have less recent work history than whites or blacks. [See Table 6.]

II. What We Can Do

We will continue to monitor caseload trends and keep you informed. While initial press reports may have overstated disparities so far, these data underscore the importance of focusing our efforts on the hardest cases, which are disproportionately minority. Many of our existing welfare-to-work initiatives already target this population, but we also are developing some new proposals for your consideration in next year's budget.

A. Current Initiatives

As you know, you have put forward many initiatives to help the hardest-to-serve welfare recipients and those living in concentrated areas of poverty. Many of these initiatives were implemented in 1998, too late to influence 1994-1997 trends outlined above.

- The $3 Billion Welfare-to-Work Fund you fought for in the Balanced Budget Act is designed specifically to help long-term welfare recipients (and non-custodial parents) in high-poverty areas obtain jobs and move up a career ladder. While it is too early to have demographic data on the individuals served by these funds, the distribution formula and individual eligibility criteria ensure that most of these funds will be spent on minorities. The first of these funds were awarded in January 1998 and are just now starting to provide individual services.

- Welfare to Work Transportation Funds enacted in the TEA-21 transportation reauthorization bill will help welfare recipients and low-income workers get to where the jobs are, often in suburban areas not served by public transportation. The omnibus budget bill includes $75 million for this year.

- Welfare-to-Work Housing Vouchers we've proposed will help families in isolated urban or rural areas move closer to job opportunities. Congress has funded our request for 50,000 vouchers.

- Community Empowerment Initiatives. The Administration's Community Empowerment initiatives -- empowerment zones, enterprise communities, Brownfields, CDFIs -- will spur economic development and job creation in distressed neighborhoods and help address the geographic isolation faced by minorities on welfare.

B. New Initiatives

In preparation for next year's budget, we are developing a number of options to address the particular challenges faced by minorities in making the transition from welfare to work:

- Increasing Investments in English-Language and Literacy Training. We hope to recommend targeted new investments in two areas that directly affect minority and long-term recipients: learning English and learning to read. This could be done by expanding existing Department of Education adult education programs, or better yet, by dedicating Welfare-to-Work funds for job-related literacy and ESL programs, provided either in the workplace or by community organizations preparing individuals for employment.

- Expanding Work-Related Drug Treatment. Since many of those remaining on welfare suffer from drug or alcohol dependencies, we are exploring ways to provide drug treatment for those who agree to go to work.

- Targeting Welfare-to-Work Funds to the Toughest Areas. While the current Welfare-to-Work formula favors high-poverty areas, we are going to examine whether the funds could be even more targeted.

- Increasing Work and Child Support Among Noncustodial Fathers. We may be able to attract bipartisan support for an effort to help states increase the employment and child support payments of noncustodial parents.

Minority Caseloads Analysis and Tables

Table 1: Population-Adjusted Change in Rate of Welfare Dependency

Since 1994, the *number* of welfare cases has dropped more among whites (26 percent) than among blacks (18 percent) and Hispanics (9 percent). However, when population growth is taken into account, the difference narrows dramatically. The *rate* of welfare dependency has dropped sharply for all populations -- by 26 percent among whites, 21 percent among blacks, and 20 percent among Hispanics. Specifically, population growth explains nearly two-thirds of the difference in caseload decline between Hispanics and whites and nearly half the difference between blacks and whites.

Table 1: Change from 1994 to 1997*

Race/Ethnicity	Number of Welfare Cases	Population Aged 15-49	**Rate of Welfare Dependency (caseload adjusted for population)**
White	-26%	-0.1%	**-26%**
Black	-18%	4.4%	**-21%**
Hispanic	-9%	13.0%	**-20%**

* National data is only available through June 1997. We do not yet have more recent data, or state-specific data, that we consider accurate. In July, The New York Times reported more recent data provided by some states, but HHS believes that data, particularly for New York and California, may contain significant reporting errors due to states implementation of the new TANF data reporting system. The trends in population aged 15-49 are used here because this is the population group most likely to be a welfare head of household, whose race/ethnicity would be counted when tallying the case demographics.

Table 2: Population-Adjusted Adult Rate of Decline

The difference in caseload decline among groups is even narrower for adults. Child-only cases are decreasing more slowly than the overall welfare caseload and are disproportionately minority; in fact, between 1994 and 1997 they increased (though they declined slightly between 1996 and 1997). Child-only cases are those in which the parent or adult is not part of the case, (e.g., adult is not a citizen but the child is; child is being cared for by a relative who is not part of the case; parent receives SSI rather than welfare). Therefore, child-only cases are not significantly affected by welfare to work efforts. After adjusting for population growth, the rate of welfare dependency for adults (percent of 15-49 year old population on welfare) has declined 30% among whites, 26% among blacks, and 24% among Hispanics.

Table 2: Population-Adjusted Rate of Decline in Adult Welfare Dependency: 1994 - 1997*

	Rate of decline for all cases	Rate of increase for child-only cases	Rate of decline for adult-headed cases	**Population-adjusted rate of welfare dependency for adult cases**
White	- 26%	7%	- 30%	**- 30%**
Black	- 18%	3%	- 23%	**- 26%**
Hispanic	- 9%	9%	- 15%	**- 24%**

*National data is only available through June 1997.

Table 3: Racial Breakdown of Adult Cases

The composition of the welfare caseload have changed gradually over the past 25 years, driven largely by population changes. Despite differing rates of caseload decline since 1994, the composition of the adult welfare caseload has remained relatively constant.

Table 3: Racial Breakdown of Adult Cases

Race/Ethnicity	1994	1997*
White	40%	37%
Black	36%	37%.
Hispanic	19%	21%

Asians, Native Americans, and those designated "Unknown" comprise the rest of the caseload.
*National data is only available through June 1997.

Table 4: Employment Rate of Welfare Recipients

There is encouraging evidence that the employment rates of minority welfare recipients (people on welfare in one year who were working the following year) are catching up with the employment rate for whites.

Table 4: Employment Rate of Welfare Recipients: 1996-98

Race/Ethnicity	1996	1998	**Percent Change 96-98**
White	36 %	38 %	**+5%**
Black	23 %	33 %	**+44%**
Hispanic	19 %	29 %	**+49%**
All Recipients	27%	34%	**+28%**

Table 5: Trends in Marriage Rates and Births

The trends in marriage rates and births to unmarried women could exacerbate the increasing proportion of Hispanic families on welfare. While the proportion of never-married single mothers is increasing for the entire population, the rate of increase is largest for Hispanic women. Also, the birth rate to unmarried teenagers remains much higher for blacks and Hispanics than for whites. While the rate is decreasing for blacks and slightly for whites, it continues to increase for Hispanics. For example, between 1991 and 1996, the rate of births to unmarried teenagers decreased 18% for blacks and 4% for whites, but increased 3% for Hispanics.

	1992	1997	**% Change**
% of all single mothers who were never married	30%	35%	**+17%**
Never-married single mothers by race/ethnicity:			
White	17%	21%	**+24%**
Black	51%	55%	**+8%**
Hispanic	33%	42%	**+27%**

Table 6: Characteristics of Minorities on the Caseload

Minorities on welfare are more likely to have characteristics associated with long-term welfare recipiency. Blacks and Hispanics on welfare tend to have lower educational levels, marriage rates, and larger families than whites, and are more than twice as likely to live in central cities and areas of concentrated poverty. Hispanics also have less recent work history than whites or blacks.

Table 6: Characteristics of AFDC/TANF Recipients by Race/Ethnicity*

	TOTAL	WHITE	BLACK	HISPANIC
% without HS diploma	43%	30%	43%	64%
% never married	47%	33%	69%	43%
> 2 children	29%	20%	33%	39%
Worked during the year	45%	49%	48%	33%
Live in area w/ poverty rate > 20%	48%	29%	67%	58%
Live in central city	49%	29%	68%	60%

*These data are from the March 1998 Current Population Survey, showing characteristics of recipients in 1997.

Minorities are more likely to be long-term welfare recipients. For example, in 1997, 20 percent of blacks on welfare had been on the rolls for at least five continuous years, compared to 19 percent for Hispanics and 14 percent for whites.

THE WHITE HOUSE

WASHINGTON

February 5, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: SECRETARY SHALALA'S REPORT ON WELFARE REFORM

The attached memo from Secretary Shalala provides a good update on welfare reform.

Among the most interesting findings:

- The stunning caseload drop continues -- 2.4 million in the first 13 months of the new law. Twenty one states have dropped by 25 percent or more in that time.
- There has been no "race to the bottom" -- states are spending more per recipient than in 1994. All states are meeting the maintenance of effort requirement we fought for in the welfare law, and 20 states are exceeding it.
- Many more recipients are now working. State evaluations show a substantial increase in the share of people who leave welfare for work (from 45-50 percent under AFDC to up to 60 percent now), even as record numbers leave the rolls.
- There is little evidence of hardship among those who are sanctioned for not meeting program rules. Only nine states have adopted lifetime limits of less than five years.
- Forty states have enacted policies to make work pay, generally by increasing earnings disregards so families can keep their welfare subsidy while earning more.
- About a half dozen states (CA, NY, MD, OH, FL, CO, NC) are devolving key decisions to the counties.

Something not mentioned in the memo, but discovered from the new state financial data, is that seventeen states have created state-only welfare programs to which TANF work requirements and time limits don't apply.

JAN 27 1998

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

MEMORANDUM FOR THE PRESIDENT

The purpose of this memo is to outline the information we have so far on the impacts of changes in welfare programs. The information is still quite preliminary, but some conclusions are emerging. These include:

- The total number of welfare recipients has fallen below 10 million for the first time since 1971. Caseloads have fallen by more than 30 percent since their peak in 1994.

- Many more recipients are now working, and the proportion of former recipients at work after leaving welfare appears to be somewhat higher than in the past.

- States are making very serious efforts to move recipients into work, both by mandating work programs and sanctioning those who do not comply, and by increasing the benefits of working through simpler and higher earnings disregards and on-going supports such as child care.

- As we found with AFDC waivers, States are adopting common approaches but with many variations in specifics. Several large States are devolving key policy decisions to the county level.

- There has been no "race to the bottom" in State welfare benefits; States are spending more per recipient than in 1994 across TANF and related programs, and State maximum benefit levels are generally unchanged.

- So far there is little evidence of extreme hardship among those who leave welfare as a result of sanctions, although many do experience fairly large declines in income. Overall, however, half or more of former recipients appear to increase their incomes after leaving welfare.

- Even when recipients move to work and improve their incomes, they are still likely to have total incomes below the poverty line.

This memo looks first at what the States are doing, in terms of both spending choices and broader policy choices. It then turns to impacts on recipients, assessing both results from evaluations of State waivers similar to current State policies and the very early results from State surveys of recipients and former recipients. Finally, the implications of these findings for Federal and State policy choices are briefly discussed.

State Responses to Welfare Reform

Welfare caseloads have declined dramatically since their peak at 14.4 million recipients in March 1994. Overall, the number of people receiving aid had declined by more than 30 percent to 9.8 million recipients by September 1997 (the most recent monthly report available). This decline has continued at an even more rapid pace since the enactment of welfare reform in August 1996. In the first year of welfare reform alone, almost 2 million recipients left the rolls. As Chart 1 (attached) shows, these declines are spread across almost all of the States.

Changes in State Spending on Welfare Programs. There has been no "race to the bottom" in State welfare spending. Because there are now fewer recipients, total State spending on welfare programs has declined since 1994. On average, however, States are spending somewhat more per recipient than they did in 1994—reported State spending on welfare and related programs is about 18 percent below the level seen in 1994, while caseloads have declined by more than 30 percent. This increased spending has not affected direct payments to recipients, which remain very close to the levels seen in both 1994 and 1996 (about $370 per family per month on average.) In all, four States have increased maximum benefit levels since the enactment of TANF, while five States have decreased maximum benefits for at least some categories of recipients.

States are reporting that they are meeting their Maintenance of Effort (MOE) requirements under welfare reform. They are required to spend 80 percent of previous (generally 1994) levels, or 75 percent if they meet the minimum participation requirements, and 20 States report exceeding that goal, some by considerable amounts (see Chart 2). Further, reported spending may understate actual amounts spent, since there are no incentives for States to report additional spending once their MOE requirements have been met. There is little in these data to suggest declines in spending levels--rather, States appear to be using at least some of their own money to provide services such as child care and job training and placement and to increase work incentives.

Changing State Policies. A focus on work is a major theme in State welfare policies, although there is considerable variation in plan specifics and in implementation across States. The following key points emerge from an overview of State policies:

1. States are focusing on encouraging and requiring work.

- 40 States have enacted policies to make work pay, generally by increasing the amount of earnings disregarded in calculating welfare benefits. (See Chart 3.) Connecticut, for example, now disregards all earnings up to the poverty level. Most States have also simplified the treatment of earnings compared to the AFDC treatment, with the result that recipients can see more clearly how even a low-wage job will make them better off.

- 44 States have raised the level of resources and/or the maximum value of a vehicle allowed to welfare recipients. (See Chart 4.) This will make it easier for recipients to get to work and to accumulate savings that might lead to self-sufficiency.

- Almost all of the States have moved to "Work First" models in their welfare programs, requiring recipients to move quickly into available jobs. Virtually every State has instituted "social contracts" or other personal responsibility agreements in which recipients commit to specific steps toward self-sufficiency. States are enforcing these contracts, sanctioning people who fail to sign or live up to their agreements.

2. Family violence issues and choices about exemptions for parents of very young children are being addressed by the States.

- 24 jurisdictions have elected to screen for, provide appropriate services, and waive requirements where needed to ensure the safety of victims of domestic violence through the Family Violence Option (See Chart 5.) Additional States, including California, are expected to implement this option in the coming months.

- As indicated in Chart 6, most States have chosen to exempt parents of infants under one year of age from work requirements. 16 States have chosen shorter exemptions (the law allows States to require parents with children over 12 weeks to work.)

3. State policies regarding time limits are varied and complex.

- Chart 7 shows that eleven States have chosen "intermittent" time limits that limit the total months of recipiency allowed within a longer time period (for example, Virginia limits TANF receipt to 24 months in any 60 month period). Nine States have chosen lifetime limits of less than five years. Both of these types of time limits often allow exceptions or exemptions. 27 States have chosen the Federal limit of 60 months. Four States have chosen other options involving supplements from State welfare programs for those reaching the Federal time limits.

- Evaluation and survey data find that recipients are often unclear about the specifics of time limits (and other reform policies) that apply to them, although they do know that the nature of welfare has changed.

- Few recipients have reached State time limits so far.

4. State plans vary considerably in their specifics and in their timing.

- A few States are making choices that appear to have little to do with work, such as counting the SSI income of disabled children and adults in computing TANF benefits without taking into account the added costs of disability.

- The amount of time that elapses between the determination of policy choices and their actual implementation varies greatly across States, usually based on whether, when and how extensively they undertook reforms through waivers. Many States have not completed the process of implementing proposed policy changes.

5. Finally, California, New York and several other states are devolving key decisions to counties.

- Other States in the process of devolving include Maryland, Ohio, Florida, Colorado and North Carolina.

- These States are devolving decisions about work activities, post-employment supports and, in some cases, sanctions; Colorado and North Carolina are also passing on decisions about other factors including eligibility. Benefit levels will still be determined at the State level, although in some cases the State will mandate only a floor which the counties can choose to exceed.

Impacts of Welfare Reform on Recipients

Moving recipients and potential recipients into work has been the focus of most State policies, and there is some preliminary evidence that employment levels are rising as caseloads decline. Evidence on the impacts of other aspects of the changes on recipients and would-be recipients is somewhat more mixed. Are they indeed better off in economic terms? What has happened to those who haven't gotten jobs? It is still very early to answer those questions, but we have some preliminary data that give a few indications.

Our preliminary data generally relate to the situations found in specific states. Thus, this report draws upon preliminary program evaluation reports of waiver-based policies from Michigan, Iowa, Minnesota, Delaware, and Florida, and on surveys of welfare recipients and people who have left welfare rolls in Massachusetts, Iowa, Wisconsin, Indiana, Maryland, South Carolina and Tennessee. The early stories emerging from these studies appear to be fairly consistent across those states. Although we are beginning to have some evaluation evidence on the impacts of policy changes as opposed to the strong economy, it is very difficult to sort out the relative importance of policy and economic factors at the National level.

Sanctions. States are generally working harder to enforce mandatory work requirements, and sanctions rose by about 30 percent nationally between 1994 and the end of 1996. Anecdotal evidence implies that these rates are still increasing. In the studies of specific States, sanction rates of as high as 50 percent are seen, with rates in the 25 percent to 30 percent range not unusual. Sanctions may result in either a complete or partial loss of benefits. Across States we find that the majority of sanctions occur because recipients fail to show up for initial appointments. Far fewer families have been sanctioned for refusal to comply with work assignments. Sanctioned families may include many who are already working or who have good job opportunities; in Iowa, for example, families that did not comply with the State's Family Investment Plan tended to be more job-ready than the average.

Employment. Perhaps partly because of stricter work policies as well as the robust economy, more recipients and former recipients are now employed. Evaluations of specific State programs show policy-related increases in employment in the range of 8 percent to 15 percentage points. Surveys of people who have left welfare imply that 50 percent to 60 percent are working in the period following welfare recipiency (with the remainder not employed). This is comparable to or slightly higher than the 45 percent to 50 percent of welfare exiters who worked after leaving AFDC. Some of this increase in work may result from the strong economy as well as from policy changes.

Incomes. While there do not appear to be dramatic changes so far in the average incomes of welfare recipients and those leaving the welfare rolls, these averages hide a great deal of variation. Among those leaving the program, incomes in the follow up period are very mixed. Generally, about half of former recipients saw increases in their incomes, while half experienced declines. There is some evidence that those who leave the program voluntarily are more likely to have increased incomes, although in both South Carolina and Iowa about 40 percent of those who left because of sanctions also experienced income increases.

There is little evidence at this point of extreme hardship even among families losing benefits altogether as a result of sanctions or time limits. However, events such as homelessness or entry of children into foster care are sometimes hard to observe in evaluations and follow up studies, which are usually unable to trace some proportion of former recipients. In the short run, many families experiencing large income losses appear to rely on help from friends and extended family. It should be noted also that even families whose incomes rise as a result of higher earnings and/or changes in State policies typically still do not have above-poverty level incomes while on TANF or in the period immediately after leaving the program.

Other Benefits. Families who leave TANF are often eligible to continue receiving benefits from other social support programs such as the Food Stamp Program, Medicaid, Supplemental Security Income (SSI) and housing programs. However, relatively low take-up rates for some of these benefits suggest that many former recipients may be unaware of their continued eligibility for other programs such as Medicaid, or that administrative barriers may be preventing some eligible families from participating in these programs. In both South Carolina and Indiana, for example, about half of the adults who were no longer receiving cash assistance reported that they did not have any health insurance.

Policy Implications and Next Steps: Supporting Low-Income Workers

These early results suggest that real progress is being made in focusing recipients on work and in moving them into employment. This is a significant and critical step on the path to reforming welfare. I believe that further steps need to be taken to consolidate and build on this accomplishment. In particular, we need to ensure that low-income working families, whether they are former welfare recipients or not, can continue to work and to earn enough to raise their families, weathering unemployment and other temporary setbacks without relying on long-term welfare receipt. In pursuing this goal, we would be building on the Administration's many achievements for working families, including expansion of the EITC, increasing the minimum wage, expanding health care coverage for children, enacting parental leave, and the introduction of this year's pathbreaking child care initiative. And we would also be building on the widespread and increasing interest of the States, which are starting to grapple with the question of what happens after welfare parents take their first jobs.

Both researchers and practitioners are telling us that when such parents move to work, most are likely to need continuing support in order to keep their jobs, support their families, improve their incomes over time, and avoid going back onto the welfare rolls. These supports can take many forms, from the EITC or increased earnings disregards to services such as child care, health care, transportation and mentoring. Currently, States have resources available to them through the TANF block grant and their Maintenance of Effort funds, as well as through other State resources that have been freed up as a result of declining caseloads. We can make progress on this agenda by challenging States to make key investments, showcasing effective practices and encouraging State innovation as well as by shaping a National agenda to help low-wage workers and their families.

A successful strategy to support low-income workers and their families would involve several components at both the State and National levels. These could include:

1. Raising the incomes of low-wage workers. Most welfare recipients moving into their first jobs continue to earn below-poverty level incomes. The major 1993 expansion of the EITC does a great deal for these families, and it must be protected. In addition, we could challenge States to expand State EITC's and to increase earnings disregards and other programs for low-wage workers. For example, Wisconsin has used TANF MOE funds to expand both its EITC and housing subsidies for low-income owners and renters. At the National level, policies such as a further increase in the minimum wage or tax incentives for employers to promote jobs and higher wages for low-skilled workers could be explored.

2. Providing other job supports. We must ensure that other critical job supports, such as health care, child care, transportation, and mentoring, are available for working families who need them. The Administration's new child care initiative is of course critical to this strategy, and the newly enacted Child Health Insurance Program should go a long way toward ensuring health care coverage for the children of low-wage workers. We need to

continue outreach efforts to make sure that low-income working families are aware of their potential eligibility for Medicaid. The Vice President's work on mentoring provides a valuable example, and States must be encouraged to continue to invest in these programs and other supports.

3. Ensuring that low-wage workers improve skills and earnings over time. Many States are beginning to grapple with the best way to promote growth in skills and earnings over time for former welfare recipients. Over the longer term, such growth will be necessary to meet both the needs of families and the needs of the economy as a whole. We should be challenging States to put together creative strategies and showcasing those that do. These strategies can involve linkages among workforce development, higher education, and welfare systems, as well as work with specific private employers. At the National level, strategies to increase educational opportunities for low-income families are a key to increasing skills and earnings over time.

4. Maintaining the safety net for workers. If a temporary setback is not to result in a return to welfare dependency, the safety net for low-wage workers must be maintained. At the National level, changes could be made in the Unemployment Insurance program to increase the probability that low-wage workers will earn coverage, as is now being discussed within the Administration. At the State level, we should showcase States that are implementing post-employment services and other strategies to address the fact that low-income workers are likely to experience considerable job turnover and some periods of unemployment. We should challenge States to invest in approaches that combine reliable short-term assistance with rapid re-employment help.

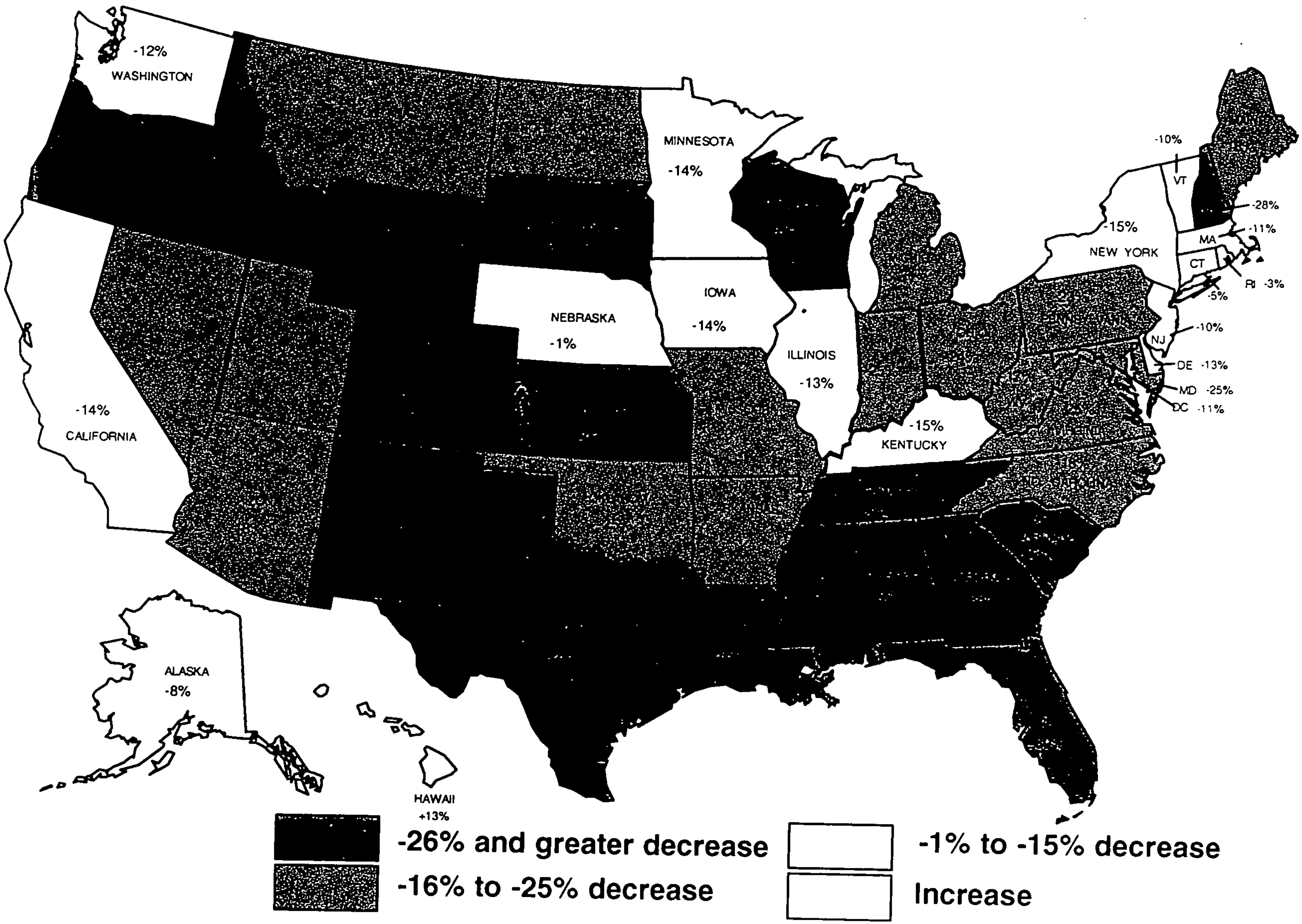
In summary, we must build upon and continue our efforts on behalf of low income workers. I look forward to further discussions with you regarding these important issues. Please let me know if you would like a briefing or further information.

Donna E. Shalala

Attachments

Chart 1: RECIPIENT COUNT DOWN 2.4 MILLION SINCE ENACTMENT OF NEW WELFARE LAW

(August 1996-September 1997)



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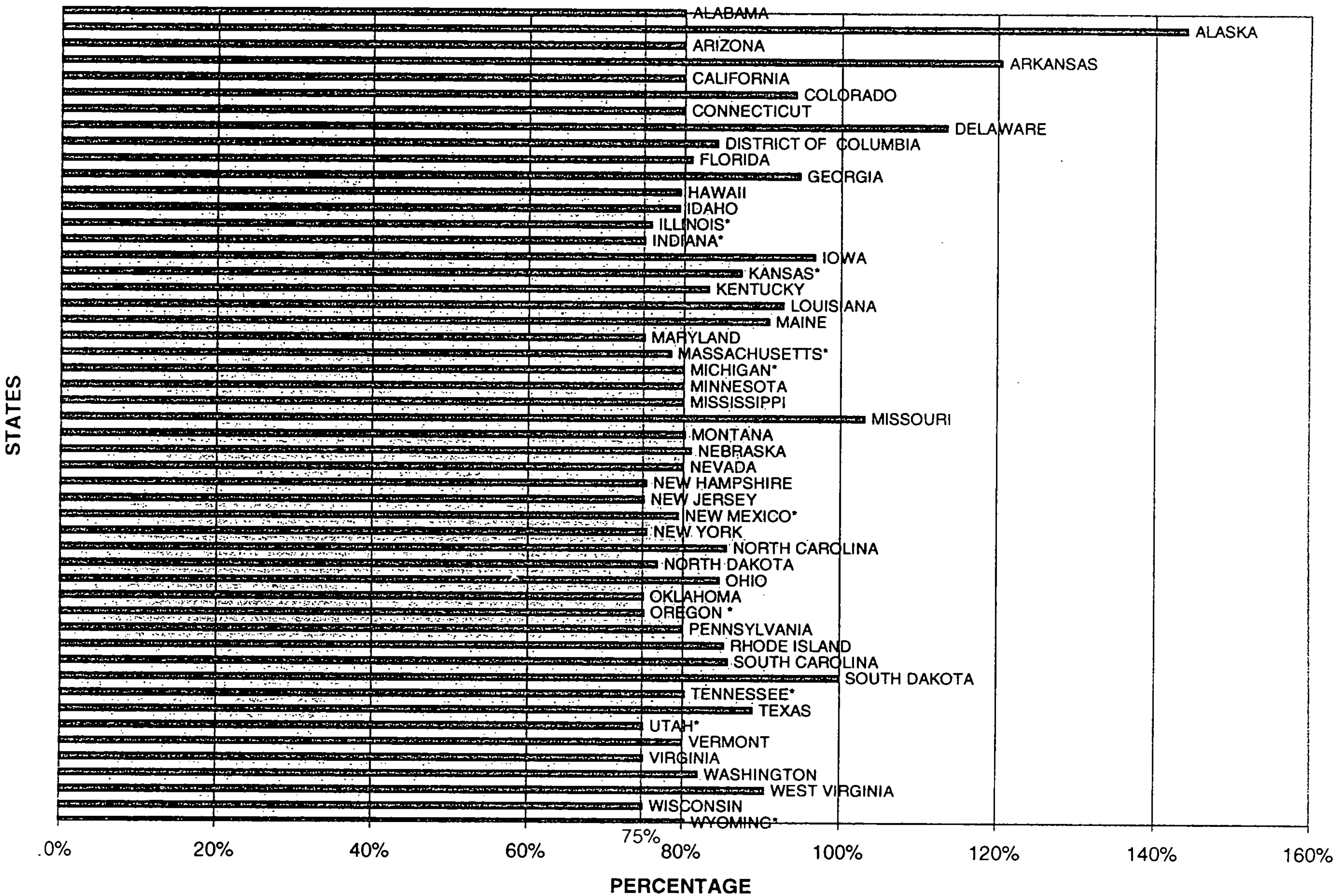
TANF PROGRAM
Chart 2: EXPENDITURE OF STATE FUNDS IN FY 1997 AS % OF MOE



Data as of January 23, 1998

Chart prepared by U.S. Dept. of Health and Human Services
Administration for Children and Families

Chart 3: Earnings Disregards

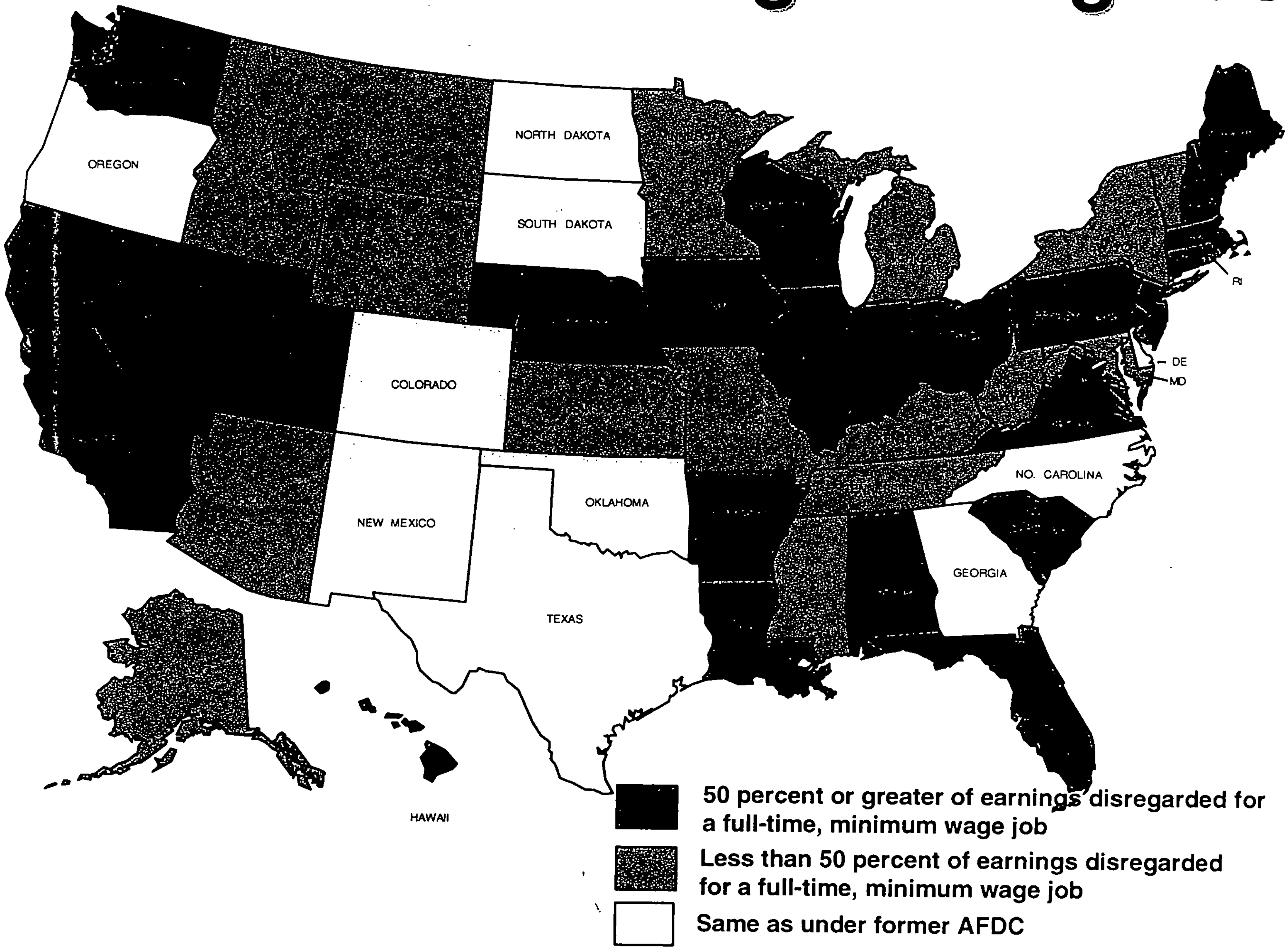


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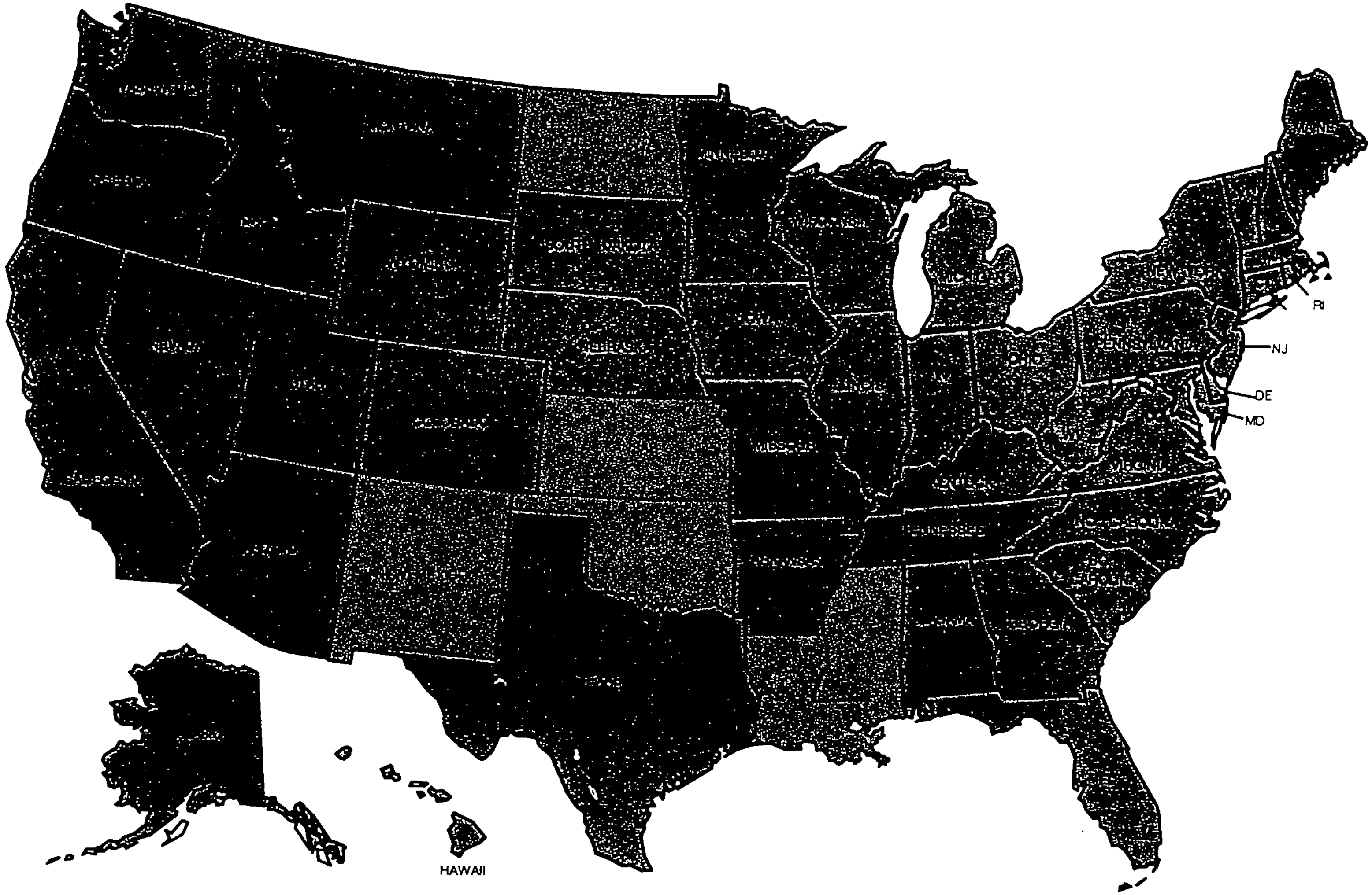
Chart 4: Increased Resource/Vehicle Limit



Increased resource and/or vehicle limit

As under former AFDC program

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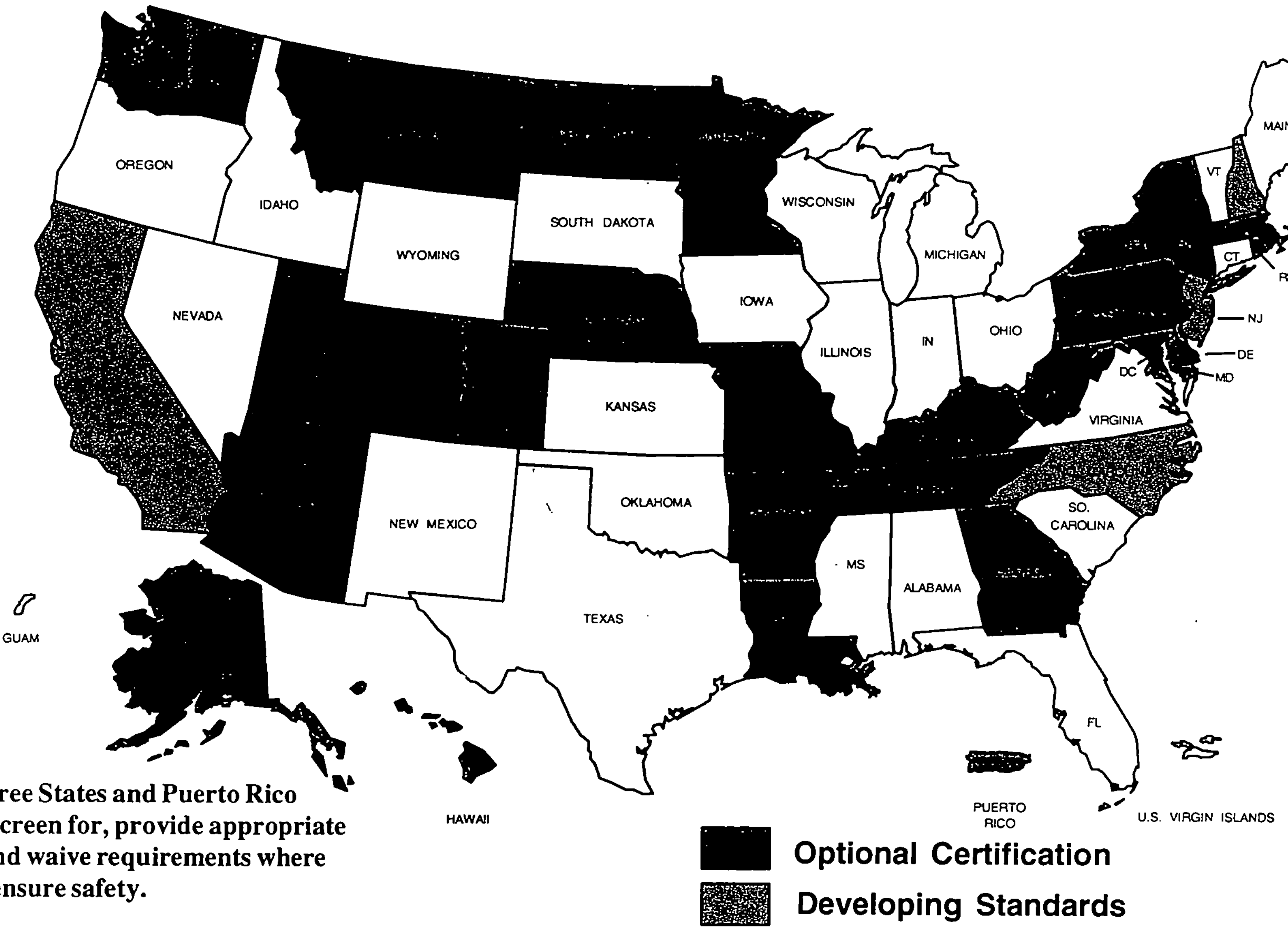
Chart 5: States Selecting Family Violence Option



Twenty-three States and Puerto Rico elected to screen for, provide appropriate services, and waive requirements where needed to ensure safety.

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Chart 6: Age of Youngest Child Exemption from Work Requirement

12 months old   Younger than 12 months old

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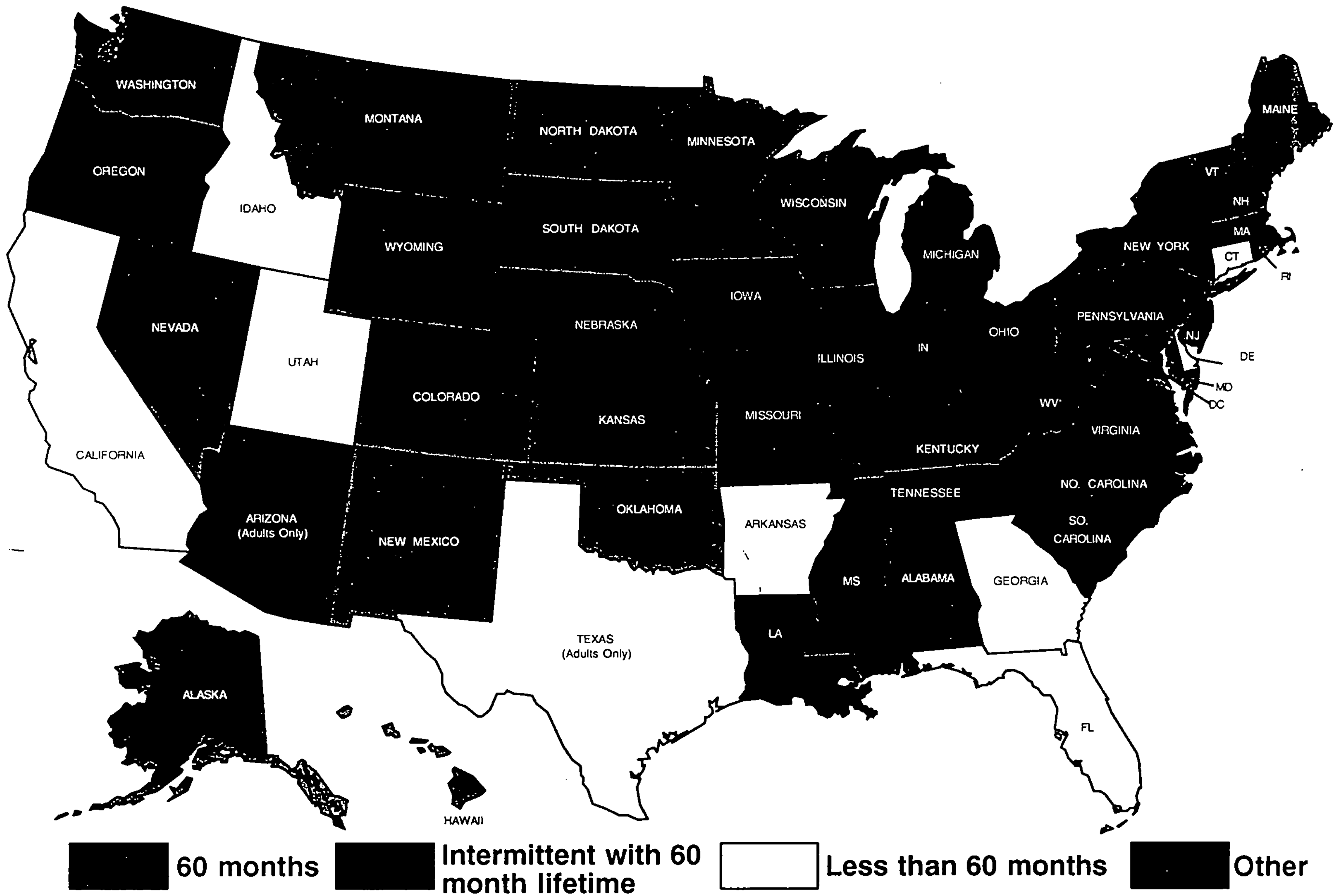
Chart 7: Time Limit Choices



1/28/98

THE WHITE HOUSE

WASHINGTON

POTUS Look

July 24, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
CYNTHIA RICE

SUBJECT: NEXT WEEK'S SPEECH ON STATE WELFARE REFORM EFFORTS

On Monday, July 28th, you will speak to the National Governors' Association in Las Vegas. We believe your speech is an opportunity to make a major statement on welfare reform one year after you signed the new law into effect and four years after you began to reform welfare by granting waivers to the states. You are scheduled to follow this speech with a Welfare to Work Partnership event on August 12th with several hundred business leaders in St. Louis who will accept your challenge to hire welfare recipients.

We thought that in the NGA speech you could provide a statement of the principles and values that have guided welfare reform. You could discuss the importance of work and responsibility, of requiring both parents to support their children, and also of teaching teenagers that staying in school and avoiding parenthood are the right things to do. You could talk about the new role of welfare workers: not to dole out checks, but to assist welfare recipients in meeting the challenge of joining the workforce. And you could talk about the need to support work -- to make sure it pays better than welfare -- through the minimum wage, EITC, child support, and investments in health care, child care, and transportation.

We also thought that in the NGA speech you could turn the spotlight on the states: to underscore the successes -- but also point out some of the shortcomings -- of state welfare reform efforts. You could emphasize that while we have much to be proud of, we cannot rest on our laurels. Instead, states must seize the opportunity to use savings from declining caseloads and the growing economy to put even more people to work. Many states are investing new funds in child care, transportation, and other welfare-to-work efforts; others are diverting savings to other parts of their budgets. We thought you could praise those who are doing the right thing, and scold, though not by name, those who are not. Overall, we hope in this speech that you could send a signal that we intend to hold states accountable for their actions.

Finally, you could include an update on education standards in the speech, probably referring to the announcements you will have made on Friday of the big city school districts that have agreed to adopt the new tests.

The State of the States

As you know, welfare reform began long before last August, with the waivers we granted to 43 states to allow them to impose tough work requirements and time limits and provide incentives to make work pay better than welfare. Under the new law, nearly 90 percent of these states have chosen to continue or build upon their waivers. Many of these states have intensified their efforts, either expanding small demonstration projects state-wide or leveraging additional financial or community resources for welfare to work efforts. Other states are simply in a holding pattern, postponing changes because of political conflict (i.e., New York and California) or for other reasons. Here's a summary of some of the interesting trends we've uncovered.

Child Care: Efforts to expand child care are widespread. Because of the additional $4 billion we secured in the welfare law, all states are receiving more federal funds, which they must match with their own dollars. About half the states are increasing their spending beyond what is needed to match the new federal funds. Some states are adding quite a bit more: Wisconsin is adding $160 million, Illinois is adding $100 million, and Florida is adding $23 million in new funds and shifting $60 million from the welfare block grant to child care. A new paper by the Progressive Policy Institute praises Illinois, Michigan, and Washington for establishing "seamless" child care systems which provide subsidies for all workers below a certain income, whether they've been on welfare or not. (There's a growing concern that some states are short-changing the working poor by giving former welfare recipients priority for child care subsidies. Creating a universal, income-based system avoids that problem.)

Transportation: Several states have developed strategies to ensure welfare recipients have the transportation they need to get to work. Kentucky is now implementing an initiative to ensure that transportation is available in all areas of the state. Connecticut is earmarking $2.2 million of its TANF funds for new transportation services for welfare recipients. New Jersey has announced a $3.7 million initiative to move *Work First New Jersey* participants to work. In May, the Department of Transportation worked with NGA to award planning grants to help 24 states develop transportation strategies to support their welfare to work efforts.

Welfare to Work Programs: Nearly all state welfare-to-work programs include the traditional elements: job search, training, education, community work experience, and placement in unsubsidized jobs. But now, according to a new survey by NGA, 36 states are using welfare checks to subsidize private jobs, although mostly on a small scale. Twenty-seven states have "upfront diversion" programs which provide job search assistance or emergency cash grants to help prevent people from going on welfare. Several states (Maryland, Pennsylvania, Florida) provide tax incentives to companies that hire welfare recipients. In many states, the governor and other elected officials are reaching out to the business community to forge new partnerships. In Nevada, the state has set a goal for new casinos to set aside 10 percent of all positions for former welfare recipients.

Diverting Welfare Savings for Other Uses: Not all states are investing welfare savings in child care, transportation, or other welfare to work efforts. According to the Progressive Policy Institute, Ohio is actually cutting state spending on child care and is using some of its savings from lower welfare caseloads for tax cuts (the state protests that, with the infusion of federal dollars, it is still spending more overall on child care than before). In Connecticut, the governor proposed and the legislature enacted a plan which uses federal TANF dollars to replace existing state social services spending. In Texas, the state spent less than one-third of its surplus from declining caseloads on welfare to work programs; the rest was used on state programs previously funded by state dollars.

Child Support Enforcement: As you know, we have made progress in child support enforcement, increasing collections by 50% from 1992 to 1996. Last year's welfare law included tough new measures to help states track deadbeat parents across states lines. To date, however, many states have not enacted all the state laws needed to put these tough new measures into place. According to HHS, one state -- Idaho -- has not enacted any of the new child support provisions required by the new federal law. Moreover, nine states -- including California, which has 22% of the nation's welfare caseload -- will likely not make this October's deadline to put in place new child support computer systems. We think that in your speech you should underscore the need for prompt state action in these areas.

THE WHITE HOUSE

WASHINGTON

February 17, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
LYN HOGAN

SUBJECT: Welfare Caseload Statistics

We have been working with HHS to compile a series of estimates which you may find useful as you talk about the challenges ahead in welfare reform. The numbers are daunting, but not as impossible as you might think.

I. Caseload Reduction, 1993-96

When you took office, there were 14.1 million people on welfare, including nearly 5 million adults. By October 1996 (the latest figures available), the caseload had dropped to 11.9 million people, fewer than 4.3 million of them adults. The 2.25 million decline (a 16% decrease) is the largest caseload drop in history.

The decline is even more striking when you consider that the caseload did not peak until March 1994, when it reached 14.4 million (5.1 million adults). The caseload dropped 18% between March 1994 and October 1996.

If these trends hold, the total decline from January 1993 to January 1997 should be more than 2.5 million people and between 900,000 and 1 million adults.

No studies have been done to determine how much of the recent caseload decline is due to a good economy and how much to state welfare reforms. Historically, the food stamp caseload has closely tracked the business cycle, but the welfare caseload has not. More than half the welfare caseload has never worked; an economic downturn is not what landed them on welfare. A CRS study of the surge in welfare rolls during the Bush years attributed most of the increase to the rising number of births to never-married mothers, not the 1990 recession.

Over the last four years, the largest drops have come in states with the most aggressive welfare reform experiments -- including 40% declines in Wisconsin and Indiana. The past four years have been a time of unprecedented state experimentation in welfare reform, and all the tough talk from Washington on down has probably had some behavioral impact as well. (The caseload drop was sharpest during the three-month period around the signing of the welfare law, even though no recipient was affected by the new law during that period.)

Still, it would be a mistake to give welfare reform all the credit for caseload changes over the past four years. Virtually every state with a vigorous statewide effort has cut caseload by a quarter or more. But some states did little or nothing to reform their welfare systems, and others experimented in only a few counties.

Four states had caseload increases between January 1993 and October 1996: Alaska, Hawaii, New Mexico, and most important, California, which has 20% of the national caseload. In each state, a mix of factors is at work: None of them has done much statewide on welfare reform, and each has experienced population growth. California was late to join the economic recovery, and leads the nation in child-only cases -- U.S.-citizen children of illegal immigrants who are eligible for welfare because they were born here.

II. Key Facts about the Caseload

Family Size: The average size of a welfare family is 2.8 people. Moving 360,000 adults off welfare will reduce the caseload by 1 million people.

Able-Bodied Recipients: HHS estimates that 80-90% of adult welfare recipients are capable of joining the workforce. The other 10-20% are considered unable to work because of health, age, or severe mental or physical disabilities.

III. Meeting the New Work Requirements

Under the new welfare law, every able-bodied adult is supposed to work within 2 years of receiving benefits. (About 35% of current recipients have been on the rolls less than 2 years.) It is up to the states whether to enforce that requirement. The only enforceable federal requirements are the 5-year lifetime limit on federal benefits and the work participation rates.

Time Limits: Every welfare recipient now has a 5-year lifetime clock, which begins ticking when a state's new plan is certified complete, and stops every time the recipient goes off welfare. States can exempt 20% of the caseload from the 5-year limit, and use state dollars to exempt others if they choose. Most recipients will take longer than 5 years to reach the 5-year limit, because all but the permanent underclass (about a quarter of recipients) cycle on and off the caseload. Until we have a national time clock -- which was envisioned in our 1994 bill, but not included in the final law -- some recipients also may be able to circumvent the lifetime limit by moving from state to state.

Work Participation Rates: Under the new welfare law, states must have 25% of their adult caseload in work activities in 1997, 30% in 1998, 35% in 1999, 40% in 2000, 45% in 2001, and 50% in 2002 and beyond. But states get credit for people they move off welfare altogether in the meantime. If a state's caseload has dropped since FY1995, the state's work participation rate is reduced accordingly. Effective work rates for this year and beyond have already been reduced 8% nationwide by recent declines in the caseload. (Many states have lowered their caseloads and their effective work rates by twice that much. A few haven't lowered their caseloads at all.)

The following projections were calculated by HHS but are considered preliminary and are under review. About a quarter of the adult caseload is exempt for a variety of reasons, primarily the exemption for parents with children under one. By these estimates, states will be required to put 1 million adults into work activities by the year 2000, and 1.1 million by the year 2002. That number will be lower if caseload declines are greater than projected. (The current caseload is already slightly smaller than the FY2000 projection.)

	FY 95	**FY 96**	**FY 2000** (projected)	**FY 2002** (projected)
Average monthly caseload	4.9 million	4.5 million	4.3 million	4.0 million
Non-exempt adult caseload		**3.3 million**	**3.2 million**	**2.9 million**
Work participation rate			40%	50%
Caseload reduction from '95		6.7%	8%	12%
Effective work participation rate (minus caseload reduction)			32%	38%
Total number of adults required to work (Effective work rate multiplied by non-exempt caseload)			**1 million**	**1.1 million**

Only a portion of the 1 million would be in subsidized work programs in the private or public sector. States can count vocational education as "work" toward a fifth of its participation requirement. Several states may raise their earnings disregards so that they can count more of the working poor toward their participation rates.

We will ask HHS to run these numbers on a state-by-state basis as well. By these estimates, New York State, with more than 9% of the national caseload, will have to place around 100,000 in work by the year 2000.

IV. Hiring Power in the U.S.

There are 826,000 U.S. businesses with more than 20 employees.

There are 135,119 congregations with more than 200 members, and 205,583 congregations with more than 100 members.

There are 1.1 million nonprofit organizations (not including congregations).

We will run these numbers on a state-by-state basis as well.

V. Miscellaneous Statistics

State Plans: So far, 42 states have submitted their new state plans to HHS under the new law. Of the 42, HHS has certified 35 complete (including New York).

Work Supplementation: As of August 22, 1996, when you signed the welfare law, 11 states had received waivers to modify work supplementation rules. Oregon and Missouri pioneered this concept. Most of those waivers sought to combine AFDC and food stamp benefits to subsidize jobs.

Out-of-Wedlock Births: The birth rate for unmarried women dropped 4% in 1995, the first decline in 19 years. The proportion of all births to unmarried mothers declined slightly to 32.0% in 1995, from 32.6% in 1994. Three years ago, Senator Moynihan predicted that the ratio would rise to 40% or even 50% over the next decade.

Teen Pregnancy: The teen birth rate has declined four years in a row by a total of 8% between 1991 and 1995. Half a million teenagers 15-19 give birth every year. Moynihan wrote an op-ed last month criticizing us for taking credit for reducing teen pregnancy when the illegitimacy ratio for teenagers actually rose (from 70% in 1992 to 72% in 1995). But the teen birth rate fell faster than the teen illegitimacy ratio went up, and the overall illegitimacy ratio has stopped rising.

Child Support: Child support collections increased 50%, from $8 billion in 1992 to $12 billion in 1996.

Paternity Establishment: Paternity establishments have increased under the Clinton

Administration from 554,637 in 1993 to 903,000 in 1995.

Poverty: The number of people in poverty dropped by 2.9 million between 1993 and 1995, after four straight years of increases.

VI. Other Questions

Childless Adults: Most states do not provide welfare benefits for single, childless adults. This population will be hit hard by the 3-month time limit on food stamps. Our budget would restore their eligibility (unless they turn down a work slot), provide states with funds for 380,000 new work slots, and make childless adults eligible for our expanded Work Opportunities Tax Credit, which gives employers a 50% credit on the first $10,000 in annual wages.

Organizing CEOs: Eli Segal has drafted a strategic plan for a non-profit organization to recruit businesses to hire people off welfare. He will send us a copy after his board approves it next week. Eli will probably serve as president of the organization, with most of the CEOs you met as a governing board.

Organizing Non-Profits and Religious Organizations: We have spoken with Maria Echaveste about the need for a full-time staffer in Public Liaison to organize religious institutions, non-profits, and businesses to move people from welfare to work.

African-American and Hispanic voters are no less supportive of welfare reform than white voters. Indeed, Hispanics are nearly identical to whites in their priorities for change. Black voters focus more on policies that would help keep people off welfare in the first place -- a campaign against teen pregnancy or day care subsidies for low income working families -- but they are also strongly supportive of aggressive child support enforcement and "two years and work."

The major findings are set out below:

- **Unanimous support for two years program.** There is virtually no opposition to a welfare reform program that expands job training and day care, but then cuts off welfare benefits after two years and requires people to work. Regardless of whether the plan is introduced as Congress' or President Clinton's, it garners almost unanimous support -- 88 percent in favor. There is little difference between races: blacks (82 percent favor), whites (88 percent), and Hispanics (90 percent) overwhelmingly favor the plan.

- **Democratic funding approach runs ahead of Republican alternative.** Voters are more supportive of Democratic plans to cover reform costs with a combination of reduction in welfare rolls by making work pay more, cuts in welfare for the wealthy, and a crackdown on welfare fraud. When compared to the Democrats, the Republican approach of barring benefits to legal immigrants maintains support only among core Republican constituencies.

- **Child support payments key to reform and financing.** The public's top priority in welfare reform is a program of aggressive child support enforcement (65 percent single highest or top few priorities). They are much more likely to back a Democratic funding proposal that includes "strict enforcement of child support payments" (61 percent) than an alternative without such a program (51 percent). Republican women abandon the Republican financing proposal when the Democratic alternative includes a child support provision.

- **Responsibility, individual accountability important to reform.** There is little about the current system that voters want to maintain, and they are particularly supportive of reforms and funding proposals that promote responsibility and accountability -- such as sponsors taking responsibility for new immigrants or limiting benefits to drug and alcohol abusers. Minorities are strongly supportive of a national campaign against teen pregnancy.

- **Perot voters eager for reforms.** Welfare reform is popular with most voters, but Perot supporters are especially enthusiastic. Three quarters place "two years and work" in their top few priorities, compared to 63 percent of Bush voters and 59 percent of Clinton voters. Perot voters are supportive of almost every type of reform, resembling Democrats on day care subsidies but looking like Republicans on denying additional benefits to women who have children while on welfare.

Eliminating benefits for legal immigrants is an attractive alternative for many swing voters. Indeed, more independents favor the proposal (71 percent) than Republicans (69 percent). Even a majority of Democrats support the idea (56 percent).

While voters find the GOP scheme attractive, they do not stay with it when contrasted with a Democratic alternative. When asked to choose between two approaches, the Democratic approach wins a majority each time. A Democratic alternative that includes aggressive child support enforcement runs far ahead of the Republican plan:

Welfare for Wealthy/ Work Contrast	**Fraud/ Deadbeat Dad Contrast**
<u>The Democrats</u> pay for their reforms by cutting welfare for the wealthy in the form of tax breaks and subsidies, and reducing the welfare rolls by making work pay with more tax breaks for the working poor. *51 percent*	*<u>The Democrats</u> pay for their reforms with spending cuts in other programs, by cracking down on welfare fraud and with strict enforcement of child support payments from deadbeat dads.* *61 percent*
<u>The Republicans</u> pay for their reforms by barring further welfare benefits to legal immigrants who are not American citizens. *34 percent*	*<u>The Republicans</u> pay for their reforms by barring further welfare benefits to legal immigrants who are not American citizens.* *27 percent*

The first approach (welfare for wealthy) breaks out largely along partisan lines, although nearly one-third of Republicans back the Democratic alternative. A bare majority of Perot voters also sides with the Democrats. When the Democratic approach includes a crackdown on welfare fraud and deadbeat dads, a plurality of Republicans back the Democratic approach. Most of this movement comes from Republican women -- <u>53 percent</u> back the Democratic plan (compared to just 27 percent on the first alternative). Perot voters back the deadbeat dad proposal by 62 to 24 percent.

Voters are most concerned about the effects of denying benefits to legal aliens. The strongest arguments against the funding proposal focus on the costs of dealing with these people when they get sick (62 percent serious doubts) and the possibility of more hungry and homeless people in their communities (60 percent). Arguments dealing with constitutionality and the legal status of immigrants are strong but less effective. Groups that are most responsive to the arguments against denying benefits to legal immigrants are mostly non-college (74 percent, 46 percent high school or less) and disproportionately older (47 percent). A plurality (40 percent) are older non-college voters.

Black and Hispanic voters have different top priorities than whites, but their overall agendas are similar. Blacks place the single highest priority on a campaign to end teen pregnancy (21 percent single highest priority) followed by child support enforcement (18 percent). Hispanics split between two years/ job training (22 percent), a teen pregnancy initiative (20 percent) and fingerprinting (20 percent). Whites place their top initiatives as two years/ job training (20 percent) and child support enforcement (17 percent).

Blacks vary somewhat in their overall rankings of the "two years and work" initiative. Child support enforcement is by far ranked number one (67 percent single highest or top few priorities), with day care subsidies (54 percent), finger printing (52 percent), teen pregnancy (52 percent) and "two years" (51 percent) essentially tied for second.

Funding Alternatives

There is strong support for all funding alternatives tested, including denying benefits to legal immigrants. Tested individually, most of the Democrat alternatives run ahead of the Republican plan -- except the welfare for the wealthy provisions. But eliminating these tax breaks and subsidies is more popular with Democratic voters, and will help to consolidate support for the overall plan. Most of the other proposals are more popular with independent and Republican voters than they are with Democrats, although Democrats provide at least majority support for each one. The proposals rank as follows:

	Percent Favor
Require gamblers to pay withholding tax	83
Require immigrant sponsors to take responsibility for those immigrants for 5 years	77
Deny benefits to new immigrants until they become citizens	73
Limit benefits to drug and alcohol abusers	71
Eliminate benefits to legal immigrants	64
Eliminate tax breaks for annuities	62
Cut farm subsidies for wealthy farmers	61

Priorities for Welfare Reform

Voters are clear in their top priorities for welfare reform -- they want fathers to take responsibility for their children and they want people off the welfare rolls and into work. Other components of reform are grouped together, but there is a clear desire to eliminate the fraud voters associate with welfare and a call for individuals to take responsibility for their own lives:

	Percent Top Few
Aggressive child support enforcement	65
Expand job training and day care but cut off benefits after 2 years and require people to go to work	63
Strict measures like fingerprinting to make sure that people don't receive benefits in more than one locality	51
National campaign against teen pregnancy	48
Stop additional benefits to women who have new children while on welfare	48
Day care subsidies for low income working families	48
Require teen-age parents to finish school and live at home with parent or responsible adult	45

Child support enforcement is universally popular. There is almost no gender or partisan variation, although independents (71 percent top few priorities) and Republicans (67 percent) are somewhat more supportive. The two years/ job training initiative is also strong among almost every group. Interestingly, Perot voters place it much higher in their top priorities (75 percent) than either Bush (63 percent) or Clinton voters (59 percent).

Perot voters in general are more supportive of every reform, looking like Clinton supporters on day care subsidies (53 percent each top few priorities, compared to 42 percent of Bush voters), but looking like Bush supporters on denying additional benefits to welfare mothers who have new children (54 percent each, compared to 41 percent of Clinton voters. They are open to almost any type of reform that will change the system, including a program to stop teen pregnancy.

April 20, 1994

MEMORANDUM FOR MARY JO BANE
DAVID ELLWOOD
WENDELL PRIMUS

From: Bruce Reed
Kathi Way
Jeremy Ben-Ami

Subject: Comments on Memo for the President

We have the following comments on the April 12 draft of the Confidential memorandum:

- Descriptions of the Tables in first paragraph don't correspond to what is actually on the tables.

- Is cost sharing at 80/20 only for certain parts of the package? P. 3 indicates federal share of working poor child care would be $500 of $750 million (66%). Also, Table 2 bottom lines do not look like 80/20 - so discrepancy should be explained.

- P. 2 - description of phase in indicates that 35 percent of the caseload would be in mandatory education or training. The description of what they are doing should be "engaged in structured activities designed to find or prepare for work."

- P. 2 - why is deferral group 29%? Of 89 percent not off welfare, wouldn't only 25 percent of them be deferred? Wouldn't that be 22%?

- P. 2 - Eliminating the JOBS-Prep money does not change the fact that everyone must do something. Why wouldn't we continue the mandatory activities, but with self-reporting at minimal cost, a la Michigan?

- P. 3 - as mentioned above, child care cost sharing does not match between Package 1 and 2.

- P. 3 - description of Teen Pregnancy Grants should be revised to reflect the possibility that this money could go to a bold, new national initiative aimed at at-risk youth in at least 1,000 of the country's poorest schools.

February 17, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

THROUGH: CAROL RASCO

SUBJECT: Welfare Reform Damage Control

I. The Bad News

In the wake of a series of damaging New York Times stories casting doubt on our welfare reform plans, Carol and I met with David Gergen, Rahm Emanuel, Susan Brophy and others to devise a strategy to start defining the welfare issue on our terms, and to ward off future leaks by getting our side of the story out first. We believe the recent drumbeat of negative and misleading stories on this issue, which is apparently being fueled by opponents of welfare reform within the Administration, will seriously undermine our credibility if we don't get our spin out soon.

Jason DeParle of the Times has already written a series of stories setting us up for failure: we can't end welfare unless we create 2.3 million jobs, we can't end welfare unless we tax the poor, we can't end welfare unless we find enough money to end homelessness as well, etc. Each of these arguments is a straw man, based on ideas we had no intention of doing in the first place. But DeParle is laying the groundwork for the conclusion that, as he wrote in the Jan. 5th article that prompted Moynihan's initial outburst, the Administration is planning a "sleight-of-hand strategy" on welfare, and isn't really serious about ending it.

II. The Good News

We're doing all we can to sniff out the leaks, but OMB and HHS are circulating cost and financing estimates that will be hard to keep quiet -- especially since we need to share them with several Cabinet members in preparation for a meeting week after next. Rather than wait for more bad leaks to come out next week, we would like to get a good story in another paper this weekend on our terms.

Contrary to what you've been reading in the newspapers, we think we can put together a serious welfare reform bill with offsetting savings that should satisfy Moynihan, the governors, and others who care about this issue, and give you a real chance to end welfare. As you've always said, the key to this whole thing -- and the story we would like to get out -- is phase-in. All the major questions -- where to find the money, how to get the states on board, and most important, how to make the program work -- turn on this issue.

If we phase time limits and the work program in too quickly, the states will revolt, the left and labor will go nuts, Congress will get cold feet, and even if we got our way, we might well create another CETA. We don't have the money for such a rapid phase-in, and neither do the states. On the other hand, if we phase it in too slowly, and spread a little money over a large portion of the welfare population, our reforms will fail and we won't learn anything. States will tiptoe ahead as they have done with the Family Support Act, and most of the caseload won't notice the difference.

In light of these considerations, HHS and OMB are working on a cost and financing document that is based on a phase-in that is targeted to a manageable chunk of the welfare population -- applicants born after 1970. States could go faster if they wanted (most won't), but we would require them to start covering everyone under 25 in 1995 and everyone under 30 by 2000. This is still an ambitious phase-in -- 300,000 recipients would hit the time limit and be required to work by the year 2000. It starts out higher but does not grow as quickly as the House Republican bill, which could have perhaps 500,000 in the work program by 2000.

A bill based on this phase-in would cost $8-15 billion over five years, depending on how much we spend on other things (like child care for the working poor) and how much we try to save from paternity establishment and other personal responsibility measures. The House Republican bill costs $12 billion over 5 years -- with costs rising rapidly outside the budget window.

We believe Senator Moynihan will look favorably on this approach, which is based in large part on a New Republic article written by his chief welfare aide, Paul Offner, who suggested starting with a work program for everyone under 20. It also gives us a compelling answer to Charles Murray, who wants to cut teen mothers off altogether; we would make them live at home with their parents, finish school, and then go to work. Al From and Will Marshall, who are helping draft a bill for the Mainstream Forum, are also strong proponents of a gradual phase-in of this sort.

Obviously, you shouldn't make any decisions on the basis of this memo. We can start talking next week about the major issues you will need to think about, as well as the budgetary and political tradeoffs involved.

But since we will soon be circulating a budget document that assumes this phase-in, we believe it is essential to get a good story right away (that we are considering a phase-in that would target the next generation, give states flexibility and time to learn as they go, and could actually be achieved because it doesn't break the bank). Otherwise, Jason DeParle will write a nasty one next week (Administration Slashes Welfare Reform Plans Under Pressure from Budget, Unions; No End to Welfare In Sight). We would like your permission to float this approach with Ron Brownstein of the Los Angeles Times, a reporter who wants welfare reform to succeed.

January 19, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: Mary Jo Bane
David Ellwood
Bruce Reed
Kathi Way

THROUGH: Carol Rasco

SUBJECT: Timing of Welfare Reform

I. BACKGROUND

Although the Administration has publicly affirmed its intention to pursue both health reform and welfare reform legislation in 1994, the timing and nature of welfare reform has come under intense scrutiny. This memorandum outlines some options for your consideration as you prepare for the State of the Union.

In light of Senator Moynihan's recent comments, we see no way to put off introduction of welfare reform without jeopardizing health reform. He has made clear that he won't take up our health care bill until he sees our welfare reform bill. Senator Mitchell's office has also expressed concern that until we have sent up our welfare reform plan or committed to a date certain, the Republicans can embarrass us on the Senate floor by offering welfare amendments to any bill they please. On the House side, Rep. Harold Ford wrote an op-ed for the Memphis Commercial-Appeal this past week endorsing time limits and urging you to move quickly on welfare reform.

II. OPTIONS

In order to avoid losing the issue, we see two options on how to proceed. Our first and preferred option is to move full speed ahead and announce that we will introduce comprehensive welfare reform legislation in March. That will also give you plenty of time to delve into the details of what the welfare reform legislation should include, and how best to pay for it. It will reassure Moynihan and other moderates that welfare reform is coming, and shift the press focus over the next two months back to health care. And it will give us a fighting chance to pass welfare reform this year.

The risks of this strategy are that leaks during the decision-making process on welfare will detract from our public focus on health care, or that our allies on health care will be put off by what we propose on welfare. But we will have to run these risks anyway if we are going to introduce welfare reform legislation in 1994, and it may be better to face them now rather than down the road when we're scrambling to build majorities on the floor for health care.

A second option would be to introduce part of the plan right away and part later this spring, when health care is farther along. The first piece could focus on personal responsibility -- primarily measures on teen pregnancy, paternity, and child support enforcement. The second piece could focus on work -- expansion of the JOBS program, the two-year time limit, work programs, and child care. (A detailed description of what these two pieces might look like is attached.)

This part-now, part-later approach was initially envisioned as a means to hold onto the welfare issue while protecting health care. In light of Moynihan's recent comments, it seems unlikely to accomplish either objective. Moynihan told the New York Post that if we were serious about welfare reform, we would show how we're going to pay for it. We doubt that this two-step option would reassure him, and we fear that he and others might use it as an excuse to blast the Administration again for not being serious about the issue.

Whichever course you choose, we believe that you should send a strong, clear signal in the State of the Union, which you can reinforce a week later in your remarks to the NGA. Without a clear timeline and strategy, we will have the worst of all worlds -- reporters will continue to focus on process instead of policy, Republicans will continue to use welfare as an excuse not to deal with health care, and Democrats will continue to tug at us from the left and the right and take advantage of any apparent indecision to drag both the health care and welfare debates in their direction.

POSSIBLE ELEMENTS OF A TWO-PART WELFARE REFORM PLAN

Here is what the components of a two-part welfare reform plan might look like. In theory, these measures could be introduced separately and taken up together. Obviously, the entire list below could instead be introduced as a single Work and Responsibility Act early this spring.

I. Personal Responsibility Act (could be introduced in February)

1. Prevention
-- Announce a national campaign to reduce teen pregnancy and out-of-wedlock births
-- Require unwed teen mothers to live with their parents
-- Allow LEAP-style programs to reward and sanction individual behavior
-- Make cooperation in paternity establishment as a condition for means-tested benefits
-- Allow states the option to limit additional benefits for additional children
-- Expand family planning and welfare mother mentoring demos
-- Encourage use of a social contract laying out expectations for all applicants
-- Include any other ideas to reduce out-of-wedlock births

2. Child Support Enforcement
-- A range of improvements in enforcement, including state registries
-- A national registry to cross-check delinquent parents
-- Work programs to require delinquent parents to pay up or work off their child support obligations
-- Mandatory revocation of drivers licenses for delinquent parents
-- Small-scale demonstration of child support insurance

II. Work Not Welfare Act (introduced in April/May)

1. Make Work Pay
-- Expanded child care
-- Advance payment of EITC

2. Work
-- Expansion of JOBS program
-- Increased emphasis on job search and placement
-- Two-year time limit followed by work
-- Economic development and asset changes

3. Reinventing Government
-- Measures to identify and reduce fraud
-- Streamlining of requirements and bureaucracy
-- Simplification and increased state flexibility
-- Technology to track compliance with two-year limit

PARENTAL RESPONSIBILITY

This bill (or section of the bill) affirms the desirability of preventing welfare dependence and of promoting responsible parenting. It recognizes out-of-wedlock childbearing as a major contributor to welfare receipt. It attempts to deter irresponsible and early childbearing in part by emphasizing the consequences of parenthood, making a strong statement that becoming a parent carries clear, firm and inescapable obligations for both mothers and fathers to care for and support their child. It ensures that welfare receipt does not release either parent from the responsibility to work and to pay child support. It recognizes the obligations of parents and other adults to supervise and support minors who have children of their own, and of minor parents to live in a supervised situation, attend school and prepare themselves for work.

It ensures that minor parents receive services under the JOBS program that promote work and preparation for work. It also focuses attention on availability family planning services and education are available to teenaged and low-income women. And it seeks to offer youth other opportunities and broad based community support, providing hope for a better future by postponing childbearing. It recognizes the dearth of proven models for effectively preventing teen pregnancy and the other high risk behaviors that are often associated with it, and provides for the demonstration and evaluation of a variety of approaches.

Responsibilities of fathers

The first step is to send a clear message about parental responsibility by enforcing child support. Child support enforcement measures would include:

- o a universal and simplified paternity establishment process in the hospital
- o strict requirements on mothers seeking public assistance to cooperate with the local child support agency in establishing paternity.
- o measures to both make it easier for individuals to voluntarily acknowledge paternity and to streamline the process for resolving contested cases.
- o periodic updating of child support orders to ensure that each award reflects the current income and circumstances of the noncustodial parent.
- o requirements on States, with the help of Federal funds, to employ technology to enhance existing child support record-keeping and collection systems.
- o a national clearinghouse of child support cases and registry of new hires
- o expansion of the use of wage withholding, greater use of the tax system, greater penalties for non-payment, and other measures.
- o strategies to help noncustodial parents improve their earnings capacity and remain involved in their children's lives.

Responsibilities of mothers

The work not welfare bill (or section of the bill) focuses on the responsibilities of custodial parents (usually mothers) to work and prepare for work as a condition of receiving benefits. Single parents seeking government assistance will now be expected to prepare for work and to go to work in support of their children. In addition, minor minors deserve special consideration. This section focuses on that group.

- o requirements that minor mothers live at home; encouragement to states to provide other adult-supervised living situation if living at home is not possible.
- o requirements for minor mothers to stay in high school and/or participate in the JOBS program.
- o requirements that states provide case management services to minor mothers, including counseling about the prevention of repeat pregnancies and access to family planning services. Encouragement for states to allow "mentor mothering" of minor parents as a community service assignment under the WORK program.
- o state option to use financial incentives and simpler JOBS sanctioning procedures in conjunction with case management to encourage minor mothers to attend and complete high school.

Encouragements for responsible family planning

Responsible parenting requires access to information and services designed to discourage early sexual behavior and to prevent pregnancy.

- o hard hitting campaign on the consequences of teen pregnancy and childbearing.
- o a focus on school-to-work opportunities as alternatives to early parenting
- o increased funding for family planning services through Title X.
- o possible State option for not increasing welfare benefit levels when a child is conceived while the mother is receiving welfare, conditional on family planning having been made available, and on some mechanism for being able to earn back the amount of the benefit not received.

Demonstrations of various approaches to prevent teen pregnancy and other high risk behavior among youth.

We need to explore a wide range of strategies designed to prevent adverse behavior. To find effective strategies we need comprehensive demonstrations that are carefully evaluated. We need to link efforts such as enterprise zones, school-to-work initiatives, and many others to find solutions.

- o demonstrations of schools as full service centers (including health services) for youth.
- o demonstrations focused on providing hope to young people through educational and work opportunities.
- o community based demonstrations of comprehensive services to high risk youth, potentially linked to empowerment zones and enterprise communities.
- o State initiated demonstrations of other teen pregnancy prevention projects.

WORK AND RESPONSIBILITY ACT

This bill or section of the bill deals with supporting working families and replacing the current welfare system--with its focus on detailed and often counterproductive eligibility rules, paper intensive verification, and check writing--with a system designed to move people from welfare to work. It is designed to make the vision of the Family Support Act a reality. It has three critical elements: making work pay; training, time-limited assistance, and work; and reinventing government assistance.

Making Work Pay

The essential stating point for welfare reform is making work pay. The expanded EITC was an important beginning. Health reform is an essential second step. We cannot expect people to leave welfare for work if they lose health security by doing so. The next steps include:

- o Mechanisms to distribute the EITC on an advance basis.
- o Expanded child care for both public assistance recipients and the working poor.
- o Coordinated rules across all child care programs.

Training, Time-limited Assistance, and Work

To change the very culture of the welfare bureaucracy, and to make our support system help people help themselves, major changes will be needed, including:

- o Expansion of the JOBS program to serve essentially the entire caseload Expect participation essentially immediately. JOBS not cash eligibility would become the core of the system.
- o Increased access to mainstream education and training programs, including school-to-work, JTPA, displaced worker initiatives.
- o A two-year time limit followed by work. Community based, private sector oriented work program.

Reinventing Government Assistance

To genuinely change the culture of welfare offices, the system will need to be streamlined and simplified. Technology needs to be used to track cases and reduce waste and fraud.

- o Simplified and coordinated eligibility rules in AFDC and food stamps.
- o Increased state flexibility coupled with clearer federal goals and performance measures focussed on training, work and placements rather than paper verifications of eligibility procedures.
- o Clearinghouse to track welfare use, enforce time-limit, reduce fraud.
- o Coordinated tax and transfer systems to build consistency and reduce fraud.

MEMORANDUM FOR THE PRESIDENT

FROM: **Bruce Reed**
Mary Jo Bane
David Ellwood

THROUGH: **Carol Rasco**

SUBJECT: **Timing of Welfare Reform**

This memo explores several options regarding the timing of welfare reform. Clearly health reform must be the primary focus of the administration this year. And welfare reform depends critically upon health reform, otherwise we will be left with the Hobsian choice of proposing a welfare reform plan which does not guarantee coverage for people who leave welfare for work or one which provides coverage to those who leave welfare while leaving coworkers in similar jobs who never went on welfare with no coverage. Moreover there are legitimate concerns about moving forward with these bills simultaneously, given the complex and potentially intertwined politics of each, the common committees, and the danger of losing focus on health.

At the same time we are concerned that we may lose the initiative and credit for welfare reform if we delay significantly. Several developments color our thinking:

- Welfare reform as you have outlined it is extremely popular with the public. A recent U.S. News survey found that 93% of the American public supported a plan to "require job training for those on welfare, and after two years, require them to work." Even 82% supported a plan to "require job training for those on welfare, and after two years, require them to work in government jobs if necessary."

- The issue seems to be heating up now. All the major news magazines have had major articles, there is heavy writing by reporters, columnists, and editorial boards.

- The Republicans have introduced their bill with nearly unanimous support of House Republicans. Though it has significant limitations, it has much in common with the program we are likely to advance. Newt Gingrich suggested on last weekend that welfare reform could be done in 90 days. His main focus during that program was on welfare reform. Republicans could make our failure to act a major focus in the fall elections and the opportunity for bipartisan efforts would be more difficult.

- Results from focus groups and surveys suggest that the public does not see a lack of medical coverage as a major reason people fail to leave welfare, even though we do, and thus may not fully accept the argument that we can't do welfare before health reform.

- With so many governor's races up for grabs, welfare appears to be a major campaign issue. Absent leadership from the administration, we expect a plethora of highly diverse welfare reform waiver requests.

- o The pressure for further entitlement cuts raises the danger that savings identified for use in welfare reform might instead go to deficit reduction or other initiatives making welfare reform even harder to finance.

- o There is no way to know what the make-up of the new Congress will be, but it seems unlikely to more progressive regarding welfare. On the other hand, election year politics complicate welfare reform debates.

Thus our fear is that the issue will be defined by Republicans and by Governors anxious to do something in welfare reform as they run for reelection. Instead of being in the lead, we may be seen as being reactive.

We see 4 basic options on timing. Be ready to introduce early this year (early March), introduce after the committee work on health reform is done or nearly so (May), introduce after health reform has passed or nearly so (August/September), or introduce a piece of reform early and another piece later.

Early Introduction (Early March)

Under this scenario welfare reform would be heavily discussed in the State of the Union Address stressing the links to health reform and the training initiatives and emphasizing that health reform is essential to welfare reform. Early introduction offers the clearest opportunity to get something passed during this session. Given the time needed for hearings, markup, floor debate, and conference, early introduction may be a prerequisite to passage this year, and even then the timetable could be tight unless we can create an early bipartisan consensus.

Early introduction would allow very clear links to be drawn between the related displaced worker training effort of DOL and its longer term one-stop vision. It will likely prevent Republicans from capturing the issue and will give a signal to states about what options the Federal government is encouraging and funding.

Note that early introduction, or at least getting a bill prepared preserves the most flexibility. One need not actually introduce the bill or if one introduces it, one need not push hard for immediate passage. As the politics of health and welfare clarify, one would have the option of moving health first, or of linking the two. And if health reform seemed to be delayed, it leaves open the option of pushing for a victory on welfare reform before the 94 elections.

On the other hand, such a strategy carries risks. Republicans and some Democrats may insist that welfare reform be moved if the bill is there, and they may make demands about welfare reform as a condition of voting for health reform. Inevitably the period in and around the unveiling of a plan will be one where the focus on health will be diminished. Key leadership and several important constituencies are opposed to moving forward too quickly.

And early introduction will require considerable energy from you and others in the White

House over the next couple of months. A number of key issues need to be resolved including financing, the level of resources, the nature of the work program, and phase-in.

Introduce After the Health Committee Work is Essentially Done (May)
Under this scenario, the broad goals and key themes of welfare reform in the State of the Union Address. Once again the links between welfare and health reform and between welfare and the DOL initiatives would be emphasized. We would promise to introduce welfare reform at the earliest possible time that the commitees can really deal with it--in May, around the time we expect the committees to finish their work on health reform. We would probably also need an additional story about the key steps that need to be done between now and May such as determining how we can place as many people as possible in the private sector and how would a community service program work.

This alternative clearly signals that health reform is paramount on the agenda, and it reduces the political maneuvering and potential political trade-offs between health and welfare reform. At the same time, if we introduce by May, we can probably keep the dangers of losing control of the issue to a minimum--especially if we announce our rough timing ahead of time.

This strategy may make passage of welfare reform this year very difficult. It leaves open the option of making a strong push on welfare if health moves rapidly or if it stalls, but the major legislative focus of the year then is clearly health. It likely pushes our proposal into the election cycle and with reintroduction of the bill next year. And the longer we wait, the greater the danger that Republicans will try to steal the show. This problem becomes particularly great if we are quite vague about the timing. If we simply say we will introduce later this year, Republicans will probably step up the rhetoric far more. We would also have to work closely with key leadership in the House, and especially the Senate to prevent premature floor consideration of the comprehensive Republican welfare reform alternative and a variety of Senate floor amendments, though there is some risk we will not be able to hold them back.

Introduce After Health Reform is Passed (August/September?)
Waiting until after health reform is passed insures that the administration's welfare reform efforts do not conflict with health reform. Given the late timing, one probably would not want to say much about welfare reform in the State of the Union and we would need to lower expectations regarding welfare. Given the very late introduction, it will be obvious the administration does not wish to pass welfare reform this year, and the bill will have to be reintroduced next year. It could then be featured in the State of the Union Address in 1995. If Republican attempts to push forward are defeated, it also insures that welfare reform will not be considered in an election year.

We see this as a highly risky strategy. Bob Greenstein, who probably has as good a political eye and ear on low income political matters as anyone thinks this strategy would "kill" us. He sees significant pressure from the Republicans and moderate/conservative Democrats to do something on welfare reform and thinks it would be very difficult to put off consideration of very unpleasant floor amendments. We think it likely that Republicans would try to use the issue politically. There is a risk that the Congress would pass a Republican-like version of reform that would interfere with health reform, and would be hard to veto. Conversely, making the case and building coalitions to kill floor proposals may complicate our legislative strategy later when we need the support of some of the same people we sought to beat initially.

Two-Piece Strategy

The final alternative would be to break the proposal into two pieces. The only logical break politically would probably be to do an early bill on parental responsibility (teen pregnancy initiatives, etc.) and child support enforcement followed by a later bill with child care, an expansion in JOBS, and time-limited welfare. The administration would argue that welfare reform consists of critical building blocks including EITC, health reform, parental responsibility/child support enforcement, and child care/training/time-limits. The last piece should not be done until the others are in place.

This plan has the advantage of putting the most costly items and many of the most controversial issues into a later proposal. We could argue we are moving forward with welfare reform quite deliberately, but that one must do things in the proper order. There is increasing attention being paid to issues of teen pregnancy and out-of-wedlock childbearing and we would be speaking to those issues. If the responsibility piece is perceived as genuine progress on welfare reform, such a plan might reduce the danger of losing the initiative, while putting off the tougher debates over child care, training, and time-limits. There seems little danger that a child support enforcement /family responsibility proposal would create major political problems for health reform. It would, however, be in the same committees and would compete for time and attention with health reform.

There are significant problems with such a plan as well. We worry that neither the public nor the Republicans may perceive a teen pregnancy/child support initiative as a major step toward welfare reform. While we see child support enforcement as central to our efforts, the public is largely focussed on the question of time-limits. Moreover, we had always seen child support enforcement as one of the vehicles that would help pull welfare reform through the Congress. In our meetings with advocates they always praise our child support efforts even when they question time-limits and mandatory work. Members like Bill Bradley and Christopher Dodd care much more about child support enforcement than welfare reform and they might well vote for an enforcement bill and against some time-limited welfare proposals. Child support also seems likely to save some money, and it would be difficult or impossible to reserve those savings for child care, training or job creation.

Although our child support enforcement ideas are well developed and will have demonstrable impacts, there is far less known about what we can do to prevent teen pregnancy or out-of-wedlock childbearing. An extended debate over prevention alone will expose the limits of existing knowledge and ideas. We'll likely get credit for trying, but not for really offering a solution. Moreover, a bill focussed on prevention seems extremely vulnerable to troubling amendments designed to punish young and unmarried mothers and their children. Charles Murray is using the issue to argue for the complete cut off of benefits to unwed mothers. The debate might become extremely ugly and potentially divisive with racial overtones. If so, it will set the stage for a potentially even more painful debate over time-limits. We may have to fight the welfare reform debates twice.

THE WHITE HOUSE

WASHINGTON

June 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Rahm Emanuel

SUBJECT: Background on Tuesday's Welfare Reform Executive Actions

In Tuesday's speech to the American Nurses Association, you will announce executive actions to reform welfare and strengthen child support enforcement. These steps will add to pressure on the Congressional leadership to stop holding welfare reform hostage. On Saturday, Armey hinted that Republicans might abandon their Medicaid poison pill strategy and send you a stand-alone welfare bill.

You are taking executive action to carry out two important child support enforcement measures that have always been part of your welfare reform legislation: First, a new program to check new-hire information from 25 states to catch deadbeats who move from job to job or state to state; and second, a new regulation requiring mothers to name the father before they can receive welfare. The Administration will also grant a waiver to New Hampshire, which means that 40 out of 50 states have received a welfare reform waiver on your watch.

- **Tracking Deadbeats Across State Lines and from Job to Job:** As you know, 30 percent of child support cases cross state lines -- and the easiest way to get out of paying child support is to move from state to state and job to job. Twenty-five states already require employers to report new hires, and use the information to catch parents who owe child support. In Washington state, this program leads to $20 in child support collections for every dollar spent. Under our new program, those 25 states can send us new hire information, and we will match it against a list of delinquent parents from all 50 states. If Congress passes welfare reform, new hire reporting will become the law nationwide -- a provision which has always been in our welfare bill.

- **Stricter Paternity Cooperation Requirement**: You are directing HHS to issue new regulations requiring welfare recipients to identify and help locate the father before they can receive welfare. The new regulation requires mothers to name the father and provide one piece of identifying information, and requires states to refer applicants to the child support agency within two days to begin paternity establishment efforts. It includes a good cause exemption in cases of rape or threat to the mother's safety. Under current law, the standard of cooperation is very low, and rarely enforced. This new requirement has always been in our welfare bill, and builds on the 1993 in-hospital paternity establishment program -- which nurses have run with great success.

May 28, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Democratic Governors and Welfare Reform

You should urge Democratic governors to help us pressure the Republican Congressional leadership to drop the Medicaid poison pill and stop holding welfare reform hostage. Our message should be simply, "The Medicaid poison pill is the single greatest obstacle to welfare reform this year. If Republicans will drop that plan, the other details will take care of themselves."

Democratic governors should be sympathetic to this message. In contrast to Medicaid, the welfare reform provisions of the new House Republican bill are fairly similar to the bipartisan NGA agreement that Gov. Carper negotiated in February. We can thank the governors for the improvements the House has been forced to make in our direction -- more money for child care, a performance bonus, a $2 billion contingency fund, etc. The Democratic governors' main concerns are over relatively obscure issues where the House cut deeper in order to pay for the additional child care spending: the 20% cut in Title XX (which doesn't bother us that much, as budget cuts go), and eliminating the shelter deduction for Food Stamps.

We want the Democratic governors to cry foul on Medicaid and suggest that we're within striking distance of bipartisan agreement on welfare reform. There are a number of congressional Republicans who want the Medicaid portion of the bill to fall apart, so that they can actually get welfare reform done instead of handing you another veto. We can win this battle if we make enough noise -- and if we don't get lost in the details of which additional improvements will be necessary once the Medicaid poison pill is gone. Once we get into a debate on a stand-alone welfare reform bill where the underlying objective is to pass a bill into law instead of simply forcing a veto, we'll have a chance to sort out those details. But we have to get rid of the big poison pill first.

May 22, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Update

Here is a brief summary of the latest welfare reform proposals (House Republican bill, Dole speech, Wisconsin plan) and the major issues they raise.

I. House Republican bill

House Republicans announced a new Medicaid/welfare reform package today. We're still waiting to see the details on Medicaid, which presumably will be unacceptable. The welfare reform provisions are based largely on the bipartisan NGA proposal, which you praised in February, except that in order to reach their savings target of $53 billion, Republicans tacked on the deep immigrant cuts from the welfare bill you vetoed.

The new House bill moves in our direction on most of the issues you spelled out in your veto message. It includes the NGA request for $4 billion in additional child care, which the states must match. It doubles the contingency fund to $2 billion. It includes a $1 billion work performance bonus. It raises the hardship exception for those who reach the 5-year limit to 20%. It drops the deep cuts in SSI for disabled children and the cuts in school lunch and maintains the open-ended entitlements for child welfare programs. It adopts the NGA recommendation that states have to provide health coverage for welfare recipients, although it does not guarantee health coverage beyond the 5-year limit.

The major areas where they did not move in our direction are immigrant benefits and Food Stamps. The new House bill still bans SSI and Food Stamps for non-citizens; in the past, we have never gone beyond deeming. (Breaux-Chafee and Castle-Tanner include these bans as well, with some exceptions for the disabled.) It appears to retain the optional Food Stamp block grant, the Food Stamp cap, and the work requirements for men 18-50. Other areas that aren't what they could be include maintenance-of-effort (like NGA, they're still at 75%; we wanted 80%); vouchers for children who hit the time limit (allowed but not required; Breaux-Chafee and Castle-Tanner don't guarantee these either); Medicaid coverage beyond the time limit; and a few arcane issues like transferability of funds from the block grant to other welfare programs and broader provisions on equal protection for recipients.

May 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Background on Wisconsin Waiver and Radio Address

The radio address you will tape this afternoon is about welfare reform. It recaps your record on waivers, executive actions, and child support enforcement; praises proposals we have just received from Wisconsin and Maryland; and challenges Congress to pass the bipartisan welfare reform legislation put forward by Chafee-Breaux and Castle-Tanner.

The news will be your support for the Wisconsin plan, which is the most revolutionary any state has put forward. The Wisconsin plan has received broad editorial praise in The New York Times, Business Week, and elsewhere. It is particularly important for you to signal your support early -- not only because you're going to Wisconsin on Thursday, but because Dole is going to Wisconsin Tuesday to make a major speech on welfare reform.

I. Summary of the Wisconsin Plan

The Wisconsin plan came about as a direct result of your call for an end to welfare as we know it. Some Democrats in the legislature suggested abolishing AFDC, and Thompson took them up on their offer. The final proposal passed with significant (although not unanimous) bipartisan support, and was signed into law last month. Mayor Norquist has been supportive, although he wanted it to go further by covering anyone who was out of work.

Like the original PPI plan, the Wisconsin plan requires people who apply for assistance to go to work immediately, either in the private sector or a job provided by the state. The state says it will guarantee health care and child care, and may end up spending more money than it does now as a result. Like the Breaux-Chafee and Castle-Tanner bills, the plan imposes a 5-year lifetime limit, with a 20% hardship exception for people who can't find work. The plan also includes other key principles of yours, such as requiring minor mothers to live at home and stay in school, and strengthening the requirements to cooperate with paternity establishment.

Last week, HHS received the first half of the waiver; the rest is expected next month. A 30-day period for public comment is required before we can grant the waiver, Their overall savings level is $53 billion, compared to $38 billion for our plan; $42 billion for Castle–Tanner; and $45–53 billion for Chafee–Breaux. In order to maintain the $53 billion level while spending more on child care and work, the House Republicans doubled their Title XX cut from 10% to 20% (which is not the end of the world for us) and included a few other assorted provisions.

II. Dole Speech

There was virtually nothing new in Dole's speech. We could live with everything he proposed on welfare reform. Most of his proposals (work requirements, 5–year limit, state flexibility on family cap and drug testing, child support enforcement) are in all the bills we've supported in this Congress. His call to ban all but emergency medical benefits for illegal immigrants is already law -- although his speech could be interpreted to mean benefits beyond welfare, such as public education. A state option to cut off unwed teen mothers is not in our bill, but it's in Chafee–Breaux, Castle–Tanner, and the Senate–passed bill, and we could live with it (since no state in its right mind would ever do it).

In his speech, Dole didn't talk about any of the real differences you cited in vetoing the conference report: child care and health care so people could leave welfare for work, and deep cuts in help for disabled children, school lunch, and child welfare. Those are all areas where the Senate bill was acceptable, but the Dole–Gingrich conference report was not.

III. Wisconsin Works

In many respects, the Wisconsin plan is closer to your approach than to the vetoed bill. It requires health care, child care, and a community service or subsidized job to go to, and its primary motivation is to move people from welfare to work, not to achieve an arbitrary savings target. Like every bill, it includes a 5–year lifetime limit, and like the Breaux–Chafee and Castle–Tanner bills, it provides a 20% hardship exception for people who can't find work. The plan also includes other key principles of yours, such as requiring minor mothers to live at home and stay in school, and strengthening the requirements to cooperate with paternity establishment.

Three aspects of the Wisconsin plan have raised concern among advocates and labor. First, some fear the legislation would require some recipients to work off their welfare at below the minimum wage -- but the initial waiver request appears to be based on the minimum wage. Second, as with many waiver requests, the public employee unions want greater protection against displacement. Third, there are potential legal and policy issues related to the required co–payments for child care. Mayor Norquist may raise other issues with you. He wants more conservative provisions on work–for–wages and reducing the welfare bureaucracy. You shouldn't make any promises; it is not clear whether the state will go along.

and there are legal and technical issues that HHS and the state must still work out. We will probably be in a position to grant the first waiver in July. The second waiver will depend on how difficult the state tries to make things for HHS, and how difficult HHS makes things for us.

Three aspects of the Wisconsin plan have raised concern among advocates and labor. First, some fear the legislation would require some recipients to work off their welfare at below the minimum wage -- but the initial waiver request appears to be based on the minimum wage. Second, as with many waiver requests, the public employee unions want greater protection against displacement. The basic protections of the Family Support Act cannot be waived, so they already have some protection; but the additional protections we seek will be a flashpoint in negotiations with the state. Third, there are potential legal and policy issues related to the required co-payments for child care.

There is a sentence in the address -- "I pledge that my administration will work with Wisconsin to make an effective transition to this new vision of welfare based on work, that protects children and does right by working people and their families" -- to sum up these concerns without attracting too much attention.

HHS will need to work out these issues with the state, and Thompson may try to throw up as many roadblocks as possible. But by signalling our strong support early for the thrust of the Wisconsin plan, we will make it harder for him to portray the administration as an obstacle to reform.

II. Waiver Update

The radio address also praises Maryland's new plan, which was submitted three weeks ago. The Maryland plan is less sweeping (no time limits, for example), but it does some good things. It provides child care to working parents to divert them from welfare in the first place; toughens child support enforcement; and cracks down on welfare fraud.

On Thursday, Minnesota became the 38th state to receive a waiver from us, but it was too trivial to highlight (expanding a demonstration to another county). We should be able to get to 40 states out of 50 by July.

THE WHITE HOUSE

WASHINGTON

May 26, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Rahm Emanuel

SUBJECT: Welfare Reform Update

I. Senate Finance Committee Approval

Today, the Senate Finance Committee approved Packwood's welfare reform bill by a vote of 12-8, with Baucus joining the Republicans. The measure is expected to come to the Senate floor in the next month or so.

In its current form, the Senate bill is far better than what the House passed, but is not yet as serious as it should be in our central goal of moving people from welfare to work. We will press for improvements on the floor in key areas: more resources and incentives to help the states meet the work requirements and provide child care; a contingency fund to protect states against economic downturn and population growth; and requirements or incentives for states to maintain their current effort.

In the coming weeks, you will come under increasing pressure to outline the specific conditions of what kind of welfare reform bill you would be willing to sign. Moynihan is rallying liberals and editorial boards to press for a veto threat over the individual entitlement, even though we lack the votes in the Senate to sustain a veto on those grounds. We recommend that in the next two weeks, you give a speech or make a statement that will shift the debate back to our terms, by saying that work is your bottom line: If Congress passes a bill that is serious about moving people from welfare to work, you'll sign it. If Congress passes a bill that is phony and fails to promote work, you won't.

II. Summary of Finance Committee Bill

A. The Good News

The Finance Committee bill is much better than the House bill in many respects:

* **Not as tough on kids:** The Senate bill drops much of the conservative micromanagement of the House bill -- the cutoff of young unwed mothers, the mandatory family cap, and the so-called illegitimacy bonus which could promote abortion. Faircloth, Gramm, and Nichols will fight to add these on the floor, however, so we should continue to speak out against them. Like the House bill, the Senate bill mandates a 5-year cutoff, but so do the House and Senate Democratic alternatives.

* **Cuts not as deep:** The SSI and immigrant cuts are somewhat more reasonable than the House bill, and there are no cuts in child welfare programs. In its current form, the bill cuts a total of $32 billion from welfare programs, compared to $38 billion in the House.

* **Includes all our child support provisions:** All the major elements of our child support enforcement plan, including the drivers license provision, are in both the Senate and House bills and enjoy strong bipartisan support.

* **Not as weak on work:** The Senate bill requires states to maintain a JOBS program and to provide child care to recipients who are required to work. It requires work after two years, and has stiff participation requirements that reach 50% by 2001.

B. The Bad News

While the work provisions in the Senate bill look better on paper, it has a long way to go before it will be serious about moving people from welfare to work. Under the bill, states are asked to provide substantially more work and child care for significantly less money, which will be a strong incentive to cut people off rather than move them into work. The attached views letter from Secretary Shalala outlines our concerns about the bill, but here are the highlights:

* **CBO says 44 states will fall short on work:** Today's markup was dominated by a devastating CBO report, which estimates that 44 states will not be able to meet the work participation rates in the Senate bill. CBO assumes that most states will take the modest 5% penalty for non-compliance rather than invest in work programs. CBO says that states would have to spend an additional $10 billion in the year 2000 in order to comply.

* **Less money for child care:** The Senate bill eliminates child care entitlement programs and lumps them into the AFDC-JOBS block grant. The block grant represents a 9% cut over five years, and because the work and benefit funding streams are combined, there is no guarantee that any money will go for work and child care rather than benefits.

*** No real protection against economic downturn or population growth:** In its current form, the Senate bill includes the same Rainy Day Grant Fund as the House bill, which lets states borrow a small amount of money in downturns if they will pay it back within 3 years with interest. Voinovich, Whitman, and Thompson have pressed Dole to accept NGA's contingency fund amendment, which would allow states that maintain their current effort to receive up to 15% more in federal matching funds to deal with economic downturn, disaster, or increased investment in welfare programs. Dole is hinting that he will go along with the NGA amendment on the floor. Several Sun Belt senators, led by Kay Bailey Hutchison, also circulated a letter today calling for more money in the block grant to deal with population growth.

*** No incentive or requirement for state maintenance of effort:** The Finance Committee rejected a Breaux amendment to require states to maintain their current effort. The NGA contingency fund amendment would reward states for maintaining effort, but we will also seek either an explicit requirement or a performance standard that penalizes any state not meeting its work requirements by the amount its spending falls short of maintaining its FY94 effort.

III. Strategy for the Senate Floor

We have a decent chance of improving the bill in these areas on the floor. So far, the Packwood mark and Dole's public comments suggest that Republicans want to be seen as reasonable and bipartisan, rather than mean to kids. There will be some pressure from the right, but Dole may feel he has some cover: except for the Christian Coalition, most right-to-lifers oppose the conservative strings that Gramm and Faircloth are pushing.

Our immediate problem is uniting the Democrats. Daschle, Breaux, and Mikulski are working on a good alternative (two-year time limit, heavy emphasis on work, real money). But Moynihan has been telling all the liberals -- unfairly -- that Leon promised him a veto over the individual entitlement, so they should do nothing to improve the bill. (All Leon said was that you would veto a bill that was tough on children.) Moynihan is persuading enough members to make it difficult for Daschle to build the united front he needs to bring Republicans to the table.

As we near the end of the line, you will come under increasing pressure to say what exactly it will take to get your signature on a welfare reform bill. We have already indicated the kinds of changes we want -- resources and incentives for states to put people to work, protections for economic downturn and population growth, requirements or incentives for maintenance of effort -- but we have avoided making any of these conditions a deal-breaker. The Republicans would like nothing better than for us to give them the road map to a veto.

The one thing we can do to strengthen our bargaining position and unify Senate Democrats is to strike a higher Presidential profile on the issue in June. We have to change the terms of the debate so that we're putting the Republicans on the defensive about work instead of letting Democrats put us on the defensive over entitlements. The sooner we do that, the more difficult it will be for Moynihan to box us in.

We recommend that you give a strong speech in early June that casts work as our make-or-break issue. Work is the only issue they're afraid of: in today's markup, Packwood rejected a Grassley amendment that would have softened the work provisions because he said "I can just hear the President saying 'work requirements, work requirements, work requirements.'"

The NGA Youth Summit in Baltimore on Tuesday, June 6th would be an ideal forum for this speech. Thompson and Engler will be there, the Senate will just be returning from recess, and the Republicans will see that we're not going to go quietly. At the same time, we will take advantage of Dole's comments today that he is willing to work on a bipartisan basis, by making sure that he gets a barrage of letters from members and governors in favor of the amendments we want.

You can say your bottom line is clear: If Congress passes a bill that is serious about helping states move people from welfare to work, you'll sign it. If it's phony, and about something else, you won't. The report from CBO, whose director June O'Neill is a Republican expert on welfare reform, enables us to make that argument in a straightforward, non-partisan way.

Breaux has suggested a meeting with Senate Democrats to tell them our strategy and throw our support behind the Daschle alternative. We believe that before you have them down to the White House, you should give a strong speech on work -- and then meet with them only if they still don't get the message.

DT: 5/17/95

DASCHLE-BREAUX PLAN

WORK FIRST PLAN

TEMPORARY EMPLOYMENT ASSISTANCE

AFDC is abolished and replaced by Temporary Employment Assistance, a conditional entitlement for families of limited duration.

PARENT EMPOWERMENT CONTRACT

In order to receive assistance, all recipients must sign an individualized contract outlining a plan to get them into the workforce as soon as possible.

FINITE TIME FOR ASSISTANCE

Assistance is conditional. All recipients must sign a contract. All recipients must follow the contract (tough sanctions apply to those who don't).

Assistance is limited. During the first two months, all able-bodied recipients must engage in intensive job search (as designed by states). After two years, states will be required to offer workfare or community service to any recipient not working for at least 20 hours per week. Refusal to engage in workfare causes benefit reductions. No family may receive assistance for more than five years.

WORK FIRST EMPLOYMENT BLOCK GRANT

The JOBS program for welfare recipients is replaced by the Work First Employment Block Grant, which emphasizes work as the objective.

All able-bodied recipients must work.

For those recipients still looking for work after the initial two months of job search, the state may provide any of a number of services to assist recipients in obtaining jobs, including, but not limited to:

job search
placement vouchers
wage subsidy/work supplementation
on-the-job-training
microenterprise development/self-employment
a GAIN type program operated by Riverside County, CA
a JOBS Plus type program operated by Oregon
other training or education for work preparation to bring about employment

We Count Work, Not "Participation."

Under the Work First plan, states would focus on getting recipients into real jobs, getting credit only for:

those leaving welfare for work
those working 20 hours or more per week (even if still receiving benefits)
those working 20 hours or more per week in subsidized jobs (but not workfare)

Exception: states with pockets of high unemployment could allow workfare (100% subsidized jobs) to count.

The state work performance measure would reach 50% by the year 2000, which would mean an unprecedented number of welfare recipients would be working.

We Give States the Resources to Emphasize Work

Flexibility: states would set all eligibility rules, enabling them to make work pay more than welfare. States set benefit levels, resources, assets, and income disregard policies.

Funding: the federal government would share in the cost of putting welfare recipients to work. The Work First Employment Block Grant would be used for employment activities, job placement assistance, work supplementation, on-the-job-training, transportation, child care; in essence, whatever a state decides is necessary to enable a welfare recipient to go to work and retain a job. Funding would be increased and the federal match rate would increase as well.

Child Care: Existing child care programs would be consolidated with the Child Care Development Block grant negotiated by Senators Dodd and Hatch in 1990.

> Within the block grant, 10% of the funds would be set-aside for quality improvements and 10% would be set-aside for expansion to ensure that states can help make child care safe and available in communities with long waiting lists or where child care simply isn't available.
>
> Child care assistance would be available for 2 years for those transitioning from welfare to work (longer at state option) and would be based on a sliding fee scale. Working poor families with income below the poverty line would be phased-in over time.

Medicaid: Medicaid would be available for 2 years for those transitioning from welfare to work and would be based on a sliding fee scale.

Even Those Who Don't Work Must Perform Community Service

> Those not in real jobs within 2 years must perform workfare or community service as designed by the state for 20 hours per week.
>
> Those who are exempt from the work requirement (ill, aged, incapacitated recipients, those caring for a disabled child or relative, or those with a child under six months old) must perform community service as defined by the state, such as volunteering at their children's school, or must take responsibility as outlined in their Parent Empowerment Contract, such as having their children properly immunized.

STATE FLEXIBILITY UNDER WORK FIRST PLAN

States would be provided with an unprecedented amount of flexibility:

- States set their own benefit levels, countable assets, resources, and income disregard policies.
- States have the flexibility to consolidate and streamline welfare operations to function more efficiently and turn welfare offices into employment offices.
- States design Parent Empowerment Contracts to provide a blueprint for each welfare recipient to become employed.
- States design their own job search programs geared to helping welfare recipients look for employment.
- States design their own employment programs to assist welfare recipients in obtaining a job and in preparing for a job. States also determine the form of support to provide to recipients: direct benefits, wage subsidies to employers, etc...
- States determine who their employment block grant will serve (from welfare mothers to unemployed fathers).
- States design and determine workfare or community service jobs appropriate for those welfare recipients not employed within 2 years.
- States determine whether they will treat "interstate" immigrants differently.
- States would be provided with "seamless" child care assistance so that the need of the family would determine the assistance they receive, not the category of federal program money that's available.
- States retain the option of administering their programs under existing waivers.
- States have the option of requiring participants to undergo appropriate substance abuse treatment where necessary.
- States have the option of providing a $50 pass through of child support to welfare families.
- States have the flexibility to design innovative teen pregnancy prevention programs.

FINAL

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

MAY 24 1995

The Honorable Bob Packwood
Chairman
Senate Finance Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for welfare reform legislation under consideration by the Senate Committee on Finance.

Welfare reform is a top priority for this Administration and for all Americans, without regard to party. In the last two years, this Administration has put the country on the road to real welfare reform that emphasizes work, parental responsibility, state flexibility and the protection of children. In 1993, Congress passed the Administration's economic plan, cutting taxes for 15 million working Americans and rewarding work over welfare. In 1994 we collected a record level of child support--$10 billion. In the past two years, the Administration has granted waivers to 29 states, so that over half the country is now carrying out significant welfare reform demonstrations that promote work and responsibility.

Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994. It included serious work requirements made real by opportunities for job placement, education, training, child care and supports to working people. It included a stringent set of provisions to ensure parental responsibility and reduce teen pregnancy. It maintained a basic structure of protections for children. It increased state flexibility without sacrificing either federal or state responsibility for performance.

The Administration has sought to make welfare reform a bipartisan issue. We still believe that it can and must be. The Chairman's mark rightly includes important child support enforcement measures the Administration fought for in the House that would more than double child support collections over the next five years. It wisely abandons some mean-spirited provisions the Administration opposed in the House passed bill, such as the illegitimacy bonus and the denial of benefits to children of young unwed mothers. The Senate bill moves in the right direction on reform of the Supplemental Security Income (SSI) program for children. The Senate bill also wisely omits harmful changes in child protection programs from its welfare reform. It is wrong to punish children for their parent's mistakes, and the Senate should resist any effort to do so.

Although the Chairman's mark moves in the right direction, it still falls short of the kind of real welfare reform that Americans in both parties expect. It does not provide states the resources or incentives necessary to move recipients from welfare to work. In many respects it is still tough on children. It shifts costs to the States and undermines our obligation to hold State welfare bureaucracies accountable for results.

Real Work Requirements

The central goal of welfare reform must be moving people from welfare to work. Work has always been at the heart of the President's approach to welfare reform over the last fifteen years. Work was at the core of the Family Support Act. Work has been at the core of the welfare reform waivers this Administration has granted, including innovative welfare-to-work programs in Oregon, Iowa, and more than two dozen other states. To be successful, welfare reform must reward, demand, and encourage work.

The Administration believes that anyone who can work should go to work as quickly as possible. We should build toward a system that requires people coming on to welfare from the first day to participate in job search, job placement, education or training needed to move off welfare and into a job quickly. The Administration also believes that those who are not willing to work should be removed from the rolls. Those who are willing to work should have the opportunities and the supports they need to work.

Real welfare reform is first and foremost about work -- and the system must provide work-based incentives for states, caseworkers, and welfare recipients themselves. States must have the necessary resources for child care, training, and work in order to get the job done. State welfare bureaucracies should be rewarded for getting people to work or prepare for work -- not for cutting people from the rolls. Recipients must sign personal responsibility agreements, and move toward work and self-sufficiency from the very first day. Time limits must make clear to welfare recipients and caseworkers that welfare is a transitional system, not a way of life.

The Chairman's mark undercuts the ability of the states to move recipients from welfare to work by reducing the funding available for work programs and for child care. It provides nothing to reward States for success in movement to work. Real welfare reform means giving states the incentives and resources to move people from welfare to work.

Despite the critical link between child care and work, the Senate bill would repeal three federal programs that provide direct child care assistance for more than 640,000 children. It would dramatically cut the child care available for low income working families who, without such assistance, risk falling onto welfare, and for families making the transition from welfare to work. It cuts the child care people on welfare need to go to work, and working people need to stay off welfare in the first place. It defies common sense to take away child care and keep people from going to work.

Parental Responsibility

The Administration believes that welfare reform should recognize the responsibility and encourage the involvement of both parents in their children's lives. The Administration considers child support enforcement to be an integral part of welfare reform, particularly because it sends a strong message to young people about the responsibility of both parents to support their children.

If we are going to demand responsibility of mothers, we should demand responsibility of fathers too. That means welfare reform should include measures designed to identify the father and establish support orders in every case; find delinquent parents who move from job to job or state to state to avoid paying child support; speed up payments; and invoke tough penalties, like drivers license revocation, for nonpayment. We are pleased that the Senate bill includes the major child support enforcement provisions the President introduced last year.

Protection of Children

True reform should make it easier for poor children to grow into productive adults - not harder. Teenage parents should be eligible for cash assistance; help, however, should be conditioned on their staying at school, living at home, and identifying their child's father. Basic protection for children should not be an accident of geography. School lunches, Food Stamps, and assistance to abused, disabled and neglected children should not be slashed under the guise of "welfare reform."

The Administration is concerned that the proposed legislation puts many children at risk of serious hardship through its deep funding reductions for programs assisting low-income families, including a deeply troubling combination of an arbitrary benefit cutoff after five years of welfare receipt, incentives for states to cut benefits, deny eligibility and curtail services, and cuts in SSI benefits for children.

True State Flexibility and Responsibility

The Administration applauds the creativity and responsiveness of states, and has encouraged state welfare reforms tailored to unique circumstances and needs. National welfare reform should expand opportunities for state flexibility. True welfare reform requires establishing a national framework and providing resources and incentives to states to improve their performance. We will not achieve real welfare reform or true state flexibility if Congress simply gives the states more burdens and less money, and fails to make work and responsibility the law of the land.

The Administration is concerned that the fixed block grant in the proposed legislation makes inadequate allowances for potential growth in the need for cash assistance because of economic downturn, population growth or unpredictable emergencies. By failing to provide for the changing needs of states, it poses a danger that many growing or economically distressed states will not be able to meet the needs of their people, and will be unable to provide the child care and other supports necessary to move recipients into work. The critical role that the current structure plays in providing economic stability will be lost.

The Administration is also very concerned that the proposed legislation contains no requirements or incentives for the states to maintain their own funding for cash assistance, child care and supports for work. There is a serious danger that states will "race to the bottom" in an attempt to save state dollars or to deter migrants from other states, by cutting eligibility, benefits, and assistance to working families. It is much cheaper to simply cut people off than to move them to work. Welfare reform is a joint responsibility of the federal government and the states. We owe it to our children to ensure that welfare reform provides opportunities and protects children in all the states.

In short, while the Chairman's mark espouses goals for the reform of welfare--work, parental responsibility, true state flexibility and the protection of children--that the Administration and the American people share, the specific legislation still falls short in fundamental ways. Real welfare reform should include:

- Incentives and resources to reward states for moving people from welfare to work, not cut them off;
- Work requirements for recipients and the child care people need to go to work and stay off welfare;

- Protections for states in the event of population growth, disaster, or economic downturn;
- Requirements and incentives for states to maintain their stake in welfare reform; and
- The toughest possible child support enforcement.

There are alternative approaches to reform that achieve our mutual goals in more constructive and accountable ways. The Administration reiterates its commitment to serious welfare reform and its desire to work cooperatively with Congress to achieve it.

The Office of Management and Budget advises that there is no objection to transmittal of this report to Congress.

A similar letter was sent to Senator Daniel Patrick Moynihan.

Sincerely,

Donna E. Shalala

Donna E. Shalala

THE WHITE HOUSE

WASHINGTON

April 4, 1995

MEETING WITH DEMOCRATIC SENATORS ON WELFARE REFORM

DATE:	Wed., April 5, 1995
LOCATION:	Cabinet Room
TIME:	6:30-7:15 p.m.
From:	Bruce Reed

I. PURPOSE

At Moynihan's request, Daschle asked for a meeting with members of his welfare reform task force to discuss Senate strategy.

II. BACKGROUND

Last week, Packwood reiterated his support for block grants, and Chafee told reporters that he opposed block granting Medicaid and child welfare but would not stand in the way of a block grant for AFDC. Dole and Packwood suggested that welfare reform might be included in reconciliation, which would enable them to pass it with only 51 votes.

Senate Democrats are nervous that they will be shut out of the debate and unable to influence the outcome. They will be looking to you to signal a willingness to vocally oppose and possibly veto a welfare reform proposal along the lines of the House-passed bill.

Your goals for this meeting should be to: 1) Let them know you care about real reform, and you won't just sign any bill; 2) Spell out your problems with the House bill; 3) Stay away from legislative tactics, but talk about the elements you believe are essential for real welfare reform; and 4) Ask them to join us in taking the high road in calling for bipartisanship.

They may press you on whether you would veto a bill that does not maintain the individual entitlement. You can respond by reiterating that you support the entitlement, but that the moment you give any hint of what you would or wouldn't veto, it would further polarize the debate and give the Republicans an excuse to head for reconciliation -- where the Republicans would be sure to give you a bill you said you couldn't sign.

III. PARTICIPANTS

See attached.

IV. PRESS PLAN

There will be no press availability before or after the meeting.

V. SEQUENCE OF EVENTS

As usual.

VI. REMARKS

Suggested talking points are attached.

PARTICIPANTS FOR MEETING WITH DEMOCRATIC SENATORS

PARTICIPANTS:

POTUS
VPOTUS
Secy. Shalala

MEMBERS:

Sen. Tom Daschle
Sen. Daniel Patrick Moynihan
Sen. John Breaux
Sen. Chris Dodd
Sen. Ted Kennedy
Sen. Patrick Leahy
Sen. Barbara Mikulski
Sen. Carol Moseley-Braun
Sen. Jay Rockefeller

STAFF:

Leon Panetta
Pat Griffin
Carol Rasco
Harold Ickes
Erskine Bowles
George Stephanopoulos
Rahm Emanuel
Bruce Reed
Paul Carey
Susan Brophy

SUGGESTED TALKING POINTS

1. This is a monumentally important debate about our greatest social problem.

* The welfare reform debate goes to the core of how we're going to deal with our most pressing problems -- reducing teen pregnancy and illegitimacy, rebuilding the family, reinventing government to reflect our basic values. We can't allow this to become just another political debate about just another political issue. It's too important -- what we do this year can have vast consequences that will outlive any of us here.

* This is hard. I've worked on this for 15 years. Pat has been working on it for 30. Humility is in order -- history is littered with reforms in this area that failed or fell short.

2. I am troubled by the course the debate has taken so far.

* I don't like the bill the House passed because it's not real reform:

-- It won't move people from welfare to work. In fact, it cuts child care that people need to get and stay off welfare.

-- According to CBO, its work requirements are unworkable.

-- It effectively repeals the Family Support Act, and removes any real responsibility for states to help people move from welfare to work.

-- It punishes small children for their parents' mistakes.

* The child support enforcement provisions showed what can be done with a bipartisan effort. The Senate should forget the rest of the House bill and start from scratch.

3. I want to see real welfare reform that is tough on work and responsibility, but good to kids -- and that gives states real flexibility, not just more problems and less money.

* The test of real reform is whether it moves people from welfare to work. We need time limits and tough work requirements that make sure people who can work must go to work. But if people need child care or job skills in order to go to work, they should get it.

* We should give states a lot more flexibility to achieve these goals. I've given 25 waivers. I think we should go further, and give states the option to start doing what now requires a waiver on their own, without having to ask our permission.

* But we won't get flexibility or real reform if all Congress does is ship everything off to the states and expect them to solve more problems with less money. Last week, I spoke to the Florida state legislature about what would happen to a high-growth state like Florida under these block grants. Republicans and Democrats alike were nodding their heads and applauding. If we want real reform, we can't solve all our budget problems here in Washington at the states' expense. We shouldn't put states and children at risk.

4. We must do everything we can to make this a bipartisan issue.

* Most Americans without regard to party agree on what must be done to reform welfare. If we can't put politics aside and agree on this issue, we never will. In the House, the Republicans went their own way -- and the bill they passed suffered for it. We cannot let that happen in the Senate.

* If they try to jam this through the Senate as part of reconcilation, without real cooperation and debate, they will destroy a bipartisan national consensus that goes back to Ronald Reagan. If we work together, we can pass a sweeping, landmark bill that 90% of the people in America will support. If they decide to go it alone, this issue will divide the country, both parties will suffer, and millions of children will pay the price.

* I believe it would be an enormous political mistake for them to go that route. As we found out, there's no better way to hide your light under a bushel than through reconciliation -- just try to find a voter who has ever heard of the EITC. But more important, this issue is too important to most Americans. They don't want to see another bitter, partisan debate. They don't trust either party enough right now for that. As Pat Moynihan has said many times, nothing this important should be done without support from both parties.

March 2, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Update -- House Ways & Means Markup

On Friday, the House Ways & Means Committee will finish work on the Republican welfare reform bill, and send it to the floor for consideration in late March or early April. (The Senate begins committee hearings next week, but has no plans to get serious until May or June.) House Republicans have made several changes in response to Democratic pressure, but they remain vulnerable to our criticisms that it is weak on work and tough on children:

1. **Weak on work:** After Democrats ridiculed the work requirements in the subcommittee bill as weaker than current law, Republicans increased their nominal work participation rates to 50% by the year 2003 (up from 20%) -- while continuing to cut money by $15 billion over 5 years. At the same time, they added a new loophole that lets states count caseload reduction as work participation. States could fulfill their entire work participation standard just by cutting people off -- without moving anybody into work. Republicans rejected a Democratic amendment that would have imposed tougher work requirements and given the states money for work programs at the level Republicans promised in the Contract with America.

2. **Tough on children:** The Contract called for a lifetime welfare ban for unwed teen mothers and their children. House Republicans have softened that significantly to let states restore aid when the mother turns 18. The original version would have affected millions of children; the new version applies to a much smaller fraction of the caseload. But it's still a bad idea to cut people off rather than making them stay in school and turn their lives around. The cutoff is opposed by the NGA (Dean, Thompson, and others wrote House Republicans last week to complain about conservative micromanagement in the bill), right-to-lifers, and Americans generally (including 57% of Republicans, according to the New York Times poll).

The new Republican plan also includes a bonus for states that reduce their "illegitimacy ratio" -- the number of out-of-wedlock births and abortions divided by total births. Democrats pointed out that this would give states a financial incentive to limit the right to choose, and that welfare reform should be a debate about work, not abortion.

3. **Not tough enough on deadbeats:** The final committee bill is likely to include 80-90% of our child support provisions, but some Republicans have been dragging their feet on a few elements, including threatening to suspend drivers and professional licenses for parents who refuse to pay -- a tool that has proved enormously successful in Maine and other states that have tried it. We rushed a letter from you up to Archer late today insisting on the toughest possible child support measures. The committee will not make up its mind until sometime Friday. You should criticize them sharply if they wimp out.

WELFARE REFORM

Q. What do you think of the Republican welfare reform bill approved by the House Ways and Means Committee this week? Would you sign it?

A. I am committed to working across party lines to enact a bill this year that will end welfare as we know it. So far, some Republicans in the House seem more intent on just cutting people off and punishing them for their mistakes than in moving people from welfare to work. If we're going to end welfare as we know it, we should be tough on work and tough on deadbeats, not tough on children.

Q. Your administration has not submitted its own welfare reform plan this year. What kind of plan do you support?

A. I'm proud of the bill we put forward last year. It was the toughest, most comprehensive welfare reform plan any administration has ever proposed. When the dust settles, I believe a number of our provisions on child support enforcement, work, and teen pregnancy will become law.

Now we're working with members of Congress and governors in both parties to enact a bill that fulfills the fundamental principles at the core of my plan: Real welfare reform should be serious about moving people into work, and requiring anyone who can work to go to work. It should demand responsibility from both parents, with the toughest possible child support enforcement. It should discourage teen pregnancy and send a clear signal that it is wrong to have children outside marriage. And it shouldn't punish children for their parents' mistakes.

Q. Can you sign a bill that does not contain an individual entitlement?

A. I believe in giving states a lot more flexibility -- I've given waivers to 24 states, more than any other President. But as a former governor, I also know that we won't have real welfare reform if all Congress does is shift costs to the states or pass the buck from one bureaucracy to another without transforming the welfare system. We have a national interest in work, responsibility, and the well-being of our children, and we ought to set clear national goals and give states the chance to meet those goals without top-down micromanagement from Washington.

Q. You were the one to call for ending welfare as we know it -- but hasn't this welfare reform debate passed you by?

A. I look forward to working with Congress to pass a good bipartisan bill. As a governor, I worked with a Democratic Congress and a Republican President to pass the Family Support Act.

But I'm not waiting for Congress. In the past two years, I have given 24 states -- half the country -- the freedom to cut through federal red tape and regulations and try innovative new approaches to welfare reform. That's more waivers in two years than my two Republican predecessors did in 12 years.

My Administration has broken every record in collecting child support, which is the essential to getting people off welfare and helping them stay off. Earlier this week, I signed an executive order to make sure that federal employees who owe child support have to pay it. And I am going to keep pressing Congress to send me a welfare reform bill that is tough on work, tough on child support, and good for our children.

Q. Do you support the Republicans' new plan to block grant food stamps for states that do electronic benefits transfer?

A. I am a strong supporter of electronic benefits transfer, and along with Vice President Gore, I have been pushing more states to adopt it as a way to empower people, cut bureaucracy, and reduce fraud. But the Republicans seem less interested in reform than in cutting the heart out of our longstanding bipartisan commitment to make sure children in America get enough to eat. School lunch and other nutrition programs have done a great deal to eliminate hunger in America, and Republicans are wrong to try to pay for their Contract by asking poor children to eat less.

THE WHITE HOUSE

WASHINGTON

March 2, 1995

Dear Mr. Chairman,

I am writing to reiterate my firm belief that Congress must pass tough child support enforcement measures as part of welfare reform. When absent parents don't provide support, the inevitable result is more welfare, more poverty, and more difficult times for our children. It is essential that all Americans understand that if they parent a child, they will be held responsible for nurturing and providing for that child.

I am doing everything in my power to crack down on child support enforcement. In 1993, we collected a record $9 billion in child support -- a 12 percent increase over the previous year. Last week, I signed an Executive Order to ensure that federal employees who owe child support live up to their responsibilities as parents, and that the federal government will do its utmost to help find parents with delinquent child support claims. Our welfare reform plan included the toughest child support measures ever proposed. If absent parents aren't paying child support, we will garnish their wages, suspend their licenses, track them across state lines, and if necessary, make them work off what they owe.

Parental responsibility should not become a partisan issue. At the bipartisan national Working Session on Welfare Reform that I hosted at Blair House, Republican and Democratic leaders from around the country and every level of government agreed that we should enact the toughest child support enforcement measures possible.

I hope the committee will not shy away from its responsibilities on this issue. A number of bills similar to our plan could serve as the foundation for any effort to reform child support -- including the one offered by Representatives Barbara Kennelly, Nancy Johnson, and others. Critical elements include denying welfare benefits to any unwed mother who does not cooperate fully in identifying the father, powerful measures for tracking interstate cases, and serious penalties -- including license suspension, and if necessary, requiring work -- for parents who refuse to pay what they owe. We must also include both the performance incentives and resources states need to do the job right.

It is time to get serious about child support in this country. I look forward to working with Congress to get it done.

With best wishes,

Sincerely,

Bill Clinton

The Honorable Bill Archer
Chairman
Committee on Ways and Means
House of Representatives
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