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THE WHITE HOUSE

WASHINGTON

February 15, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Activity in the House

I. Markup in House Subcommittee

Clay Shaw will finish markup of the Republican welfare reform bill in his subcommittee today. On straight party-line votes, Republicans rejected Democratic amendments to dramatically strengthen work requirements, require minor mothers to live at home and stay in school rather than just cutting them off, and allow legal immigrants who have paid taxes for 5 years to remain eligible for benefits. They put off action on child support enforcement until full committee markup on the bill two weeks from now.

House Republicans may continue to march in lockstep, but there are encouraging signs of dissension in Republican ranks. The current bill is vulnerable in at least three ways:

1. **Weak on work:** The Heritage Foundation called the work requirements in the Shaw bill a "major embarrassment to many Republicans." They're much weaker than ours, and weaker even than current law. Democrats will keep pushing that real welfare reform is about sending people to work, and the Shaw bill is just about cutting people off.

2. **Mean to children:** Some Republicans have begun to distance themselves from the punitive provisions of the bill. This week, Henry Hyde and Olympia Snowe broke ranks to criticize the cutoff of young unwed mothers (which Dole and Kassebaum already oppose). So did Tommy Thompson.

3. **A bad deal for states:** Congressional Republicans will have a hard time holding onto their governors by offering more micromanagement and less money. We will put out state-by-state numbers on the cost shift of their various block grants (food stamps, AFDC, child welfare, child care) as well as the impact of all their conservative strings (numbers cut off because of provisions on young unwed mothers, legal immigrants, SSI kids, etc.).

II. Communications Strategy

This week, we used the subcommittee markup to issue the attached Administration views letter outlining our differences with the Shaw bill, which was well-received by the press and by Hill Democrats who were looking to us for direction. We also put out the attached comparison of Republican work requirements with current law, as well as an estimate of the impact of child welfare cuts on foster care (states would lose a third of the projected 310,000 slots they need in the year 2000) and an analysis of the funding formula showing that Michigan would benefit most and New York, Florida, and Texas would be big losers.

On Thursday, Carper and Carnahan will hold a press conference with Gephardt and Hoyer on why the Shaw bill is a bad deal for states. At the same time, the White House will get state-by-state cost-shift numbers out to local and regional press. Later this week, PPI will issue a devolution study criticizing current Republican block grant proposals on welfare and crime.

Over the next few weeks, we will be resurrecting many of the tactics that worked for the crime bill: targeting editorial boards in districts with moderate Republican members; inviting Democratic and Republican members to bring their constituents to the White House for welfare reform briefings; circulating daily talking points in Washington and around the country; and so on.

III. Developing an Alternative

We are working to develop a range of options on what our ideal bill would be, and how to get there. Ideally, we could start working with Daschle, Breaux, Moynihan, and others (including the governors) on a bill that gives states real flexibility at less financial risk, and puts a stronger emphasis on work and responsibility. In the short run, we will need to work with House Democrats over the next month to develop a Democratic substitute for the floor debate (expected in early April). In the Senate, Kassebaum and Packwood will start hearings soon, but no action is likely until May.

AFDC Recipients in Work under House Republican Proposal and Current Law		
Average Monthly Caseload 1996	5,212,000	
CURRENT LAW REQUIREMENTS		
Number of Adults in Two Parent Families required to work under Current Law	205,000	4%
Number of Current Recipients working full or part time	360,000	7%
Number of JOBS participants in OJT, Work Supplementation or CWEP	30,000	.5%
TOTAL WORKING UNDER LAW IN 1996	595,000	11.5%
HOUSE REPUBLICAN PROPOSAL		
Required to participate in "work activities"	105,000	2%

Note: OJT is on the job training; CWEP is community work experience program
HHS\ASPE preliminary staff analysis based on 1993 Quality Control Data and 1993 JOBS Form 108 Data
13 Feb. 1995

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

FEB 13 1995

The Honorable E. Clay Shaw
Chairman, Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives
Washington D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for welfare reform legislation under consideration by the House Ways and Means Subcommittee on Human Resources.

The Administration shares the commitment of the Congress and the American people to real welfare reform that emphasizes work, parental responsibility, state flexibility, and the protection of children. Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994, which embodied these values. It imposed tough work requirements while providing opportunities for education, training, child care and supports to working people. It included a stringent set of child support enforcement provisions. It required each teen mother to live at home, stay in school and identify her baby's father. It increased state flexibility without sacrificing accountability. And it maintained a basic structure of protections for children.

The Administration looks forward to working cooperatively with the Congress in a bipartisan way to pass bold welfare reform legislation this year. The Administration has, however, serious concerns about a number of features of the Chairman's mark that appear to undermine the values to which we are all committed. The Administration seeks to end welfare as we know it by promoting work, family and responsibility, not by punishing poor children for their parents' mistakes. Welfare reform will succeed only if it successfully moves people from welfare to work.

Work

For years, Republicans and Democrats alike have agreed that the central goal of welfare reform must be work. That is still our goal: People who can work ought to go to work and earn a paycheck not a welfare check. The Administration believes that no adult who is able to work should receive welfare for an unlimited time without working. The Administration believes that from the first day someone comes onto welfare, he or she should be required to participate in job search, job placement, education, or training needed to move off welfare and into a job quickly. It is government's responsibility to help ensure that the critical job placement, training, and child care services are provided. Individuals who are willing to work should have the opportunity to work and not be arbitrarily cut off assistance.

The Administration therefore has serious concerns about the Chairman's mark before you:

- It eliminates requirements that recipients participate in job search, education, work or training as a condition of receiving welfare, and ends any responsibility of state welfare systems to provide education, training and placement services to move recipients from welfare to work. The proposed legislation effectively repeals the bipartisan Family Support Act signed by President Ronald Reagan in 1988.

- The proposed legislation includes only minimal and unenforceable requirements that recipients work. The bill requires only that persons on the rolls for more than 2 years engage in "work activities" loosely defined by the state welfare bureaucracy, rather than a real work requirement. The proposed participation standards are very low. In many ways, the work requirements are even weaker than those in current law.

- The proposed legislation provides no assurance of child care to recipients who work or are preparing to work--even if a state requires them to participate. It offers no promise of child care for those who leave welfare for work or for those who could avoid falling onto welfare if they had some help with child care. While it repeals provisions of existing law that provide funding for child care, this bill is silent on whether any additional funds will be available for subsidized child care for low,income working families.

- The proposed legislation repeals the current rule that anyone who leaves welfare for work can receive Medicaid for an additional year to ease the transition. This would further reduce health care coverage and make it harder for people to move from welfare to work.

- The proposed legislation would deny all cash assistance to families that have received assistance for more than five years, even if the adult in the family is unable to find a job or prevented from holding a job because of illness or the need to care for a disabled family member. Children would be seriously jeopardized even if their parents cannot find any work.

The Administration supports an alternative approach that would genuinely transform the welfare system into a transitional system focused on work. It would have strict requirements for recipients to participate in and clear responsibilities for states to provide education, training and placement assistance; it would have serious time limits after which work would be required; it would ensure that children would not be left alone when parents were working by providing assistance for child care; it would put parents to work, not just cut them off; and it would ensure that children can expect support from two parents.

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. The Administration was pleased that you had agreed to add child support enforcement to your welfare reform bill, and sorry that your proposals are not yet part of the bill now under consideration. The Administration looks forward to working closely with you on this issue in the coming weeks.

- o The only child support provision included in the Chairman's mark is one that allows states to reduce payments to children for the first 6 months if paternity has not been legally established. This provision seems ineffectual and unfair. Even if a mother fully cooperates by giving detailed information identifying the father and his possible location, and even if the state is diligent in pursuing the father, it can easily take 6 months to get paternity legally established. There is no reason why the child should be punished during this period.

The Administration believes that it makes far more sense to deny benefits entirely to any parent who refuses to identify the father or to cooperate in locating him. However, once the mother has done all she can, the family should qualify for aid, and then the state should establish paternity within one year.

The Administration believes that the welfare system should encourage the formation and support of two-parent families. The Administration is therefore concerned about an important omission in the proposed legislation:

- o The proposed legislation would encourage the break-up of families by repealing the requirement that states provide cash assistance to two-parent families in which a parent is unemployed or unable to work. It allows states to discriminate against married, two-parent families by treating single-parent families better than two-parent families.

The Administration supports an approach that both encourages the formation of two-parent families and makes sure that both parents take responsibility for children in all cases.

Teen Pregnancy

The Administration and the American people agree that the best reform of welfare would be to ensure that people do not need it in the first place. Welfare reform must send a very strong message to young people that they should not get pregnant or father a child until they are ready and able to care for that child, and that if they do have children, they will not be able to escape the obligations and responsibilities of parenthood. We must be especially concerned about the well-being of the children who are born to young mothers, since they are very likely to grow up poor.

The Administration therefore has serious concerns about the bill before you:

- o The proposed legislation would deny all federal cash benefits for eighteen years to any child born to an unmarried mother under 18, as well as to the parent. This provision appears to punish children for their entire childhood-- 18 years--for the mistakes of their parents.

- o The proposed legislation does not require that teen mothers live at home, stay in school, and identify the child's father. It weakens requirements in current law, and may make the prospects for mother and child even worse.

- o The proposed legislation establishes only minimal expectations for states to provide services to unmarried parents, and provides no additional funds to support them.

The Administration supports an alternative approach that would require minor mothers to live at home, stay in school, make progress toward self-sufficiency, and identify the father of the child. The Administration also supports a national campaign to prevent teen pregnancy. It is time to enlist parents and civic, religious, and business leaders in a community based strategy to send a clear message about abstinence and responsible parenting. The Administration also supports a state option not to increase benefits for children born to mothers on welfare. This decision should be made by the state, not the federal government.

State Flexibility with Accountability

The Administration embraces the creativity and responsiveness of states, and the opportunities for real reform when states have the flexibility to design and administer welfare programs tailored to their unique circumstances and needs. Already this Administration has granted waivers to nearly half the states for welfare reform demonstrations. National welfare reform should embody the values of work and responsibility in a way that assures taxpayers that federal money is being spent prudently and appropriately. For reform to succeed, the funding mechanisms for welfare should not put children or states at risk in times of recession, population increase or unpredictable growth in demand.

In this context, the Administration has serious concerns about the proposed legislation:

- o The spending cap in the proposed legislation makes no allowances for potential growth in the need for cash assistance because of economic downturn, population growth, or unpredictable emergencies. It could result in states running out of money before the end of the year, and thus having to turn away working families who hit a "bump in the road" and apply for short-term assistance. It could preclude states from investing in job placement, in work programs, in education and training, and in supports for working families.

- The proposed legislation removes the requirement that states match federal funds with their own state funds. With none of their own money at risk, states will have many fewer incentives to spend the funds efficiently and effectively to improve performance and increase self-sufficiency.

- The proposed legislation provides virtually no accountability. There are no incentives for good performance and virtually no penalties for failure. There is no provision for the recovery of monies paid out fraudulently or in error. There are no mechanisms for ensuring that states are actually spending the money on needy children rather than on state bureaucracies, or for monitoring whether federal money is being used to help parents gain self-sufficiency, require work, and enforce parental responsibility. Indeed, the federal government is forbidden from taking any meaningful steps to ensure program performance and accountability.

The Administration supports proposals that significantly increase state flexibility but also ensure accountability for achieving national goals. The Administration supports a funding mechanism that will not put children and states at risk down the road, and that enables states to succeed in moving people from welfare to work and in supporting working families. The Administration has significant doubts about the ability of a pure block grant funding mechanism to adequately protect both children and states.

Protection of Children

The Administration recognizes that the protection of children is the primary goal both of cash assistance programs and of child welfare and child protective services. Cash assistance programs assist families to care for children in their own homes. Child protection services help those children who are abused or neglected or at risk of abuse by their parents and who need special in-home services or out of home placements to assure their safety. Strengthening families, and where appropriate, preventing removal of children from their homes also are, key goals of child protection services. There are problems in a number of areas.

Denial of Benefits to Children on AFDC

The legislative proposals that would reform cash assistance have a number of provisions that would put vulnerable children at greater risk.

- As noted above, the legislation would deny cash assistance to children of unmarried minor mothers for their entire childhood, to children born while the parent was on welfare, and to children whose parent had received welfare for more than five years, whether or not a job was available or the parent was unable to work. The funding caps could have the effect of denying cash assistance to children when states used up their allocated funds, for whatever reasons. Children in low income working families, who may be forced onto cash assistance in times of economic downturn, could be most affected.

Child Protection Services

Some of these children could well come into a system of child protection services that is already seriously overburdened and that is failing to provide the most essential services. Reported child maltreatment and out-of-home placements have both been increasing sharply. Many state systems are in such distress that they have been placed under judicial oversight. The proposed legislation responds to these increasingly serious problems by consolidating existing programs that protect children into a block grant with nominal federal oversight. The Administration has serious concerns about this approach.

- The proposed legislation caps spending for child protection programs at a level considerably lower than baseline projections. This could lead to uninvestigated maltreatment reports, and to children being left in unsafe homes with minimal services. It could also seriously hamper states' efforts to improve their child abuse prevention and child protection systems.

- The proposed legislation eliminates the adoption assistance programs, and leaves it up to states whether they will significantly sustain the subsidies that enable many special needs children to find permanent homes, and whether they will honor commitments to those adoptive families that now receive subsidies.

- The proposed legislation virtually eliminates federal monitoring and accountability mechanisms. It makes it impossible for the federal government to ensure the protection of children.

- The proposed legislation is silent on the formula for allocating funds to the states. Because of serious imbalances among the states in spending on child protection, it is hard to imagine a formula that would not disadvantage either states that have been heavy spenders, or states that are only beginning to improve their systems.

Substantial improvements need to be made in the child protection system and in the federal role in overseeing that system. The Administration supports a careful and thoughtful review of the programs before actions are taken that might seriously harm millions of vulnerable children.

Denial of Benefits to Disabled Children on SSI

The Administration is deeply troubled by the changes proposed in the program designed to help disabled children--SSI.

- The proposed legislation essentially eliminates SSI benefits for children, with the exception of a small group of children currently receiving benefits. Within 6 months, over one hundred thousand disabled children would lose eligibility for SSI benefits--some would lose medical protection as well. And in the future, no child, no matter how disabled, will be eligible for any cash benefits for SSI, except if cash benefits prevent them from having to be institutionalized. These proposals appear to penalize parents who are determined to care for their child no matter what the economic consequences for the family. SSI recipients are among the neediest and most vulnerable children, in the poorest families.

- Some of the money saved is put into a new block grant for services to disabled children, which would require the creation of a new state bureaucracy to decide on appropriate services. This idea is untested, and no one knows what impact it will have on the most vulnerable of children and the parents who care for them. The 5-year cut off in AFDC for all persons along with the elimination of SSI cash for disabled children may leave these children extremely vulnerable.

The Administration sees the need for careful reform in this area, with its potential for serious harm to extremely vulnerable children. Last year the Congress established a Commission on Childhood Disability to look into these issues in consultation with experts from the National Academy of Sciences. The Commission will provide its report to the Congress later this year. The Administration believes prudence dictates waiting for this short time until this bipartisan commission, following a thorough review of all aspects of this important program, has an opportunity to make recommendations.

Benefits to Legal Immigrants

The Administration strongly believes that illegal aliens should not be eligible for government welfare support. But the blanket prohibition of all benefits to legal immigrants who are not yet citizens is too broad, and would shift substantial burdens to state and local taxpayers. These legal immigrants are required to pay taxes. Many serve in the armed forces, and contribute to their communities. The Administration strongly favors a more focused approach of holding sponsors accountable for those they bring into this country and making the sponsors' commitment of support a legally binding contract.

In summary, the Chairman's mark espouses goals for the reform of welfare--work, parental responsibility, prevention of teen pregnancy and state flexibility--that the Administration and the American people share. But the translation of general goals into specific legislation misses the mark in fundamental ways. The proposed legislation does not represent serious work-based reform. It does nothing to move people from welfare to work, and it does not require everyone who can work go to work. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession. It puts millions of children at risk of serious harm. There are alternative approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Administration reiterates its commitment to real 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 the transmittal of this report to Congress.

A similar letter was sent to Representative Harold E. Ford.

Sincerely,

Donna E. Shalala

cc: Members of the Subcommittee on Human Resources

Table One

Comparison of Alternative AFDC Block Grant Distribution Formulas: State Winners and Losers Resulting from Allocating Block Grant Funds Based on the Average Federal Payments to States FY 1991 to FY 1993 Versus the FY 1994 Distribution of Payments

(amounts in millions of dollars)

State	FY96 AFDC State Block Grant Allocation FY91-93 Average	FY96 AFDC State Block Grant Allocation FY94 Distribution	(Loss)	Percentage Change
LOSERS				
New York	$1,914	$2,183	($269)	-12%
Florida	$492	$532	($39)	-7%
Texas	$409	$442	($33)	-8%
Indiana	$172	$202	($30)	-15%
New Mexico	$95	$116	($21)	-18%
Arizona	$192	$208	($16)	-8%
Hawaii	$80	$92	($12)	-13%
District of Columbia	$80	$90	($10)	-12%
Kansas	$89	$98	($10)	-10%
Alabama	$80	$89	($9)	-10%
Puerto Rico	$74	$82	($8)	-10%
Virginia	$147	$154	($6)	-4%
Colorado	$112	$117	($6)	-5%
New Hampshire	$33	$38	($5)	-14%
Nevada	$28	$33	($5)	-15%
Rhode Island	$81	$86	($5)	-6%
Idaho	$25	$30	($5)	-16%
Guam	$8	$11	($3)	-30%
Alaska	$59	$62	($3)	-5%
Oregon	$162	$164	($2)	-1%
Washington	$386	$387	($1)	-0%
Montana	$40	$41	($1)	-2%
Virgin Islands	$3	$4	($0)	-6%
Delaware	$25	$25	($0)	-1%

* Data on FY 1994 Expenditures provided by the Office of Financial Management, Administration for Children and Families. Expenditures include AFDC benefits, administration, Emergency Assistance, and JOBS.

** HHS/ASPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means members.

Table One (con't)

Comparison of Alternative AFDC Block Grant Distribution Formulas: State Winners and Losers Resulting from Allocating Block Grant Funds Based on the Average Federal Payments to States FY 1991 to FY 1993 Versus the FY 1994 Distribution of Payments

(amounts in millions of dollars)

Sta	FY96 AFDC State Block Grant Allocation FY91-93 Average	FY96 AFDC State Block Grant Allocation FY94 Distribution	Gain	Percentage Change
WINN RS				
Mi igan	$842	$744	$98	13%
Pen sylvania	$643	$591	$52	9%
Cal fornia	$3,557	$3,507	$50	1%
Ma sachusetts	$476	$439	$37	8%
Ne Jersey	$398	$369	$29	8%
Wi onsin	$331	$304	$27	9%
Okl homa	$167	$141	$27	19%
Illi is	$561	$535	$26	5%
Ken ucky	$191	$168	$23	14%
Lou iana	$169	$149	$20	13%
Min esota	$273	$255	$18	7%
Mai e	$87	$73	$14	19%
Mis ssippi	$87	$77	$11	14%
Sou Carolina	$105	$95	$10	10%
Geo gia	$324	$316	$8	2%
Ten essee	$178	$171	$8	5%
Ohi	$712	$704	$8	1%
Neb aska	$53	$47	$6	12%
Nor Carolina	$284	$279	$5	2%
Iow	$128	$123	$5	4%
Ver ont	$48	$44	$4	9%
Con ecticut	$226	$223	$3	1%
Ark nsas	$58	$55	$3	5%
Wyo ing	$23	$20	$3	14%
Utah	$72	$69	$3	4%
Wes Virginia	$109	$107	$2	2%
Mar land	$218	$217	$2	1%
Nor Dakota	$24	$22	$2	7%
Sou Dakota	$22	$21	$1	6%
Miss uri	$206	$205	$1	0%

* Data o FY 1994 Expenditures provided by the Office of Financial Management, Administration for Children nd Families. Expenditures include AFDC benefits, administration, Emergency Assistance, and JOBS.

** HHS SPE staff preliminary estimates based upon material provided by Chairman Shaw to House Ways & Means m nbers.

File · Memos to ...

THE WHITE HOUSE

WASHINGTON

February 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Welfare Reform Update

I. House Republican Bill

Today, Clay Shaw announced details of the welfare reform bill he will mark up in subcommittee next week. He has agreed to include most of our child support provisions, but his bill is still heavy on conservative micromanagement and puts states at financial risk.

An outline of the Shaw bill is attached. It converts nearly 50 means-tested programs into three capped entitlement block grants. Funding levels are frozen for five years at 1994 levels, for a federal savings of $14 billion ($7.6 billion from capping AFDC). Immigrant and other SSI provisions save another $23 billion.

Although Engler and Thompson helped negotiate the bill, the governors ended up with more strings and 15% less money. The bill mandates several provisions the NGA resolution specifically rejected, requiring all states to deny aid to young unwed mothers and legal immigrants, and imposing the family cap nationwide. Work is mandatory for everyone after 2 years, and states are required to cut off families after 5 years on welfare.

Our strategy as this bill moves through the House will be to: 1) highlight areas where the Republican plan is prescriptive and mean; and 2) call attention to the potential cost shift in key states and districts with moderate Republican Congressmen, Senators, and governors.

II. Democratic Alternatives

The Mainstream Forum, led by Nathan Deal and Charlie Stenholm, reintroduced their welfare reform bill today. Their bill is a souped-up version of ours: move people to work as quickly as possible, family cap state option, minor mothers live at home, national campaign on teen pregnancy, all our child support provisions, but a faster phase-in.

The Mainstream Forum bill gives the states a great deal of flexibility, but maintains the individual entitlement. It calls for a four-year lifetime limit, but lets states keep people on longer if they wish. Their bill would cost $17 billion, but they propose a host of offsets: cutting off legal immigrants (but this time they plow $6 billion back to the states so it's not an unfunded mandate), the EITC fraud provisions from our FY96 budget, and counting welfare benefits as taxable income.

House Democrats are galvanizing around the theme that welfare reform should be about work, not just punishing the poor. On Friday, Gephardt will hold a press conference with House Democrats from across the spectrum (from Eleanor Holmes Norton to Nathan Deal) to announce a united front. They will propose that as of October 1, 1996, all new applicants who can work must be working or moving toward work. For now, they see this more as a unifying theme than a concrete policy proposal.

On Friday, we also expect Gov. Carper to send a letter to governors warning them that the current version of the Republican bill puts their states at financial risk and imposes numerous strings the NGA specifically rejected.

SHAW BILL

Overview of Ways and Means and Opportunities
Committees Portions of the House Republican Welfare Reform Bill
February 1995

Title I: Block Grant for Temporary Assistance for Needy Families
Title II: Child Care Block Grant
Title III: Child Protection Block Grant
Title IV: Restricting Welfare for Aliens
Title V: Supplemental Security Income Reforms
Title VI: Child Support Enforcement Reforms

Title I: Block Grant for Temporary Assistance for Needy Families

1. Purposes
   a. Provide assistance to needy families with children
   b. End the dependence of needy parents on government benefits by promoting work and marriage
   c. Discourage illegitimate births

2. Eligible states; State plan. States must submit the following to the Department of Health and Human Services on an annual basis:
   a. A plan that contains an explanation of:
      --their program of cash benefits to needy families
      --their welfare-to-work program, including support services
      --how they are meeting the requirement of mandatory work after the family has been on welfare for 2 years (or less at state option)
      --how and whether they are meeting the requirement to place 2% of their caseload in work programs in 1996, rising to 20% by 2003 and thereafter
      --their program to reduce the incidence of illegitimate births
   b. A certification that the state will operate a child support enforcement program
   c. A certification that the state will operate a child protection program
   d. A certification that the state will operate a foster care and adoption program

3. Grants to states:
   a. The block grant money is an entitlement to states
   b. The amount of money in the block grant is $15.265 each year between 1996 and 2000
   c. Each state receives the same proportion of the block grant each year as it received of AFDC spending in 1994
   d. Use of Funds:
      --in any manner reasonably calculated to accomplish the purposes (see above)
      --in the case of families that have lived in a state for less than 12 months, states may provide them with the benefit level of the state from which they moved

--states may transfer up to 20% of the funds in any given block grant to other block grants
--states may, for up to 6 months, pay a reduced benefit to a needy family with a child whose paternity has not been established

c. Penalties. States are subject to three penalties:
--if an audit determines that states have spent money on activities not consistent with the purpose of this legislation, the amount of misspent funds will be withheld from the state's payments during the following year (with the restriction that not more than 25 percent of a quarterly payment can be withheld)
--the annual grant is reduced by 3 percent if states fail to submit the performance data required so that Congress can provide oversight on state accomplishments
--states are fined 1 percent of their annual grant if they fail to participate in the Income and Eligibility Verification System designed to reduce welfare fraud

4. Prohibitions. Block grant funds cannot be used to provide:
   a. Benefits to a family that does not include a minor child
   b. Benefits to an individual receiving benefits from old-age assistance, foster care, or Supplemental Security Income
   c. Benefits to noncitizens unless the individual is an alien who has resided in the U.S. for over 6 years or a legal resident over age 75 who has lived in the U.S. for more than 5 years
   d. Cash benefits to a minor child born out of wedlock to a mother under age 18 or to the mother
   e. Cash benefits for additional children born to families already on welfare
   f. Cash benefits for families that have received block grant funds for 5 years
   g. Benefits to a family with adults not cooperating with the state child support enforcement agency
   h. Benefits to a family with an adult who has not assigned to the state the child's claim rights against the noncustodial parent

5. Data collection and reporting. States are required to submit annual data on several important measures of their Temporary Assistance Block grant; e.g., the number of families receiving benefits, the earning of families, other welfare benefits received by families, and the number of months on welfare

6. Audits. Each state must submit to an audit every second year under terms of the Single Audit Act

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6348

February 9, 1995

MEMORANDUM

TO: Members, Committee on Ways and Means

FR: E. Clay Shaw, Jr., Chairman Subcommittee on Human Resources

In a speech at the U.S. Chamber of Commerce later this morning, I will present an outline of the direction my Chairman's mark will take as we begin consideration of welfare reform in subcommittee next week. Later today, we will deliver to all Members of the Committee a complete explanation of all of the provisions, with the exception of child support enforcement provisions which are in the final design stages. We are expecting some changes between now and Monday's markup.

Here is an outline of the plan we have developed:

Cash Welfare Block Grant
- 6 current Aid to Families with Dependent Children programs will be replaced with a single block grant to States.
- Spending on cash welfare will be capped for 5 years, saving taxpayers $7.6 billion.
- States will be **prohibited** from using federal tax dollars to: (1) pay cash welfare to mothers under 18 who have children out-of-wedlock; (2) give extra payments to families that have more children while on welfare; and (3) pay cash welfare to a single family for more than 5 years.
- Welfare recipients must work to continue getting cash payments after two years.

Child Care Block Grant
- Around ten current federal child care programs will be merged into another block grant, achieving $3.6 billion in savings.
- As with other block grants, States will be given enormous flexibility to better serve their residents, simplify programs, and save taxpayers money.

Child Welfare Block Grant
- More than 24 current programs will be combined into another block grant to help states protect neglected and abused children, saving nearly $4 billion over five years.
- Neglected and abused children will be freed from federal regulations to realize quicker adoptions, more

... from Washington

- As with other block grants, States will be required to send information about their programs to the federal government, so we can figure out what works.

Reducing Welfare Rolls

- Drug addicts and alcoholics will no longer be considered disabled and therefore eligible for cash payments from SSI.
- As in the Contract, non-citizens would no longer be eligible for most welfare programs. Exceptions will remain for refugees and legal, long-term residents over 75; non-citizens will still qualify for education and training programs so they can improve their job preparation to become more productive future citizens.
- Sponsorship provisions will be strengthened.
- CBO estimates these provisions will reduce welfare spending by about $23 billion over 5 years (although much of this savings will accrue to States because of the block grants described above).

MAINSTREAM FORUM BILL

Individual Responsibility Act of 1995 - Summary

Outline of Welfare Reform Bill

Title I:	Time-Limited Transitional Assistance
Title II:	Make Work Pay
Title III:	The Work First Program
Title IV:	Family Responsibility and Improved Child Support Enforcement
Title V:	Teen Pregnancy and Family Stability
Title VI:	Community Service
Title VII:	Program Simplification
Title VIII:	Financing

I **Time-Limited Transitional Assistance:** Imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. The two-year lifetime, **Work First** time-limited assistance program will transform a system based on the right to income maintenance into a system based on the obligation to work. This time-limited assistance would be phased-in, beginning in FY 1997, when 16% of a state's AFDC families must participate in the program. This percentage increases to 20% in FY 1998, 24% in FY 1999, 28% in FY 2000, 32% in FY 2001, 40% in FY 2002, until reaching 52% in FY 2003 and each succeeding fiscal year.

II **Making Work Pay:** The bill would ensure that a welfare recipient will be better off economically by taking a job than by remaining on welfare. To do this, the current disincentives within the system that make welfare more attractive than work must be eliminated. There are five vital components in this regard:

*Health Care - Extended Transitional Medical assistance (TAM) from one to two years.

* EITC - The bill would improve outreach efforts to both recipients and employers to ensure that they make use of EITC.

*Child Care - Federal funding for child care assistance would be consolidated into a single program under the Title XX social services block grant. States would be required to submit one plan for all assistance under this program instead of be required to comply with four different sets of federal regulations for different federal child care programs. Title XX is a capped entitlement program without specific authorization. A consolidated block grant of $1.2 billion a year would replace the At Risk Child Care program and the 75% of the Child Care Development Block Grant used for direct child care assistance. There would be an individual entitlement for child care assistnance for individual participating in the Work First program or who are leaving welfare. The Federal government would reimburse states for the cost of the individual entitlements at 70% or the Medicaid matching rate plus ten percent, whichever is higher.

*AFDC Work Disregards - The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. As a result, welfare recipients who try to work are only marginally better off than by remaining on welfare. The proposal would allow states to liberalize the earned-income disregards within an established federal guideline.

*Asset Limitation - While work is a first step out of poverty, asset accumulation is necessary to keep a person out of poverty. The proposal would increase the vehicle asset threshold to $5,000; increase the non-vehicle asset threshold for either AFDC or food stamps, capped at a level of $2,000 or up to $8,000 for specific use in setting up a microenterprise, purchase of a first home, or for higher education.

III Work First Program: The bill would establish a WF program to move welfare recipients off of welfare into jobs. The WF program would be administered at the state level. The bill encourages the states to tailor programs which meet their individual needs. However, the bill also recognizes that states may not be able to develop a WF program immediately. Thus, the bill establishes a Federal Model which each State would use until it develops its own program.

- The Federal model is expected only to be a transitional program until states develop their own programs.
- States are required to submit their own programs within five years of the enactment of this bill.
- States could choose to adopt the Federal Model or adopt their own program within the broad federal guidelines set in this bill that require states to place an emphasis on placing individuals in private sector employment.

Community Service - At the end of two years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but the state will have the option to provide a welfare recipient with a full-time (30 hours or more) community service job and/or have access to placement and support agencies and/or subsidized jobs as described in the "Work First" section. States may readmit up to 10% of their caseload who have not found employment after two years of the Work First program <u>and</u> two year community service, <u>or</u> those who left welfare after finding employment and were forced to return but have no time left on the clock. In addition, states may petition the Secretary of HHS to increase this percentage up to 15% if they meet the economic hardship conditions set forth by the Secretary. All recycled recipients will be reevaluated by a caseworker or case management team and a new employability contract will be established.

IV. Family Responsibility and Improved Child Support Enforcement: The goal of the proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

- Establish in each state a central registry to streamline the current collection and distribution of child support by keeping track of all support orders registered in the state.
- Improves interstate enforcement through the adoption of UIFSA and other measures to make interstate enforcement more uniform.
- Establish hospital-based paternity by: requiring states to offer paternity/parenting social services for new fathers; making benefits contingent upon paternity establishment (recipients provide full cooperation in establishing paternity to receive benefits); require hospital based paternity establishment for all single mothers.
- Enforce child support through demanding and uncompromising punitive measures for deadbeat parents including: strongly reinforcing direct income withholding; requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards; and require non-compliant noncustodial parents delinquent in their child support payments to enter a work program in which they work to pay off benefits going to support their child.

V. Teen Pregnancy and Family Stability: The bill promotes individual reproductive responsibility by giving states the option to implement the family cap; requiring minor mothers to live with a responsible adult, preferably a parent; supporting a national education campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency; providing incentives for teen parents to stay in school; providing funds for states to create or expand programs for minor noncustodial parents to promote responsibility and work; and giving states the option of eliminating current disincentives to marriage.

VI Program Simplification: Streamline the waiver process which is bureaucratic and gives too much discretion to the Secretary of HHS to deny state waivers simply because they do not like their program. In its place, the bill sets forth guidelines that if the state plans meet, then it will be approved by the Secretary of HHS.

States bear a heavy administrative burden in implementing the AFDC and Food Stamps programs, mainly because of complicated, inconsistent and rigid policies. The operation of these programs should be simplified by unifying the policies that determine eligibility for these programs. The bill would simplify the application and eligibility process for AFDC and Food Stamps. Some of the most time-consuming and difficult tasks in administering these programs are the initial procedure now required to take and process applications. Twenty specific provisions are included in this bill that will significantly improve this process. These include provisions to unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps.

VII SSI Reform: If Congress fails to act within 90 days after the submission of the Slattery Commission Report, then funding for the children portion of SSI will be frozen at the FY 94 level.

VIII Financing: The plan would save $20.3 billion over five years by ending welfare for most noncitizens except for emergency medical services. Exemptions will be made for refugees and asylees for six years after they arrive and noncitizens over age 75 who have been legal residents for at least five years. It does not abandon new immigrants. Rather, it merely transfers responsibility for their welfare from the government to where it truly belongs--their legal sponsors, the American citizens who by law must endorse most immigrants' applications for citizenship based on the promise that immigrants will not become public charges. We propose six billion dollars of monetary assistance to states to be used under state discretion to aid their immigrant populations who will be detrimentally affected by this cut. In addition, we propose to give states the authority to sue a sponsor if an immigrant applies for state or local assistance and to mimic the federal government in denying state benefits to noncitizens.

The bill would raise $9 billion over five years by adding income from AFDC, Food Stamps and housing assistance to taxable income so that a dollar from welfare isn't worth more than a dollar from work. The bill would increase EITC enforcement to reduce fraud in the program to save at least $3.5 billion over five years. It would make several other smaller changes within the welfare system to save approximately $2.5 billion over five years.

Funding: The bill provides more funding for states to help meet the costs of the WF program as well as the increased caseload for child care costs. For the WF program, our bill would have a seventy percent matching rate or the Medicaid matching rate + ten percent, whichever is higher for the states. For Community Service, our matching rate would be seventy percent matching rate or Medicaid matching rate + ten percent for the Administrative costs, whichever is higher for state. For wages, it would be the Medicaid matching rate.

THE PRESIDENT HAS SEEN 6/15

Copy Bruce

May 30, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: The Politics of Welfare Reform

This memo includes an update on the political and legislative landscape for welfare reform, and some thoughts on how to talk about our plan, as you requested. We are also working with Rahm and others on a rollout schedule, and have attached a separate briefing from Stan on his most recent findings.

I. Political and Legislative Update

As we have discussed before, there is a broad and powerful consensus (with exceptions on the extreme right and left) for the basic elements of our welfare reform plan. Support for time limits, work programs, and tougher child support enforcement exceeds 80–90%, with little variation across race, class, or party. Even on the issues that the Republicans think work for them -- cutting off benefits for legal immigrants and unwed mothers -- people prefer our alternatives by two- and three-to-one margins.

The current lull in the health care debate gives you an opportunity to speak out on these issues, at a time when Americans are united in believing the country has a welfare crisis and Republicans (for a change) are the ones divided over what to do about it. Recent developments in both parties have left you a good opening to dominate the debate.

A. The Republicans

Republicans are now at war with one another over whether to back the original House Republican welfare reform bill or go further, and seek to cut off unwed mothers under 21 altogether. Gingrich and many other Republicans in the House want to stick with their original bill, which has 162 of 175 House Republicans as co-sponsors and would enable them to share credit for whatever passes, since the biggest differences between our plan and theirs are over how quickly to phase in and how much to cut benefits for immigrants. Bennett and Kemp sent out another William Kristol memo last month arguing the original House bill plays into your hands, and that Republicans should insist instead on a purist, Charles Murray approach that enables them to hang onto the welfare issue. According to Fred Barnes, Kemp thought the new proposal was a bad idea, and only signed on after they promised to include $75 billion in unpaid-for tax cuts.

Once again, you have put Republicans in an awkward position. Either they push to get something done, help you accomplish what they've spent their careers crying out for, and risk losing a favorite wedge issue, or they change their tune, move to the right, and run the risk that they'll look like obstructionists and box themselves into a position with little popular support. The Kemp-Bennett-Kristol about-face is not only the worst kind of political posturing; it is also bad politics. A recent Los Angeles Times poll found overwhelming support for our approach over Murray's: 70% favored requiring people on welfare to work, versus 25% who favored cutting off benefits for young mothers.

The Republican infighting should help us in several ways. First, it marginalizes conservatives like Bennett and Kemp (who have their own aspirations), and makes them look blatantly political. The same thing happened to Republicans on crime: you said "three strikes," they said "two strikes"; you said "boot camps," they said "stockades" -- and they looked silly in the process. On this issue, they would rather play politics than fix what everyone agrees is a welfare system in crisis.

Second, it takes attention away from the divisions within our own party and pushes moderate Republicans closer to us. Rick Santorum, the lead House sponsor, now spends as much time attacking opponents on the right as he used to spend attacking us. When the House held an Oxford-style debate on welfare reform last month, all the Republicans who spoke distanced themselves from the Charles Murray approach.

Finally, the Republican schism is yet another reason for Republican governors to prefer our plan. Most governors view the Murray approach as a direct cost shift to states and communities, who will still have to provide for young mothers in some way. In addition, they are worried that the House Republican phase-in would impose massive new costs on the states, and do nothing to sweeten their JOBS matching rate. Our plan phases in sensibly and enables states to recoup most or all of their new costs through tougher child support enforcement, caseload savings, and an increased federal match. The House Republican financing scheme also would shift the cost of providing immigrants with health care and other services almost entirely to the states. Pete Wilson has already complained that such provisions would leave California, with 40% of the immigrant population, paying 40% of the tab for welfare reform, even though the state has only 20% of the welfare caseload. Our deeming provision shifts the costs of supporting immigrants to the families who sponsor them to come into this country; it may actually save states a little money in AFDC and food stamps.

None of this means that it will be easy to get Republican votes in the House. In the end, they will have to confront the same choice they have faced on crime and NAFTA. We ought to be able to pick up 60–100 Republican votes for welfare reform, but we will only do so if Mack, David Gergen, Pat Griffin, and others reach out to Gingrich and company to let them know we're genuinely interested in a bipartisan bill. That will become even more important if Congress doesn't finish welfare reform this year.

B. The Democrats

Several Democrats have put forward their own welfare reform bills, some consistent with our approach and others not. The Mainstream Forum introduced legislation that borrows heavily from our plan. Their bill adopts the same phase–in (starting with those born after 1971) and similar provisions on time limits, work requirements, child support, etc. The most significant difference between our bill and theirs is that they propose the same immigrant financing scheme as the Republicans (although McCurdy has said he might be flexible on the Medicaid part of it).

Liberal Democrats have been relatively quiet. Tom Harkin introduced a bill with flexible time limits (6 months for some people; longer than 2 years for others). Eleanor Holmes Norton wrote an outstanding Washington Post op–ed last month on the importance of work as the unifying principle for welfare reform. Bob Matsui and Patsy Mink have each introduced bills which expand the JOBS program but do not include time limits or serious work requirements.

We have met several times with Moynihan, who seems happy with our general direction but has not tipped his hand on many specific details. In the House, Harold Ford is eager to make his mark with this issue, although from time to time he suggests giving everyone on welfare jobs that pay $9 an hour. If Ways and Means is slow to take up welfare reform, moderate Democrats could join Republicans in a discharge petition, but so far we've persuaded them to keep their powder dry.

There is a chance Ways and Means could take up welfare reform sooner than they might like because Rostenkowski promised them a vote on cutting immigrant benefits. Earlier this month, Santorum tried to attach an amendment to the Social Security bill that would have eliminated all benefits for all non–citizens. It was narrowly defeated by a vote of 20–16, with Harold Ford voting present. The only way we talked Ford and other Democrats out of voting for that amendment was by pleading with them to wait until we introduce our bill, so that at least they could use whatever money they squeeze out of immigrants to pay for welfare reform rather than deficit reduction.

We have been working hard to line up support from outside groups. We hope to get a DGA endorsement, and a strong statement from the NGA is not out of the question. The DLC will say nice things about our bill and the Mainstream Forum's bill; they agree with us that welfare reform should be paid for through budget cuts, not just cuts in immigrant benefits. We have probably met enough of AFSCME's concerns about displacement to keep them from opposing our plan, but like the advocacy groups, they still wish the issue would just go away.

II. Highlights of Our Welfare Reform Plan

As you well know, the welfare debate is less about policy and politics than it is about values. The trouble with the current welfare system is that it undermines the values that matter most -- work, responsibility, family. The current system makes welfare more attractive than work, and lets too many parents avoid responsibility for supporting their children.

Our welfare reform plan is based on the basic values and principles you outlined in the campaign: No one who works full-time with a child at home should be poor, but no one who can work should stay on welfare forever. We need to make welfare what it used to be -- a second chance, not a way of life. The ones who hate the welfare system most are the people who are trapped by it. Governments don't raise children; people do. People who bring children into this world should take responsibility for them. Government has to do all it can to expand opportunity, but people have a responsibility to make the most of it. We could have all the programs and spend all the money in the world and it won't do a bit of good if people don't do right. And so on.

The attached talking points outline the highlights of our plan. (We will give you complete information on costs and financing when you return from Europe.) There is plenty to talk about in an initiative that costs $10 billion over 5 years and $30 billion over 10. But it is easy to get lost in the details. The two values most on people's minds are work and responsibility. As you said to the DLC in Cleveland in 1991, work is the best social program this country has ever devised.

HIGHLIGHTS OF OUR WELFARE REFORM PLAN

I. THE ADMINISTRATION'S RECORD ON WELFARE REFORM

1. EITC: Last year's economic package went a long way toward ending welfare by giving 15 million working families a tax cut through the EITC. The EITC turns a minimum wage, $4.25 an hour job into a $6 an hour job. With the EITC and health reform, any job is a good job.

2. Health Reform: Health reform will move an estimated one million women and children off welfare. A recent survey of welfare recipients in Charleston and Nashville found that 83% would take a minimum wage job if it offered health coverage for them and their families. Another study found that only 8% of people who leave welfare for work get jobs that provide health insurance.

3. Waivers: Since January 1993, the Administration has granted waivers to 14 states to try new initiatives on time limits, assistance for two-parent families, limiting additional benefits for additional children, and so on.

II. TIME-LIMITING WELFARE AND REQUIRING WORK

1. Two-Year Time Limit: Everyone who can work will be expected to go to work within two years. To the poor and those outside the economic mainstream, we say two things: No one who works full-time with a child at home should be poor, and no one who can work should stay on welfare forever.

* A new social contract: Everyone will be required to sign a Personal Responsibility Agreement that spells out what they can expect and what is expected of them in return. This agreement will include the two-year time limit as well as other state measures to encourage responsible behavior, such as requiring immunizations, denying benefits for additional children born on welfare, requiring mothers to name and help find the father as a condition of eligibility, etc.

* Fewer exemptions: Our plan cuts the number of exemptions in current law by half. Current law exempts mothers with children under 3; our plan limits that exemption to mothers with children under 1. The exemption for teen mothers and mothers who conceive additional children while on welfare will last only 3 months.

* No more something for nothing: From day one, everyone will be required to do something in return for receiving assistance. Even those who are exempted from JOBS participation will be expected to take part in parenting, community service, or other activities.

* This is not an entitlement to two years of training: Most people will be expected to enter employment well before the two years are up. States can also design shorter time limits for people who are job-ready, and require them to work sooner.

* A lifetime limit: People should have an incentive to leave welfare quickly and not use up their precious months of welfare eligibility. Recipients who use up their 24 months will no longer be eligible unless they enter the work program. The time limit is a lifetime limit: people who have been off welfare for long periods of time will be able to get a few months of assistance to tide them over in emergencies, but they will not be able to start over with a new 2-year clock. This will make welfare what it was meant to be -- a second chance, not a way of life.

2. Work, Not Welfare: We need to change the culture of the welfare office to focus on helping people find and keep jobs, not just writing them checks for life.

* Job search first: Job search will be required immediately of anyone who can work. Anyone offered a private sector job will be required to take it or get thrown off the rolls.

* A clear focus on employment: We will push states to shift their JOBS programs away from classroom training and toward job placement and on-the-job training. Many people on welfare are there because they failed in the classroom; it makes no sense to send them to another classroom when what they really need is help in getting and holding down a job. The best job training program is a job.

3. Requiring and Providing Work: Anyone who can work will have to go to work within 2 years, in the private sector if possible, in community service if necessary.

* Work for wages, not workfare: People will work for a paycheck, not a welfare check. If you don't show up for work, you won't get paid. There will also be strong, escalating sanctions for people who quit or get fired.

* State and local flexibility, with an emphasis on the private sector: States will be able to use the money they would otherwise spend on welfare to create subsidized, non-displacing jobs in the private sector, with non-profits, or in public service employment. Communities will be encouraged to build strong links to the private sector, and can hire placement firms like America Works to help people find and keep jobs. We've worked closely with the business community to design a flexible program without red tape.

* This is a transitional program, designed to constantly push people toward unsubsidized work in the private sector: People will be required to go through extensive job search before entering the work program, and after each work assignment. No work assignment will last more than 12 months. No one will receive the EITC unless they leave the program and take an unsubsidized job. Anyone who turns down a private sector job will be kicked off the program. So will people who refuse to make a good faith effort to find a job when jobs they could get are available.

* No one who can work should stay on welfare forever: This is not a guaranteed-jobs-for-life program. At the end of two years in the WORK program, everyone will go through an intensive assessment. If they're playing by the rules, able to work, and no private jobs are available, they'll get another WORK assignment. If they're unable to work, they can be exempted or reassigned to get more training. If they're not playing by the rules, and if a state determines that they have not made a good faith effort to find available work, the state can opt to remove them from the rolls.

* Real, meaningful work: Communities will have broad flexibility in deciding what kinds of jobs to subsidize or create. We expect these to be non-displacing minimum-wage jobs that represent meaningful work. Business, union, and community leaders will have a say in the process. Many of the most promising entry-level jobs are in growth areas related to welfare reform and other Clinton initiatives. For example, our plan will increase the demand for child care workers in many communities. We expect 10% of the WORK slots to be in child care. Other promising fields include home health aides, teachers aides, child support caseworkers, public housing rehabilitation, and public safety.

* Where the jobs are: You may be asked how we expect to find jobs for people on welfare when millions of Americans are already out of work. First of all, our plan is primarily about job creation -- most of the money goes to create and subsidize jobs, and to make it possible for individuals to take them. Our plan will create 400,000 jobs by the year 2000. Second, there is no shortage of entry-level jobs in this country. McDonald's alone has more job openings every year through normal turnover than will hit the two-year time limit anytime in the next 10 years. Moreover, the Clinton economy is generating 2 million new jobs a year. Third, even under the current system, most welfare recipients are able to *find* jobs; they have trouble *keeping* them. 70% of recipients leave welfare within two years, but most of them come back. That's why it's so important to make work pay better than welfare (EITC, health care, child care, child support enforcement), and to focus the welfare system on helping people make it in the workforce (on-the-job training, job search assistance).

III. PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

1. National Campaign Against Teen Pregnancy: The number of births to unwed mothers has quadrupled in the last 30 years from 92,000 in 1960 to 368,000 in 1991. Unwed mothers (teen and older) accounted for 80% of the growth in the welfare caseload over the last decade, when the number of families on welfare rose from 3.9 million in 1983 to 5 million families last year.

* A national effort in 1,000 schools: We will launch school-based prevention programs in 1,000 schools across the country with the worst teen pregnancy problems. In each of these schools, National Service volunteers will work with community groups, churches, and business leaders to mentor young people on the importance of delaying sexual activity and parenthood.

* A strong message from the Bully Pulpit that it is wrong to have children outside marriage: Unwed teen mothers who drop out of school are 10 times more likely to raise a child in poverty than young people who finish school, get married, and wait until their twenties to have children. We are planning a broad-based campaign that involves the media, the private sector, churches, schools, and other groups.

* Every state will set clear goals for reducing unwed teen births: We will set up a national clearinghouse on teen pregnancy to identify successful programs and help replicate them elsewhere. We will also target a handful of at-risk neighborhoods for intensive prevention efforts.

* Children who have children should live at home and finish school as a condition for benefits: Our plan will require minor mothers under 18 to live with their parents or a responsible adult and finish high school. They will no longer be able to set up a separate household and receive a separate check.

2. The Toughest Child Support Laws Ever Proposed: Our plan includes the toughest, most comprehensive child support enforcement provisions ever proposed. We can move and keep thousands of families off welfare by closing the $34 billion child support gap between what absent parents should owe and what is actually collected. If you're not paying your child support, we'll garnish your wages, suspend your license, track you across State lines, and even make you work off what you owe.

* Establish paternity for all out-of-wedlock births: Last year's economic plan included measures to expand voluntary paternity establishment in hospitals, when fathers are most likely to be present. Our welfare reform plan will require mothers to

name the father as a condition of receiving welfare, and push states to establish paternity more quickly. We want to make fathers part of the safety net again.

* Tracking down deadbeats: Every state will establish a central state registry to track payments and take prompt action when money isn't paid. A national registry of new hires will use W-4 reporting to track delinquent parents who have switched jobs or crossed state lines.

* License suspension: States will be able to use the threat of revoking driver's, professional, and commercial licenses to make delinquents pay. This threat has been extraordinarily successful in Maine, California, and other states.

* Work programs: States will be able to run programs that require men to do community service to work off the child support they owe. We will also run demonstration programs that require delinquent parents with no skills to get training. These programs should pay for themselves. Wisconsin's work program for fathers has produced a phenomenal smokeout effect: 75% pay their support rather than do court-ordered community service.

* Limited demonstration of child support assurance: The plan allows for 3 states to run demonstrations in providing guaranteed child support to families where the absent parent doesn't pay.

3. State Option to Limit Additional Benefits for Additional Children Conceived on Welfare: States that want to impose family caps will have the option to do so. Some states see this as a way to deter additional pregnancies; others believe the welfare system needs to do everything it can to instill responsibility in parents who already have children they cannot support. Early results from New Jersey show a 9% reduction in additional births to women on welfare, but it is too early to draw many conclusions. We also need to make sure that family planning is available to adults on welfare. Welfare recipients don't have more children on average than other women, but many of those who do consign themselves and their families to lives of poverty and dependency.

4. Keeping People from Going on Welfare in the First Place by Providing Child Care for the Working Poor: In addition to providing child care for people on welfare and in the work program, our plan calls for a substantial increase in child care for the working poor. The Administration's FY95 budget also seeks hefty increases in Head Start (21%) and the Child Care Development Block Grant (22%).

* Our plan will nearly double the amount of available child care for the working poor: The plan includes $1.7 billion over 5 years and $6 billion over 10 to expand the At-Risk program from $300 million annually to nearly $1 billion.

* This program preserves flexibility and choice: States can use the money as they choose to provide child care vouchers or pay providers directly.

IV. GIVING STATES FLEXIBILITY TO INNOVATE

1. A Plan That Works for States: To give states a chance to do this right, our plan is phased in beginning with those born after 1971 -- anyone 25 and under by late 1996, when states begin to implement the program. That represents a third of the adult caseload initially, and will grow steadily to include nearly two-thirds by 2004.

* Young people will think twice before coming on welfare: We're ending welfare for the next generation. One problem with the Family Support Act has been that few recipients know whether they will be subject to its requirements or not. Under our plan, anyone born after 1971 will know that the world has changed, and that welfare can no longer be a way of life. Almost any other phase-in would be subject to gaming, but it is hard to change to change your date of birth.

* If we phased in everyone at once, the program would fail: Even if we had the money for it (which we don't, and neither do the states), a rapid phase-in would overwhelm state capacity, and force them to create massive public jobs programs instead of reaching out to the private sector. The best example is CETA, which grew to 750,000 jobs overnight, and was dismantled nearly as quickly as a result.

* This is still a very ambitious phase-in: Under our plan, more than 400,000 people will have hit the time limit and be working in the WORK program by the year 2000. Today, fewer than 15,000 welfare recipients are required to work.

* States can phase in faster if they want: States will have the option of phasing in other cohorts in addition to those born after 1971 (e.g., all new applicants, all out-of-wedlock births, etc.). We will also make funds available so that they can finish serving those currently in their JOBS programs, as well as older recipients who volunteer.

* States prefer our phase-in: The House Republican bill phases in more quickly, starting with all new applicants and reaching 90% of the non-exempt caseload 2002. This would impose billions in new costs on the states. According to a recent NGA survey, most states like our phase-in. This phase-in was first proposed in a New Republic article by Moynihan's chief welfare aide, Paul Offner.

2. States Will Have Unprecedented Flexibility to Design Their Own Approach to Ending Welfare: Our plan gives states broad flexibility to try new things, because one thing we've learned in the last 30 years is that Washington doesn't have all the answers. Much of what once required waivers will become available to states as state options:

* Extending assistance to two-parent families: States will be able to waive the 100-hour rule and let two-parent families stay together.

* Rewards and sanctions to keep teen parents in school: States will be able to design their own monetary incentive programs like the LEAP program in Ohio.

* No additional benefits for additional children born on welfare: The Administration has already granted waivers to Georgia and Arkansas; this measure will now be a state option.

* Incentives to work and save: States can encourage work through higher earnings disregards and saving through Individual Development Accounts.

* Advance payment of the EITC: States will be able to work with the Treasury Department to develop plans to get the EITC out on a monthly basis.

* Faster phase-in: States that want to do more will be free to phase in other cohorts in addition to recipients born after 1971.

* Setting shorter time limits, and requiring people to work sooner: States that want to move recipients into work more quickly can do so. The JOBS program allows states to require CWEP or subsidized private sector work at any time.

* Experiment with a host of demonstration programs: Our plan includes funds for demonstrations of Individual Development Accounts, child support assurance, teen pregnancy prevention, work and training programs for non-custodial parents, and many other ideas worth testing.

* Continued waiver authority: We will help states with existing waivers to adapt them once the new law passes. The broad waiver authority in current law will continue.

3. No Unfunded Mandates: Our plan will not impose major new costs upon the states. Over time, in fact, they should save money from increased child support collections and reduced welfare caseloads.

* Enhanced federal match: States have had trouble implementing the Family Support Act because of its relatively low federal match (in general, 60-40 federal). Our plan increases the federal share to around 67% (higher in some states), which means that the federal government is actually picking up 80% of the new spending.

* States can spend at their own pace: Instead of imposing costly new mandates, we give states considerable flexibility in how much to spend beyond the basic plan. States willing to spend more can choose to expand eligibility for two-parent families, offer higher earnings disregards, or phase in more of their caseload.

* Savings through caseload reduction, child support enforcement, and fraud detection: These programs will pay off in considerable savings from increased child support collection, reduced welfare caseloads, and improved detection of welfare fraud. The computer systems needed to keep track of time limits and track deadbeat parents, along with other measures such as Electronic Benefits Transfer and improved monitoring of the EITC, will enable us to wage a national assault on welfare fraud.

4. Demonstrations to See What Works: Many of the reforms in our plan are based on successful experiments pioneered by the states. We want this innovation to continue. In addition to continued broad waiver authority for state demonstrations, our plan authorizes a number of specific demonstrations for states that are eager to try new things:

* Building Assets: As you promised in the campaign, we have taken a number of steps to help people to build assets as one way out of poverty: allowing people to save some money for a home, business or education without losing their eligibility for help; allowing people to own a car of reasonable value so they can find a job and get to work; and giving them the opportunity to become self-employed or start a microenterprise.

    * Individual Development Accounts: Current welfare rules force recipients to spend their welfare check, and penalize them for savings. Our plan will waive those rules to allow people to set money aside in Individual Development Accounts to buy a home, start a business, or provide for college. States will also be able to run demonstrations in which the government matches those savings.

    * Microenterprise: In some communities, the absence of economic activity makes it difficult to leave welfare. We want to make it easier for people to start small businesses that enable them to become self-sufficient. Our plan provides for a nationwide demonstration of microloans, which will provide small amounts of money for welfare clients to launch small businesses.

* Mandatory Work Programs for Deadbeat Parents: States will be able to use up to 10% of their JOBS and WORK money to run work and training programs for non-custodial parents. We estimate that these programs will recoup 80% of their costs through increased child support collections.

* Job Placement Bonuses: We will encourage states to run demonstrations that offer job placement bonuses as an incentive to caseworkers and welfare offices for helping recipients get and keep jobs.

* Charter Welfare Offices: States will also be able to encourage competition and accountability by experimenting with chartering job placement firms, such as America Works, to run their JOBS program. (The Reemployment Act has similar provisions for job training.)

V. HOW THIS PLAN "ENDS WELFARE AS WE KNOW IT"

Our plan spends $10 billion over 5 years and $30 billion over 10 years, and maps out a rapid revolution in expectations for people on welfare. But because we can't afford and the states couldn't manage ending welfare for everyone at once, Republicans and some in the press will inevitably charge that we have "scaled back" our plan and fallen short of the campaign pledge to end welfare. We need to refute these skeptics by repeatedly stressing how bold our plan really is.

1. The Most Sweeping Work Requirements in the History of Welfare: Our plan will turn a system based on welfare into a system based on work -- because work is the best social program this country has ever devised. Today, fewer than 15,000 welfare recipients in America are required to work. Under our plan, an estimated 400,000 people will be in mandatory work programs by the year 2000. We require people who come on welfare to start looking for work from day one. Everyone who can work will have to do so within two years, or sooner if their state says so. We cut the number of exemptions in half, so that no one who is able to work can avoid it. And we'll move families off welfare by making fathers who are behind in their child support work off what they owe.

2. The Toughest Child Support Crackdown Ever Proposed: The child support enforcement measures in our welfare reform plan are by far the toughest any Administration has ever put forward. For the first time, government will hold both parents responsible for raising their children. Mothers won't be able to get welfare if they refuse to name the father. Absent parents who owe child support will face the most serious penalties ever: wage withholding, credit reporting, the threat of license revocation, a national registry of new hires to track them wherever they go, and mandatory work programs to make them work off what they owe. If this country did a better job of enforcing child support, we wouldn't need a welfare system. Every five deadbeats we catch will mean one fewer family on welfare.

3. A New Social Contract -- No More Something for Nothing: After decades of unchecked growth in government social programs, this is the first Administration in either party to ask something in return. In the campaign, you promised a new social contract of more opportunity in return for more responsibility. As you said at Georgetown, "We must go beyond the competing ideas of the old political establishment -- beyond every man for himself on the one hand, and the right to something for nothing on the other." National service, the EITC, health reform, and welfare reform are all based on this same principle. Under our welfare reform plan, there will be no more something for nothing. Everyone will be required to work, get training, or finish school -- and even those who are unable to work will be expected to attend parenting classes or give something back through some form of voluntary service.

4. **Ending Welfare as a Way of Life:** The combined impact of welfare reform, health reform, and the expansion of the EITC will be dramatic and immediate. About half the caseload will be phased in by the year 2000. Reform means that by the year 2000, three quarters of the projected welfare caseload aged 30 or under will either be off welfare, working, or in a program leading to work. Without reform, only a small fraction would be working, and 20% would be in education or training.

5. **This Is Everything You Promised in the Campaign -- and Then Some:** Nothing about this plan is scaled back from your campaign promises. You've already made good on the EITC pledge that no one who works full-time with a child at home should be poor. This plan includes the two-year time limit as promised, with education, training, and child care -- and no loopholes; a work program that stresses the private sector first and community service as a last resort; dramatically tougher child support enforcement; state flexibility to experiment; etc. (The work-for-wages policy, which says that if you don't show up for work you don't get paid, actually goes a little further than what we discussed in the campaign about sanctioning the adult share of the grant.) It costs around $4 billion a year when phased in, which is exactly what we said it would cost in the campaign. The plan includes many elements we didn't get into during in the campaign, such as a national campaign against teen pregnancy and a substantial increase in working poor child care (which was not a campaign promise).

6. **The First Administration to Try to Keep People from Going on Welfare in the First Place:** In addition to your many initiatives designed to empower people to lift themselves out of poverty -- Empowerment Zones, community development banks, enforcement of the Community Reinvestment Act, the EITC, health reform, sweeps in public housing, community policing, etc. -- yours is the first Administration to confront one of the leading causes of poverty, the breakdown of the family. The welfare reform plan includes several tough, smart measures to discourage people from having children outside marriage: the first time limits ever imposed on welfare, coupled with the broadest and most serious work requirements; a nationwide crackdown on child support enforcement, which will give states an arsenal of ways to keep absent parents from getting off the hook; a national campaign against teen pregnancy, targeted to the most troubled schools; and a broad array of incentives the states can use to encourage responsible behavior, from limiting additional benefits for additional children to rewarding teenagers for staying in school. In the long run, the only way to end welfare is to reduce the number of people coming on it.

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Date: May 20, 1994

To: The Welfare Reform Group

From: Joe Goode and Stan Greenberg

RE: Welfare Reform – Priorities and Funding

The public is nearly unanimous in their support for a welfare reform program that provides job training and child care, but then requires an individual to go to work after two years. Voters are equally supportive of a variety of ways to pay for these changes, although the most popular funding proposals represent reform themselves, such as enforcement of child support payments and immigrant sponsors taking responsibility for new arrivals. The system is clearly broken and voters are willing to try a variety of measures, both as part of reform and paying for reform, to fix it.

Funding welfare reform by denying benefits to legal immigrants is a popular, but not overpowering, proposal. Almost two-thirds (64 percent) favor this Republican approach. However, when contrasted against Democratic alternatives including cuts in welfare for the wealthy, cuts in other programs, making work pay and especially enforcement of child support payments from deadbeat dads, the Republican funding scheme falls well behind.

There is a definite attraction to the Republican proposal, but most voters are looking for reforms that will reduce the welfare caseload without creating new hungry, homeless and sick people on the streets. Voters are not necessarily sympathetic towards immigrant aliens, but they recognize that cutting them off entirely will just create more problems in the long run. Clear common sense reforms – cracking down on deadbeat dads, identifying welfare cheats, making sponsors take responsibility for new immigrants – all attack the problem without creating additional burdens.

Still, voters are fed up with the current system and are willing to embrace some harsh alternatives. While the "two years and work" proposal is clearly the top priority, near majorities are willing to stop additional benefits to women who have new children while on welfare and to require strict measures like fingerprinting to ensure that people do not get benefits in more than one locality. Almost three-quarters (71 percent) favor limiting benefits to individuals who abuse alcohol or drugs. Voters want policies that focus on the individual and require them to take responsibility for their actions.

THE WHITE HOUSE

WASHINGTON

August 13, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: **BRUCE REED**

SUBJECT: **Background on Welfare Reform for NGA Meeting**

I. STATE AND LOCAL TASK FORCE ON WELFARE REFORM

When you spoke to the NGA meeting in Washington in February, you asked them to form a group of state and local officials to advise the Administration on welfare reform. The group, which is chaired by Governor Florio, consists of 14 representatives from NGA, NCSL, APWA, NACO, and the National League of Cities.

This State and Local Task Force on Welfare Reform has met several times with Administration officials over the last three months. In mid-July, the 14 members reached consensus on a concept paper, which is attached. Each of the respective organizations will take up the paper at its summer meetings to endorse or amend it.

The task force's recommendations are in line with the themes which you spelled out in the campaign and which are guiding the Administration's effort. They call for a system of time-limited cash assistance, followed by work; tougher child support enforcement; job creation through the private sector (including an endorsement of empowerment zones); state and local flexibility; and incentives to reward work and family. They urge that states be allowed to pursue state-based demonstrations and experimentation at the same time we pursue national welfare reform.

II. UPDATE ON ADMINISTRATION WELFARE REFORM WORKING GROUP

The Administration working group held its first public hearing on August 11 in Chicago. Mayor Daley and Rep. Bobby Rush attended. The group visited promising local programs at Cabrini Green and elsewhere, and heard moving testimony from welfare recipients, innovators, and activists. (The National Organization of Women tried to denounce us for not including any welfare recipients on the interagency working group, but one member of the working group grew up on welfare -- HHS Assistant Secretary for Aging Fernando Torres Gil.) More public hearings are scheduled over the next two months in Washington, D.C., Tennessee, Southern California, New Jersey, and New York.

The working group has met with a few dozen members of Congress from both parties, and is working closely with Congressional staff. The big issue in Congress will be how much money to spend. The Republicans were scheduled to announce their own bill, but the moderates and conservatives split over whether to spend any money. In all likelihood, the Republicans will present a no-cost bill. House Democrats are worried that no matter how good the plan we introduce, moderates and conservatives will be able to strip out the funding. We are working on a range of options, from cheap to generous.

We are still keeping open the possibility that your plan might be introduced this year. But you may decide this fall that you would rather unveil it in the State of the Union.

7/12/93

STATE AND LOCAL TASK FORCE ON WELFARE REFORM
Conceptual Framework for National Welfare Reform
PRELIMINARY WORKING DOCUMENT

NOTE: The material in this paper is intended to provide a common framework for continuing discussion among the six organizations represented on the State and Local Task Force on Welfare Reform. While the paper reflects the variety of state, county and local concerns, each individual organization is in the process of reviewing this document which may result in changes or additions over the next several weeks.

Welfare should be a transitional program that moves people from temporary assistance to self-sufficiency. Welfare benefits should be based on a social contract that sets forth the responsibilities and obligations of both the beneficiary and the government. The goals of this temporary assistance program should include recognition of the essential dignity, well-being, and responsibilities of every American.

This program should be a partnership between all levels of government on behalf of the taxpayer and those who are in need of temporary assistance. The welfare program should be structured so as to encourage meaningful work and the move to independence. It should reward work and a reasonable amount of savings.

In addition to rewarding meaningful work, the welfare program should seek to support stable family relationships, ensure child support collection, and provide the necessary assistance to obtain the educational and job skills necessary to long-term self-sufficiency.

Eligibility for other government programs, such as Supplemental Security Income and Social Security Disability Insurance, should be expanded to assist those for whom work is not an option because of age or disability -- although independence and self-sufficiency should not be excluded as appropriate goals for all Americans.

The national program should be financed so as to ensure full federal funding of any mandates and should not result in new costs or a shift of federal costs to states, counties and localities. The federal government must recognize its responsibility to provide for the long term needs of children and persons who are physically or mentally disabled.

<u>Temporary Cash Assistance</u>

Assistance, in the form of cash grants*, to families with children should be available for a time-limited period during which activities that are designed to make the transition from welfare to work take place.

These activities should include education, training and support services necessary to assist participants become self-sufficient. Receipt of assistance during this period should be conditioned upon ongoing compliance with the social contract. States should be granted broad flexibility in constructing components of the social contract, including requirements to begin work before the maximum time is exhausted. The ongoing financial needs of children shall be addressed in any time limited system.

Continued federal, state, county and local assistance under the national program beyond the time limited period should be dependent on a requirement of work or work-related activities unless no job, community service work opportunity or community service placement is available.

*currently the AFDC program

States should have the flexibility to extend assistance, with full federal financial participation, for a limited period beyond the federal standard on a case-by-case basis as needed to ensure that recipients complete education or job-training programs, complete treatment for substance abuse or other physical or mental impairments, or resolve emergency situations such as homelessness.

Earned Income Tax Credit

The Earned Income Tax Credit (EITC) should be expanded over time so that with food stamps, a family of four with a full-time year round worker will be brought to the poverty line. Administration of the EITC should be simplified, outreach and education to assure full participation should be expanded, and worker choice as to frequency of payment should be preserved.

Child Support Enforcement

Parents have an obligation to support their children.

A more effective child support system is a critical component of welfare reform. The attached paper outlines in detail Task Force recommendations on restructuring child support. The recommendations include improved federal collection tools, incentives for improved state performance, child support assurance demonstrations, and improvements to interstate enforcement.

Job Development

As jobs are created in the economy through various means, every effort is necessary to assure that employment is available to those making the transition from welfare to work. The private sector, the major source of new job opportunities, should be encouraged to train workers and to hire those recipients who are trained and ready to work. Incentives to employers to hire, such as targeted tax credits and wage supplementation, should be enhanced. Job development through creation of empowerment zones and enterprise communities should make jobs available to workers in transition from welfare. Public agencies at all levels of government should lead by example and accept their obligation to employ workers in transition from welfare as jobs are developed and, where appropriate, government vendors should bring workers in transition into their work force.

Work and Community Service

All Americans should be productive members of their community. There are various ways to achieve this goal. The preferred means is through private sector, unsubsidized work in business or the non-profit sector. Other alternatives in priority order include: unsubsidized public sector employment; subsidized jobs; grant diversion; working off the welfare grant; and volunteering in community service work.

Community service work opportunities should be developed and managed through the existing infrastructure on the federal, state, county, and local levels. Recipients should be placed in jobs that attend to the public good, such as in school systems, public works departments, social service agencies, and health care and child care facilities. Every effort should be made to place the person in a position that has a relationship to their educational and job training skills and can, therefore, act as a useful stepping stone to private sector employment.

State and local governments should have the flexibility to utilize some portion of their funds for community service to provide short-term subsidies to assure the transition of people into private sector employment.

Additional Support Needs

•Child Care: The shortage of affordable, available and quality child care in the nation is a problem for working families with children at all income levels. This is a problem that is no less a burden on those who want to avoid welfare and those who want to leave welfare. The federal government should formulate a child care financial support policy which applies to all Americans. In addition, the federal government should lift regulatory barriers and allow states discretion to coordinate, consolidate and combine child care assistance administratively into one program. The Dependent Care Tax Credit should be made refundable to assist low income working families with the costs of child care. Other solutions include expansion of transitional child care for up to two years, increased support for at-risk child care, incentives and training to expand family day care, expansion of Head Start and year round school. These solutions have the added benefit of being opportunities for employment for those in transition from welfare to work.

•Health Care: Access to quality, affordable health care for all Americans is essential to enable a person to make a permanent transition from welfare to work. Assurance of health care coverage outside the welfare system can prevent entry into the system for some and enable others who leave welfare for jobs to do so without loss of health benefits. Pending development and implementation of national health care reform, health care should be made available to those in transition from welfare to work without regard to participation in other assistance programs at fees based on a sliding scale reflecting family income.

•Transportation: In many areas of the country transportation is a significant barrier to employment. Many workers are unable to travel to available jobs because they do not have reliable transportation. Raising asset limits would enable some to own cars so they could get to jobs. States, counties and localities should also be encouraged and assisted to coordinate use of existing transportation (e.g. school buses; vans for transportation of the elderly and disabled).

•Subsidized Housing: For many families the cost of unsubsidized housing exceeds the amount of cash assistance they receive. Other families rely on subsidized housing for shelter, housing for which they are eligible based on their family income. In order for these families to move from welfare to work, they need to be able to remain in subsidized housing for some period of time until their earnings are high enough to enable them to pay for unsubsidized housing. Eligibility for subsidized housing should be coordinated with eligibility for other assistance programs so as to ensure that work is financially rewarded.

•Workplace adjustment: This assistance must continue as an eligible program to meet the needs of people unfamiliar with the work environment. Help should be provided in learning and dealing with workplace requirements such as hours and punctuality, leave, appropriate dress, speech, relationships with co-workers and supervisors, and employment and labor rules, for example. The objective is to enable people to make the transition from a dependent lifestyle to a self-sufficient life within a work environment.

•Family and individual counselling, peer support groups, mentoring, and other needed family supports: These programs should be maintained throughout the transition from welfare to work.

Program Coordination

The effective delivery of services and benefits will require better coordination and integration. Federal education, housing, health and human services, labor and agriculture agencies should remove barriers and consolidate and standardize language, programs and requirements. States and localities should be given greater flexibility in the use of existing programs.

Transition

Pending the adoption of a new or reformed national welfare program, the federal government should:

- increase federal funding for the JOBS program, modify state matching requirements, and allow states to negotiate performance targets that reflect their economic conditions and the priorities likely to be established under a reform program. These performance targets should replace existing weekly, hourly and annual participation requirements.

- allow states additional flexibility in the design of cash assistance programs through modification of state plans rather than waivers, including but not limited to:

  -- elimination of the 100 hour rule and the JOBS 20 hour rule;

  -- extension of eligibility to all families with children;

  -- the cash-out of food stamp benefits;

  -- increasing the asset limit, especially regarding the permissable value of vehicles;

  -- disregarding the income of stepparents in calculating income and eligibility;

  -- converting welfare benefits to wages for grant diversion or other work in exchange for welfare programs;

  -- expansion of earned income disregards; and

  -- extension of support services to families until they reach economic self-sufficiency.

- allow various evaluation methods to be used in lieu of control groups.

Implementation of Reform

There is broad support for moving ahead expeditiously with national welfare reform. As the federal government moves forward with a national program, states should be encouraged and permitted to pursue state-based welfare reform programs aggressively and to move forward on demonstrations.

States, counties and localities which are able and willing to move quickly on the implementation of welfare reform should be encouraged to do so. Appropriate incentives, technical assistance and programmatic support should be offered to them. For states which need a longer time to implement the new system, the federal role should be one of facilitating the transition with targetted technical assistance and support.

Efficiently-managed programs require investment in technology and training. The federal government must maintain its level of investment in this necessary infrastructure in order to achieve welfare reform. Federal requirements regarding the process of acquisition of technology designed to support welfare reform should be simplified and expedited.

# # #

July 12, 1993

STATE AND LOCAL TASK FORCE ON WELFARE REFORM
Child Support Enforcement
PRELIMINARY WORKING DOCUMENT

NOTE: The material in this paper is intended to provide a common framework for continuing discussion among the six organizations represented on the State and Local Task Force on Welfare Reform. While it reflects the variety of state, county and local concerns, each individual organization is in the process of reviewing this document which may result in changes or additions over the next several weeks.

The Task Force believes that a more effective child support system is a critical component of welfare reform. Both custodial and non-custodial parents must accept primary responsibility for the support of their children.

The current child support enforcement system is not working very well. States do not have the tools or the resources to run a good system. Just 58% of eligible women have orders and only half collect the full amount. This means that over 70% of mothers entitled to child support either lack support orders or do not receive the full amount due under such orders.

States, counties and localities have continued to make improvements in the establishment of paternity and support orders and in the collection of support. In particular, the Family Support Act of 1988 made important improvements to the child support system. However, the statistical data showing large arrearages and substantial differences in performance among states suggests that collections can be increased further with broader use of the more successful techniques. In addition, there are significant problems in the interstate enforcement of support obligations and there are areas where additional federal support could increase the effectiveness of state efforts.

While we believe that it is important that all states move to a more effective child support system, there is not yet consensus among Task Force members as to whether new federal mandates should be considered. The establishment and enforcement of support obligations are a central part of family law, an area long within the purview of state government. Similarly many of the proposed enforcement techniques require changes in licensing, insurance regulation, and commercial law; areas again long under state purview. As a result, many Task Force members continue to oppose additional process-oriented mandates at this time.

We would suggest that consideration of federal action to improve child support enforcement focus on the following areas:

Improved Federal Collection Tools

State governments need access to IRS data.

IRS collection tools should be available to the states.

Support obligations should be reported on a modified W4 form.

Employers should be required to report new hires to state agencies via the modified W-4 form.

A national registry of new hires should be maintained.

A federal registry of support orders should be established and maintained.

A national computer data base of locater information should be established and maintained.

Federal resources should support effective child support enforcement.

Performance Based Incentives for State and Local Implementation

Incentives should be available to the states for the successful completion of performance outcomes. Incentive funds should be earmarked for programs that serve children.

Areas of performance might include some of the following:

*establishing paternity

A state establishes a system to voluntarily establish paternity and achieves improvements in this area.

*application of national child support standards

A national commission with a strong state, county and local role should be established by Congress to develop national standards for child support orders. Incentives that induce states to achieve national standards are recommended.

Federal legislation should require ERISA plans to conform to state law and regulations regarding availability of medical support.

In the event national guidelines are established prior to passage of universal access to health care, those guidelines would have to include provision for medical support, including reasonable limits on the additional costs that would be borne by the absent parent.

*improving collections of child support

States, counties and localities should receive incentive payments for reaching certain levels of collections agreed upon in advance. This could be accomplished through adversely affecting licenses,interdicting lump sum payments, and reporting to credit agencies.

*timeliness of interstate collections

*processing times at key decision points

*amount or percent of support collected

*establishment of mediation services that resolve visitation issues

Standards should be developed in consultation with the states, counties and localities. They should be based on actual levels of achieved performance and should be tailored to individual state conditions. At least initially, the emphasis should be on improvement rather than an arbitrary target.

Data Collection and Research

While there is strong evidence to support the effectiveness of a variety of enforcement tools, this data is often fragmented and is not designed to effectively answer questions about cost/benefit in specific circumstances or to allow for the careful evaluation of alternative approaches to a similar goal. More complete data and additional research on specific enforcement tools would both encourage action at the state level and improve decision making.

The federal government should expand its data collection and research capacity and work cooperatively with the states to develop priorities for future research.

Data Processing Systems

The existing requirements for management information systems have developed over an extended period of time. In some cases it appears that required matches between and among systems may be duplicative. In other cases the systems may not provide access to the full range of available information.

The federal government should, in cooperation with the states, undertake a comprehensive review of the management information needs of the program and develop recommendations both for the required interfaces between state systems and federal and state data bases, and for the needed interfaces among the state systems themselves.

Administrative Changes

It is recommended that the audit process be changed from process-oriented to outcome-oriented performance measures.

The federal Office of Child Support Enforcement should conduct a study on minimum staffing standards.

Technical Assistance and Support

Additional technical assistance from the federal government to the states, counties and localities is needed. Technical assistance must go beyond merely telling states and localities what they should do. Effective technical assistance requires an understanding of good practice and the ability to work with the states and localities to help decisionmakers understand the benefits of such practices and to help tailor those practices to the political and administrative conditions of each state.

Improvements to Interstate Enforcement

One-third of child support enforcement cases require interstate collection. Federal legislation should be enacted to adopt uniform interstate child support enforcement procedures to assure that child support orders are enforced uniformly throughout the nation.

Continuing Experimentation

Authorize full federal funding for child support assurance demonstrations.

Assistance to Non-custodial Parents

Examine eligibility for job training and other services designed to improve earning capacity.

Consider elimination of disincentives to marriage, particularly for teenage parents.

In addition, we as national organizations urge states to continue to evaluate and implement the broad range of establishment and enforcement tools now in operation across the nation.

DRAFT

WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

BRIEFING FOR THE PRESIDENT

DRAFT

18 June, 1993

Members of the Working Group on Welfare Reform, Family Support and Independence have been working for several months to develop specific options consistent with the four themes that the President has consistently emphasized regarding welfare reform. In working on these issues, we have identified three issues that are particularly important: reforming versus replacing welfare; the dilemma of single parents and child support enforcement and insurance; and structuring a time-limited welfare and work.

This memo starts by briefly summarizing the basic themes. It then outlines the three issues. We have also attached a brief progress report on the staff issue teams that are supporting the Working Group.

FOUR THEMES

Make Work Pay -- The critical starting point for helping people off welfare is to insure that people who work are not poor. Two central elements are already moving forward: an expanded Earned Income Tax Credit (EITC), and health reform. Child care will be a critical element as well. Other steps designed to really make work work for low income families are being considered.

Dramatically Improved Child Support Enforcement -- Over half of children born in the U.S. will spend time in a single parent home. The obvious starting point for supporting these children is to look to both parents. Only one third of single parents currently receive <u>any</u> court-ordered child support today. There are many changes to be made, ranging from paternity establishment in the hospital to a central clearinghouse for all collections and a much greater role for the Federal government. A major question is whether to adopt or experiment with some form of child support enforcement and insurance.

Better Training and Support -- The Family Support Act of 1988 started a process of improved employment and training services for welfare recipients. We should build on the lessons of the JOBS program and insure that those on welfare have access to the education and training services they need to escape welfare. Major issues involve how to integrate training for welfare mothers into the larger system of education and training.

Transitional Time-Limited Welfare and Work -- The ultimate goal is to make welfare truly transitional for those who are healthy and able to work. If the other steps make it feasible for single mothers to support themselves and nurture their families, then one can and should expect people to find private work, or to work in some form of community or public service. Issues of particular concern include how strict the time limit should be, and how much and what kind of work can be generated for those who reach the time limit.

DRAFT

ISSUE #1: REFORMING VERSUS REPLACING WELFARE

The President has called for an "end to welfare as we know it." Most of the work done by the working group to date is based on the notion that the goal is to find a genuine alternative to welfare. A major focus has been on insuring that people can adequately support themselves outside of the AFDC system--focussing on work *instead of* welfare. Thus there is a heavy emphasis on non-welfare supports connected to work. A second emphasis is on moving people off the welfare system as quickly as possible, rather than encouraging them to work while on welfare. These two emphases are different from what one sees in most state welfare reform efforts--either in their implementation of the JOBS program, or in their waiver requests for state demonstrations.

Under all scenarios, the working group anticipates considerable flexibility in state direction and implementation. But ultimately we will have to face the question of how much of the basic culture and focus will come from the federal government. The Bush administration followed a policy of "welfare reform through state waivers," a policy which many state officials would like to see as the centerpiece of this administration's welfare reform. Our experience with recent and current waiver requests suggests that this route is unlikely to end welfare as we know it. State self-sufficiency-oriented welfare reforms tend to focus on improving the JOBS program and on providing work incentives within the welfare system, in the form of higher earnings disregards and lower benefit reduction rates. Even the most dramatic of the state' proposed demonstrations are not oriented to getting people off welfare quickly and supporting them outside the welfare system when they work. Partly this is because it is hard for states to envision genuine alternatives to the welfare system, and hard for them to develop programs--like a large-scale EITC--necessary to replace welfare for substantial numbers of people.

The Working Group is operating on the assumption that the goal is to genuinely transform the welfare system while preserving a high level of state flexibility. More moderate reform would call for expanding and enriching the JOBS program, or relying on state-generated reform approaches. The more moderate strategy has the potential for genuinely improving the welfare system. The leadership of the Working Group believe that it is possible and desirable to be much bolder, to fashion an approach that focuses on quickly moving people off welfare and helping them stay off through a series of work supports. If this could be done, time limits in the welfare system itself would be much more reasonable, since we would expect many fewer people to hit whatever time limit was imposed.

ISSUE #2: THE DILEMMA OF SINGLE PARENTS--CHILD SUPPORT ENFORCEMENT AND INSURANCE

No problem is more important or more vexing in welfare reform than that posed by the rapid increase in single parents, especially children born out of wedlock. Though divorces have leveled off, the number of children born to unmarried mothers continues to rise dramatically. A major part of our effort must be to try and reduce the formation of single-parent families,

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but the question remains of what one does about the single-parent families that have been formed.

The dilemma is straightforward: single parents are in an extremely difficult position. They are expected to both nurture and provide for their child alone--or go onto welfare. Many believe that some mothers, especially those with very young children and from highly disadvantaged backgrounds, are not in a position to carry the entire burden of support, even with policies in place to make work pay. They argue that single parents and their children need some additional economic support to be able to fulfill their responsibilities. But if supports are offered to help protect single parents, it could appear that we are encouraging the formation of single-parent families.

The obvious place to look for additional economic support is the absent parent. The current child support enforcement system is so porous that less than a third of absent fathers' potential obligation is actually collected. A dramatically improved system would bring essential support to many single parents and is a major focus of welfare reform. Moreover, since money paid to the mother comes from the father, such a system strongly reduces incentives for fathers to form single-parent families.

The question is what should be done when the government is unable to collect money from the absent parent due to his unemployment or active avoidance. One strategy would be to create a child support enforcement and insurance system.

This element is controversial. Proponents argue that it truly makes work feasible and legitimizes a genuinely time-limited welfare system. Critics see it as distracting the government from genuine child support enforcement efforts and perhaps simply providing welfare by another name.

A child support enforcement and insurance (CSEI) program would seek to both dramatically improve child support enforcement and provide some protection to single parents by providing a government guaranteed minimum child support payment (say $2,000 or $3,000) even when collections from the absent father fall below the minimum . Minimum child support payments would only be provided to custodial parents with an award in place. Moreover, any insured child support payments would be counted as income for welfare purposes and welfare benefits would be reduced dollar for dollar. A woman on welfare is thus no better off, she receives some guaranteed child support but correspondingly less welfare. But if she went to work, she could keep her child support. Thus the only people who would benefit from the ensured benefit would be <u>working</u> single parents since unlike welfare, the money is not lost when people go to work.

Advocates argue that a CSEI plan would create a strong work incentives, make it much easier to leave welfare for work, and significantly increase incentives for mothers to help get awards in place. In addition, the insured benefit could be seen as an unmet obligation of the father, who could be legally compelled to participate in training or work programs in lieu of the

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payment. It would clarify that a portion of the support for the child should be coming from the absent father. Finally, such a system would protect women of all economic classes, rather than targeting poor single parents as welfare does.

Critics regard such plans skeptically. If single parents are assured a child support payment, they worry that states will have little reason to track down payments from fathers. This plan has been labelled "welfare by another name" because it goes to single parents and offsets welfare payments for those who do not work. Some argue that it could encourage the formation of more single-parent families.

Both critics and supporters agree that unless a plan of child support enforcement and insurance was coupled with a radically improved child support system, and unless a significant majority of custodial parents are receiving what is paid by the absent parent rather than a minimum benefit, the minimum benefit could be perceived as a new income support system for single parents rather than a base of protection built into the child support enforcement system.

ISSUE #3: STRUCTURING TIME-LIMITED WELFARE AND WORK

The principle of time-limiting welfare, of ensuring that welfare does not in fact last forever, had enormous appeal in the campaign and resonates positively with a broad range of people, including welfare clients. If supports for work are in place, if we have dramatically increased child support, and if we have improved education and training, then it seems reasonable to insist that after some period of time, traditional welfare ends and some sort of work begins. Moreover, everyone agrees there is meaningful work to be done: libraries are closed because communities cannot afford staffs, community organizations have dozens of ways to use new workers, child care programs need more help, just to name a few.

But significant questions arise: how many people can reasonably be expected to work and how does one mount a massive job effort that might be needed.

The complexity of people's lives, the characteristics of the caseload, and the difficulty of mounting a massive work program lead many to believe that a time limit should only be applied to a modest portion of the caseload, at least at first. The vast majority of recipients start welfare with a child under 3. Many have little work experience. Some are ill or have sick children. Some simply have trouble coping with their lives. Moreover, requiring work of even half of the caseload on for more than 2 years could require the creation of 1.5 million jobs or more.

Inevitably critical questions involve cost and capacity. We would all like to see a system of 100 percent participation in work or work preparation activities by those on welfare. The x% of welfare recipients with pre-school children could not reasonably be required to work if day care were not provided. Education and training services, though usually funded outside the

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welfare system, are not free, nor is capacity unlimited. Community service slots also require investment in planning, teaching, equipment, and supervisory time.

The JOBS program currently spends about $800 million nationwide, and enrolls about 7 percent of recipients. Even the best-performing states currently serve only about 15 percent of recipients. Only in a very few places--Riverside, California being the best known example--has the JOBS program substantially affected the way the welfare system operates. Just moving all the states toward a program like Riverside would be a major task, especially if more mandatory work was expected. No state now relies on mandatory work for more than a small proportion of clients. Attempting to reach everyone and ultimately requiring work would thus be a gigantic leap, and an expensive one. And some worry about what will happen to the "walking wounded" on welfare now.

A new system could be phased in, either by state or by cohort of welfare recipients. That would lower the initial cost and provide some time for lessons regarding the magnitude and solutions to cost, capacity, and implementation. The challenge will be how to manage costs while at the same time being bold enough to meet our commitment to real change.

A second big issue is the consequences of non-compliance. For a system of required participation and work to be perceived as a genuine end to welfare as we know it, there would have to be serious penalties for non-participation. But current practice includes strong due process projections, penalties affecting adults only, and extremely low sanction rates of any sort.

Serious consequences for non-participation are crucial to the integrity of a new system. However, both the moral legitimacy and the feasibility of strict expectations and time limits on cash aid will derive from the existence of supports and opportunities to make work work. Because all of the elements must develop together, the management of a phased-in approach is crucially important.

It is important to realize that both the moral legitimacy and the feasibility of a reasonable strict time-limited welfare system hinge critically on the magnitude and nature of supports for work outside the welfare system. The easier it is for people to support their families through work outside of welfare, the fewer people will reach any time limit on cash aid and need to be placed in public or community jobs. With a rich array of non-welfare supports -- including the expanded EITC, child care, improved child support enforcement and perhaps child support insurance -- a woman could be better off than welfare even working half time. Half-time work seems feasible even for mothers with very young children and those from highly distressed backgrounds. It would also reduce the cost of child care and job creation. Thus a final question which will need to be explored is the extent to which spending more on supports outside the welfare system will reduce the need for and cost of providing work for people who reach the end of a time-limited support program.

W.R. – Memos to the President

To: Bruce Reed
Kathi Way

From: David Ellwood DTE
Mary Jo Bane MJB

Re: Attached draft briefing material

Date: June 16, 1993

Here's our draft.

We'd appreciate having a chance to comment on the final document if it is significantly changed from this one.

Thanks a lot.

W.R. - Memos to Pres.

WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

BRIEFING FOR THE PRESIDENT: OUTLINE

1. **Background** on working group: when announced, membership, timetable, that it's been working. (one paragraph)

2. **Themes** guiding the working group deliberations: making work pay, child support enforcement, investments in preparing for work, welfare shouldn't last forever; important role for states in designing and implementing programs; reasonable but not zero costs. Group is committed to fulfilling the president's promise to "end welfare as we know it" (though not necessarily immediately. (one page)

The working group expects to have a full proposal in September, which will lay out all the options around a comprehensive welfare reform. Today want to lay out two issues which are crucial to the plan. We're not ready to make recommendations or ask for guidance on them today; mostly want to explore them.

3. **Issue #1: The Dilemma of Single Parents.** (David and Bruce present) (two pages)

   Problem: Vast bulk of the welfare caseload are single parents. Educational and work experience disadvantages. Hard to work enough to get the family above poverty.

   Part of the solution: better child support enforcement: Child support enforcement record not very good. Lots of potential for increased collections out there. We will have a number of proposals to dramatically improve awards and enforcement. But not all absent parents are responsible workers. Bound to be some irregularity and low payments. About x percent of single parents, the most disadvantaged, are likely to be stuck without ability to support their families off welfare.

   A possible solution: child support insurance: Basic principle. How it would work to supplement income. Why it's not likely to cost all that much,

   Problems with the child support insurance concept: Incentives or lack thereof for enforcement. Incentives or lack thereof for single parent family formation. Possible alternatives.

4. **Issue #2: Structuring transitional welfare.** (Mary Jo and Judy G. present) (two pages)

   The problem: How do we structure a transitional welfare program that has real requirements and time limits, real opportunities to make the time limits reasonable, doesn't cost a fortune and is possible to administer.

Background: Welfare caseload is very diverse. Currently lots of people stay on welfare more than two years. Lots of people leave welfare only to come back pretty quickly. Current programs have positive but modest successes.

Model 1: Riverside. Riverside provides a model for serious, employment oriented participation requirements, with the amount of education and training limited, followed by CWEP after a limited period of time. Advantages: builds on JOBS program; we have experience doing it; it has proven benefits. Question: Does this represent an end to welfare as we know it? Won't a lot of people end up in CWEP, and is that a good thing?

Model 2: A new three part program. We structure a new program with three parts: very short transitional assistance; a period of "investment assistance" with opportunities or requirements for educations, training etc. After a period of time, people move off the program into somethings genuinely different, preferably a private secotr job, perhaps supported by the EITC. social supports etc. Lots of effort put into keeping people in jobs and helping them to get new ones when they lose their first job by DOL, new agency, or separate unit of welfare agency; agency has ability to provide short term assistance to keep people from going back to the welfare roles. For people who really can't get private sector jobs, agency can provide a limited number of PSE slots and has CWEP placements available for those who are left. Limit the number of PSE slots since they're very expensive. Advantage: comes closer to ending welfare as we know it; takes advantage of fact that lots of people go off welfare only to come back on. Question: can it be done?

Constraints on either approach. Costs of day care, especially if we're requirint 100 percent no-exemptions participation; cost of creating PSE and day care slots; capacity of education and training systems; capacity of overall system to handle vastly increased numbers of participants.

Obviously not all these dilemmas need to be resolved once for all at the national level. For reasons of both cost and capacity, may want to phase in over time and/or start with some substantial state demonstrations. Can start doing some things through the current waiver process if we manage that more assertively and selectively relax cost neutrality.

October 18, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: New York Welfare Reform Waiver

A. The Clinton Record on Welfare Reform Waivers

1. 19th State: New York is the 19th state to receive a welfare reform waiver since you took office. In 20 months, you have awarded welfare reform waivers to more than twice as many states as Bush did in four years (he gave waivers to 9 states) and more even than Reagan did in 8 years (his total was 16 states).

2. Bipartisan Approach: You have awarded these waivers without regard to party. In 8 of the 19 states, the governor who requested the waiver was not a Democrat (7 GOP, 1 Independent -- Weicker). In other words, you have already given out nearly as many waivers to governors outside your party (8) as Bush did in his entire term (9).

B. The New York Waiver

This waiver will allow New York to conduct a four-county demonstration of its "Jobs First Strategy," which will test new ways to steer new applicants toward work instead of welfare. This program will offer applicants the choice of child care in lieu of welfare, so they can go to work instead of going on welfare. Like our welfare reform plan, it will increase asset limits for people who work or start a small business. It encourages people to cooperate with child support by providing a year of transitional child care for recipients who leave the welfare rolls because of child support payments. It encourages marriage and family by expanding eligibility for needy two-parent families, and by extending two years of Medicaid coverage for children whose parent marries but remains below 150% of poverty.

Like our plan, the New York demonstration is designed to change the culture of the welfare office by steering people immediately toward work, and by helping them make it in the workplace -- where they can earn a paycheck, not a welfare check. Although their plan does not include a time limit or work requirement -- you may recall some exchanges on that issue during the campaign -- it promotes the same basic themes as ours: work, responsibility, and family. When we introduced the Work and Responsibility Act, Cuomo sent you a letter praising it as "a laudable proposal for achieving our shared goals."

In New York City, Giuliani has just announced a major workfare program for Home Relief recipients. It would detract from Cuomo's event to mention Giuliani's somewhat controversial proposal, but you should praise him for his bipartisan interest in welfare reform.

One other New York note: Moynihan has called on two separate occasions to stress that the out-of-wedlock birth rate is expected to grow from 30% to **40%** over the next decade -- **not 50%**, as you have sometimes said. If the rate continues to grow exponentially, it may well go that high over the next decade, but since no expert in the field is currently projecting that to happen, Moynihan would prefer you to stick to the defensible 40% rather than the theoretical 50% figure.

STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

MARIO M. CUOMO
GOVERNOR

June 14, 1994

Mr President:

I commend you for making welfare reform one of your Administration's top priorities and for tackling this complex and critical issue. Many of the themes and principles embodied in your proposal are consistent with New York's own welfare reform initiatives, and I support your efforts to promote the value of work, responsibility and self-sufficiency. I share your aim to make public assistance transitional, with its primary focus on jobs.

The program that you have outlined is certainly a laudable proposal for achieving our shared goals. Although there are certain fiscal and program issues of concern to New York, we plan to work with members of your Administration and the Congress to resolve them.

I look forward to working with you to address these matters and to meet the goal of reforming the welfare system.

Respectfully,

Mario M Cuomo

The President
The White House
Washington, D.C. 20500

THE WHITE HOUSE

WASHINGTON

December 13, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: Welfare Reform and Senator Moynihan

In case the subject of welfare reform comes up at tonight's event with Sen. Moynihan, you should know that David Ellwood and I had a good meeting with him on Thursday. We gave him a copy of our draft discussion paper, and told him that you had gone out of your way to make sure that he was the first member of Congress to see it. He said he would read the document over the weekend and get back to us this week.

He seemed generally happy with the course we're on. As you might expect, he was especially pleased that we recommend building on the Family Support Act, and that we're serious about requiring work. He also liked the emphasis on prevention and out-of-wedlock births. We spent two minutes talking about financing and two hours talking about illegitimacy. Our recommendation to require teen mothers to live at home in order to receive AFDC is an idea Moynihan proposed years ago.

Moynihan attached a sense-of-the-Senate resolution to the crime bill calling on Shalala to report back on the growth of out-of-wedlock births. HHS has already said it would be delighted to do so, whether that provision stays in the crime bill or not.

You may recall that Moynihan also sent you a letter recently with the observation that out-of-wedlock births appear to be rising in a straight line, with little variation from year to year. That means the rate is rising independent of variations in the economy, local unemployment rates, the supply of marriageable men, and so on. He has been fighting with William Julius Wilson for years on this point. Moynihan argues strongly that we don't know what is causing illegitimacy to rise, and you should not suggest that expanding employment will somehow reduce it.

OUTREACH: Govs. -- Congress -- unions -- advocates -- hearings -- focus gps

We've met with dozens of governors and members of Congress in both parties -- the unions, hundreds of advocacy groups. We've had hearings around the country with ordinary people, and focus groups with people on welfare.

GOOD NEWS: Almost everybody likes your welfare plan.
-- 80-90% support in public surveys. US News poll.

-- Except for a few remaining rough edges, everybody's happy.
-- NGA. AFSCME.
-- Moynihan and Harold Ford
-- CDF and DLC -- nervous but optimistic.
Dave McCurdy op-ed: work out the differences in a single afternoon.
Edelman memo: "encouraged by a number of key elements in emerging plan"

That's the good news: our coalition has come to accept idea of WR and time limits

BAD NEWS I ($$): This wonderful bipartisan coalition that likes our welfare reform plan so much begins to fall apart on the issue of how to pay for it.
LEFT wants to raise taxes and not cut existing programs;
CENTER wants to cut existing programs and not raise taxes;
RIGHT either wants to move faster and pay for everything off of immigrants, OR simply spend less money.

BAD NEWS II (Timing): The other issue that splits the coalition is timing.
LEFT wants to move slowly because afraid WR could veer right in election year. The
CENTER -- tired of waiting, threatening to sign a discharge petition for GOP bill
MOYNIHAN --is happy for now but will tweak us till he gets bill and date certain.
GOPs -- have offered to work with us, but has also threatened to tack welfare amendments onto everything Congress considers after May 1.

WHAT THIS MEANS:
1. Don't get off-center. We can't aim left because we think the wind will blow us to the right. We'll get clobbered from the L or the R if we don't split the uprights.

2. Balance is most important on Finnancing: To keep the LEFT on board, you may need to pay for some of this with revenues. To keep the CENTER on board, you'll need to pay for the other half with spending cuts. When you look at our list, and see how much the LEFT will hate our spending cuts and the CENTER will hate our revenues, you'll probably come to the conclusion that the only way to keep the left and the center on board is to submit a package that doesn't cost too much money.

3. Timing: No good time for HC, but not doing it is worse.
Conversations with Moynihan and McCurdy -- when will they hold our feet to the fire.
We have to be ready to go by late April in any case.

Main Questions -- how should we resolve a handful of tough philosophical and political issues that aren't central to the success of the plan but will be very important in how the plan is viewed and debated?

* What does it mean to end welfare as a way of life, and does this plan meet that test?

* If we provide work for people at the end of 2 years, can they stay in that WORK program forever?

* Should we be encouraging people to work part-time and stay on welfare, or should we set out to get people working and off welfare altogether?

* Should we allow states to experiment with so-called family caps, limiting additional benefits for additional children? etc.

THE WHITE HOUSE

WASHINGTON

December 2, 1993

MEMORANDUM FOR THE PRESIDENT

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

THROUGH: **Carol Rasco**

SUBJECT: **Draft Discussion Paper on Welfare Reform**

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

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

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

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

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

DRAFT DISCUSSION PAPER

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INITIALS: JH DATE: 3/31/2017

DRAFT DISCUSSION PAPER

HIGHLIGHTS

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

- *Prevention.* A prevention strategy designed to reduce poverty and welfare use by reducing teen pregnancy, promoting responsible parenting, and encouraging and supporting two-parent families.

- *Support for Working Families with the EITC, Health Reform and Child Care.* Advance payment of the EITC and enactment of health reform to ensure that working families are not poor or medically insecure. Child care both for the working poor and for families in work, education or training as part of public assistance.

- *Promoting Self-Sufficiency Through Access to Education and Training.* Making the JOBS program from the Family Support Act the core of cash assistance. Changing the culture within welfare offices from one of enforcing seemingly endless eligibility and payment rules to one focused on helping people achieve self-support and find jobs in the private sector. Involving able-bodied recipients in the education, training and employment activities they need to move toward independence. Using a social contract which spells out what their responsibilities are and what government will do in return. Greater Federal funding for the JOBS program and a reduced State match rate.

- *Time-limited Welfare Followed By Work.* Converting cash assistance to a system with two-year time limits for those able to work. People still unable to find work after two years would be supported via non-displacing community service jobs--not welfare.

- *Child Support.* Dramatic improvements in the child support enforcement system designed to significantly reduce the $34 billion annual child support collection gap, to ensure that children can count on support from both parents and to reduce public benefit costs.

- *Noncustodial Parents.* Taking steps to increase economic opportunities for needy noncustodial parents expected to pay child support and to help them become more involved in parenting their children.

- *Simplifying Public Assistance.* Significant simplification and coordination of public assistance programs.

- *Increased State Flexibility Within a Clearer Federal Framework.* Increasing flexibility over key policy and implementation issues and providing the opportunity for States to adjust to local needs and conditions within more clearly defined Federal objectives.

- *Deficit Neutral Funding.* Gradual phase-in of the plan, fully funded by offsets and savings.

INTRODUCTION

THE VALUES OF REFORM: WORK AND RESPONSIBILITY

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

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

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

FROM WELFARE TO WORK

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

We recommend five fundamental steps:

1. Prevent the need for welfare in the first place by promoting parental responsibility and preventing teen pregnancy.

2. Reward people who go to work by making work pay. Families with a full-time worker should not be poor, and they ought to have the child care and health insurance they need to provide basic security through work.

3. Promote work and self-support by providing access to education and training, making cash assistance a transitional, time-limited program, and expecting adults to work once the time limit is reached. No one who can work should stay on welfare indefinitely.

4. Strengthen child support enforcement so that noncustodial parents provide support to their children. Parents should take responsibility for supporting and nurturing their children. Governments don't raise children--families do.

5. Reinvent government assistance to reduce administrative bureaucracy, combat fraud and abuse, and give greater State flexibility within a system that has a clear focus on work.

Promote Parental Responsibility and Prevent Teen Pregnancy

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

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

Make Work Pay

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

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

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

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

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

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

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

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

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

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

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

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

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

A NEW BEGINNING

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

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

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

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

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

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

We turn now to the specifics of the plan.

PROMOTE PARENTAL RESPONSIBILITY AND PREVENT TEEN PREGNANCY

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

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

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

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

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

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

CHANGING THE WELFARE AND CHILD SUPPORT SYSTEMS

Throughout this draft paper we emphasize the responsibility of both parents to support their children. Through an improved child support enforcement system and efforts to achieve universal paternity establishment, noncustodial parents will be held accountable for providing greater support to their children. Mothers receiving cash assistance will become better prepared to enter the labor force through required participation in activities intended to increase their employment and earnings capacity. Through time limits on assistance followed by work, parents will have the incentive to move toward self-sufficiency. The details of these measures can be found in subsequent sections of this proposal, but in addition to these steps, we need to change the welfare system to encourage responsible parenting and support two-parent families.

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

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

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

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

In addition, the following option is under consideration:

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

Non-welfare working families do not receive a pay raise when they have an additional child, even though the tax deduction and the EITC may increase. However, families on welfare receive additional support because their AFDC benefits increase automatically to include the needs of an additional child. This option would reinforce parental responsibility by keeping AFDC benefits constant when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase under current law.

ENGAGING EVERY SECTOR OF SOCIETY IN PROMOTING RESPONSIBILITY

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

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

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

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

We further propose to conduct demonstrations that hold schools accountable for early identification of students with attendance and behavioral problems and for referral to and cooperation with comprehensive service programs which address the family as a unit. Early indications of high risk for teenage childbearing and other risky behaviors, such as substance abuse, include school absence, academic failure and school behavioral problems. This option would demonstrate the effects of providing middle schools and high schools with the responsibility and resources necessary to identify early warning signs and make referrals to comprehensive service providers. Schools would be responsible for appropriate follow-up to ensure that appropriate education or training opportunities are available to these youth.

ENCOURAGING RESPONSIBLE FAMILY PLANNING

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

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

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

MAKE WORK PAY

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

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

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

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

CHILD CARE FOR WORKING FAMILIES

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

The Federal Government subsidizes child care for low-income families through the title IV-A entitlement programs (JOBS Child Care, Transitional Child Care, and At-Risk Child Care) and the Child Care and Development Block Grant. Middle- and upper-income people benefit from the dependent care tax credit and child care deductions using flexible spending accounts. Because the dependent care tax credit is not refundable, is paid at the end of the year and is based on money already spent on child care, it is not now helpful to low-income families.

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

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

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

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

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

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

1. *How much new investment in child care is reasonable? Significant new investments are essential to ensure that both AFDC families and the working poor can access safe and affordable care. We need to assess how much expansion of child care for the working poor can be afforded.*

2. *Should we reduce further, or eliminate, the State match requirements for child care for the working poor under the IV-A entitlements? The welfare reform initiative will put greater demands on States to ensure child care for those entitled under the Family Support Act. Reducing or eliminating the match rate requirements for providing child care support to the working poor would provide a strong incentive for States to fund child care for families transitioning from welfare or at risk of entering welfare.*

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

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

ADVANCE PAYMENT OF THE EITC

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

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

Strategies to expand the effectiveness of the EITC include:

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

OTHER SUPPORT FOR WORKING FAMILIES

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

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

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

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

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

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

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

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

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

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

Demonstrations

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

- Worker Support Offices. A separate local office could be set up offering support specifically for working families. At these offices, working families could get access to food stamps, child care, advance payment of the EITC and possibly health insurance subsidies. In addition, employment-related services such as career counseling and assistance with updating resumes and filling out job applications would also be available.

- Temporary Unemployment Support. There would be demonstrations of alternative ways to provide support to low-income families who experience unemployment. Low-paying jobs are often short-lived, and low-income families often do not qualify for Unemployment Insurance (UI). They may come onto welfare when they need only very short-term economic aid.

- Front-End Emergency Assistance. One example is a component of the AFDC program in Utah which provides diversion grants upon application to some recipients who have lost a job. Based on a caseworker's assessment of the individual's family situation, a one-time payment is provided to prevent the family from becoming part of the long-term caseload.

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

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

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

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

(1) Enhancing the JOBS program to make it the centerpiece of a welfare system focused on promoting independence and self-sufficiency.

(2) Making welfare transitional so that those who seek assistance get the services they need to become self-sufficient within two years.

(3) Providing work to those who reach the time limit for transitional assistance without finding a job in the private sector, despite having done everything required of them.

Each applicant would, within 90 days of entry, work out a plan to attain independence through work and would immediately thereafter begin taking the steps toward self-sufficiency laid out in the plan. Through expanded access to education and training, recipients would obtain the skills needed to find and retain private sector employment. Making work pay, dramatically improving child support enforcement and providing education, training and job placement services should maximize the number of recipients who leave welfare for work within two years. Persons who follow their case plans in good faith but are nonetheless unable to find private sector jobs within two years would be offered paid work assignments in the public, private or non-profit sectors to enable them to support their families.

ENHANCING THE JOBS PROGRAM

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

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

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

(1) Structure the welfare system so that applicants, from the moment they enter the system, are focused on moving from welfare to work through participation in programs and services designed to enhance employability.

(2) Dramatically expand the JOBS program through increased Federal funding, an enhanced Federal match rate and higher participation standards.

(3) Improve the coordination of JOBS and other education and training initiatives.

Immediate Focus on Work and Participation in JOBS

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

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

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

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

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

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

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

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

Expanding the JOBS Program

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

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

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

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

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

Integrating JOBS and Mainstream Education and Training Initiatives

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

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

- National Service. HHS would work with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of national service as a road to independence.

- School-to-Work. HHS would work to make participation requirements for School-to-Work and for the JOBS program compatible, in order to give JOBS participants the opportunity to access this new initiative.

- One-Stop Shopping. The Department of Labor would consider making some JOBS offices sites for the one-stop shopping demonstration.

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

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

MAKING WELFARE TRANSITIONAL

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

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

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

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

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

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

- For completion of high school, a GED or other training program expected to lead directly to employment. These extensions would be contingent on satisfactory progress toward attaining a diploma or completing the program.

- For post-secondary education, provided participants were working at least part-time (i.e., in a work/study program).

- For those who are seriously ill, disabled, taking care of a seriously ill or disabled child or relative, or otherwise demonstrably unable to work.

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

WORK

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

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

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

Administrative Structure of the WORK Program

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

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

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

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

- Execute performance-based contracts with private firms such as America Works or not-for-profit organizations to place JOBS graduates.

- Set up community service projects employing welfare recipients as, for example, health aides in clinics located in underserved communities.

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

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

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

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

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

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

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

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

Characteristics of the WORK Assignments

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

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

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

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

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

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

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

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

> *Benefits. Participants would be required to work in order to continue to receive cash assistance. The check received by the participant would be treated as benefits rather than earnings for any and all purposes.*
>
> *Hours. The required hours of work for participants would be calculated by dividing the amount of cash assistance by the minimum wage, up to a maximum of 35 hours a week.*
>
> *Child Support. At State option, the amount of the child support order could be deducted from the cash benefit for the purpose of calculating hours. A delinquent non-custodial parent could be required to work off the child support arrearage in a CWEP position.*
>
> *Sanctions. Failure to work the required number of hours would be accompanied by sanctions similar to those for non-participation in the JOBS program--a reduction in cash assistance.*

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

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

- Providing enhanced funding through the Community Development Bank and Financial Institutions proposal to support the development of projects that create work and self-employment for JOBS graduates.

- Increasing the number of microenterprises by allocating additional funds to the Small Business Administration's Microloan and other programs for set-asides for JOBS participants.

- Enhancing HHS job development programs which provide grants to community-based economic development projects to provide work for JOBS graduates.

- Ensuring that JOBS graduates are able to take advantage of the opportunities which would be created through the Administration's commitment to enterprise communities and Empowerment Zones.

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

- Raising both the asset limit for eligibility for cash assistance and the limit on the value of an automobile. Consideration would be given to exempting, up to a certain amount, savings put aside specifically for education, purchasing a home or starting a business.

- Supporting demonstrations of the concept of Individual Development Accounts, through which participants would receive subsidies to encourage savings for education, training, purchasing a home or car or starting a business. The IDA demonstration would be linked to participation in the WORK program or taking jobs outside the work program.

ENFORCE CHILD SUPPORT

A. CHILD SUPPORT ENFORCEMENT
   1. A Universal and Simplified Paternity Establishment Process
   2. Appropriate Payment Levels
   3. Collection and Enforcement
   4. Providing Some Minimum Level of Child Support

B. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

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

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

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

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

CHILD SUPPORT ENFORCEMENT

Components of the improved child support enforcement system are:

A Universal and Simplified Paternity Establishment Process

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

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

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

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

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

Appropriate Payment Levels

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

Collection and Enforcement

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

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

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

Providing Some Minimum Level of Child Support

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

Options under consideration include the following:

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

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

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

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

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

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

ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONCUSTODIAL PARENTS

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

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

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

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

REINVENT GOVERNMENT ASSISTANCE

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

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

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

SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

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

There are two basic options for reform:

Option 1: Simplify and coordinate rules in existing programs.

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

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

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

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

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

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

PREVENTING WASTE, FRAUD AND ABUSE

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

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

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

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

- Re-assess the Federal/State partnership in developing centralized data bases and information systems that improve interstate coordination, eliminate duplicate benefits and permit tracking. At a minimum, information must be shared across States to prevent the circumvention of time limits by recipients relocating to a different State.

- Fully utilize current and emerging technologies to offer better services at less cost, targeted more efficiently on those eligible.

PERFORMANCE STANDARDS AND STATE FLEXIBILITY

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

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

- The Federal Government should provide technical assistance to States for achieving these standards by evaluating program innovations, identifying what is working and assisting in the transfer of effective strategies.

THE WHITE HOUSE

WASHINGTON

November 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Mary Jo Bane
David Ellwood

THROUGH: Carol Rasco

SUBJECT: **Welfare Reform and the FY95 Budget**

I. The Working Group Draft Options Paper

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

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

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

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

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

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

II. Cost Issues

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

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

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

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

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

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Mary Jo Bane
David Ellwood

STET

THROUGH: Carol Rasco

Status Report on ~~Status Report Issues~~ Proposals

SUBJECT: ~~Draft Discussion Paper on~~ Welfare Reform ~~Status Report~~

The attached document outlines ~~However~~ draft proposals Welfare Reform
~~As promised we have included our Draft Discussion Paper~~ developed by the Working Group. This draft describes the basic direction and lays out key proposals. We believe it charts a bold new vision focussed on the values of work and responsibility.

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

At some point in the near future, we will need to [redacted]ss the le[redacted] of these proposals with

will soon need to begin ~~a select number of~~
~~If we are to be ready with a proposal early next year which has the support of~~ key members of Congress and Governors, we ~~must immediately begin sharing the proposal details contained in the paper and get their reaction~~. We have already had numerous exploratory meetings, ~~with these groups~~, but ultimately the specifics are what must be discussed. With a select few, we would like to actually share all or parts of the draft discussion paper. With most, we would like to begin orally vetting specific ideas and options. ~~While doing everything we can to prevent and contain leaks, with an open process, they seem inevitable. Thus the draft outline is written with a recognition that it may leak.~~

would like a signal from you as to whether you're comfortable enough with our ~~the basic~~
We ~~thought it critical for you to have to see the~~ basic direction before we begin the more detailed consultation process. We would be happy to ~~provide a Presidential briefing~~ meet with you at this stage if you desire. ~~By early to mid December, we should be ready for several meetings where key decisions are made.~~ will present you more detailed decision memos ~~on the central issues~~.

~~we will make clear that no decisions have been made~~

~~We think we need to move ahead with this process quite quickly, for the existence of this document will inevitably become widely known.~~ In the coming weeks, we will provide you with detailed decision memos on the key unresolved issues alluded to in this document with a detailed list of pros and cons. We will also provide ~~the~~ a detailed memo on costs and phase-in options.

You don't have to decide ~~on the~~ any of the major questions now. We'll make clear that no ~~pre~~ decisions have been made, and many things are still on the table.
- you ~~need~~ should know that ~~even honest consultation with our friends~~ to get the feedback we need from our likely allies on this issue, we will have to run the risk that some details ~~will~~ may leak out.

CLOSE HOLD

WR- Memos to Pres

DRAFT

MEMORANDUM FOR THE PRESIDENT

FROM: Secretary of Health and Human Services

SUBJECT: Moving Ahead with Welfare Reform

I. ACTION-FORCING EVENT

There are active discussions underway regarding whether to delay welfare reform until the next session of Congress. The issue needs quick resolution. The interagency team working on welfare reform is working towards a January completion date. They need to begin the detailed and concrete discussions with the Congress, Governors, and many others required to forge a final plan and provide you with the information you need. Once those discussions begin in earnest, inevitable leaks and public attention will make it extremely difficult to pull back.

II. ANALYSIS

We believe it is important to proceed with welfare reform, though we recognize important arguments on the other side. Those who argue for delay make several points:

> **1. The agenda is already crowded.** Health reform is likely to be the biggest domestic issue on our agenda next year. Adding welfare reform may weaken our focus in the public eye. Moreover, the same committees that will work on health reform are involved with welfare. In particular, the Senate Finance and House Ways and Means Committees will have a crowded agenda. Delaying action until the next Congress would provide a cleaner slate. Legislation could still be introduced in June or July with action not expected until the next Congress.
>
> **2. The politics of health and welfare reform may become intertwined.** Since both reforms are major domestic initiatives and involve the same committees, the politics of the issues could become mixed together. Welfare reform might get pushed right or left as we seek to get members from one political faction or another to take a tough vote on health reform. If a key member or group is frustrated with the direction one reform is going, he or she might fight by trying to hold the other reform hostage.

While we share the concern about a crowded agenda, we think there are even stronger arguments on the other side.

> **1. There is considerable momentum for reform.** Inspired in large part by the emphasis you gave to welfare reform in the campaign and since, welfare reform is gaining real momentum in the Congress and the states. Recently virtually all House Republicans signed onto their version of reform which included key elements of your vision. The Mainstream Democratic Forum has urged strongly that we proceed. Senator Moynihan has repeatedly chided the administration for abandoning welfare reform.

If we decide to wait, we will at a minimum lose the initiative and momentum. More importantly we may have to live with welfare reforms that are not nearly as constructive as those we envision. While we may be able to prevent passage of any reform plans, there will be considerable pressure to proceed. We may not be able to stop floor amendments that cripple future reform efforts by imposing strict cut-offs and taking money out of welfare benefits. The Republican plan includes several positive elements, but it includes some very troubling cuts as well. Waivers also pose a problem. Heightened interest at the state level is generating a multitude of waiver requests. If we delay too long we may get welfare reform by waiver. There is a risk that we will lose the chance to shape reform and get the credit we deserve.

2. **Welfare reform will fulfill a highly visible campaign promise.** Your powerful message to end welfare as we know it has been widely heard. So too has your call for time limits. Getting welfare reform done right and getting it done now will indicate your clear commitment to that pledge. The momentum from welfare could help pass heath reform and prevent the perception that the only important initiative in domestic policy is health reform. Some in Congress may be more inclined to support health reform if they feel positively about welfare reform.

3. **If we don't act soon there may be few offsets left to insure that welfare reform is cost neutral.** As you well know, money for welfare reform was cut from the last budget plan. This time the working group is seeking to find offsets in existing public aid programs and increased money from child support enforcement to pay for welfare reform so that no new monies will be needed. They are convinced they can find the money. And if it is phased in slowly, the early costs could be very modest indeed and relatively easily offset with other cuts. Still budget cutting pressure plus other priorities are rapidly eating every possible source of budget offsets. After this year there may not be money left to find.

We believe it would be very hard to turn back now. With lost momentum, a new Congress, and an ever tighter budget, progressive welfare reform will harder and harder to achieve. Part of making the agenda appear less crowded could be to package several initiatives at once. Welfare reform could be packaged with programs proposed by education and labor to create a powerful message of an administration committed to opportunity and responsibility.

III. THE NEED FOR A QUICK DECISION

In the next few days your senior advisors will meet to discuss how to proceed. HHS believes we can and should proceed. But if you are likely to decide to delay, we need to know immediately so that we can work to slow the current momentum and minimize the political fallout.

NOV 22 1993

TO: Walter Broadnax
Cooley
Michael Wald
Melissa Scofield
Mary Bourdette
David Ellwood
Mary Jo Bane
Fernando Torres Gil
Kevin Thurm
John Monahan
Avis LaVelle
Jerry Klepner
Ken Apfel
Wendell Primus
Ann Rosewater

Attached is the briefing material for today's meeting with the Secretary on Welfare Reform, 5:30 p.m., Secretary's Conference room.

Sawhill Read

DRAFT

MEMORANDUM TO THE PRESIDENT

This brief memo is to update you on welfare reform activities and alert you to materials you will be getting later in the week. As you are aware, the Working Group, which is drawn from across the administration, has been conducting hearings, site visits, and focus groups across the country in addition to meetings of the group itself. We have met with more than 250 interest groups, hundreds of recipients, governors and representatives from NGA, members and staff in Congress, and many other groups.

The Working Group Draft Outline
On Saturday, November 20th the group held an all day retreat to examine a draft outline document that laid out the basic structure of a reform plan and to discuss key options. In distributing the draft, we made very clear that everything in the outline is subject to change and that you had not seen the outline. There was considerable enthusiasm and consensus around the basic direction laid out. (People clapped at the end of the meeting). Based on comments from working group members, the draft outline is being revised. On Wednesday of this week you will receive a revised version of the outline. This is a predecisional document, providing a detailed outline of specifics ideas and options as developed by the group. It highlights key options and issues, many of which will require your decision, but it is not intended as a Presidential decision memo.

Before the key Presidential decisions can be made, we need to consult widely, especially with Governors, members of Congress, interest groups, and the like. We have already had numerous meetings with these groups, but ultimately the specifics are what must be discussed. With a select few, we would like to actually share the draft outline. With most, we would like to begin orally vetting specific ideas and options. While doing everything we can to prevent and contain leaks, with an open process, they seem inevitable. Thus the draft outline is written with a recognition that it may leak. We thought it critical for you to have a chance to see the basic direction before we begin the more detailed consultation process. By early to mid December, we should be ready for several meetings where key decisions are made.

One important note: APWA will soon release their consensus plan which will look very similar to the one discussed in the draft outline, including a two year time limit followed by work. It was drawn up by a very diverse group of human services directors (ranging from Jerry Whitburn from Wisconsin and Barbara Sabol of New York). We are optimistic that many of the respective Governors will be equally supportive.

Cost Issues
A major issue for welfare reform involves the budget. Three areas are likely to require increased funding: child care for families who are working or in training, expansions in the JOBS program to give people access to education and training, and the administration of the community service work program for those beyond 2 years. The levels themselves are actually quite flexible, especially over the first four or five years of the program. The plan can be phased-in slowly, starting only with newly enrolled welfare recipients. We would

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expect these cost to be in the range of $1-1.5 billion in FY1995, rising to $5-6 billion when fully phased in. *Essentially all of these costs are on the entitlement side of the budget.*

Given the very tight budget and the fact that no money was included in the previous budget for reform, we have been operating on the assumption that any new money spent will have to be offset by savings generated by the program and by other entitlement cuts. Savings could result from child support collections and reductions in the caseload. Other entitlement savings could come from a series of initiatives ranging from capping the growth of Emergency Assistance, some tightening of the rules regarding non-citizens seeking to collect public assistance, closer coordination of the tax and transfer system to reduce fraud, potentially making a portion of means tested benefits taxable the way earnings are for those with incomes above poverty, and a number of other ideas. We are currently working with OMB and Treasury on these and other ideas.

Next Steps

Assuming you are comfortable with our discussing the ideas in the Outline more broadly, we will use the next few weeks to collect information and refine options and ideas. Then you will received a series of decision memos and begin decisional meetings. We are proceeding on the assumption that we need legislation early next year.. If you should decide to delay introduction, that could be done, though there is considerable momentum to get moving.

National Service

THE PRESIDENT HAS SEEN
11-3-97

THE WHITE HOUSE
WASHINGTON

October 30, 1997

MR. PRESIDENT:

Harris Wofford, Director of the Corporation for National Service, has sent you two memos. The first seeks your approval on a strategy of moving forward with reauthorization of AmeriCorps this year. The second seeks your approval of a plan by Sen. Wofford to reinstate the "Daily Points of Light" award. Sen. Wofford has apparently already had extensive conversations with President Bush about this plan.

At my request, Bruce Reed has summarized the memos and presented you with recommendations; the underlying memos from Wofford follow Bruce's cover note.

There is no disagreement on the reauthorization issue -- your advisors agree that we should move forward this year. On the "Points of Light" award, Bruce presents a recommendation different than Harris' proposal. While none of your advisor's are thrilled about reinstating these awards, they agree that Bruce's suggestion makes the most sense. Resumption of the awards could be announced at your visit to the Bush Library next week.

Please see Bruce's memo for details.

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Fortuna

Phil Caplan
Phil

THE PRESIDENT HAS SEEN
11-3-97

THE WHITE HOUSE

WASHINGTON

'97 OCT 24 AM 11:33

October 24, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED BR

CC: Steve Silverman

SUBJECT: Harris Wofford Memos

agree on both
Go proceed
Sec Wofford
on this + Wofford memos

Harris Wofford has written you two memos. The first recommends that you make reauthorization of AmeriCorps a high priority. The second recommends that you reinstate President Bush's "Daily Points of Light" awards. A discussion of each memo, along with my recommendations, follows.

I. Recommendation on Harris's Reauthorization Memo

Harris Wofford wrote you on October 3 urging that we make reauthorization of AmeriCorps a high priority. He argues that we should send the Corporation's reauthorization proposal to the Hill before adjournment this year, with the goal of getting AmeriCorps reauthorized by the first anniversary of the Presidents' service summit next April. AmeriCorps has never been reauthorized and is now operating without any authorization. Harris argues that we must seek to establish firmly AmeriCorps' existence, preferably beyond the end of your term, and that this is the best time to do it.

The Corporation has made strides, particularly since the service summit, in getting Congress to support or at least not attack AmeriCorps. This year, for the first time, Congress did not launch an effort to eliminate the core AmeriCorps programs during the appropriations process, and it appears we will secure funding at last year's levels plus an increment for America Reads, although a smaller one than we requested.

agree

We recommend that we launch the reauthorization in a high-profile way as Harris requests, but wait until the final phase of this year's appropriations battle is complete. The VA-HUD appropriations bill that is coming to you for signature includes funding for core AmeriCorps programs as well as $25 million for America Reads. However, we are still fighting to get more funds for AmeriCorps' portion of America Reads as part of the Labor-HHS appropriations bill, and we believe it would be prudent to wait until this is resolved. It is possible that Labor-HHS will not be settled until just before recess, which would frustrate Harris's goal of sending this proposal to the Hill prior to adjournment. Nevertheless it would be prudent to wait.

THE PRESIDENT HAS SEEN
11-3-97

One option is to launch the reauthorization in a radio address right before Thanksgiving, which would come just before Powell's summit update on November 25.

II. Recommendation on Harris's Points of Light Memo

Harris Wofford has written to urge that you resume former President Bush's "Daily Points of Light" awards. He proposes to rename the awards the "Presidents' Points of Light," with you and President Bush as co-sponsors. Rather than having the White House take responsibility for selecting and vetting the winners on a daily basis, as was the case under President Bush, Harris proposes that the Points of Light Foundation and the Corporation for National Service take on this responsibility. The Knights of Columbus have agreed to fund the costs of this program for one year.

One factor complicating the decision is that Harris has had extensive conversations with the Points of Light Foundation and with President Bush himself on this proposal. Apparently Harris has made it clear that he favors this idea and that the decision rests with the White House. Harris indicates that President Bush will be deeply disappointed if we decide not to resume the awards.

One other timing issue is that you are scheduled to attend the dedication of President Bush's library on November 6. If we decide to reinstate this program, that event would be an opportunity to announce it, especially given the former President's attachment to the Points of Light program.

Arguments For:

- Reinstating the awards is an easy way to keep the issue of service and volunteerism before the public on a daily basis. It would continue to repair the rift between the AmeriCorps concept of service and the more traditional volunteer sector, just as the Philadelphia summit did. Also, AmeriCorps members would be eligible for the awards.

- President Bush very much wants the Administration to do this. He will be very disappointed if we do not, and he will see it as the White House's decision because of Harris's conversations with him.

Arguments Against:

- The benefits of resuming the awards are minimal. Our efforts to reach out to the volunteer sector at the Philadelphia summit were so successful that it is not clear what this would add. In addition, some would react negatively to such a decision, since the original Points of Light program was derided by many as an empty gesture.

- Although theoretically we could assign responsibility for vetting the award winners to the Points of Light Foundation and the Corporation for National Service, from a practical

THE PRESIDENT HAS SEEN
11-3-97

standpoint we would probably still feel the need to do a legal and/or political check on award winners. The daily responsibility of selecting and vetting winners will be time-consuming for White House staff, and not worth the effort.

I disagree — we can let them handle the [illegible] + our [illegible]

Options:

#1 Resume the awards as Wofford proposes.

#2 Decline to resume the awards.

#3 Recommended Option: Reestablish these awards as the "Daily Points of Light" awards, rather than the "Presidents' Daily Points of Light" awards, to be administered by the Points of Light Foundation and the Corporation, with no formal connection to the President or the White House.

Harris believes that this plan would be acceptable to former President Bush as long as we do not appear to be distancing ourselves from the awards. To that end, he suggests we announce this at the dedication of the Bush library, and advise former President Bush in advance of our action. He also suggests that we invite a group of the first winners to the White House during National Volunteer Week in April, along with former President Bush, and that we use inclusive language in talking about the awards, such as "We join former President Bush in congratulating the winners." Such actions seem like a reasonable compromise on this issue.

___ Option #1

___ Option #2

✓ Option #3 (recommended)

___ Discuss

[illegible] I'm OK on option 1 — might help us get re-auth — if I ask would Bush publicly help us get reauthorization? —

CU

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THE WHITE HOUSE

WASHINGTON

October 24, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED BR

CC: Steve Silverman

SUBJECT: Harris Wofford Memos

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Bruce — I would keep the awards named for Bush — to keep (we're doing it anyway) So — give credit to him and we should not be totally ungracious to him — B

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___ Option #1

___ Option #2

___ Option #3 (recommended)

___ Discuss

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Silverman

10/27/97

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

THROUGH: SYLVIA MATHEWS AND BRUCE REED

FROM: STEVE SILVERMAN
DIANA FORTUNA
BIBB HUBBARD

DATE: October 21, 1997

CC: ANN LEWIS AND THURGOOD MARSHALL, Jr.

This is to update you on Administration progress in the six months since the Philadelphia service summit and to provide a strategy for the next six months. Attached you will find 1) a review of your accomplishments to date; and 2) a six month proactive strategy.

The six month anniversary is October 27, and we expect continuing press attention in the coming weeks. General Powell and America's Promise (the non-profit organization continuing the summit's work) will commemorate the six-month anniversary by releasing an "Update to the Nation" on November 25, perhaps at the National Press Club. Prime Time Live will interview Powell about the anniversary. Jonathan Alter of Newsweek is working on a comprehensive update that is expected to be influential.

Contrary to reports in last week's Time and last Sunday's Boston Globe, you and the Administration have made significant progress since the event in Philadelphia. You have highlighted the summit's five goals for children in several speeches; you have followed through on your major announcement on AmeriCorps scholarships; you have announced a variety of policy initiatives that relate directly to the summit's goals; and Cabinet agencies have begun to follow through on their commitments. The Corporation for National Service is very actively involved in summit follow-up work, as Harris Wofford travels the country to participate in and plan dozens of follow-up summits.

Although America's Promise has not yet been able to develop measures of the summit's success, your work at the summit has clearly contributed to a spirit of service and volunteerism that is developing every day in communities around the country. And, while challenges of this magnitude are not without difficulties (e.g., organizational difficulties at America's Promise, cynical media, heightened expectations, and measurement questions), you and the Administration have every right to be proud. By any measure, you have effectively follow-up on your service commitments and will continue to do so.

After a bumpy start, America's Promise appears to be moving toward a stable organizational structure. This week, Peter Gallagher became the third CEO of America's Promise, replacing Ray Chambers, who remains very involved. Gregg Petersmeyer, who ran President Bush's volunteer office, manages the communities team and Tim hanlon handles Communications. They manage a staff of 50-60 that continues to grow.

As you have noted, it is critical for the Administration to connect our on-going policy initiatives to service and to the summit's five goals for children wherever possible (i.e., America Reads, children's health, welfare to work, racial reconciliation, education technology). Moreover, real progress has been made on projects directly related to service, including AmeriCorps Scholarships, high school service scholarships, and cabinet agency summit commitment implementation.

We should remain proactive over the next six months, continuing to demonstrate the Administration's commitment to service through Presidential speeches, several service-related events, participation in mini-summits, agency commitment follow-up, new policies related to service and children, and direct service program enhancement. As set forth here, your record of accomplishment on service is profound. In the coming weeks, we will ensure that all interested media and constituencies are briefed about your record.

SIX MONTH STRATEGY ON SERVICE INITIATIVES

We should remain proactive over the next six months, continuing to demonstrate the Administration's commitment to service through Presidential speeches, several service events, mini-summit participation, agency commitment follow-up, service-related policy development and direct service program enhancement.

There are a number of promising opportunities for events and announcements that will allow us to show significant progress by next April, one year after the Summit.

I. Six-Month Anniversary October 26-28

America's Promise is now planning to downplay the six-month anniversary because much of their empirical and anecdotal evidence is not ready for release yet. So, rather than hold a press conference at the National Press Club and release a report, General Powell will have one interview from Prime Time Live.

However, America's Promise has set November 25 as the release date for their "Update to the Nation" report and we are considering having your pre-Thanksgiving radio address be on AmeriCorps reauthorization and service.

II. Participation with America's Promise

We meet regularly with representatives from America's Promise and are working closely together in order to promote the goals of the Summit -- especially goal five, to serve. Below are activities at America's Promise that we are involved in.

Mini-Summits:

You, the Vice President, Mrs. Clinton and Mrs. Gore should participate in one of the several hundred mini-summits being held in communities and regions around the country. We are working closely with General Powell's staff to determine the most appropriate summit for you and the other principals -- including your cabinet -- to participate in over the next six months. Harris Wofford will continue to travel extensively to these mini-summits. The Corporation for National Service is part of the planning team for many of the state and local summits.

Meeting with General Powell:

You and the Vice President should meet with General Powell again, as you did in July, for a briefing on Summit follow-up. White House staff will continue to meet regularly with America's Promise officials to keep abreast of developments and to keep America's Promise up to speed on Administration service related activity. In this regard, we should ask America's Promise to report to you on their progress since the summit. It will be useful to continue to foster these positive relationships.

America's Promise Video:
On behalf of America's Promise, the John Schreiber Group is producing a television special to highlight the daily risks facing millions of American children and youth and the numerous programs, corporations and individuals that have responded through the efforts of the Summit and America's Promise. The John Schreiber Group has requested photos of the President for the special. We supplied them with a photo taken at the Summit in Philadelphia and are waiting for them to send us a copy of the program for counsel's approval.

III. Administration Policies with Service Themes

As has been noted, your interest in service did not commence or conclude with the advent of the Service Summit. Over the years, you have promoted service as a way of life and as one of your major themes. Your signature program -- AmeriCorps-- is a testament to that commitment. As we go forward, there are opportunities to continue and enhance the ongoing service related initiatives and to announce new ones. Below are some thoughts on possible next steps towards promoting community service.

Children's Health Outreach:
We are working with states and community groups to ensure that eligible children are enrolled in Medicaid and the new child health program. Through America's Promise, we could ask all the organizations that made commitments to the summit to embark on a major effort to reach these children. Gen. Powell has been interested in this issue.

Teen Pregnancy and Service:
A new study shows that engaging in community service is at least as effective as other methods of teen pregnancy prevention. We could design an event with the National Campaign to Prevent Teen Pregnancy and the Corporation for National Service.

Policy Events Focussed on Summit's Goals:
You could appear at one or more event centered on one of the five goals of the summit. Opportunities are many, and they could include an event with the Department of Justice's new Mentoring Alliance, which is working toward the summit's first goal. Another option is the launching of the Corporation for National Service's Seniors for Schools: America Reads initiative, which uses older volunteers as literacy tutors in elementary schools. The Corporation says such an event could take place in October or November.

President's Initiative on Race:
We are working to make the topic of your first town hall on Race in early December revolve around service themes. We could look at the AmeriCorps programs like City Year that have focused consciously on race as part of the service experience, and also examine how more service-learning programs in schools could bring together students of different backgrounds to share in community service. We are also preparing for your review a major proposal on mentoring young people to ensure that they take advantage of higher education opportunities.

Additionally, we will reach out to America's Promise to see how we can integrate the goals of the race initiative with the Summit-related activities taking place in cities and states across the country.

IV. Service Projects Moving Forward

The Corporation for National Service is making significant progress in pushing goal five of the Summit and continues to gain national support for AmeriCorps and it's other important programs. Additionally, within the White House, we are thinking about ways to promote citizen service nationally.

AmeriCorps:

Harris Wofford has put together a draft legislative proposal to reauthorize the Corporation for National Service's programs, including AmeriCorps. As discussed above, we could announce this as part of a pre-Thanksgiving radio address on service, immediately prior to Powell's summit update. This would be the first reauthorization of these programs, which are now operating without authorization. Ideally, we would like to reauthorize these programs through the end of your term or beyond. We could use this as an opportunity to reflect on the contribution AmeriCorps has made in the past five years, including its key role in mobilizing volunteers.

It appears that the antipathy toward Corporation programs has lessened significantly since the summit. This year's appropriations battle has not seen an assault on the Corporation's core programs, as previous years have. The remaining battle is over what level of funding the Corporation will secure for the America Reads program. We have asked the Corporation to wait on this proposal until appropriations are finished. Wofford is pushing hard to send our draft legislation to the Hill before Congress leaves for the year.

Expansion of High School Service Scholars Program:

Next year we can expand our program of $1,000 scholarships for exemplary high school service to 10,000 high schools, a significant increase from the 1,700 schools that participated in the first year of the program. There are approximately 24,000 high schools in the U.S.. The Corporation for National Service is planning a major promotional campaign to generate more interest in this program, including getting local sponsors to provide matching funds. You could send a letter to all high school principals urging them to become involved and nominate a student from their school.

Mentoring through the Inter-Net/Virtual Reference Desk:

OSTP, in conjunction with Cabinet Affairs, DPC and the Corporation, is promoting this initiative. The goal is to allow all qualified and interested individuals to volunteer their time to answer the questions of the k-12 community which relate to the federal government. The project builds on national initiatives of the Administration including a call for increased volunteerism and community service.

Mentoring Projects:

White House staff and the federal agencies are investigating opportunities to tutor young people through America Reads, Everybody Wins and other appropriate programs.

The White House Service Web Page:
The Office of Communications, under the direction of Kevin Moran, is developing a clearinghouse of community service opportunities for White House staff.

Strengthening The Clinton Administration's Commitment to Service Presidential Memorandum:
Shortly, we expect to recommend a Presidential Memorandum directing federal departments and agencies to explore additional measures to expand service opportunities for Federal employees.

Other Service Ideas:
We are continuing to search for opportunities to highlight citizen service. For example, there may be opportunities in St. Louis or Sacramento to do a service related event. Another idea is to have you host a meeting with representatives of companies, volunteer groups, recipients of mentoring, non-profits and community leaders to get a report from the field on how things are going. There would support the anecdotal information, like the story General Powell related to you, about Sioux Falls, South Dakota and the groundswell that is taking place. This would contrast with the "inside the beltway" view offered by some reporters.

Martin Luther King Day of Service:
Martin Luther King Day is designated as a day of service -- "a day on, not a day off". Rev. King was an advocate of service. You, the Vice President and/or the First Lady could join some of the service activities planned for that day.

Administration Accomplishments Since the Presidents' Service Summit

President Clinton is deeply committed to the goals of the Presidents' Summit for America's Future held in Philadelphia last April. Service and the well-being of our nation's children have been at the center of the President's agenda since he took office.

The President is committed to moving forward with America's Promise and other partners to attain the summit's goals for children --a caring adult, a safe place, a healthy start, a marketable skill, and a chance to serve. Since April, the President has continued to emphasize the importance of service to audiences, including the Business Roundtable, the Conference of Mayors, the Welfare-to-Work Partnership, and the radio address, and has recognized major corporate commitments. At the same time, the Administration has been moving forward on all five goals.

<u>The Spirit and Work of the Summit Continues</u>
Since the summit, America's Promise and the Corporation for National Service have continued the work that began at the summit --working with communities at the grass-roots level and securing commitments from corporate and non-profit America toward the five goals. America's Promise, the independent organization founded to follow up on the summit, has garnered over 200 new commitments since the summit, some very substantial. Over 150 cities and states are holding "mini-summits" around the country, with the help of America's Promise and the Corporation for National Service. America's Promise is encouraging communities to become "communities of promise" that take responsibility for reaching children at risk. The President has met with General Powell to discuss progress since April and talk about future directions.

The President's Corporation for National Service is also helping corporations and non-profits implement their summit commitments at the local level. Viacom is deploying its employee volunteers through AmeriCorps. The Corporation's Learn and Serve America program is helping in the delivery of eye exams and glasses to over 40,000 needy children promised by Vision Service Plan. The Corporation's National Senior Service Corps is helping the National Education Association-Retired meet its commitment to deploy thousands of retired teachers as tutors for America Reads. AmeriCorps*VISTA is working with IBM to bring technology to community organizations.

<u>The Administration is Moving Ahead on the Summit's Goals</u>
Since April, we have continued our work on the summit's five goals. Several of the following initiatives were announced at the summit itself by the President or by federal agencies.

AmeriCorps Scholarships:
We have increased opportunities for young people to serve their communities. At the summit, the President issued a challenge to service and religious organizations that we would provide 50,000 new AmeriCorps scholarships over the next 5 years to organizations that offer young people the chance to serve. The response since then has far exceeded our expectations. Seventy-seven organizations answered that challenge, offering to sponsor 10,000 new AmeriCorps members. In June, 8,900 scholarships were approved, well ahead of our first-year plan for 5,000 scholarships. (Summit goal

5, among others.)

National Service Scholars:
This summer, we launched a new effort to recognize and foster outstanding community service among our nation's youth. We awarded scholarships to over 1,600 high school students with exemplary service records in the first year of the National Service Scholars program. A host of leading community organizations stepped forward to raise the local match for the scholarships, including the Kiwanis, Rotary, Lions, Veterans of Foreign Wars, the American Legion, Elks, and Women's Clubs. Each high school principal was invited to nominate a junior or senior for the scholarship. For next year, we have secured funding that will allow the program to expand to 10,000 high schools --almost half of all high schools in the nation. (Summit goal 5.)

Children's Health:
The Balanced Budget Act included a huge investment of $24 billion in children's health care, the single largest investment in health care for children since 1965. This Children's Health Initiative will give many more children the "healthy start" that the Summit recognized as so important. In June, the President announced that Kaiser Permanente is committing $100 million to provide health coverage for uninsured children in California, complementing the Administration's efforts. The Administration is also focusing on outreach to families who may not know their children are eligible for Medicaid or other health insurance. (Summit goal 3.)

Welfare to Work:
Since May, the Vice President has been leading the Coalition to Sustain Success, a new partnership of civic organizations that is working with state and local government to mentor families seeking to leave welfare for work and provide them with networking and support. In addition, the Welfare to Work Partnership has mobilized over 2,500 businesses to hire welfare recipients, so that those parents can move into the economic mainstream and improve their children's future. The Partnership is helping companies all across the nation hire people off welfare by providing information on best practices through a Blueprint for Business and other information available on their toll-free hotline and web page, as well as working closely with community and business leaders in a number of cities to promote innovative and effective welfare to work initiatives. (Several summit goals.)

Loan-Forgiveness for Community Service:
The President's proposal for loan forgiveness for those who perform community service was enacted as part of the balanced budget. To encourage private universities and non-profit organizations to offer loan forgiveness to borrowers who take lower-paying service jobs, the President proposed and won a provision that would not subject such loan forgiveness to taxation. (Summit goal 5.)

America Reads and AmeriCorps:
The Department of Education and the Corporation for National Service have begun to implement the President's America Reads initiative this year, while seeking resources from Congress for full-scale implementation in 1998-99. Hundreds of colleges and universities have committed to provide tens of thousands of work-study students as reading tutors in the current school year as part

Teacher recruiting to underserved areas

of America Reads, the national literacy campaign to ensure that every child can read well and independently by the third grade.
AmeriCorps members are working in 94 programs across the country to tutor and mentor, set up after-school and summer programs, and recruit parents and community volunteers as tutors. The Corporation is also launching a new "Seniors in Schools" initiative in nine cities to use older volunteers as literacy tutors in some of the nation's poorest elementary schools. In the District of Columbia, over 1,000 college students, volunteers, seniors, and parents will tutor first grade children in 16 of the neediest schools in the city. (Summit goal 4.)

White House Conference on Child Care:
On October 23, the President and First Lady will host this event as part of an Administration focus on how to ensure high quality and affordable child care. This effort builds on our earlier emphasis on the importance of early learning. (Summit goals 1, 2, and 4.) + specific actions

Commitments by Federal Agencies:
Federal agencies are following through on the more than 40 commitments they made at the summit, including mentoring and tutoring and launching new partnerships with corporations and nonprofits. They are also continuing to launch new initiatives and partnerships to reach the summit's goals. Here are some examples of agency progress:

- **Department of Justice:** The Department of Justice has convened a new public/private Mentoring Alliance to promote the Summit's mentoring goal, disseminate information about best practices, and determine how best to link volunteers with the children who need them. Members include Big Brothers/Big Sisters, One to One, Boys and Girls Clubs of America, and Save the Children. In addition, DOJ has followed through on its commitment to more than double the number of sites for its Juvenile Mentoring Program. (Summit goal 1.)

  DOJ also completed its commitment to expand its Drug Education for Youth (DEFY) summer camp program that promotes positive life choices for children between the ages of 9 and 12. After the summer program, the children are linked with mentors from the local U.S. Attorney's office, police department, or university. DOJ's new Youth Network provides a forum for young people and community organizations to exchange ideas on juvenile violence and delinquency prevention. (Summit goals 1 and 2.)

- **Corporation for National Service:** The Corporation for National Service is taking the lead to meet the Summit's goal of engaging an additional 2 million young people in community service. (Summit goal 5.) It is also developing a new initiative "To Learn and Grow" to expand and improve the quality of afterschool programs (Summit goal 2).

- **Department of Education:** This summer, the summer reading program Read*Write*Now! reached over 1.5 million children through over 500,000 reading partners, fulfilling the Department's commitment. (Summit goal 4.)

- **Health and Human Services:** In June, HHS Secretary Shalala launched a new partnership with the Girl Scouts, to teach girls about the dangers of substance abuse and other risky behaviors, featuring a new patch that Girl Scouts can earn by completing the program. (Summit goals 1 and 3.)

- **Department of Defense:** The Army has modified its leave policy to make it easier for military and civilian personnel to volunteer in schools. Pursuant to its commitment, the Department of Defense is increasing high school enrollment in Junior ROTC Career Academies, an alternative to the regular high school JROTC program designed to address the special needs of at-risk youth. (Summit goals 1, 2, and 4.)

- **Department of Agriculture:** In September, the Vice President and Agriculture Secretary Dan Glickman convened a National Summit on Food Recovery, to develop a national strategy to increase gleaning efforts by one-third by the year 2000. (Summit goal 5.)

- **Department of Transportation:** DOT has launched its new effort, the Garrett A. Morgan Technology & Transportation Futures Program. To date, DOT has heard from over 200 partners who want to join its effort to reach one million students by the year 2000. The program will offer these students better math, science, and technology skills and information about careers in technology and transportation. (Summit goal 4.)

- **Partnerships with Schools:** The Social Security Administration, the Department of Labor, the Department of Health and Human Services, and the Department of Transportation are among the agencies now forging new partnerships with schools. (Summit goals 1 and 4.)

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Bruce / H Wofford
agree - see note p. 3

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Sklenar

October 3, 1997

MEMORANDUM TO THE PRESIDENT

From: Harris Wofford Harris

Subject: AmeriCorps and National Service – What We've Done and Where We Need to Go

Two years have passed since you tapped me to lead the Corporation for National Service. It's time to report what we have achieved and to propose next steps. As you asked, we've worked hard to gain greater support for AmeriCorps, and these efforts have won new allies and reduced the political acrimony about the program. A sign of this progress is the action this week by the House-Senate conference committee on the VA-HUD appropriation. They restored the cut in AmeriCorps made by the House and increased last year's funding by $25 million, the first increase in three years. Now we need to capitalize on this progress and make the reauthorization and strengthening of AmeriCorps and the Corporation's other two major programs -- the Senior Corps and Learn and Serve America -- a high Administration priority.

After you've had the chance to read this memorandum, I hope that we can spend a few minutes together to chart our future course, beginning soon with an all-out effort to persuade Congress to reauthorize the Corporation.

* * *

Your charge to me was to build greater political support for AmeriCorps, strengthen AmeriCorps, and bring AmeriCorps into the mainstream of American life. That required developing real bipartisan support and establishing close working relationships with the great non-profit and service organizations of the country. We have made tremendous strides in these areas. Let me highlight our progress -- resisting the temptation to tell you everything we have done -- and then focus on the future.

The lack of controversy and rancor over funding of AmeriCorps in the soon-to-be-completed appropriations process shows AmeriCorps' greater acceptance. Through much work with Republican Members of Congress, we have made real inroads in demonstrating how AmeriCorps and the other key programs of the Corporation are a crucial part of a strategy to address the nation's educational and social challenges. As a result, support among Republicans inside and outside of Congress has expanded. Even among those who have not come all the way to supporting AmeriCorps, we have taken the edge off their opposition. They recognize that AmeriCorps will continue and that hundreds -- indeed thousands -- of organizations around the country approve. The loud

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foes of AmeriCorps have been significantly marginalized. Moreover, we are on the road to important breakthroughs that will bring AmeriCorps and the Corporation to a new level of true bipartisan and nonpartisan support. While AmeriCorps is continually winning new allies, we have also built strong new bases of support for the Corporation through our work with students and seniors. With your good help, we are in the forefront of a growing effort to make service-learning an integral part of American education at all levels, and to make citizen service a reality for Americans of all ages and backgrounds.

In building support for AmeriCorps, I have been especially cultivating the so-called "Compassionate Conservatives" and those in the civic renewal movement. Though conservative, these leaders believe that government must find effective ways to help poor and disadvantaged citizens. As you know, these conservatives want churches, other faith-based institutions and non-profit organizations -- instead of the government – to lead the effort to address our nation's problems. They want government to support these independent civic forces. Therein lies a great opportunity for AmeriCorps.

One story illustrates this. Earlier this year Rep. John Kasich visited the Rheedlin Center in New York, an AmeriCorps grantee that works in Harlem schools to create safe havens for children, tutor, and teach conflict resolution, among other activities. Kasich spent two hours there and was overwhelmingly impressed with what the director, Geoff Canada, and his team of more than fifty young people are accomplishing. Unaware that this in an AmeriCorps site, at the end of his visit Kasich said to Canada, "Dammit, this is exactly what AmeriCorps should be doing!" To which Canada replied, "Almost all the people you've seen here this morning are AmeriCorps members. This is AmeriCorps!" Based on this incident – reported to me by both Geoff Canada and Kasich -- I have struck up a very constructive, continuing conversation with Kasich. He says he is rethinking his position on AmeriCorps and believes there is common ground for mutual support.

I've also developed a strong relationship with Dan Coats, a co-chair with Kasich of the Congressional civic renewal alliance. Coats will become President of Big Brothers/ Big Sisters when he retires from the Senate next year. As he has seen AmeriCorps provide key assistance to Big Brothers/Big Sisters, he has discovered that AmeriCorps can play a valuable and constructive role. At the Big Brothers/Big Sisters national board meeting, after I put the challenge to them for a major Summit commitment, Coats moved a resolution committing the organization to double its numbers <u>and add service</u> as an integral part of the young participants' experience.

A key part of our strategy to build support for AmeriCorps has been to reach out to and collaborate with mainstream non-profit organizations. The Presidents' Summit was -- and continues to be -- the largest of our opportunities to do this and it has already borne much fruit. Our national service networks are taking the lead in many of the state and local summits, and forging closer relationships with the many Governors and Mayors who are engaged in the post-Summit campaign to achieve the five Summit goals for youth. Through these efforts, the National Service State Commissions, our Corporation state offices, and AmeriCorps grantees have taken a leadership role in their communities

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and states, and have established strong, new bonds with leading non-profits and private sector sponsors. The partnership that you and President Bush and General Powell showed in Philadelphia is being replicated in cities, counties and states across the country. And in one place after another, this partnership is working to the benefit of AmeriCorps and our other programs.

Other partnerships of great significance include the National Service Scholars Program for outstanding high school student volunteers, which you initiated in your commencement talk at Penn State in the spring of 1996. It has drawn enthusiastic support around the country and from such valuable national allies as the Kiwanis, Rotary International and Lions Clubs, the Miss America Foundation, the Chamber of Commerce and the Veterans of Foreign Wars. This past spring, we gave the first 1,700 high school service scholarships. Next year we plan to expand to at least 10,000 high schools, and then to all 25,000 high schools in the country. These service scholarships are also a potential feeder system for AmeriCorps recruiting.

& the media do a big number on this [illegible] year

Similarly, our "education award only" program, to which you gave a great boost at the Summit, has taken hold even more quickly than we expected. Under this approach, which we call the AmeriCorps Challenge Scholarship, the AmeriCorps member receives from the Corporation only the education award -- $4,725 for a year of full-time service. Living allowances and other costs are borne almost entirely by the host non-profit organization or from other private sector sources. The response to your Summit call for 50,000 such national service awards by the year 2000, has been enthusiastic. After the latest round of grants, we expect to have more than 15,000 new AmeriCorps participants in this program this year. Our largest partners in this endeavor so far are the National Council of Churches and the Boys and Girls Clubs. As you know, Sen. Grassley, who had been one of our chief critics, is particularly supportive of these AmeriCorps Challenge Scholarships and is delighted by our progress.

Good!

The most important source of our growing public support is the work of the members themselves. Whether it is tutoring school children for "America Reads" or disaster assistance in flooded communities, the reality of our motto – Getting Things Done – is setting in. In City Year and Habitat for Humanity, the American Red Cross and Teach for America, our AmeriCorps members are proving their value. That's why Millard Fuller, the Founder-President of Habitat for Humanity (once an AmeriCorps skeptic), recently wrote the following to Speaker Gingrich:

> *"I am writing you to affirm and emphasize the importance and value of national service. It is through partnerships with AmeriCorps, VISTA and other national service programs that [we] maximize Habitat's resources and expand its productivity, while helping recruit, train and supervise volunteers of all ages. To date, approximately 470 AmeriCorps members and additional national service participants through Learn and Serve America and the*

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> *Retired Senior Volunteer Program (RSVP) are serving in over 50 Habitat for Humanity affiliates. Again, national service is of great value in not only helping to eliminate sub-standard housing, but in transforming lives of participants in their various endeavors.*"

Millard Fuller's praise for AmeriCorps is typical of the response by growing numbers of organizations that have the benefit of AmeriCorps members.

When one puts together the overall reduction of political tensions, your resolve in insisting on continued support for AmeriCorps, and the increased understanding of AmeriCorps' true potential for helping to solve seemingly intractable problems, it is clear that the prospects are good for establishing AmeriCorps as a non-partisan institution in which Americans take pride.

<u>The Road From Here – Seeking Reauthorization for AmeriCorps</u>

Now is the moment to capitalize on this progress. We must secure AmeriCorps' future and expand the reach of national service by – first of all – getting Congress to reauthorize AmeriCorps and the Corporation for National Service. This will not be easy but if you make this a personal priority, I believe we can win the reauthorization that will assure that AmeriCorps lives long into the future.

The authorization for AmeriCorps and the Corporation for National Service expired last year. We are now operating under a de facto extension through annual appropriations. We have worked with the Office of Management and Budget to complete draft reauthorization legislation. In short, we need the reauthorization and the bill is ready to go.

Our case for reauthorization rests on three key points:

(1) The Corporation and AmeriCorps are accomplishing the objectives set out in the original legislation;

(2) We have listened to the critics and been responsive to their concerns; and

(3) We have been creative in finding ways to extend the opportunities to serve and the rewards for service through innovations such as the AmeriCorps Challenge Scholarships and the high school service scholarship program.

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In addition to generally reauthorizing our programs and instituting minor programmatic improvements, the highlights of the draft bill are:

- to devolve more authority and provide greater flexibility to States and local communities in implementing national service programs;
- to streamline the delivery system, further reducing costs and improving efficiency;
- to foster greater coordination among national and community service programs; and
- to modify and improve programs based on the experience developed over the last several years.

The bill also repeals various redundant or obsolete authorities, and makes a number of technical revisions to the existing statutes.

Getting a bill passed will be particularly difficult in the House where Rep. Goodling has jurisdiction and is not friendly to AmeriCorps. Still, our key supporters in Congress -- including Senators Jeffords and Kennedy and Representative Shays -- see a real opportunity for success. Each emphasizes that the outcome will depend in significant measure on the strength with which the Administration presses for reauthorization.

Proposing legislation inevitably carries some risk -- of failure or of damaging amendments. These considerations led us to not seek a reauthorization bill in 1996. But the climate is significantly more favorable at this point. In addition to counsel from our allies on the Hill, I have spoken with Bruce Reed, Al From and Eli Segal, among others. Acknowledging the difficulties and dangers, each agrees that we should be bold and confident in sending Congress a reauthorization bill and in asking for Congressional action. This approach also has the strong support of our Board of Directors.

Our success in this undertaking will depend in large part on the tone we strike and approach we take. The Corporation programs are clearly in the mainstream of the national movement to promote service, a movement to which you have contributed so much. They are in line with the national, state and local efforts to achieve the goals of the Presidents' Summit. AmeriCorps is a valuable addition to the American tradition of community and citizen action.

The timing of the reauthorization effort is also important. Given the election results, AmeriCorps successes and the positive consensus around the Summit, we may never have a better time to make reauthorization a top priority. Yet time is already short

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for a reauthorization in this Congress. But if you make reauthorization a real priority and press forward with an aggressive campaign we can still succeed.

The strategy I propose has three phases in quick succession.

- First, you would launch reauthorization legislation before Congress adjourns this fall.
- Second, in the roughly three months (November, December and January) of Congressional inactivity we would press the case for reauthorization. We would ask Sen. Jeffords and others to conduct hearings on the bill during the lengthy recess. Our national partners in the national service movement will add their voices in support for reauthorization. In addition, we would propose one major Presidential event to demonstrate the case for reauthorization. We would also propose your involvement in making a major effort on the Martin Luther King Jr. Birthday - National Day of Service in January.
- Third, upon Congress's return early next year, we would press a Congressional strategy -- starting with a strong statement and request for reauthorization in the State of the Union address.

Our target is to win the reauthorization by the first anniversary of the Presidents' Summit in late April.

I look forward to discussing this with you in the near future and leave you with one thought. People say that getting a first reauthorization is like winning a first re-election: it is the hardest to accomplish but if you succeed you are well-established. I didn't succeed myself at this in the Senate; but I believe that with your strong support we can and will win reauthorization for AmeriCorps and the Corporation for National Service.

Lobby Reform

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Michael Waldman and Bruce Reed to the President re: Lobby Reform Initiative (6 pages)	04/04/1995	P5

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
Cathy Mays
OA/Box Number: 18517

FOLDER TITLE:
Correspondence and Memos for the President [Binder] [4]

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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
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