WORK AND RESPONSIBILITY ACT

OF 1994

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DETAILED SUMMARY

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The current welfare system is at odds with the core values Americans share: work, family, opportunity, responsibility. Instead of rewarding and encouraging work, it does little to help people find work, and punishes those who go to work. Instead of strengthening families and instilling personal responsibility, the system penalizes two-parent families, and lets too many absent parents who owe child support off the hook. Instead of promoting self-sufficiency, the culture of welfare offices seems to create an expectation of dependence rather than independence. And the ones who hate the welfare system the most are the people who are trapped by it.

It is time to end welfare as we know it, and replace it with a system that is based on work and responsibility designed to help people help themselves. We need to move beyond the old debates and offer a simple compact that gives people more opportunity in return for more responsibility. Work is the best social program this country has ever devised; it gives hope and structure and meaning to our daily lives. Responsibility is the value that will enable individuals and parents to do what programs cannot--because governments don't raise children, people do.

The President's welfare reform plan is designed to reinforce these fundamental values. It rewards work over welfare. It signals that people should not have children until they are ready to support them, and that parents--both parents--who bring children into the world must take responsibility for supporting them. It gives people access to the skills they need, and expects work in return. Most important, it will give people back the dignity that comes from work and independence.

WORK, NOT WELFARE

Under the President's reform plan, welfare will be about a paycheck, not a welfare check. To reinforce and reward work, our approach is based on a simple compact. Each recipient will be required to develop a personal employability plan designed to move her into the workforce as quickly as possible. Support, job training, and child care will be provided to help people move from dependence to independence. But time limits will ensure that anyone who can work, must work--in the private sector if possible, in a temporary subsidized job if necessary. Reform will make welfare a transitional system leading to work.

The combination of work opportunities, the Earned Income Tax Credit, health care reform, child care, and improved child support will make the lives of millions of women and children demonstrably better.

Created by the Family Support Act of 1988 and championed by Senator Moynihan and then-Governor Clinton, the JOBS program offers education, training, and job placement services--but to few families. Our proposal would expand and improve the current program to put a clear focus on work.

New provisions include:

- **A personal employability plan**. From the very first day, the new system will focus on making young parents self-sufficient. Working with a caseworker, each adult recipient will sign a personal responsibility agreement and develop an employability plan identifying the education, training, and job placement services needed to move into the workforce. Because 70 percent of welfare recipients already leave the rolls within 24 months, and many applicants are job-ready, most plans will aim for employment well within two years.

- **A two-year time limit**. Ultimately, time limits will restrict most AFDC recipients to a lifetime maximum of 24 months of cash assistance.

- **Job search first**. Participants who are job-ready will immediately be oriented to the workplace. Anyone offered a job will be required to take it.

- **Integration with mainstream education and training programs**. JOBS will be linked with job training programs offered under the Jobs Training Partnership Act, the new School-to-Work initiative, Pell Grants, and other mainstream programs.

- **Tough sanctions**. Parents who refuse to stay in school, look for work, or attend job training programs will be sanctioned, generally by losing their share of the AFDC grant.

- **Limited exemptions and deferrals**. Our plan will reduce existing exemptions and ensure that from day one, even those who can't work must meet certain expectations. Mothers with disabilities and those caring for disabled children will initially be deferred from the two-year time limit, but will be required to develop employability plans that lead to work. Another exemption allowed under current JOBS rules will be significantly narrowed: mothers of infants will receive only short-term deferrals (12 months for the first child, three months for the second). At State discretion, a limited number of young mothers completing education programs may receive extensions.

- **Let States reward work**. Currently, AFDC recipients who work often lose benefits dollar-for-dollar, and are penalized for saving money. Our proposal allows States to reinforce work by setting higher earned income and child support disregards. We also propose new rules and demonstration projects to support saving and self-employment.

- **State flexibility**. This plan gives States unprecedented flexibility to innovate and learn from new approaches. Much of what once required waivers will become available to States as State options.

- **Additional Federal funding**. To ease State fiscal constraints and ensure that JOBS really works, our proposal raises the Federal match rate and provides additional funding. The Federal JOBS match will increase further in States with high unemployment.

The WORK program will enable those without jobs after two years to support their families through subsidized employment. The WORK program emphasizes:

- **Work, not "workfare."** Unlike traditional "workfare," recipients will only be paid for hours worked. Most jobs would pay the minimum wage for between 15 and 35 hours of work per week.

- **Flexible, community-based initiatives**. State governments can design programs appropriate to the local labor market: temporarily placing recipients in subsidized private sector jobs, in public sector positions, or with community organizations.

- **A Transitional Program**. To move people into unsubsidized private sector jobs as quickly as possible, participants 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. Participants in subsidized jobs will not receive the EITC. Anyone who turns down a job will be removed from the rolls, as will people who repeatedly refuse to make good faith efforts to obtain available jobs.

To reinforce this central message about the value of work, bold new incentives will make work pay and encourage AFDC recipients to leave welfare.

- **The Earned Income Tax Credit (EITC)**. The expanded EITC will lift millions of workers out of poverty. Already enacted by Congress, the EITC will effectively make any minimum wage job pay $6.00 an hour for a typical family with two children. States will be able to work with the Treasury Department to issue the EITC on a monthly basis.

- **Health care reform**. We can't have serious welfare reform without serious health care reform. People should be able to get health care by going to work, and not have to go on welfare. Universal health care will allow people to leave welfare without worrying about coverage for their families.

- **Child care**. To further encourage young mothers to work, our plan will guarantee child care during education, training, and work programs, and for one year after participants leave welfare for employment. Increased funding for other Federal child care programs will bolster more working families just above the poverty line and help them stay off welfare in the first place. Our plan also improves child care quality and ensures parental choice.

MUTUAL RESPONSIBILITY

Our current welfare system often seems at odds with core American values, especially responsibility. Overlapping and uncoordinated programs seem almost to invite waste and abuse. Non-custodial parents frequently provide little or no economic or social support to their children. And the culture of welfare offices often seems to reinforce dependence rather than independence. The President's welfare plan reinforces American values, while recognizing the government's role in helping those who are willing to help themselves.

Our proposal includes several provisions aimed at creating a new culture of mutual responsibility. We will provide recipients with services and work opportunities, but implement tough, new requirements in return. These include provisions to promote parental responsibility, ensuring that both parents contribute to their children's well-being. The plan also includes incentives directly tied to the performance of the welfare office; extensive efforts to detect and prevent welfare fraud; sanctions to prevent gaming of the welfare system; and a broad array of incentives that the States can use to encourage responsible behavior.

The Administration's plan recognizes that both parents must support their children, and establishes the toughest child support enforcement program ever proposed. In 1990, absent fathers paid only $14 billion in child support. But if child support orders reflecting current ability to pay were established and enforced, single mothers and their children would have received *$48 billion*: money for school, clothing, food, utilities, and child care. As part of a plan to reduce *and* prevent welfare dependency, our plan provides for:

- **Universal paternity establishment**. Hospitals will be required to put procedures in place to establish paternity at birth, and each applicant will be required to name and help find her child's father before receiving benefits.

- **Regular awards updating**. Child support payments will increase as fathers' incomes rise.

- **New penalties for those who refuse to pay**. Wage-withholding and suspension of professional, occupational, and drivers' licenses will enforce compliance.

- **A national child support clearinghouse**. Three registries--containing child support awards, new hires, and locating information--will catch parents who try to evade their responsibilities by fleeing across State lines. Centralized State registries will track support payments automatically.

- **State initiatives and demonstration programs**. States will be able to make young parents who fail to meet their obligations work off the child support they owe. Demonstration grants for parenting and access programs--providing mediation, counseling, education, and visitation enforcement--will foster non-custodial parents' ongoing involvement in their children's lives. And child support assurance demonstrations will let interested States give families a measure of economic security even if child support is not collected immediately.

- **State options to encourage responsibility**. States can choose to lift the special eligibility requirements for two-parent families in order to encourage parents to stay together. States will also be allowed to limit additional benefits for children conceived by women on welfare.

To eliminate fraud and ensure that every dollar is used productively, welfare reform will coordinate programs, automate files, and monitor recipients. New fraud control measures include:

- **State tracking systems to help reduce fraud**. States will be required to verify the identity, alien status, and Social Security numbers of new applicants and assign national identification numbers.

- **A national public assistance clearinghouse**. Using identification numbers, the clearinghouse will follow people whenever and wherever they use welfare, monitoring compliance with time limits and work. A national "new hire" registry will be used to check AFDC and EITC eligibility, and identify non-custodial parents who switch jobs or cross State lines to avoid paying child support.

- **Tough sanctions**. Anyone who refuses to follow the rules will face tough new sanctions, and anyone who turns down a job offer will be dropped from the rolls. Cheating the system will be promptly detected and swiftly punished.

The Administration's plan demands greater responsibility of the welfare office itself. Unfortunately, the current system too often focuses on simply sending out welfare checks. Instead, the welfare office must become a place that is fundamentally about helping people earn paychecks as quickly as possible. Our plan offers several provisions to help agencies reduce paperwork and focus on results:

- **Program coordination and simplification**. Conforming AFDC and Food Stamp regulations and simplifying both programs' administrative requirements will reduce paperwork.

- **Electronic Benefits Transfer (EBT)**. Under a separate plan developed by Vice President Gore, States will be encouraged to move away from welfare checks and food stamp coupons toward Electronic Benefits Transfer, which provides benefits through a tamper-proof ATM card. EBT systems will reduce welfare and food stamp fraud, and lead to substantial savings in administrative costs.

- **Improved incentives**. Funding incentives and penalties will be directly linked to the performance of States and caseworkers in service provision, job placement, and child support collection.

REACHING THE NEXT GENERATION

Preventing teen pregnancy and out-of-wedlock births is a critical part of welfare reform. Each year, 200,000 teenagers aged 17 and younger have children. Their children are more likely to have serious health problems--and they are much more likely to be poor. Almost 80 percent of the children born to unmarried teenage parents who dropped out of high school now live in poverty. By contrast, only eight percent of the children born to married high school graduates aged 20 or older are poor. Welfare reform will send a clear and unambiguous message to adolescents: you should not become a parent until you are able to provide for and nurture your child. Every young person will know that welfare has changed forever.

To prevent welfare dependency in the first place, teenagers must get the message that staying in school, postponing pregnancy, and preparing to work are the right things to do. Our prevention approach includes:

- **A national campaign against teen pregnancy**. Emphasizing the importance of delayed sexual activity and responsible parenting, the campaign will bring together local schools, communities, families, and churches, to send a strong signal that it is wrong for teenagers to have children outside marriage.

- **A national clearinghouse on teen pregnancy prevention**. The clearinghouse will provide communities and schools with curricula, models, materials, training, and technical assistance relating to teen pregnancy prevention programs.

- **Teen pregnancy prevention grants**. Roughly 1000 middle and high schools in disadvantaged areas will receive grants to develop innovative, ongoing teen pregnancy prevention programs targeted to young men and women. Broader initiatives will seek to change the circumstances in which young people live and the ways that they see themselves, addressing health, education, safety, and economic opportunity.

- **Initial resources targeted to women born after December 31, 1971**. Phasing in the new system will direct limited resources to young, single mothers with the most at risk; send a strong message to teenagers that welfare as we know it has ended; most effectively change the culture of the welfare office to focus on work; and allow States to develop effective service capacity.

- **Supports and sanctions**. From the very first day, teen parents receiving benefits will be required to stay in school and move toward work. Unmarried minor mothers will be required to identify their child's father and live at home or with a responsible adult, while teen fathers will be held responsible for child support and may be required to work off what they owe. At the same time, caseworkers will offer encouragement and support; assist with living situations; and help teens access services such as parenting classes and child care. The two-year limit will begin once teens reach age 18. Selected older welfare mothers will serve as mentors to at-risk school-age parents. States will also be allowed to use monetary incentives to keep teen parents in school.

THE IMPACT OF REFORMS

Making all these changes overnight would severely strain the ability of Federal and State governments to implement the new system. To avoid this problem the plan is phased in by starting with young people, to send a clear message to teenagers that we are ending welfare as we know it. The following tables are based on starting with the youngest third of the projected caseload--persons born after 1971, who will be age 24 and under in fiscal year 1996 when the new system is implemented.

Anyone born after 1971 who is on welfare today, and anyone born after 1971 who enters it subsequently, will face new expectations and responsibilities. In 1997 this group will constitute over one third of the caseload. By the year 2004, this group will represent about two-thirds of the projected caseload, as older cohorts leave and new persons born after 1971 enter. States wanting to move faster will have the option of doing so.

In the year 2000, 2.4 millon adults will be subject to the new rules under welfare reform, including time limits and work requirements. Almost one million people will either be off welfare or working. Of those one million individuals, 331,000 people who would have been on welfare will have left the welfare rolls. Another 222,000 parents will be working part-time in unsubsidized jobs. And 394,000 people will be in subsidized jobs in the WORK program, up from 15,000 now. In addition, 873,000 recipients will be in time-limited school or training programs leading to employment.

However, the impact of welfare reform cannot be measured in these numbers alone or fit on any chart. In the year 2000, hundreds of thousands of noncustodial parents will be helping to support their families and becoming connected to their children again. Hundreds of schools will be helping teenagers postpone sexual involvement, finish their education and prepare for a better future. And, thousands more children will watch their parents go off every day to the responsibility and dignity of a real job.

TABLE 1

PROJECTED WELFARE, WORK, AND TRAINING STATUS OF PHASED-IN GROUP WITH REFORMS BY SELECTED YEARS			
	FY 1997	**FY 2000**	**FY 2004**
Total Projected Adult Cases With Parent Born After 1971, Without Reform	1,641,000	2,376,000	3,439,000
Status of Phased-In Group, with Reform:			
Off Welfare Because of Reform	45,000	331,000	860,000
Working Part-time	166,000	222,000	271,000
In WORK Program	0	394,000	566,000
Total - Working or Off Welfare	211,000	947,000	1,697,000
Expected to Participate in Time-Limited, Mandatory Training, Education and Placement Program with Strict Participation Standards	904,000	873,000	965,000
Deferred or Exempted due to Disability, Caring for a Disabled Child or Infant, or Other Exemption	526,000	556,000	777,000

Table 1 indicates the number of persons in various parts of the program by year, given the phase-in and the implementation of health reform after fiscal year 1999. Note that because a few States will need up to two years to pass legislation and implement their systems, the program would not be fully implemented until late 1996. Thus, fiscal year 1997 is the first full year of implementation. The time-limited education, training and placement program starts up rapidly since everyone in the phased-in group is required to participate if they are not deferred (for example, if they are disabled). It does not grow much over time because people leave the program as they get private sector jobs or reach the time limit and enter the WORK program. The WORK program grows over time, rising to roughly 556,000 by fiscal year 2004. Exemptions are significantly more narrow than those allowed under current law, and even those unable to work will be required to develop employability plans.

TABLE 2

PROJECTED WELFARE, WORK AND TRAINING STATUS OF PHASED-IN GROUP WITH AND WITHOUT REFORMS IN FISCAL YEAR 2000		
	Without Reforms	**With Reforms**
Working or Off of Welfare		
Off of Welfare	0%	14%
Part-time Work	5%	9%
In WORK program	0%	17%
Total	5%	40%
Required to Participate in Time-limited, Mandatory Training, Education and Placement Program with Strict Participation Standards	0%	37%
Expected to Participate in Training, Education, and Placement Program, but No Time Limits and Low Participation Standards	22%	0%
Deferred or Exempted Due to Illness, Caring for Disabled Child, Young Child, or other Exemptions	73%	23%
TOTAL	100%	100%

Table 2 shows the impact of these changes for the phased-in caseload, compared with what we project would be the caseload without welfare and health reform.

Under the plan, we will go from a situation where almost three-quarters of the persons are collecting welfare and neither working nor in training--to a situation where three-quarters are either off welfare, working, or in a mandatory time-limited placement and training program. Only those unable to work are deferred from the time limits, and even these persons will have greater expectations and opportunities under the proposed system. In addition, we expect the reform proposal to significantly increase paternity establishment rates, to increase child support payments and to lower child poverty.

Moving people from welfare to work will not only reinforce our basic values of work and responsibility, it will also help families provide better support for their children. As a result of the Clinton reforms, compare the situation facing a single-parent family of three on welfare with the situation of a family off of AFDC.

In the median State, the combined AFDC and food stamp benefit level is $7,525, only 63 percent of the $11,870 of income needed to keep a typical family of three out of poverty. By contrast, Table 3 shows that persons leaving AFDC and going to work will be dramatically better off in any private sector job, even one paying the minimum wage.

TABLE 3

INCOME FOR INDIVIDUALS WORKING FULL TIME AT VARIOUS WAGE LEVELS

Hourly wage	Earnings (Full-time, year-round)	Taxes	EITC *	Food Stamps	Total Income	Percent of Poverty
$4.25	$8,840	$676	$3,370	$2,256	$13,790	116%
$6.00	$12,480	$955	$3,058	$1,380	$15,964	134%
$8.00	$16,640	$1,826	$2,182	$0	$16,996	143%

* EITC assumes that expansion passed in 1993 is fully phased-in.

Thus, the President's plan, including the expanded EITC, and health and welfare reform, rewards people who are working to support themselves and their families.

A description of the plan follows.

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

Perhaps the most critical and difficult goal of welfare reform is to reshape the very mission of the current support system from one focused on writing checks to one focused on work, opportunity, and responsibility. The Family Support Act of 1988 recognized, through creation of the Job Opportunities and Basic Skills (JOBS) training program, the need for investment in education, training, and employment services for welfare recipients. Most importantly, it introduced the expectation that welfare recipiency is a transitional period of preparation for self-sufficiency. Able-bodied recipients were mandated to participate in the JOBS program as a means towards self-sufficiency.

However, the welfare system has not changed as much as was intended. Only a small portion of the AFDC caseload is actually required to participate in the JOBS program, while a majority of AFDC recipients are not required to participate and do not volunteer. An even smaller fraction of recipients are working. This sends a mixed message to both recipients and caseworkers regarding the true terms and validity of the social compact that the Family Support Act represented. As a result, most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

SUMMARY OF PROPOSAL

This reform proposal calls for fundamentally replacing the AFDC program with a transitional assistance program to be followed by work. The new program includes four key elements: a simple compact; training, education, and placement assistance to move people from welfare to work; a two-year time limit; and work requirements. Phasing in the plan starting first with the youngest recipients will send a strong message of responsibility and opportunity to the next generation.

A Simple Compact

Training, Education, Job Search, and Job Placement -- The JOBS Program

- A clear focus on work
- Integrating JOBS and mainstream education and training initiatives

Two-Year Time Limit

WORK

- Administrative structure of the WORK program
- Characteristics of the WORK assignments

A Simple Compact. Everyone who receives cash support will be expected to do something to help themselves and their community. Recipients will sign a personal responsibility agreement indicating what is expected of them and of the government to prepare them for self-sustaining employment. Persons who are not yet in a position to work or train (because of disability or the need to care for an infant or disabled child) will be deferred until they are ready for the time-limited JOBS program. Everyone will have a responsibility to contribute something and move toward work and independence.

Training, Education, and Placement Linked to Work (the Job Opportunities and Basic Skills, or JOBS program). The core of the transitional support program will be an expanded and improved JOBS program that focuses on moving people into work. JOBS was established by the Family Support Act of 1988 to provide training, education, and job placement services to AFDC recipients. Every aspect of the new JOBS program will be designed to help recipients find and keep jobs. The enhanced program will include a personal responsibility agreement (described above) and an employability plan designed to move persons from welfare to work as rapidly as possible. For most applicants, supervised job search will be required from the date the application for AFDC is approved. JOBS participants will be required to accept a job if offered. The new effort, rather than creating an employment training system for welfare recipients alone, will seek close coordination with Job Training Partnership Act (JTPA) programs and other mainstream training programs and educational resources.

A Two-Year Time Limit. Young recipients will be limited to a lifetime maximum of two years of cash assistance, after which they will be expected to work. While two years will be the maximum period for the receipt of cash aid, the goal will be to help persons find jobs long before the end of the two-year period. Mothers with infants, persons with disabilities which limit work, and those caring for a disabled child will be deferred and will not be subject to the time limit while such conditions exist. In a very limited number of cases, and at the discretion of States, extensions of the time limit will be granted for completion of an education or training program or in unusual circumstances.

Work (the WORK program). The new effort will be designed to help as many people as possible find employment before reaching the two-year time limit. Those persons who are not able to find employment within two years will be required to take a job in the WORK program. WORK program jobs will be paid employment, rather than "workfare," and will include subsidized private sector jobs, as well as positions with local not-for-profit organizations and in the public sector. The positions are intended to be short-term, last-resort jobs, designed neither to displace existing workers, nor to serve as substitutes for unsubsidized employment. Provisions will be put in place to discourage lengthy stays in the WORK program. Among these will be limits on the duration of any one WORK assignment, frequent periods of job search. denying the EITC to persons in WORK assignments, and a comprehensive reassessment after a second WORK assignment. People will be required to make a good-faith effort to find unsubsidized work, and anyone who turns down a job offer will be removed from the rolls. The primary emphasis of the WORK program will be on securing unsubsidized employment. States will be given considerable flexibility in the operation of the WORK program in order to achieve this goal.

PHASE-IN

It is very unlikely that States could proceed to full-scale implementation of the changes described above immediately after passage of the legislation. Even if resources were plentiful, attempting to instantly place the entire caseload in the new transitional assistance program would almost guarantee enormous administrative difficulties at the State level. Facing the need to serve hundreds of thousands more persons in the JOBS program and to create hundreds of thousands of WORK assignments, many States would be unable to succeed at either.

An attractive alternative to the chaos of immediate full-scale implementation is to begin by focusing on younger parents. The younger generation of actual and potential welfare recipients represents the source of greatest concern. Younger recipients are likely to have the longest stays on welfare. They are also the group for which there is the greatest hope of making a profound difference. Under this phase-in approach, we will devote energy and new resources to ending welfare for the next generation, rather than spreading efforts so thin that little real help is provided to anyone.

The phase-in of the new requirements will begin with all recipients (including new applicants) born after December 31, 1971. All persons of the same age and circumstances will then face the same rules, regardless of when they entered the system. This is roughly one third of the caseload in 1996. Over time, as the percentage of the caseload born after 1971 rises, the new transitional assistance program will encompass a greater and greater proportion of welfare recipients. States will also have the option to phase in more rapidly. By 2000, half of all adult recipients will be included. By 2004, two-thirds of the adult caseload will be included.

Targeting younger parents does not imply limiting access to education and training services for older recipients. They will still be eligible for JOBS services. The *new* resources, however, will be focused on younger recipients.

A SIMPLE COMPACT

The goal of these proposals is to make the welfare system a much different world. The intake process will be changed to clearly communicate to recipients the expectation of achieving self-sufficiency through work. Just as important, the welfare agency will also face a different set of expectations. In addition to determining eligibility, its role will be to help recipients achieve self-sufficiency. The underlying philosophy is one of mutual responsibility. The welfare agency will help recipients achieve self-sufficiency and will provide transitional cash assistance; in return, recipients will take responsibility for their lives and the economic well-being of their children.

<u>Personal Responsibility Agreement</u>. Each adult applicant for assistance will be required to enter into a written agreement in which he or she agrees to take responsibility for moving quickly toward independence in return for that assistance.

<u>Orientation</u>. Each applicant will receive orientation services to explain how the new system will work. A full understanding of how a time-limited assistance program operates will ensure that participants maximize their opportunities to obtain services.

Employability Plan. Within a short time frame, each adult will undergo a thorough needs assessment. Based on this assessment, and in conjunction with his or her caseworker, each person will design an individualized employability plan which specifies the services to be provided by the State and the time frame for achieving self-sufficiency.

Deferrals. Under the current system, only a small portion of the AFDC caseload is required to do anything, and the rest are exempt. Our plan will reduce the number of exemptions, and ensure that even those who are not able to participate in education, training or work still have to meet certain expectations. People with a disability or caring for a disabled child, mothers with infants under one (3 months for the second child), and people living in remote areas will be deferred. States will be allowed to defer a capped number of people for other good-cause reasons. However, all recipients will be required to take steps, even if they are small ones, toward self-sufficiency. Participants who are deferred will be expected to complete employability plans and, when possible, to undertake activities intended to prepare them for employment and/or the JOBS program.

Increased Participation. With increased Federal resources available, it is reasonable to require 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 reform, States will be expected to meet much higher participation rates for persons who are enrolled in the new program. Through the phase-in strategy described above, a higher and higher percentage of the caseload will be subject to these rules and requirements, and the transitional assistance program will move toward a full-participation model.

TRAINING, EDUCATION, JOB SEARCH, AND JOB PLACEMENT -- THE JOBS PROGRAM

The JOBS program originated with the Family Support Act. It represented a new vision for welfare, but today it unfortunately remains mostly an afterthought to a system principally focused on eligibility determination and check writing. We propose to make the JOBS program the centerpiece of the public assistance system. Doing so will require a series of key improvements.

There have been many impediments to the success of the JOBS program, such as a lengthy recession, the surge in AFDC caseloads and State budget shortfalls that hampered States' ability to draw down available JOBS and other Federal matching funds. For these reasons, States have been unable to effectively implement the changes envisioned in the Family Support Act.

In order to fully transform the welfare system into a structure which helps families attain self-sufficiency, the entire culture of the welfare system must be changed. This must start by making the welfare system one which focuses on helping participants achieve self-sufficiency through the provision of education, training, and employment services rather than one which concentrates solely on determining eligibility and writing checks. To accomplish this, a major restructuring effort which implements real changes for all participants is needed. Strong Federal leadership in steering the welfare system in this new direction will be critical.

To this end, we propose:

(1) A clear focus on work. From the moment they enter the system, applicants are focused on moving from welfare to work through participation in programs and services designed to enhance employability; and

(2) Much greater integration with mainstream education and training programs.

A Clear Focus on Work

Under the provisions of the new transitional assistance program, JOBS participation will be greatly expanded, and increased participation rates will be phased in. We recognize that welfare recipients are a very diverse population. Participants in the JOBS program have very different levels of work experience, education, and skills. Accordingly, their needs will be met through a variety of activities: job search, classroom learning, on-the-job training, and work experience. States and localities will, therefore, have great flexibility in designing the exact mix of JOBS program services. Employability plans will be adjusted in response to changes in a family's situation. Finally, the Federal government will make much-needed additional resources available to the States to accomplish the objectives.

Up-Front Job Search. All new adult recipients in the phased-in group (and minor parents who have completed high school) who are judged job-ready will be required to perform job search, as soon as the application is approved (or from the date of application at State option). States will have the option to require all job-ready new recipients (including those in the not-phased-in group) to engage in up-front job search.

The job search activities will lead to immediate employment for some recipients. Those who subsequently enter the JOBS program will have a realistic view of the job market. This will aid in completing the needs assessment and in developing the employability plan, and may also help participants focus their energies.

Teen Parents. In order to meet the special needs of teen parents, any custodial parent under age 20 will be provided case management services. Teen parents will be required to finish high school and participate in the JOBS program. (For further provisions regarding teen parents, see the section on Promoting Parental Responsibility).

Semiannual Assessment. In addition to the expectation that client progress will be monitored on a regular basis, States will be required to conduct an assessment of all adult recipients and minor parents, including both those who are deferred and those in JOBS, on at least a semiannual basis to evaluate progress toward achieving the goals in the employability plan. Both the individual's and the State's efforts will be examined, and corrective action will be taken as needed.

Sanctions. In order for the system to work, participants must see that the requirements are real. There must be a direct connection between a participant's behavior and the rewards and sanctions as a consequence. The sanction for refusing a job offer without good cause will be strengthened. The current penalty reduces the recipient's welfare check by the adult's share of the grant; in the new system, the family's entire AFDC benefit will be terminated for 6 months or until the adult accepts a job offer, whichever is shorter. Sanctions for failure to follow the employability plan otherwise will be the same as under current law.

Increased Funding and Enhanced Federal Match. It is important to ensure that all welfare recipients who are required to participate in the JOBS program have access to the appropriate services. The increase in Federal resources available to the States, as well as simplified and enhanced match rates, will enable States to undertake the necessary expansion in the JOBS program.

Similar to current law, the capped entitlement for JOBS will be allocated according to the average monthly number of adult recipients (which will include WORK participants) in the State relative to the number in all States. The capped entitlement for JOBS (as well as for WORK) would be increased if the national unemployment rate equalled or exceeded 7 percent.

Fiscal constraints have proven particularly troublesome in effecting welfare system changes. States are required to share the cost of the JOBS program with the Federal Government. Many States have, however, been experiencing budgetary difficulties which were not anticipated at the time the Family Support Act was enacted. Consequently, most States have been unable to draw down their full allocation of Federal JOBS funds because they have not been able to provide the required State match. In 1992, States drew down only two-thirds of the $1 billion in available Federal funds, and only 10 States drew down their full allocation. These fiscal problems have limited the number of individuals served under JOBS and, in many cases, limited the services States offer their JOBS participants.

To address the scarcity of JOBS dollars, the Federal cap will be increased from $1 billion to $1.5 billion in fiscal year 1996. To assist States in drawing down their full allotment, the Federal match rate will be increased by five percentage points in 1996, rising to a level ten percentage points over the current JOBS match rate by the year 2000, with a minimum Federal match of 70 percent. Spending for direct program costs, for administrative costs and for the costs of transportation and work-related supportive services would all be matched at the single rate. In addition, a small fund will be created to reward States which have used their full allotment and are moving aggressively to implement these reforms. During periods of high State unemployment, the State match rate for JOBS, WORK and At-Risk Child Care would be reduced by ten percent. States will be required to maintain their 1994 level of spending for the investment programs (JOBS and child care).

Federal Leadership. The Federal role in the JOBS program will be providing training and technical assistance to help States make the program changes called for in this plan. The Federal Government will 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 will be funded by setting aside a portion of Federal JOBS funds specifically for this purpose--two percent in fiscal years 1996-1998, and one percent thereafter.

Integrating JOBS and Mainstream Education and Training Initiatives

The Federal government currently operates a myriad of education, training, and employment services programs. Many of these programs serve the AFDC population. JOBS programs must continue to link clients to the available services in the community. Coordination, integration, and implementation of common strategies among the major programs which serve the AFDC population will help States accomplish the mission of the JOBS program by expanding access to other available services. This proposal prescribes greater coordination, but it grants broad flexibility to States to achieve this objective. To this end, the proposal implements several mechanisms that promote ongoing coordination and integration and which lessen the administrative burdens States face. This will allow for program simplification, innovation, and ongoing program improvement.

The role of the JOBS program should not be to create a separate education and training system for welfare recipients, but rather to ensure that recipients have access to and information about the broad array of training and education programs that already exist. Under the Family Support Act, the governor of each State is required to ensure that program activities under JOBS are coordinated with JTPA and other relevant employment, training, and educational programs available in the State. Appropriate components of the State's plan which relate to job training and work preparation must be consistent with the Governor's coordination plan. The State plan must be reviewed by a coordinating council. While these measures have served to move the welfare system in the direction of program coordination and integration, further steps can and should be taken. Federal and State efforts for promoting integration and coordination, and general program improvement, will be an ongoing process in the new system.

Program Coordination. This proposal includes provisions which will greatly enhance integration and coordination among the JOBS program and related programs of the Departments of Labor and Education, such as Job Training Partnership Act programs and programs falling under the Adult Education Act and the Carl D. Perkins Vocational Educational Act. For example, the State council on vocational education and the State advisory council on adult education will review the State JOBS plan and submit comments to the Governor to ensure consistency among programs that serve AFDC recipients.

Expanded State Flexibility. In order to enable States to take the steps necessary to achieve full integration among education, training, and employment service programs, Governors will have the option to operate the JOBS and WORK programs through an agency other than the agency currently designated to administer welfare programs. For example, a Governor may choose to operate a combined JOBS/JTPA program. This option will expand State flexibility and will promote innovation and program improvement.

Expanding Opportunities. Among the many Administration initiatives which will be coordinated with the JOBS program are:

- National Service. HHS will 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 will work with the Departments of Education and Labor to make participation requirements for the School-to-Work and JOBS programs compatible, in order to give JOBS participants the opportunity to access this new initiative.

- One-Stop Shopping. States which implement one-stop shopping under the Reemployment Act of 1994 will be required to include the JOBS program.

- Pell Grants. The program will ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans and Job Corps.

TWO-YEAR TIME LIMIT

Most people who enter the welfare system do not stay on AFDC continuously for many years. It is much more common for recipients to move in and out of the welfare system, staying for a relatively brief period each time. Two out of every three persons who enter the welfare system leave within two years, and fewer than one in five spends five consecutive years on AFDC. Half of all those who leave welfare, however, return within two years, and three of every four return at some point in the future. Most recipients use the AFDC program not as a permanent alternative to work, but as temporary assistance during times of economic difficulty.

While persons who remain on AFDC for long periods at a time represent only a modest percentage of all people who ever enter the system, they represent a high proportion of those on welfare at any given time. Although many face very serious barriers to employment, including physical disabilities, others are able to work but are not making progress toward self-sufficiency. Most long-term recipients are not on a track toward obtaining employment that will enable them to leave AFDC.

Placing a time limit on cash assistance is part of the overall effort to shift the focus of the welfare system from providing cash assistance to promoting work and self-sufficiency. The time limit will give both recipients and JOBS staff a structure that requires continuous movement toward fulfilling the objectives of the employability plan and, ultimately, finding a job.

Two-Year Limit on Cash Benefits. The proposal establishes for adult recipients a lifetime limit of 24 months of AFDC benefits, followed by a work requirement. Special provisions will be made for teen parents (as discussed below).

Time limits will, in general, be linked to JOBS participation. Recipients required to participate in JOBS will be subject to the time limit. Months in which an individual receives assistance while in deferred status (rather than participating in JOBS) will not count against the 24-month time limit.

In a two-parent family receiving aid through AFDC-UP, both parents will be subject to the time limit if the principal earner is in the phased-in group (see below). If one parent reaches the time limit when the other has not, the parent who reaches the time limit will be required to enter the WORK program. The family will continue to be eligible for benefits as long as at least one of the two parents has not reached the time limit for transitional assistance.

Most people will be expected to enter employment well before the two years are up. Recipients unable to find employment by the end of two years of cash benefits could receive further government support only through participation in the WORK program, as described below.

Minimum Work Standard. Months in which an individual meets the minimum work standard will not be counted against the time limit. The minimum work standard will be set at an average of 20 hours per week, with a State option to require up to 30 hours per week. Individuals working part-time would be required to accept additional hours if available.

Teen Parents. As mentioned elsewhere, virtually all parents under age 20 will be required to participate in JOBS. The 24-month time clock, however, will not begin to run until the parent turns age 18. In other words, any period of receiving benefits as a custodial parent prior to the age of 18 will not be counted against the two-year time limit.

Pre-WORK Job Search. Persons who are within 45 days of reaching the time limit (up to 90 days at State option) will be required to engage in supervised job search for those final 45-90 days, before taking a WORK assignment.

Extensions. States will be permitted to grant a limited number of extensions to the time limit in the following circumstances:

- For completion of a GED or other education or training program, including a school-to-work program or post-secondary education program, expected to lead directly to employment. These extensions will be contingent on satisfactory progress toward completing the program and will be limited to 12-24 months in duration. An extension for post-secondary education will be contingent upon simultaneous part-time employment.

- For those who are learning disabled, illiterate or face language barriers or other serious obstacles to employment.

States will, in addition, be required to grant extensions to persons who have reached the time limit but who have not had access to the services specified in the employability plan. The total number of extensions will be limited to 10 percent of recipients required to participate in JOBS. In other words, a State could have no more than 10 percent of its JOBS-mandatory recipients in extended status at any given time.

Limited Additional Assistance to Persons Who Stay off Welfare for Extended Periods. The two-year limit is a lifetime limit. Persons who exhaust or nearly exhaust their 24 months of time-limited assistance and who leave welfare for an extended period of time will be able to qualify for up to six additional months of assistance. This limited additional assistance will serve as a cushion, should they lose their job and need temporary help again. After that, they will be required to enter the WORK program.

WORK

The focus of the transitional assistance program will be helping people move from welfare to self-sufficiency through work. An integral part of this effort is making assistance truly transitional for those able to work by placing a two-year time limit on cash benefits. Some welfare recipients will, however, reach the two-year time limit without having found a job, despite having participated in the JOBS program and followed their employability plans in good faith. We are committed to providing these persons with the opportunity to support their families through paid work.

Each State will be required to operate a WORK program which will make paid work assignments available to recipients who have reached the time limit for cash assistance.

The overriding goal of the WORK program will be to help participants find lasting unsubsidized employment. States will 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 (with the expectation that many of these positions will become permanent), or positions in not-for-profit organizations and/or public sector agencies.

The WORK program is designed to provide an opportunity for individuals who have reached the time limit to support their families through paid work while developing the skills and receiving the job search assistance needed to obtain unsubsidized private sector jobs. The structure ensures that work "pays" by assuring that a family with an adult in a WORK assignment will be no worse off than a family of the same size in which no one is working.

"Workfare" programs are generally not consistent with placements in the private sector. By contrast, the WORK program requires a strong private-sector focus. This is work--not workfare. Persons will be paid for performance--not paid a welfare check and sent out to a work site. This work-for-wages plan provides far greater dignity and responsibility than workfare. Moreover, the purpose of the WORK program is to help persons move into, rather than serve as a substitute for, unsubsidized employment.

Administrative Structure of the WORK Program

Eligibility. A recipient who has reached the time limit for transitional assistance will be permitted to enroll in the WORK program, provided he or she has not refused an offer of an unsubsidized job without good cause (see below).

WORK Funding. Federal funds for the cost of operating the WORK program will be capped and distributed to States according to the number of persons required to participate in JOBS (and subject to the time limit) and the number in the WORK program in a State, relative to the total number in all States. These Federal monies must be matched by State funds at the same match rate as in the expanded JOBS program--the current JOBS match rate plus seven percentage points in 1998, rising to ten additional percentage points by 2000. As discussed previously under the description of JOBS funding, the capped entitlements for JOBS and WORK would be increased if the national unemployment rate equalled or exceeded 7 percent. Also as discussed under JOBS funding, the State match rate for JOBS, WORK, and At-Risk Child Care would be reduced by ten percent during periods of high State unemployment.

In addition, States will be reimbursed for wages paid to WORK program participants, including wage subsidies to private employers, at the Medicaid matching rate.

If States were unable to claim the total available Federal JOBS and WORK funding for a fiscal year, a State which had reached its cap could draw down Federal funds for operational costs in excess of its allotment from the capped entitlement. Additionally, all States will be allowed to reallocate up to 10 percent of the combined total of their JOBS and WORK allotments from JOBS to WORK, or vice versa.

Flexibility. States will have considerable flexibility in operating the WORK program. A State can pursue any of a wide range of strategies to provide work to those who have reached the two-year limit, including:

- Subsidize private sector jobs;
- Subsidize or create positions in the not-for-profit sector (which could entail payments to cover the cost of training and supervising WORK participants);
- Offer employers other financial incentives to hire JOBS graduates;
- Execute performance-based contracts with private firms or not-for-profit organizations to place WORK participants in unsubsidized jobs;
- Create positions in public sector agencies (which might include employing adult welfare recipients as mentors for teen parents on assistance);
- Employ WORK participants as child care workers, child support workers, or home health aides; and
- Support microenterprise and self-employment efforts.

Participation Rates. Each State will be required to meet a participation standard for the WORK program, defined as the lower number of the following such that: 1) The number of WORK assignments the State is required to create (based on the funding allocation) are actually filled by individuals assigned to the WORK program; or 2) At least eighty percent of those who reach the time limit are assigned to a WORK slot (or in another defined status).

Allocation of WORK Assignments. If the number of people needing WORK positions exceeds the supply, the allocation of WORK assignments is made in the following order. An individual whose sanction period had just ended will be placed in a new WORK assignment as rapidly as possible. Persons new to the WORK program will have priority over persons who have previously held a WORK position. States will then be permitted to allocate the remaining WORK assignments so as to maximize the chance of successful placements.

Interim Activities. States will have the option of requiring persons awaiting WORK assignments (e.g., those who have just concluded a WORK assignment) to participate in other WORK program activities, such as individual or group job search. Child care and other supportive services will be provided as needed for participation in interim WORK program activities. Persons in the WORK program but not in a WORK assignment will be eligible for cash benefits in the interim.

Required Acceptance of Any Job Offer. Both JOBS and WORK program participants will be required to accept any offer of an unsubsidized job, provided the job meets certain health and safety standards and does not make the family financially worse off. An individual who refuses such an offer will not be eligible for a WORK position, and the entire family will be ineligible for AFDC benefits for a period of six months. Such an individual will be eligible for job search assistance during this period.

Oversight. There will be a WORK advisory panel for each locality to provide oversight and guidance to the WORK program. The advisory panel will include representation from unions and the private, not-for-profit (including community-based organizations), and public (including local government) sectors.

Length of Participation in the WORK Program. Individuals will be limited to a maximum stay of 12 months in any single WORK assignment, after which they will be required to perform job search. States will be required to conduct a comprehensive assessment of any person who has completed two WORK assignments or who has spent at least two years in the WORK program. Following the assessment, persons could be assigned to another WORK position, placed in deferred status, referred back to the JOBS program, or, at State option, be removed from the rolls for refusing a job offer or failing to make a good-faith effort to find unsubsidized work where jobs are available to match their skills.

Retention. States will be required to maintain records on the performance of employers (public, private, and not-for-profit) in retaining WORK program participants (after the subsidies end). Similarly, States will be mandated to monitor the effectiveness of placement firms in placing WORK participants in unsubsidized employment.

Nondisplacement. The assignment of a participant to a subsidized job under the WORK program will not result in the displacement of or infringe upon the promotional opportunities of any currently employed worker. In addition, WORK participants could not be placed in vacancies created by a layoff, strike or lockout.

Supportive Services. States will be required to guarantee child care, if needed, for any person in a WORK assignment. States will also be mandated to provide other work-related supportive services as needed for participation in the WORK program.

Characteristics of the WORK Assignments

Wages. Participants will typically be paid the minimum wage. Persons in WORK assignments who are performing work equivalent to that done by others working for the same employer will be similarly compensated.

Hours. Each WORK assignment will be for a minimum of 15 hours per week and for no more than 35 hours per week. The number of hours for each position will be determined by the State.

Treatment of Wages with Respect to Benefits and Taxes. Wages from WORK positions will be treated as earned income with respect to Federal and Federal-State assistance programs other than AFDC. Participants in the WORK program and their families will be treated as AFDC recipients with respect to Medicaid eligibility.

Persons in WORK assignments will be subject to FICA taxes but will not be subject to the provisions of any Federal or State unemployment compensation law. Workers' Compensation coverage will be provided at levels consistent with the relevant State Workers' Compensation statute. Earnings from WORK positions will not be treated as earned income for purposes of calculating the Earned Income Tax Credit (EITC), in order to encourage movement into jobs outside the WORK program.

Earnings Supplementation. A family with an adult in a WORK position whose income, net of work expenses, is less than the AFDC benefit for a family of the same size (in which no one is working) will be eligible for supplemental cash benefits to make up the difference. In other words, an earnings supplement will be provided such that a family with an individual who is working in either a WORK assignment or an unsubsidized private sector job, will never be worse off than a family of the same size on assistance in which no one is working.

The work expense disregard used for the purpose of calculating the earnings supplement will be $120 per month (the standard AFDC work expense disregard). States which opt for more generous AFDC earnings disregard policies will be permitted but not required to apply these policies to WORK wages.

Sanctions. Wages will be paid for hours worked, and those who do not show up for work will not get paid. Failure to work the set number of hours for the position will result in a corresponding reduction in wages.

Individuals in the WORK program who, without good cause, voluntarily quit an unsubsidized job that meets the minimum work standard would lose eligibility for the WORK program for a period of three months.

Type of Work. Under the WORK program, States will be encouraged to place as many WORK participants as possible in subsidized private sector positions. Many of the WORK positions may also be in the not-for-profit sector, with, for example, voluntary agencies, Head Start centers, and other community-based organizations.

Work Place Rules. Participants in the WORK program will experience the same working conditions and rights as comparable employees of the same employer.

MAKING WORK PAY/CHILD CARE

THE IMPORTANCE OF THE EITC, HEALTH CARE REFORM, AND CHILD CARE

A crucial component of welfare reform that promotes work and independence is making work pay. The Census Bureau reports that in 1992, 16 percent of all year-round, full-time workers had earnings too low to lift a family of four out of poverty, up from 12 percent in 1974. The problem is especially great for women: 22 percent--more than one in five--of year-round, full-time female workers had low earnings.

Simultaneously, the welfare system sets up a devastating array of barriers for 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 but still on welfare; and it prevents saving for the future with a meager limit on assets. Moreover, working-poor families often lack adequate medical protection and face sizeable 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 we must reward work rather than welfare.

Although they are not part of welfare reform legislation, the Earned Income Tax Credit and health reform are clearly two of the three major components of making work pay. Last summer's $21 billion expansion of the Earned Income Tax Credit (EITC) was a major step toward making it possible for low-wage workers to support themselves and their families above poverty. 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. Combined with food stamps, this tax credit helps ensure that people who work full-time with a family at home will no longer be poor.

The next critical step toward making work pay is ensuring that all Americans have health insurance coverage. Many recipients are trapped on welfare by their inability to find or keep jobs with health benefits that provide the security they need. And too often, poor, non-working families on welfare have better health coverage than poor, working families. The President's health care reform plan will provide universal access to health care, ensuring that no one will have to choose welfare instead of work to ensure that their children have health insurance. Both the EITC expansion and health care reform will help support workers as they leave welfare to maintain their independence and self-sufficiency. In one recent study, 83 percent of welfare recipients said they would leave welfare to take a minimum-wage job immediately if it provided health coverage for their families. Another study found that only eight percent of people who leave welfare for work get jobs that provide health insurance.

The plan includes two additional provisions that will increase the return from work for low-income families. Under current law, all income received by an AFDC recipient or applicant must be counted against the AFDC grant, except certain specified work-related and other disregards. The proposal contains several provisions to make work a more attractive option for recipients combining work and welfare and to simplify the treatment of income for recipients and caseworkers alike. States will be required to disregard a minimum of $120 per month when calculating the AFDC benefit level, but will have flexibility to establish higher earnings disregard amounts to encourage work. In addition, States will have the option to increase the current $50 per month amount of child support paid by the noncustodial parent and passed through to the custodial parent (before the remaining child support is used to reimburse the State for the cost of welfare). All disregards and the child support pass-through will be indexed to inflation to ensure that recipients who work or receive child support will be treated consistently in the future.

At present, only a small percentage of EITC claimants take advantage of the option to receive part of the EITC in advance payments throughout the year. While the reasons vary for the low utilization rate, it is partly due to a lack of information and the fact that employers are responsible for determining eligibility and administering the payments. Public agencies that deal directly with welfare recipients are uniquely positioned to ensure that the advance payment option is used frequently and appropriately. The proposal will allow States to conduct demonstration projects to make advance payments of the EITC available to eligible residents through a State agency. Welfare recipients could particularly benefit from receiving the EITC in advance payments throughout the year because they would experience the rewards from work on a more timely basis.

The final critical component for making work pay is affordable, accessible child care. In order for families, especially single-parent families, to be able to work or prepare themselves for work, they need dependable care for their children. The Federal Government currently subsidizes child care for low-income families primarily through the open-ended entitlement programs (AFDC/JOBS Child Care and Transitional Child Care), a capped entitlement program (At-Risk Child Care), and a discretionary program (the Child Care and Development Block Grant, or CCDBG). Working AFDC recipients are also eligible for the child care disregard, although in many places it is too low to cover the cost of care (a maximum of $200 a month for infants and $175 a month for all other children). The dependent care tax credit, which helps middle-income Americans, is seldom available for low-income families because it is not refundable.

Current child care programs do not provide sufficient support for working-poor families. In addition, the separate programs are governed by inconsistent legislation and regulations, making it difficult for States and parents to interact with a coherent system of care. Finally, there are problems with quality and supply of care, especially for infants and toddlers.

SUMMARY OF PROPOSAL

There are two main parts of the proposal designed to make work pay for low-income families. First, we will improve child care programs for families on public assistance and poor working families. Second, we will allow States to reward work by changing the amount of earned income and child support payments that can be disregarded in calculating benefit levels, and to conduct demonstrations to distribute the EITC on an advanced basis.

Improve Child Care for Low-Income Families

- Maintain the child care guarantee
- Increase child care funds for low-income working families
- Address quality and supply
- Coordinate rules across all child care programs
- Create equity for participants using the child care disregard

Other Provisions to Make Work Pay

- Allow States to reward work and the payment of child support
- Permit demonstrations in four States to provide advance payments of the EITC through State agencies

CHILD CARE

This welfare reform proposal will increase child care funding both for families on cash assistance and for working families not eligible for cash assistance. In addition, the proposal focuses on creating a simplified child care system and on ensuring that children are cared for in safe and healthy environments. The proposal includes the following:

Maintain the Child Care Guarantee

People on public assistance will continue to receive child care assistance while working or in education or training. Those who leave welfare will continue to receive a year of Transitional Child Care. The child care guarantee will be extended to the WORK program.

Increase Child Care Funds for Low-Income Working Families

We also propose significant new funding for child care programs available to low-income, working families. The At-Risk Child Care Program, a capped entitlement 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 program significantly and to make the match rate consistent with the new enhanced match rate in other Title IV-A programs.

It is hard to argue that low-income working families who have never been, or are no longer, on welfare are less needing or deserving of child care subsidies than people who are on welfare. While this proposal does not provide a child care guarantee for all working poor families, it does provide a major increase in support for them as well as for those on or moving off welfare.

In addition, the Administration's fiscal year 1995 budget calls for a 22 percent increase in funding for the Child Care and Development Block Grant (CCDBG). These funds support both services and quality improvements.

Address Quality and Supply

The goal of our child care proposal is to attain a careful balance between the need to provide child care support to as many low-income families as possible and the need to ensure the safety and healthy development of children. We are also concerned that there are specific child care supply problems in some geographic areas and for some children--especially infants and toddlers.

We will provide a set-aside in the At-Risk program to address quality improvements and supply issues. Quality improvements will include a range of activities such as resource and referral programs, grants or loans to assist in meeting State and local standards, and monitoring for compliance with licensing and regulatory requirements. Supply issues will include a special focus on the development and expansion of infant and toddler care in low-income communities.

Coordinate Rules Across All Child Care Programs

We will help States to use Federal programs to create seamless coverage for persons who leave welfare for work. States will be required to establish sliding fee scales and report consistently across programs. They will be able to place all Federal child care funding in one agency. Efforts will be made to link Head Start and child care funding streams to enhance quality and comprehensive services.

Children should be cared for in healthy and safe environments. Health and safety requirements will be made consistent across these programs and will conform to standards in the Block Grant (CCDBG) program. These State-defined health and safety standards, together with two new Federal standards on immunization and prohibiting access to toxic substances and weapons, are effective, feasible requirements designed to protect the health and safety of children. Except for these new Federal expectations related to hazardous substances and immunization, States will continue to establish their own standards; as a result, this change should not have a significant effect on many States. We do not believe the immunization standard should vary from State to State. Finally, we propose to ensure that all child care programs assure parental choice of providers, provide parents information on their child care options, and establish a system for parental complaints.

Create Equity for Participants Using the Child Care Disregard

There is a particular problem with the AFDC income disregard for child care, since it is based on a low maximum monthly payment of $175 per child ($200 for infant care), and because the disregard is effective only after families incur child care expenses, resulting in a cash-flow problem for many poor families. Simply raising the dollar amount of the disregard inadvertently makes a number of new families eligible for AFDC. At the same time, eliminating the disregard will make families ineligible. Therefore, to achieve equity, we propose requiring States either to offer supplemental payments or to provide working families at least two options for payment of child care costs (the disregard and one other payment mechanism).

OTHER PROVISIONS TO MAKE WORK PAY

Allow States to Reward Work and the Payment of Child Support

The existing set of AFDC earnings disregard rules makes work an irrational option for many recipients, particularly over time. Currently, all income received by an AFDC recipient or applicant is counted against the AFDC grant except income that is explicitly excluded by definition. States are required to disregard income in several ways: For each of the first four months of earnings, recipients are allowed a $90 work expense disregard and another $30 disregard. Also, one-third of remaining earnings are disregarded. After four months, the one-third disregard ends. The $30 disregard ends after 12 months. In addition, a child care expense disregard of $175 per child per month ($200 if the child is under 2) is permitted to be calculated. Currently, $50 in child-support is passed through to AFDC families with established awards. The EITC is also disregarded in determining AFDC eligibility and benefits.

This proposal will eliminate the current set of disregard rules and establish a much simpler minimum disregard policy at the Federal level. (The child care disregard will remain as described above.) We will allow considerable State flexibility in establishing policies beyond the minimum. Our proposal includes the following four components:

- Require States to disregard at least $120 in earnings, indexed for inflation, without regard to time on AFDC. This is equivalent to the $90 and $30 income disregards that families now get after four months of earnings.

- Give States the flexibility to establish their own earned income disregard policies on income above these amounts.

- Allow States complete flexibility in determining which types of income should be considered in developing a "fill-the-gap"[1] policy (i.e., income from earnings, child support or all forms of income). Currently, if States fill the gap, they must apply all forms of income.

- The AFDC $50 pass-through of child support payments will be indexed for inflation; States will have the option to pass through additional payments above this amount.

This proposal will yield a simpler system for recipients and caseworkers alike. It maximizes State flexibility and makes work a more attractive, rational option. By allowing workers to keep more of their earnings, it will increase the economic well-being of those workers.

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1. Each State establishes an AFDC need standard (the income the State decides is the amount essential for basic consumption items) and an AFDC payment standard (100 percent or less of the need standard). Benefits are generally computed by subtracting income from the payment standard. Under a "fill-the-gap" policy, benefits are computed by subtracting income from the higher need standard.

Permit States to Provide Advance Payments of the EITC through State Agencies

Under current law, low-income workers with children can elect to obtain up to 60 percent of the credit in advance payments through their employers, and claim the balance of the credit upon filing their income tax returns. An employee choosing to receive a portion of the EITC in advance files a W-5 form with his or her employer, and the employer calculates the advanced EITC payment based on the employee's wages and filing status and adds the appropriate amount to the employee's paycheck.

Despite the overall success of the EITC, its delivery could be improved, particularly by enhancing the probability that the EITC will be claimed in advance throughout the year rather than as a year-end, lump-sum payment. Recent data indicates that fewer than one percent of EITC claimants have received the credit through advance payments through their employers. While the reasons for the current low utilization rate are not fully known, a recent GAO study found that many low-income taxpayers were unaware that they could claim the credit in advance. Welfare recipients, in particular, could benefit from receiving the credit at more regular intervals throughout the year. By receiving the credit as they earn wages, workers would experience a direct link between work effort and EITC.

This proposal will allow up to four States to conduct demonstrations to promote the use of the advance payment option of the EITC by shifting the outreach and administrative burden from employers to selected public agencies. Such agencies may include public assistance offices (AFDC and/or Food Stamps), Employment Services Offices, and State finance and revenue agencies. Where appropriate, States may coordinate advance payments of the EITC with payments of other Federal benefits (such as food stamps) through electronic benefit technology. Technical assistance will be provided by the Federal government, and each demonstration will be rigorously evaluated.

PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

Poverty, especially long-term poverty, and welfare dependency are often associated with growing up in a one-parent family. Although many 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.

Teenage pregnancy is a particularly troubling aspect of this problem. The number of births to teen unwed mothers (under age 20) has quadrupled in the last 30 years, from 92,000 in 1960 to 368,000 in 1991. Teenage birth rates have been rising since 1986 because the trend toward earlier sexual activity has resulted in more pregnancies. According to the Annie E. Casey Foundation, almost 80 percent of the children born to unmarried teenage high school dropouts live in poverty. In contrast, the poverty rate is only eight percent for children of young people who deferred childbearing until they graduated from high school, were twenty years old, and married. Teenage childbearing often leads to school drop-out, which results in the failure to acquire the education and skills that are needed for success in the labor market. The majority of these teenagers end up on welfare, and according to Advocates for Youth (formerly the Center for Population Options) the annual cost to taxpayers is about $34 billion to assist families begun by a teenager.

Both parents bear responsibility for providing emotional and moral guidance, as well as economic support, to their children. Teenagers who bring children into the world are not yet equipped to discharge this fundamental obligation. If we wish to reform welfare and put children first, we must find effective ways of discouraging pregnancy among young people who cannot provide this essential support. We must send a clear and unambiguous signal -- you should not have a child until you are able to provide for and nurture that child.

For those who do become parents, we must send an equally clear message that they will have to take responsibility, even if they do not live with the child. 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 by the Urban Institute suggest that the potential for child support collections is approximately $48 billion per year. Yet only $20 billion in awards are currently in place, and only $14 billion is actually paid. Thus, we have a potential collection gap of about $34 billion.

The current system sends the wrong signals: all too often noncustodial parents are not held responsible for the children they bring into the world. Only about half of all custodial parents receive any child support, and only about one-third of single mothers (both never-married and formerly-married) receive any child support. The average amount paid is just over $2,000 for those due support. Among never-married mothers, only 15 percent receive any support. Further, paternity is currently being established in only one-third of cases where a child is born out of wedlock.

The child support problem has three main elements. First, for the majority of children born out of wedlock, a child support order is never established. Roughly 57 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, when awards are established, they are often too low and have not sufficiently kept up with changes in the earnings of the noncustodial parent over time. Fully 22 percent of the potential gap can be traced to awards that were either set very low initially or never adjusted as incomes changed. Third, of awards that are established, the full amount of child support is not paid in half the cases. Thus the remaining 21 percent of the potential collection gap is due to failure to fully collect on awards already in place.

For children to achieve real economic security and to avoid the need for welfare, they ultimately need support from both parents. When parents fail to provide support, the children pay -- and so do we. Still, under the present system, the needs, concerns, and responsibilities 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. Parents who pay child support restore a connection that both they and their children need.

SUMMARY OF PROPOSAL

The ethic of parental responsibility is fundamental. No one should bring a child into the world until both parents are prepared to support and nurture that child. We need to implement approaches that both require parental responsibility and help individuals to exercise it. First, we propose a national effort to prevent teen pregnancy. Second, we need special efforts to encourage responsible parenting among those on assistance, especially very young mothers. Third, we must collect more child support on behalf of all children living in single-parent families.

Reducing Teen Pregnancy and Out-of-Wedlock Births

- Lead a national campaign against teen pregnancy
- Establish a national clearinghouse on teen pregnancy prevention
- Provide teen pregnancy prevention grants
- Conduct comprehensive service demonstrations of various prevention approaches

Incentives for Responsible Behavior

- Require minor parents to live at home
- Require school-age parents to stay in school
- Allow States to limit additional benefits for additional children conceived while on AFDC
- Allow States to provide a variety of incentives to reward responsible behavior

Child Support Enforcement

- Establish awards in every case
- Ensure fair award levels
- Collect awards that are owed
- Child support enforcement and assurance demonstrations
- Enhance responsibility and opportunity for noncustodial parents

REDUCING TEEN PREGNANCY AND OUT-OF-WEDLOCK BIRTHS

We need to send a strong signal that it is essential for young people to delay sexual activity, as well as having children, until they are ready to accept the responsibilities and consequences of these actions. It is critical that we help all youth understand the rewards of staying in school, playing by the rules, and deferring childbearing until they are married, able to support themselves, and able to nurture their offspring. We have four proposals in this area:

National Campaign Against Teen Pregnancy. The President will lead a national campaign against teen pregnancy that challenges all aspects of society -- business, national and community voluntary organizations, religious institutions, and schools -- to join in the effort to reduce teen pregnancy. The campaign will emphasize the broader themes of economic opportunity, along with the personal responsibility of every family in every community. Government has a role to play in preventing teen pregnancy, but the massive changes in attitudes and behavior that have occurred in recent decades cannot be dealt with by Government alone.

National and individual goals will be established to define the mission and to guide the work of the national campaign. The goals will focus on measurable aspects of the broader opportunity and responsibility message for teen pregnancy prevention, such as graduating from high school; deferring childbearing until one is economically and emotionally prepared to support a child; and accepting responsibility for the support of one's children.

A non-profit, non-partisan privately funded entity committed to these goals will be established to pull together national, State, and local efforts through the media, schools, churches, communities, and individuals. Its membership will be broad-based, including youth, elected officials at all levels of government, and members of religious, sports, and entertainment communities. In addition, a Federal interagency group will provide information and coordinate the range of Federal programs in this area across program and department lines.

A National Clearinghouse on Teen Pregnancy Prevention. A National Clearinghouse on Teen Pregnancy Prevention will be established to serve as a national center for the collection and dissemination of information related to teen pregnancy prevention programs. Such information will include curricula, models, materials, training, and technical assistance. The Clearinghouse could also develop and sponsor training institutes for teen pregnancy prevention program staff and could conduct evaluations of prevention programs.

Teen Pregnancy Prevention Grants. To be most effective, a prevention strategy must begin with pre-teens, focus initially on the young people who are most at-risk, and emphasize school-based, school-linked activities and complementary community action. Under the Teen Pregnancy Prevention Grant Program, about 1,000 schools and community-based programs will be provided flexible grants, ranging between $50,000 and $400,000 each. Communities will be expected to use these funds to leverage other resources to implement teen pregnancy prevention programs that have local community support. Funding will be targeted to schools with the highest concentration of at-risk youth and will be available to serve both middle- and high-school-age youth. The goal will be to work with youth as early as age 10 and to establish continuous contact and involvement through graduation from high school. To ensure quality and establish a visible and effective presence, these programs will be supervised by professional staff and, where feasible, be supported by a team of national service participants provided by the Corporation for National and Community Service. These grants will be coordinated with other Administration activities and will include an evaluation component.

Comprehensive Services Demonstration Grants to Prevent Teen Pregnancy in High Risk Communities. An effective approach to reducing teen pregnancy must jointly emphasize increased personal responsibility and enhanced opportunity. Particular emphasis must be paid to the prevention of adolescent pregnancy before marriage, including sex education, abstinence education, life skills education, and contraceptive services. Programs that combine these elements have shown the most promise, especially for adolescents who are motivated to avoid pregnancy until they are married.

However, for those populations where adolescent pregnancy is a symptom of deeper problems, a wider spectrum of services and more intensive efforts may be necessary.

For this reason, we propose comprehensive community-based demonstration grants of sufficient size or "critical mass" to significantly improve the day-to-day experiences, decisions, and behaviors of youth. Local governments and local public and private non-profit organizations in high-poverty areas will be eligible to apply. Sites will be asked to cover five broad areas, with significant flexibility: health services, educational and employability development services, social support services, community activities, and employment opportunity development activities. The grants will follow a "youth development" model and will address a wide spectrum of areas associated with youth living in a healthy community: economic opportunity, safety, health, and education. These demonstrations will include a strong evaluation component and will be coordinated with other Administration activities.

INCENTIVES FOR RESPONSIBLE BEHAVIOR

Personal responsibility belongs at the heart of every government program. We believe that very clear and consistent messages about parenthood, and the ensuing responsibilities, hold the best chance of encouraging young people to defer parenthood. A boy who sees his brother required to pay about 20 percent of his income in child support for 18 years may think twice about becoming a father. A girl who knows that young motherhood will not relieve her of obligations to live at home and go to school may prefer other choices. We hope and expect that a reformed system that strongly reinforces the responsibilities of both parents will help prevent too-early parenthood and assist young parents become self-sufficient.

Along with responsibility, however, we must support opportunity. Telling young people to be responsible will not be effective unless we also provide them the means to exercise responsibility and the hope that playing by the rules will lead to a better life. We want to give States a broad range of incentives and requirements to reward responsible behavior:

Minor parents live at home. Teenagers who have children are still children themselves and need adult supervision and guidance. The welfare system should not encourage young people who have babies to leave home and receive a separate check. Minor parents will be required to live in their parents' household, except when, for example, the minor parent is married or there is a danger of abuse to the minor parent or her child. In such cases, States will be encouraged to find a responsible adult with whom the minor mother can live. Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. This proposal will require minor parents to live in an environment where they can receive the support and guidance they need. At the same time, the circumstances of each individual will be taken into account.

Requiring school-age parents to stay in school. States will be required to provide case management services to all custodial parents receiving AFDC who are under age 20. We will ensure that every school-age parent or pregnant teenager who is on, or applies for, welfare enrolls in the JOBS program, continues her education, and is put on a track to self-sufficiency. Every school-age parent receiving AFDC (male or female, case head or not) will be subject to JOBS participation requirements from the moment the pregnancy or paternity is established. All JOBS rules pertaining to personal responsibility contracts, employability plans, and participation will apply to teen parents.

State option to limit additional benefits for additional children conceived on AFDC. Currently, welfare benefits automatically increase with the birth of an additional child. Under the proposal, States will have the option to limit benefit increases when additional children are conceived by parents already on AFDC. States will be required to allow families to "earn back" the lost benefit amount through disregarded income from earnings or child support, and to ensure that parents have access to family planning services.

State options for incentives to reward responsible behavior. States will be given the option to use monetary incentives combined with sanctions as inducements to encourage young parents to remain in school or GED class. They may also use incentives and sanctions to encourage participation in appropriate parenting activities. This option is similar to Ohio's Learning, Earning, and Parenting (LEAP) program.

CHILD SUPPORT ENFORCEMENT

A typical child born in the United States today will spend some time in a single-parent home. The evidence is clear that children benefit from the financial support and interaction of both parents -- single parents cannot be expected to do the entire job of two parents. 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 by The Urban Institute suggest that the potential for child support collections is approximately $48 billion per year. Yet only $20 billion in awards are currently in place, and only $14 billion is actually paid.

The problem is essentially threefold. First, for many children born out of wedlock, a child support order is never established. Second, when awards are established, they are often too low, are not adjusted for inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. And third, of awards that are established, the full amount of child support is collected in only about half the cases. Our proposal addresses each of these shortcomings.

Establish Awards in Every Case

The first step in ensuring that a child receives financial support from the noncustodial parent is the establishment of a child support award. Roughly 57 percent of the potential collection gap of $34 billion can be traced to cases where no award is in place. Paternity, a prerequisite to establishing a support award, has not been established in about half of these cases. States currently establish paternity for only about one-third of the out-of-wedlock births and typically try to establish paternity only after women apply for welfare.

Paternity establishment is the first crucial step toward securing an emotional and financial connection between the father and the child. Recognizing the critical importance of establishing paternity for every child, the Administration has already launched a major initiative in this direction by the creation of in-hospital paternity establishment programs passed as part of the Omnibus Budget Reconciliation Act of 1993 (OBRA 1993). Research suggests that the number of paternities established can be increased dramatically if the process begins at birth or shortly thereafter, when the father is most likely to be present.

Parenting a child must be seen as an important responsibility that has consequences. For young fathers, this means that parenting a child will have real financial consequences for the support of that child. The responsibility for paternity establishment should be made clearer for both the parents and the agencies. If an AFDC mother provides verifiable information about the father, State agencies must establish paternity within strict timelines.

This proposal expands the scope and improves the effectiveness of current State paternity establishment procedures.

Streamlining the Paternity Establishment Process. The legal process for establishing paternity will be streamlined so that States can establish paternity quickly and efficiently. Early voluntary acknowledgement of paternity will be encouraged by building on the present in-hospital paternity establishment programs. For those cases that remain, States will be given additional tools they need to process routine cases without having to depend so heavily on already over-burdened courts.

Cooperation from Mothers as a Condition of AFDC Benefits. The responsibility for paternity establishment will be made clear both to parents and the agencies. Mothers who apply for AFDC must cooperate fully with paternity establishment procedures prior to receiving benefits and will be held to a new, stricter definition of cooperation which requires that the mother provide the name and other verifiable information that can be used to locate the father. The process for determining cooperation will also be changed -- "cooperation" will be determined by the child support worker, rather than the welfare caseworker, through an expedited process that makes a determination of cooperation before an applicant is allowed to receive welfare benefits. Those who refuse to cooperate will be denied AFDC benefits. Good cause exceptions will continue to be provided in appropriate circumstances. In turn, once an AFDC mother has cooperated in providing information, States will have one year to establish paternity or risk losing a portion of their Federal match for benefits.

Paternity Outreach. Outreach and public education programs aimed at voluntary paternity establishment will be greatly expanded in order to begin changing the attitudes of young fathers and mothers. Outreach efforts at the State and Federal levels will promote the importance of paternity establishment, both as a parental responsibility and as a right of the child to know both parents.

Paternity Performance and Measurement Standards. States will be encouraged to improve their paternity establishment rates for all out-of-wedlock births, regardless of welfare status, through performance-based incentives. A new paternity measure will be implemented that is based on the number of paternities established for all cases where children are born to an unmarried mother.

Administrative Authority to Establish Orders Based on Guidelines. Establishing support awards is critical to ensuring that children receive the support they deserve. Child Support (IV-D) agencies will be given the administrative authority to establish the child support award in appropriate cases, based on State guidelines.

Ensure Fair Award Levels

Fully 22 percent of the potential child support collection gap can be traced to awards that are either set very low initially or are not adjusted as incomes change. All States are currently required to use presumptive guidelines for setting and modifying all support awards but they have wide discretion in their development and the resulting award levels vary considerably across States. For example, in one study, the minimum amount of support due from low-income noncustodial parents required to pay support for one child varied from $259 per month in Alabama, to $241 in California, $50 in Massachusetts, and $25 in New York. While the use of State-based guidelines has led to more uniform treatment of similarly-situated parties within a State, there is still much debate concerning the adequacy of support awards resulting from guidelines.

Another concern is the failure to update awards as the circumstances of the parties change. Although the circumstances of both parents (including their income) and the child typically change over time, awards often remain at their original level. Updating typically increases awards over time because the noncustodial parent's income generally increases after the award is set, while inflation reduces the value of awards. However, the noncustodial parent who loses his job or experiences a legitimate drop in earnings would also benefit from updating because adjusting their awards will reduce the accumulation of arrearages.

This proposal seeks to reduce the impact of inadequate child support awards and to provide distribution policies that enable families to more easily move from welfare to work.

<u>Modifications of Child Support Orders</u>. Universal, periodic, administrative updating of awards will be required for both AFDC and non-AFDC cases in order to ensure that awards accurately reflect the current ability of the noncustodial parent to pay support. The burden for asking for an increase, if it is warranted, will be lifted from the non-AFDC mother and it will be done automatically, unless both parents decline a modification.

<u>Distribution of Child Support Payments</u>. Child support distribution policies will be made more responsive to the needs of families by re-ordering child support distribution priorities. For families who leave welfare for work, pre- and post-AFDC child support arrearages will be paid to the family first. Families who unite or reunite in marriage will have any child support arrearages owed to the State forgiven under certain circumstances. States will also have the option to pay current child support directly to families who are recipients. Families often remain economically vulnerable for a substantial period of time after leaving AFDC. In fact, about 45 percent of those who now leave welfare return within one year. More than 70 percent return within five years. Ensuring that all support due to the family during this critical transition period is paid to the family can mean the difference between self-sufficiency or a return to welfare.

<u>National Commission on Child Support Guidelines</u>. Under the proposal, a National Guidelines Commission will be established to study the issue of child support guidelines and make recommendations to the Administration and Congress on the desirability of uniform national guidelines or national parameters for setting State guidelines.

Collect Awards That Are Owed

The full amount of child support is collected in only about half the cases. Currently, enforcement of support cases is too often handled on a complaint-driven basis, with the IV-D agency taking enforcement action only when the custodial parent pressures the agency to do so. Many enforcement steps require court intervention, even when the case is a routine one. And even routine enforcement measures often require individual case processing, as opposed to being able to rely on automation and mass case processing.

This proposal includes provisions for central registries and other tools to improve both intra- and interstate enforcement.

State Role. A State-based system will continue, but with bold changes which move the system toward a more uniform, centralized, and service-oriented program. The need has grown for one central State location to collect and distribute payments in a timely manner. The ability to maintain accurate records that can be centrally accessed is critical. All States will maintain a central registry and centralized collection and disbursement capability. The registry will maintain current records of all support orders and work in conjunction with a centralized payment center for the collection and distribution of child support payments. The State-based central registry of support orders and centralized collection and disbursement will enable States to make use of economies of scale and use modern technology, such as that used by business -- high speed check processing equipment, automated mail and postal procedures, and automated billing and statement processing.

Centralized collection will vastly simplify withholding for employers since they will only have to send payments to one source. In addition, this change will ensure accurate accounting and monitoring of payments. State staff will monitor support payments to ensure that the support is being paid, and they will be able to impose certain enforcement remedies at the State level administratively and automatically. Thus, routine enforcement actions that can be handled on a mass or group basis will be imposed through the central State offices using computers and automation. For States that opt to use local offices, this will supplement, but not replace, local enforcement actions.

In addition to the current State caseload, all new and modified orders for support will be included in the central registry and will receive child support enforcement services automatically, without the need for an application. Certain parents, provided that they meet specified conditions, can choose to make their payment outside the registry.

States must move toward a child support system for the 21st century. With 15 million cases and a growing caseload, this will not occur by simply adding more caseworkers. Routine cases have to be handled in volume. The central registry, centralized collection and disbursement system, increased administrative remedies, and overall increase in automation and mass case processing are all necessary for the operation of a high performing and effective child support enforcement system. Giving State agencies the ability to take enforcement action immediately and automatically removes the burden of enforcing the obligation from the custodial parent, usually the mother.

Federal Role. The Federal role will be expanded to ensure efficient location and enforcement, particularly in interstate cases. In order to coordinate activity at the Federal level, a National Clearinghouse (NC) will be established, consisting of three components: an expanded Federal Parent Locator Service (FPLS), the National Child Support Registry, and the National Directory of New Hires.

Interstate Enforcement. New provisions will be enacted to improve State efforts to work interstate child support cases and to make interstate procedures more uniform throughout the country. The fragmented system of State child support enforcement has caused tremendous problems in collecting support across State lines. Given the fact that 30 percent of the current caseload involves interstate cases, and the fact that we live in an increasingly mobile society, the need for a stronger Federal role in interstate location and enforcement has grown. Many of the recommendations of the U.S. Commission on Interstate Child Support will be included to improve the handling of interstate cases, such as the mandatory adoption of the Uniform Interstate Family Support Act (UIFSA) and other measures to make the handling of interstate cases more uniform.

License Suspension. States will be required to use the threat of revoking professional, occupational, and drivers' licenses to make delinquent parents pay child support. This threat has been extremely effective in Maine, California, and other States.

Other Tough Enforcement Measures. To insure that people do not escape their legal and moral obligation to support their children, States will be given the enforcement tools they need, especially to reach the self-employed and other individuals who have often been able to beat the system in the past. Some of these tools include universal wage withholding, improved use of income and asset information, easier reversal of fraudulent transfers of assets, interest and late penalties on arrearages, expanded use of credit reporting, easing bankruptcy-related obstacles, and authority to use the same wage garnishment procedures for Federal and non-Federal employees.

Training and Employment Programs for Noncustodial Parents. States will have the option of developing JOBS and/or work programs for noncustodial parents who have children receiving AFDC or who have child support arrearages owed to the State from prior periods of AFDC receipt by their children. A State could allocate a portion of its JOBS and WORK funding for training, work readiness, and work opportunities for noncustodial parents. Requiring noncustodial parents to train or work off the child support they owe appears to increase collections dramatically -- most noncustodial parents pay their support rather than perform court-ordered community service. For those without job skills or jobs, these programs provide the opportunity for noncustodial parents to fulfill their child support obligations.

Performance-Based System. The entire financing and incentive scheme will be reconstructed, offering States new performance-based incentive payments geared toward desired outcomes. Federal technical assistance will be expanded to prevent deficiencies before they occur. While penalties will still be available to ensure that States meet program requirements, the audit process will emphasize a performance-based, "State-friendly" approach. There is almost universal agreement that the current funding and incentive structure fails to achieve the right objectives. These new tools can only be used effectively if States have the necessary funding and incentives to run good programs.

Child Support Enforcement and Assurance (CSEA) Demonstrations

Children need and deserve support from both parents. Yet collections are often sporadic. Often no money is received for several months, sometimes followed by a large arrearage payment. In other cases, the father is unemployed and cannot pay that month. In still other cases, the State simply fails in its duties to collect money owed. The proposal calls for a limited number of time-limited Child Support Enforcement and Assurance demonstrations which will attempt to link expanded efforts at child support collections to some level of guarantee that a child will receive a child support payment on a consistent basis. Under this experiment, persons with an award in place would be guaranteed a minimum level of support -- for example, $2,000 annually for one child and $3,000 for two. This does not relieve the noncustodial parent of any obligations. It simply ensures that the child will get some money even if the State fails to collect it immediately.

Child support enforcement and assurance is meant to test ways to ease the difficult task of moving people from welfare to work. It is designed to allow single parents to count on some child support, usually from the noncustodial parent, but from the assured child support payment if the noncustodial parent becomes unemployed or cannot pay child support. States that try this demonstration will have the option to link it with programs that require the noncustodial parent to work off the amount owed.

CSEA protection will be provided only to custodial parents who have a child support award in place, so mothers should have more incentive to cooperate in the identification and location of the noncustodial father, since they will be able to count on receiving benefits. CSEA benefits will normally be subtracted dollar for dollar from welfare payments. In most States, a woman on welfare will be no better off with CSEA, but if she leaves welfare for work, she can still count on her child support payments. Thus, work should be much more feasible and attractive.

Enhance Responsibility and Opportunity for Noncustodial Parents

There is considerable overlap between issues concerning child support enforcement and issues concerning noncustodial parents. The well-being of children who live with only one parent will be enhanced if emotional and financial support is provided by both of their parents. Yet, the current child support enforcement system is ill-equipped to handle cases in which noncustodial parents cite unemployment as the reason for their failure to make court-ordered support payments. It also pays scant attention to the needs and concerns of noncustodial parents -- instead of encouraging noncustodial parents to remain involved in their children's lives, the system often drives them away.

We need to make sure that all parents live up to their responsibilities. If we are going to expect more of mothers in welfare reform, we must not let fathers just walk away. A number of programs show considerable promise in helping noncustodial parents reconnect with their children and fulfill their financial responsibilities to support them. Some programs help parents do more by seeing that they get the skills they need to hold down a job and support their children. Other programs require noncustodial parents to work off the support they owe. It is also important to show parents who get involved in their children's lives again that when they pay child support, they restore a connection they and their children need.

This proposal will focus more attention on noncustodial parents and send a message that "fathers matter." The child support system, while getting tougher on those who can pay support but refuse to do so, will also be fair to those noncustodial parents who show responsibility toward their children.

<u>Work and Training for Noncustodial Parents</u>. States will have the option to use a portion of JOBS and WORK program funding for training, work readiness, educational remediation, and mandatory work programs for noncustodial parents of AFDC recipient children who cannot pay child support due to unemployment, underemployment or other employability problems. States will be able to choose to make participation by noncustodial parents mandatory or voluntary and will have considerable flexibility in designing their own programs.

Demonstration Grants for Paternity and Parenting Programs. Paternity and Parenting Demonstration grants will be made to States and/or community-based organizations to develop and implement noncustodial parent components in conjunction with existing programs for high-risk families (e.g., Head Start, Healthy Start, family preservation, teen pregnancy, and prevention). These grants will promote responsible parenting, emphasize the importance of paternity establishment and economic security for children, and develop parenting skills.

Access and Visitation Grants to States. Paternity actions will stress the importance of getting fathers involved earlier in their children's lives. These grants will be made to States for programs which reinforce the desirability of children having continued access to and visitation by both parents. These programs include mediation (both voluntary and mandatory), counseling, education, development of parenting plans, visitation enforcement including monitoring, supervision and neutral drop-off and pick-up, and development of guidelines for visitation and alternative custody arrangements.

IMPROVING GOVERNMENT ASSISTANCE

The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity obscures the mission of assisting families in need, frustrates people seeking aid, confuses caseworkers, increases administrative costs, leads to program errors and inefficiencies, and almost seems to invite waste and abuse.

SUMMARY OF PROPOSAL

Clearer Federal goals which allow greater State and local flexibility are critical. A central Federal role in information systems and interstate coordination will prevent waste, fraud, and abuse and will also improve service delivery at State and local levels. The proposal to reinvent government assistance contains three major components:

Coordination, Simplification, and Improved Incentives in Income Support Programs

- Allow States to eliminate special requirements for two-parent families
- Allow families to own a reliable automobile
- Allow families to accumulate savings
- Other coordination and simplification proposals
- Self-employment/microenterprise demonstrations
- Limit definition of essential persons

Accountability, Efficiency, and Reducing Fraud

- A nationwide public assistance clearinghouse
- State tracking systems
- Expansion of EBT systems

A Performance-Based System

- New performance measures and service delivery standards
- Improved quality assurance system
- Technical assistance

COORDINATION, SIMPLIFICATION, AND IMPROVED INCENTIVES IN INCOME SUPPORT PROGRAMS

Everyone from advocates to administrators is calling for simplification of the welfare system, and with good reason. The rationalization and simplification of income assistance programs can be achieved by making disparate Food Stamp and AFDC policy rules uniform or complementary for related policy provisions. Standardization among programs will enable caseworkers to spend less time on determining eligibility for various programs and more time on developing and implementing strategies to move clients from welfare to work.

Some of these rules have led to criticism of the welfare system because it imposes a "marriage penalty" to recipients who choose to wed by potentially making the married-couple family ineligible for assistance. Eliminating the current bias in the welfare system against two-parent families will encourage parents to remain together and prevent one parent from leaving the home in order for the other parent to receive welfare for the children.

Economic security is a vital step towards leaving welfare permanently. Restrictive asset rules often frustrate the efforts of recipients to save money and subsequently hamper their ability to attain self-sufficiency. Changing the asset rules to allow recipients to accrue savings, own a reliable car, or even start a business is an important step in the right direction.

Allow States to Eliminate Special Requirements for Two-parent Families

AFDC eligibility for two-parent families is currently limited to those in which the principal wage earner is unemployed and has worked six of the last 13 quarters. "Unemployed" is defined as working less than 100 hours in a month. Under this proposal States may eliminate the special eligibility requirements for two-parent families, including the 100 hour rule, the 30 day unemployment requirement, and the employment test. For States that elect to maintain a 100 hour (or modified) rule, WORK program participation will not count toward the rule. In addition, this proposal removes the sunset provision that allows for the termination of the AFDC-UP program in September 1998, and makes it a permanent program. These changes will allow States to better address the needs of intact working poor families.

Allow Families to Own a Reliable Automobile

Reliable transportation will be essential to achieving self-sufficiency for many recipients in a time-limited program -- if we are expecting them to work, we should allow them to have a reliable car that will get them to work. A dependable vehicle is important to individuals in finding and keeping a job, particularly for those in areas without adequate public transportation. Both the AFDC and Food Stamp programs need a resource policy that supports acquiring reliable vehicles.

For AFDC, the permitted equity value for one car is set at $1,500 or a lower value set by the State. In the Food Stamp Program, the portion of a car's fair market value in excess of $4,500 is counted toward the resource limit, although a car of any value can be excluded in certain limited circumstances. In both programs the automobile limitations can be a substantial barrier to independence. Current AFDC policy would prevent total exclusion of most cars less than eight to ten years old. As part of welfare reform, the Secretary of Health and Human Services will exercise existing regulatory authority to increase the AFDC automobile limit to an equity value of $3,500, which is more compatible with the current Food Stamp fair market value limit.

Allow Families to Accumulate Savings

As part of the welfare reform effort, we will explore a range of strategies, above and beyond education and job training, to help recipients achieve self-sufficiency. Encouraging welfare recipients to save money to build for their future and allowing them to accumulate savings for specific purposes will help promote self-sufficiency. Strategies will include raising the AFDC asset limit, conforming AFDC and Food Stamp program rules on what counts as an asset, and empowering welfare recipients to start their own businesses.

The very restrictive asset rules across Federal assistance programs are perceived as significant barriers to families saving and investing in their futures. We propose to develop uniform resource exclusion policies in AFDC and Food Stamps. This proposal will increase the AFDC resource limit (currently $1,000) to $2,000 (or $3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit and to encourage work and self-sufficiency.

The current inconsistency of asset rules across programs creates needless confusion and administrative complexity. We will take steps to reduce the administrative complexities that exist in the treatment of assets and resources for the purpose of determining eligibility for both the AFDC and Food Stamp programs in order to apply the same rules to the same resources for the same family. We will generally conform AFDC to Food Stamp policy regarding real property, cash surrender value of life insurance policies, and transfer of resources. These conforming changes achieve simplification by streamlining the administrative processes in both programs.

Recipients will be permitted to accumulate savings in Individual Development Accounts (IDAs) for specific purposes such as post-secondary education expenses and first-home purchases. Subsidized IDAs, in which savings by recipients would be matched by Federal government dollars, will be tested on a demonstration basis. Non-recurring lump sum income will not be counted as a resource with respect to continuing eligibility to receive benefits in either AFDC or Food Stamps if put into an IDA.

Other Coordination and Simplification Proposals

Additional AFDC and Food Stamp program changes would simplify and coordinate rules to encourage work, family formation, and asset accumulation. These include:

<u>Optional Retrospective Budgeting</u>. The proposal will conform AFDC to the Food Stamp Program's more flexible requirements for reporting and budgeting income. Under Food Stamp Program rules, States are given the option to use prospective or retrospective budgeting with or without monthly reporting. This proposal will foster consistency between the AFDC and Food Stamp programs and give States greater flexibility to administer their programs.

Treatment of income. Federal AFDC law requires that all income received by an AFDC recipient or applicant be counted against the AFDC grant except income that is explicitly excluded by definition or deduction. A number of changes are proposed to bring greater conformity between the AFDC and Food Stamp programs, to streamline both programs and/or to reintroduce positive incentives for recipients to work. Several provisions will meet these objectives.

The proposal will exclude non-recurring lump sum payments from income for AFDC purposes, and disregard reimbursements and EITC as resources for both programs. Lump sum payments, such as EITC or reimbursements, will be disregarded as resources for one year from the date of receipt to allow families to conserve the payments to meet future living expenses. In addition, we will disregard all education assistance received by applicants and recipients in both the AFDC and Food Stamp programs. The earnings of most elementary and secondary students up to age 19 will be disregarded, as will all training stipends and allowances, including JTPA. In-kind income, both earned and unearned will be disregarded. Food Stamp rules will conform to AFDC to exclude inconsequential income up to $30 per individual per quarter. Allowances, stipends, and educational awards received by volunteers participating in a National Service Program will be disregarded for AFDC purposes to conform to Food Stamp policy. Targeted earned income disregards for on-the-job training programs or jobs will be eliminated.

Together these proposals will make the treatment of income simpler for both recipients and welfare officials to understand. They will make work and education a more attractive, rational option for those who would continue to receive assistance and they will improve the economic well-being of those who need to combine work and welfare.

Other Conformities. We propose conforming and streamlining AFDC and Food Stamp policies regarding underpayments and verifications. Underpayments will be restored to both current and former recipients for amounts underpaid due to agency error for a period not to exceed 12 months. While verification of information needed for eligibility and benefit determinations will continue to be critical to delivering assistance, States will be given flexibility to simplify verification systems, methods, and timeframes for income, identity, alien status, and Social Security Numbers. AFDC requirements concerning declaration of citizenship and alien status will be amended to conform to Food Stamp policy. States will be permitted to implement Federal income tax intercept programs to collect outstanding AFDC overpayments, as currently available for Food Stamps.

Territories. The territories operate AFDC, Aid to the Aged, Blind, and Disabled, JOBS, child care, and Foster Care programs under the same eligibility and payment requirements as the States. However, funding for these programs is capped for the territories. Benefit payments above the cap are financed 100 percent by the territories. The caps are $82 million for Puerto Rico, $3.8 million for Guam, and $2.8 million for the Virgin Islands. Between 1979 and the present, the caps were increased only once, by roughly 13 percent. The number of public assistance programs funded under the current caps, coupled with only one adjustment to these caps in 15 years, has seriously limited the territories' abilities to provide, let alone increase, benefits. Further, beginning October, 1994, Puerto Rico will be required to extend eligibility to two-parent families.

This proposal will continue to give territories the authority to operate public assistance programs and adequate means to do so. We will increase the current caps by 25 percent to create realistic funding levels for the territories that are reflective of the current economy and caseload. We will also create a mechanism for indexing the caps to provide for occasional adjustments in funding levels to guarantee that funding is linked to economic conditions. Requirements to operate AFDC-UP programs in the territories will be eliminated. In addition, territories will be permitted, but not required, to implement a two-year time limit and the WORK program.

Self-Employment/Microenterprise Demonstrations

The proposal includes a self-employment/microenterprise demonstration program. This program will attempt to promote self-employment among welfare recipients by providing access both to microloan funds and to technical assistance in the areas of obtaining loans and starting businesses. The demonstration will explore the extent to which self-employment can serve as a route to self-sufficiency for recipients of cash assistance by encouraging persons on assistance to start microenterprises (small businesses). In addition, authority will be granted to the Departments to develop joint regulations to exclude resources necessary for self-employment.

Limit Definition of Essential Persons

Under current law, States are permitted, at their option, to include in the AFDC grant benefits for persons who are considered essential to the well-being of an AFDC recipient in the family. Such individuals are not eligible for AFDC in their own right, but their needs are taken into account in determining the benefits payable to the AFDC family because of the benefits or services they provide to the family. Currently, 22 States have selected the option of including essential persons as part of the AFDC unit. This proposal will limit the kinds of individuals that a State may identify as "essential" to eliminate the loophole that allows families to bring relatives like adult siblings into the AFDC unit regardless of the role they play in the family. We propose defining essential persons as only those who: (1) provide child care that allows the caretaker relative to pursue work and education, or (2) provide care for an incapacitated AFDC family member in the home.

ACCOUNTABILITY, EFFICIENCY, AND REDUCING FRAUD

Improvements in administration of welfare programs through the use of computerized information systems began in the late 1970s, but efforts have been sporadic, fragmented, and have resulted in varying degrees of sophistication, often depending on available funding incentives. Many of these systems have serious limitations, including limited flexibility, lack of interactive access, and limited ability to electronically exchange data. Multiple and uncoordinated programs and complex regulations almost seem to invite waste, fraudulent behavior, and simple error.

Computer and information technology solutions will support welfare reform by providing new automated screening and intake processes, eligibility decision-making tools, and benefit delivery techniques. Application of modern technologies such as expert systems, relational databases, voice recognition units, and high performance computer networks will permit the development of an information infrastructure and system that is able to eliminate the need for clients to access different entry points before receiving services; eliminate the need for agency workers (and clients) to encounter and understand a wide variety of complex rules and procedures; fully share computer data with programs within the State and among States; and provide the kind of case tracking and management that will be needed for a time-limited welfare system.

We are proposing to make use of new technology and automation to develop an information infrastructure that allows State-level integration and interfacing of multiple systems (including AFDC, food stamps, work programs, child care, child support enforcement, and others) and offers the chance to implement transitional programs which ensure quality service, fiscal accountability, and program integrity. States will be able to use the location and receipt of AFDC and the names and Social Security Numbers of members of AFDC families to detect and prevent fraud and abuse. Such information, either alone or by matching it with other data sources, will allow States to prevent, for example, clients from receiving benefits in multiple locations, from claiming non-existent children, and from claiming children by more than one family.

Partly as a result of increasing the detection of fraud and abuse and partly as a result of changing the culture of the welfare system, much fraud and abuse will be prevented or deterred before it occurs. For instance, people who currently have unreported jobs, but are fraudulently getting cash assistance, will be "smoked-out" because the JOBS plus WORK requirements will prevent them from working at their unreported employment. In the face of increased likelihood of detection of fraud and abuse, others may decide not to come onto the rolls at all or, once on, may decide to actively pursue self-sufficiency.

Program integrity activities will focus on ensuring overall payment accuracy and on the detection and prevention of recipient, worker, and vendor fraud. The new systems at the local, State, and Federal levels will dramatically increase the ability to detect many kinds of fraud and abuse. To support the broader information needs, the new information infrastructure needs to include both a national data clearinghouse to coordinate data exchange, as well as enhanced State and local information processing. In sum, the new welfare system, on the one hand, will provide government agencies enhanced tools to detect fraud and abuse and will prevent and deter clients from engaging in such activities and, on the other, will encourage clients to participate more actively in their own self-improvement.

<u>A nationwide public assistance clearinghouse</u> will be created which will be a collection of abbreviated case and other data. The clearinghouse will maintain at least the following data registries: the National Directory of New Hires with employment data including new hires; an expanded Federal Parent Locator Service; the National Child Support Registry of data on noncustodial parents who have support orders; and the National Welfare Receipt Registry to assist in operating a national time-limited assistance "clock" by tracking people whenever and wherever they use welfare. Such a system is essential for keeping the clock in a time-limited welfare system. Persons will not be able to escape their responsibilities by moving or collect benefits in two jurisdictions simultaneously.

<u>State tracking systems</u> will follow people in the JOBS and WORK programs. These systems will ensure that people are getting access to what they deserve and that they are being held accountable if they are failing to meet their obligations. Each State will be expected to develop a tracking system which indicates whether people are receiving and participating in the appropriate training and placement services.

Expansion of EBT systems. As part of the National Performance Review, Vice President Al Gore charged a Federal Task Force representing the Departments of Health and Human Services, Agriculture, Education, Treasury, the Office of Personnel Management, and the Office of Management and Budget to develop a strategic plan for a nationwide system to deliver government benefits, including welfare assistance, electronically. In its recent report, the Task Force sets forth a vision for implementation of a uniform, integrated national system for Electronic Benefits Transfer (EBT) by 1999.

This system will replace today's multiple paper systems and provide better service to benefit recipients without bank accounts and Food Stamp recipients at a lower cost to the taxpayer. Under EBT, recipients will receive a single EBT card which they could use at ATM or point-of-sale (POS) machines in stores and other locations to electronically access one or many types of benefits, from welfare to Social Security. The card helps to eliminate the stigma associated with cashing a government disability or welfare check or using food stamps at a grocery store, and can help restore the self-esteem needed for work and independence. EBT also eliminates much of the high risk of theft associated with getting a benefit check in the mail and with cashing it for its full value. Recipients can access their benefits at their convenience (compatible with their work or training schedule) without incurring check cashing fees. And, since using an EBT card is like using a bank card, recipients will be better prepared to participate in the economic mainstream of the community as they begin to work.

An EBT system has great long-term potential for better coordination of Federal benefit programs. At least 12 Federal and State assistance programs could use EBT to replace their paper benefit delivery methods. Once the full range of programs is included, a nationwide EBT system could deliver at least $111 billion in benefits annually.

A PERFORMANCE-BASED SYSTEM

One objective of welfare reform is to transform the culture of the welfare system -- from an institutional system whose primary mission is to ensure that poor children have a minimal level of economic resources, to a system that focuses equal attention on the task of integrating their adult caretakers into the economic mainstream of society. We envision an outcome-based performance measurement system that consists of a limited set of broad measures and focuses State efforts on the goals of the transitional support system -- helping recipients become self-sufficient, reducing dependency, and moving recipients into work. The Secretary of Health and Human Services will develop a system of performance standards which measures States' success in moving clients toward self-sufficiency and reducing their tenure on welfare. The system will be developed and implemented over time; interested parties will be included in the process for determining outcome-based performance measures and standards.

Until a system incorporating outcome-based standards can be put into place, State performance will be measured against service delivery standards. These standards will be used to monitor program implementation and operations, provide incentives for timely implementation, and ensure that States are providing services needed to convert welfare into a transitional support system. The new service delivery measures for JOBS are designed to see that a substantial portion of such cases are being served on an ongoing basis. As soon as WORK program requirements begin to take effect, States also will be subject to performance standards under the WORK program to ensure that recipients are provided with jobs when they reach the time limit. Until automated systems are operational and reliable, State performance vis-a-vis these service delivery measures will be based on information gathered through a modified Quality Control system.

New Performance Measures and Service Delivery Standards

Consistent with the theme of "reinventing government," State performance in accomplishing the goals of this reform initiative will ultimately be judged on the basis of outcomes rather than inputs or effort -- by the results they achieve rather than the way they achieve those results. An outcome-based performance standards system will keep the focus of welfare reform on the goals of moving recipients toward self-sufficiency and independence while ensuring the overall well-being of children and their families.

In order to change the focus of the welfare system, the outcome-based performance standards system will measure the extent to which the program helps participants improve their self-sufficiency, their independence from welfare, their labor market participation, and the economic well-being of families with children. Recognizing the complexity of this task, this proposal adopts a prudent strategy that moves forcefully, yet with reasonable caution, in the direction of developing an outcome-based performance system. Performance measures will be developed first, and then standards of performance with respect to those measures will be set. Relevant parties will be consulted during this process to ensure that consideration is given to important measurement issues such as what would be an appropriate set of measures, what kind of realistic standards should set with respect to those measures, and what the consequences should be for failing to meet established standards.

For the purposes of accountability and compliance, service delivery measures will be implemented first to ensure that welfare systems are operating the program for the phased-in mandatory population as intended. The new performance system will provide rewards and penalties for State performance through adjustments to the State's claims for Federal matching funds on AFDC payments and bonus payments to States. The measures are designed to provide positive and negative incentives to States to serve recipients under the new transitional system and to monitor program operations. States will be subject to service delivery standards and financial incentives in the following areas: the cap in deferrals, a monthly participation rate in JOBS, the cap on JOBS extensions, State accuracy in keeping the two-year clock, and a participation rate in WORK.

Improved Quality Assurance System

As part of the effort to refocus the welfare system, the Quality Control (QC) system will be revised to include outcome and service delivery standards in addition to ensuring that income support is provided competently. The existing QC system focuses on how well the welfare system's income support function is performed to the exclusion of other system goals. This emphasis shapes the atmosphere (the "culture") within welfare agencies, how personnel are selected and trained, how administrative processes are organized, and how organizational rewards are allocated. Moving to the new system envisioned by this proposal will present implementation and operational challenges that make the current system of judging performance inadequate.

The new, broader, QC system will give equal priority to payment accuracy and the other designated performance standards. It will include improving the accuracy of benefit and wage payments in the AFDC and WORK programs, assessing the quality and accuracy of State-reported JOBS/WORK data, and measuring the extent to which performance standards are met.

Technical Assistance

Welfare reform seeks nothing less than a change in the culture of the welfare system. This necessitates making major changes in a system that has primarily been issuing checks for decades. Now we will be expecting States to change individual behavior and their own institutions so that welfare recipients will be moved into mainstream society. This will not be done easily. We envision a major role for evaluation, technical assistance, and information sharing.

Initially, States will require considerable assistance as they design and implement the changes required under this proposal. As one State or locality finds strategies that work, those lessons ought to be widely shared with others. One of the elements critical to this reform effort has been the lessons learned from the careful evaluations done of earlier programs. Those lessons and the feedback secured during the implementation of these reforms will be used in a formative sense and will guide continuing innovation into the future. We will reserve two percent of the total annual capped entitlement funding for the Secretary of Health and Human Services to be spent on JOBS, WORK, and child care for research, demonstrations, evaluation, and technical assistance. In addition, the level of Federal technical assistance provided to State child support agencies will be expanded to prevent deficiencies before they occur.

CONCLUSION

If welfare reform is to truly succeed, it must accomplish multiple and varied objectives. The current welfare initiative will focus on work, responsibility, family and opportunity, all important principles which are difficult to quantify. However, we are confident that enactment of the Administration's welfare reform proposal will result in positive and tangible impacts. By sending a strong signal that young people should delay childbearing until they are prepared to accept the ensuing responsibilities, we will reduce teen pregnancies and the number of children born out of wedlock. By streamlining the paternity establishment process, more children will have the benefit of knowing who their father is. By significantly strengthening our child support enforcement system and by providing incentives and opportunities for noncustodial parents, we will dramatically increase the amount of support paid to children in this country. By expanding child care provided to working families, allowing States to disregard additional earnings and child support and making the EITC available on a regular basis, we will make work a rational and desirable choice for welfare recipients and those at-risk of going on welfare. By expanding the JOBS program and imposing time limits and work requirements, we will restore the values of work and responsibility within the public assistance system. This will increase the number of custodial parents who enter the labor force and increase earnings for their families. And finally, by streamlining and simplifying government assistance programs, we will eliminate outdated and inefficient bureaucratic rules and improve incentives for recipients and welfare officials alike.

In summary, this proposal does "end welfare as we know it" by dramatically changing the values, expectations and incentives within our current welfare system. Ultimately, this plan is about improving the lives of children and families by encouraging the values of work, responsibility, family and opportunity. Rewarding work and responsibility over welfare will make families stronger and our children and our society better off.

JUN 13 1994

TO: MEMBERS OF THE WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

FROM: MARY JO BANE
BRUCE REED
DAVID T. ELLWOOD
COCHAIRS

RE: WELFARE REFORM LEGISLATION

Tomorrow the President will announce the introduction of the Work and Responsibility Act of 1994, based on the recommendations of the Working Group. We are deeply appreciative of the hard work you contributed to this process, both in our formal deliberations and in individual discussions.

We enclose background materials on the bill, and talking points which we hope you will find useful when you are asked about the legislation. Media inquiries should be referred to Avis LaVelle or Melissa Skolfield in the HHS Public Affairs office (690-7850).

KANSAS CITY, MISSOURI

State and Local Model for Welfare Reform

President Clinton has chosen to unveil his welfare reform plan in Kansas City to highlight state and local models for reform that exemplify the reforms outlined in the Work and Responsibility Act being announced today.

The state of Missouri, and in particular Kansas City, have undertaken a number of initiatives that build on central principles of the Clinton plan:

Involving the Private Sector -- the key to moving people from welfare to work is finding jobs. Government must work in partnership with the private sector, community organizations and civic leaders to develop jobs matching individual skills and local employment opportunities.

- o In Kansas City, the Local INvestment Commission (LINC), has brought together just such a partnership to support a variety of initiatives including Missouri's 21st Century Communities Demonstration that is working to reform human services at the local level.

- o The Commerce Bank is one of many private businesses in Kansas City that have hired people from training programs designed to move them from welfare to work.

Making Welfare Transitional -- Missouri's Governor Carnahan has developed a welfare reform plan ("Beyond Welfare"), similar in many ways to the Clinton plan, designed to change the culture of welfare from writing checks to moving people to self-sufficiency. Many elements of "Beyond Welfare" are part of the Clinton plan, including:

- o wage supplements - providing employers with money that would go to recipients as welfare to serve as a wage supplement to encourage job-creation in low-income neighborhoods;

- o time limited self-sufficiency pacts - entering into time limited contracts with welfare recipients on a case by case basis to provide them the services they need to go to work as quickly as possible;

- o improved paternity establishment - promoting efforts to increase the number of paternities established at birth.

Model Programs -- Several model programs at the state and local level provide services and training to welfare recipients to help them find jobs and become self-sufficient. People who have successfully gone through these programs are meeting with the President before his speech today, and some of their stories are attached. These programs include:

- FUTURES - Missouri's JOBS program, FUTURES, is overseen in Kansas City by the FUTURES Advisory Committee, a public-private partnership that designed the program with local input. The program provides welfare recipients with the education, training, case management and support services needed to help them find jobs and become self-sufficient. In its first three years, it has placed 240 participants in employment with an hourly wage of $6.55. 100 others received their GED and 500 people completed life skills training.

- Women's Employment Network - Since 1986, the Women's Employment Network has served over 1,500 women and placed 78 percent of them in jobs. WEN is a non-profit community based organization, funded partly by state and federal funds and through corporate and foundation support. Community based non-profit organizations have proven very successful nationally in helping move people from welfare to work, and the Clinton plan is supportive of these efforts.

IN THE YEAR 2000, UNDER REFORM:

- 2.4 MILLION ADULTS WILL BE SUBJECT TO THE NEW RULES, INCLUDING TIME LIMITS AND WORK REQUIREMENTS.

- ALMOST ONE MILLION PEOPLE WILL EITHER BE OFF WELFARE OR WORKING:

  - 331,000 PEOPLE WHO WOULD HAVE BEEN ON WELFARE WILL HAVE LEFT THE WELFARE ROLLS.

  - 222,000 PARENTS WILL BE WORKING PART-TIME IN UNSUBSIDIZED JOBS.

  - 394,000 PEOPLE WILL BE IN SUBSIDIZED JOBS IN THE WORK PROGRAM. THAT'S UP FROM 15,000 NOW.

- ANOTHER 873,000 RECIPIENTS WILL BE IN TIME-LIMITED SCHOOL OR TRAINING PROGRAMS LEADING TO EMPLOYMENT.

- FEDERAL CHILD SUPPORT COLLECTIONS WILL HAVE MORE THAN DOUBLED, FROM $9 BILLION TO $20 BILLION.

- TEEN PREGNANCY PREVENTION PROGRAMS WILL BE OPERATING IN 1000 MIDDLE AND HIGH SCHOOLS IN DISADVANTAGED NEIGHBORHOODS.

- ALL HOSPITALS WILL HAVE PATERNITY ESTABLISHMENT PROGRAMS IN PLACE.

- A NATIONAL CLEARINGHOUSE WILL BE IN PLACE, TRACKING PARENTS WHO OWE CHILD SUPPORT ACROSS STATE LINES.

FOR YOUNGER RECIPIENTS, THE CHANGE WILL BE DRAMATIC:

- IN THE YEAR 2000, 14 PERCENT OF PARENTS UNDER AGE 29 WHO WOULD HAVE STILL BEEN ON WELFARE WITHOUT REFORM WILL HAVE LEFT THE ROLLS.

- 26 PERCENT OF MOTHERS UNDER AGE 29 WILL BE WORKING: NINE PERCENT PART-TIME IN UNSUBSIDIZED PRIVATE SECTOR JOBS, AND 17 PERCENT IN THE NEW WORK PROGRAM. TODAY, JUST FIVE PERCENT OF YOUNG WELFARE RECIPIENTS WORK; ALMOST ALL OF THEM IN PART-TIME JOBS.

- 37 PERCENT OF PARENTS UNDER AGE 29 WILL BE SUBJECT TO STRONGER EDUCATION AND TRAINING REQUIREMENTS, STRICT STANDARDS, TOUGH SANCTIONS FOR NONCOMPLIANCE, AND A TWO-YEAR TIME LIMIT. TODAY, JUST 22 PERCENT OF YOUNG WELFARE RECIPIENTS ARE EVEN EXPECTED TO PARTICIPATE IN ANY KIND OF EDUCATION OR TRAINING PROGRAM. PARTICIPATION STANDARDS ARE LOW AND THERE ARE NO TIME LIMITS TO ENCOURAGE MOVEMENT TO WORK.

- AND, UNDER WELFARE REFORM, PARENTS UNDER AGE 29 WILL BE SUBJECT TO MUCH STRONGER PARTICIPATION REQUIREMENTS. JUST 23 PERCENT OF THESE YOUNG MOTHERS WILL BE TEMPORARILY DEFERRED BECAUSE THEY HAVE A CHILD UNDER TWELVE MONTHS OF AGE; HAVE A DISABLED CHILD; OR ARE SERIOUSLY ILL THEMSELVES. TODAY, 73 PERCENT OF YOUNG WELFARE RECIPIENTS ARE EXEMPT FROM EDUCATION AND TRAINING REQUIREMENTS.

National Governors' Association
Statement on President Clinton's Welfare Reform Proposal

June 14, 1994

The National Governors' Association supports the principles embodied by President Clinton's welfare reform proposal, which builds on lessons learned in state welfare initiatives. We believe that such state experimentation will continue to be critical to national progress in welfare reform. We also believe that comprehensive reform must be accompanied by a commitment to allow states to complete already approved demonstration projects.

The President's proposal builds on the 1988 Family Support Act and incorporates many of the reform principles endorsed by the Governors:

- Welfare as a transition to self-sufficiency
- Assistance for those not yet ready for employment or training
- Time limited cash assistance, including education and training to help prepare for work
- Improved child care and Earned Income Tax Credits for low income working families
- Enhanced interstate child support enforcement
- Expanded programs to encourage family stability and limit teen pregnancy
- Increased state flexibility in program design
- Improved coordination between AFDC and Food Stamps
- Enhanced federal financing, including lower state matching rates

We believe welfare reform is an essential component in restoring responsibility and stability to the American family. The President's proposal is a positive contribution to the welfare reform debate and we particularly welcome its focus on incentives for work and time limits for cash assistance for those able to work.

The Administration consulted extensively with states and localities in developing the welfare reform proposal, and we commend the President and his Working Group on Welfare Reform for their commitment to an open consultation process. Like the Governors' policy, the President's proposal recognizes the importance of work as an alternative to welfare and includes numerous elements designed to enhance state ability to prepare and place recipients in work.

Throughout our discussions, the states have emphasized the importance of flexibility and continued innovation. There is no one-size-fits-all solution to welfare, and states must have the flexibility to develop programs and services that will address the unique characteristics of our welfare populations and economic conditions within our individual states. We applaud the President's efforts, within the framework of his plan, to afford states specific options to try different approaches without having to apply for waivers. These state options include making work pay by expanding earned income disregards and providing advance payments of the Earned Income Tax Credit.

States have invested considerable time and effort in the development of experiments to test a variety of reform initiatives, including many approved by the administration. We must emphasize, however, the importance of allowing states to complete the welfare demonstrations currently underway through waivers and to look favorably on new waiver applications.

Welfare is a complex program. The fundamental changes sought by the President and the Governors will require the enactment of a law that clearly recognizes the balance between the federal role in defining basic policy objectives and the state and local role in crafting the procedures and processes needed to obtain those objectives. The NGA will work closely with the administration and the Congress to ensure that the balance is achieved. Final federal legislation must not become overly prescriptive or detailed.

It should be noted that NGA has not yet seen legislative language and that individual Governors may have additional comments on specific issues as that language becomes available for review.

Our policy does not address specifically the issue of financing. States are concerned, however, that current program costs, such as the cost of assistance to immigrants without other resources, not be shifted to the states in order to pay for the federal share of welfare reform. We will be doing additional analysis of the financing mechanisms as details become available in order to determine the financial impact on states. We are also concerned about any sanctions that would penalize states for failing to adopt mandated intrastate child support procedures or reduce the federal match for basic assistance, such as for failing to meet employment program performance standards. We believe there is a shared federal-state responsibility for providing basic benefits, and we are concerned about a precedent of this kind.

In summary we welcome the President's action in this area and support the principles in the President's proposal. The Governors note that there are other proposals currently before the Congress that also incorporate a number of these principles and urge Congress to take advantage of this apparent momentum to enact welfare reform as quickly as possible that reflects the Governors' principles and addresses our concerns. We look forward to working with the Administration and Congress to this end.

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Chairman

Governor Howard Dean
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Welfare Reform Leadership Team

WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

FACSIMILE TRANSMISSION COVER SHEET

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KANSAS CITY, MISSOURI

State and Local Model for Welfare Reform

President Clinton has chosen to unveil his welfare reform plan in Kansas City to highlight state and local models for reform that exemplify the reforms outlined in the Work and Responsibility Act being announced today.

The state of Missouri, and in particular Kansas City, have undertaken a number of initiatives that build on central principles of the Clinton plan:

Involving the Private Sector -- the key to moving people from welfare to work is finding jobs. Government must work in partnership with the private sector, community organizations and civic leaders to develop jobs matching individual skills and local employment opportunities.

- In Kansas City, the Local INvestment Commission (LINC), has brought together just such a partnership to support a variety of initiatives including Missouri's 21st Century Communities Demonstration that is working to reform human services at the local level.

- The Commerce Bank is one of many private businesses in Kansas City that have hired people from training programs designed to move them from welfare to work.

Making Welfare Transitional -- Missouri's Governor Carnahan has developed a welfare reform plan ("Beyond Welfare"), similar in many ways to the Clinton plan, designed to change the culture of welfare from writing checks to moving people to self-sufficiency. Many elements of "Beyond Welfare" are part of the Clinton plan, including:

- wage supplements - providing employers with money that would go to recipients as welfare to serve as a wage supplement to encourage job-creation in low-income neighborhoods;

- time limited self-sufficiency pacts - entering into time limited contracts with welfare recipients on a case by case basis to provide them the services they need to go to work as quickly as possible;

- improved paternity establishment - promoting efforts to increase the number of paternities established at birth.

Model Programs -- Several model programs at the state and local level provide services and training to welfare recipients to help them find jobs and become self-sufficient. People who have successfully gone through these programs are meeting with the President before his speech today, and some of their stories are attached. These programs include:

- FUTURES - Missouri's JOBS program, FUTURES, is overseen in Kansas City by the FUTURES Advisory Committee, a public-private partnership that designed the program with local input. The program provides welfare recipients with the education, training, case management and support services needed to help them find jobs and become self-sufficient. In its first three years, it has placed 240 participants in employment with an hourly wage of $6.55. 100 others received their GED and 500 people completed life skills training.

- Women's Employment Network - Since 1986, the Women's Employment Network has served over 1,500 women and placed 78 percent of them in jobs. WEN is a non-profit community based organization, funded partly by state and federal funds and through corporate and foundation support. Community based non-profit organizations have proven very successful nationally in helping move people from welfare to work, and the Clinton plan is supportive of these efforts.

To be Edited ⇒ I will send a revised one.

Former welfare recipients who will meet with President Clinton

Kathy Romero

Kathy is a 21-year old single mother of a three-year old daughter. At 17 she dropped out of high school thinking that the father of her child would care for them. When he forgot their daughter's first birthday, she knew that it was up to her alone to raise her daughter. She turned to welfare for two years. With the help of Kansas City FUTURES, Kathy obtained her GED and is now employed full-time with Lutheran Trinity Hospital and independent of AFDC.

After one year of receiving AFDC benefits, Kathy realized that she needed to do something more with her life. While in a GED training course in 1991, she learned about the FUTURES program and believes that without this program, she would still be on welfare today. FUTURES provided her with tuition assistance and child care which allowed her to earn her GED and continue on with training to become an admissions clerk. Despite this assistance, it was a difficult time for Kathy, but she attributes much of her success to the constant support of her FUTURES advocate (case manager) Rachel. In 1992, one of her training sites was so impressed with her work that they hired her without previous experience. She has been working at Trinity Lutheran Hospital as an admitting clerk ever since. Kathy describes her experience with FUTURES by saying, "It helped me out so that I could support my daughter on my own. It's improved me to help my daughter."

Arlenda Moffitt
H: 913/333-3860
W: 913/855-5619

Arlenda, a 26-year old mother of two sons ages 5 and 7 has been on and off welfare since 1986. Six weeks ago, she started a job in customer service with the Pitney-Bowes Management Service which pays $7 per hour with full benefits; this was her last month on welfare. With the help of both the Women's Employment Network (WEN) and the FUTURES programs, Arlenda has come from living in a shelter to working full-time and supporting her two sons.

Arlenda has been on and off AFDC since 1986, raising two children without child support. Even working several part-time jobs, Arlenda realized she needed more training in order to get a better job and to get off welfare once and for all. She entered the Women's Employment Network (WEN) in 1989. WEN was extremely supportive in encouraging her efforts at obtaining a GED. They helped her with her interview skills, job readiness training, clothing, and parenting skills. Part-way through WEN, Arlenda became involved with the FUTURES program as well. FUTURES assigned an advocate (case manager) to Arlenda who helped her find her current job as a customer service representative at Pitney-Bowes Management Services. Arlenda appreciates the strong case manager approach of the FUTURES, saying: "It's so breathtaking. Talk about the support. FUTURES was always there for me...when they couldn't help, others did. When I got my GED, they even hung a banner to congratulate me."

Pamela Ruhnke
H: 913/461-6445
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Pam is a 32-year-old mother raising three children without any child support. She was on welfare for five years but is now working full time earning $7.36 per hour in a sheet metal apprenticeship program at Cates Sheet Metal. When Pam first applied for AFDC benefits in 1989 after leaving her second husband, she found out that she was making too much money to qualify for benefits. At the same time, her three jobs as receptionist, housekeeper and desk clerk did not pay enough to support her family. When she went to apply for welfare assistance, she learned she would need to quit two of her jobs in order to qualify for assistance. Pam explains that "I went in for a little bit of assistance. They told me I was making too much money, so I quit my jobs and went back and reapplied. It's pretty sad when you're working hard and they won't help you." A common problem for people trying to leave welfare is that it simply does not pay for them to go to work. The President's welfare reform plan will make work pay more than welfare for single mothers does through three initiative: promoting the recently increased Earned Income Tax Credit; dramatically increasing child care for both welfare recipients in education and training programs as well as low-income working families; and, through the Administration's health care initiative, providing universal health care for all families.

In May 1993, Pam joined the FUTURES program where she went to Adult Basic Education and to Full Employment Counseling/Job Training. She finished the program in May 1994 and found a job with Cates Sheet Metal in Olathe, MO, where she has been working for two months. She is in a five-year union apprenticeship program; when completed, she will earn between $21 and $24 per hour.

Vicki Phelps
H: 913/561-0726
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Vicki, a 34-year old single mother of three children ages 14, 6 and 5, raises her children without child support. The father of her oldest child has not been located, while the father of her two younger children lives in Michigan, making it difficult for Vicki to collect the owed support. Vicki was receiving AFDC for more than five years, but now works full-time as a Team Coordinator at Continuum Vantage where she supervises three employees and handles all billing for more than 700 clients.

In 1987, Vicki was working for an insurance company in a position that she had held for a year and a half. When she began having medical problems and required minor surgery, Vicki's whole life changed. The medication that she was taking made her drowsy, she missed a lot of work, and she finally had to give up her job. She had one child at the time, but soon after leaving work, found out that she was pregnant with her second child. At this time in late 1987, Vicki turned to AFDC to support her family.

Vicki moved in with the father of her younger children, who turned out to be an abusive boyfriend and father. He soon entered a drug treatment program. Meanwhile, Vicki was working in seasonal jobs while receiving AFDC and Food Stamps.

Vicki's story illustrates how important just a little help can be in getting on one's feet. Vicki started at the Women's Employment Network in the summer of 1992. They provided money for child care, transportation and emergency assistance. Vicki participated in their 15-day life skills/job readiness component and then began intensive job search.

Prior to WEN, Vicki had repeatedly tried to interview with Continuum Vantage, an insurance company. With her newly improved resume and interview skills, Vicki was offered a job and started there as a billing clerk in November 1992, earning $15,000 per year. She went off AFDC upon beginning work, and continued to receive Food Stamps and Medicaid. She has since been promoted three times and is currently a Team Coordinator. She earns $18,100 per year and is independent of public assistance.

Christine McDonald

Christine is a 27-year old single mother of two children, ages 8 and 5. She has never been married. Christine received benefits under AFDC off and on for several years before she was able to obtain a steady, well-paying job with Pepsi-Cola. One major problem that kept Christine on welfare was the lack of available subsidized child care.

Christine had her first child at age 19 and her second son at age 20. She went on welfare when she had her first child. However, this child died an accidental death when he was 22 months old, leaving Christine emotionally distressed and with little motivation. After recovering from the accident, Christine started working at K-Mart; she went off AFDC and continued to receive Food Stamps and Medicaid. After five months, Christine left K-Mart for a better-paying job at a grocery store. Christine was still off AFDC. In 1988, Christine had her third son and continued to work at the grocery store, until she ran into problems with her child care. She was living in subsidized housing at the time, but was on a waiting list for subsidized child care for both of her children. At this time, Christine had to leave her job and go back onto AFDC because she could no longer afford her own child care. In 1990 Christine finally received the subsidized child care and accepted a job with a Richmond Gorman department store as a shipping supervisor. In 1991, Richmond Gorman went out of business and Christine lost her job. She went back to welfare, and volunteered for the FUTURES program. FUTURES helped her to find the job that she currently has with Pepsi-Cola where she has been a laborer since December 1992. Christine earns $11.35/hour and is independent of AFDC.

Birdella Smith
H: 913/231-2032

Birdella, a 34-year old mother of three sons ages 17, 15 and 11, is divorced after being married for six years. She receives child support for her two older sons; but her ex-husband (father of her third son) owes child support to her. Birdella has her high school degree and two years of credits from Penn Valley Community College. She had been on and off AFDC for several years until the FUTURES and Women's Employment Network helped her to find a steady job with HOK Sports Facilities. Birdella's story illustrates how the need for medical care can keep single mothers on welfare rather than in entry-level jobs.

Birdella had her first son at age 18, after graduating from high school in 1977. She went to Penn Valley Community College and worked part-time at the college while her sister watched her son. Birdella had her second son in 1979. In 1981, she left Kansas City and moved to Nebraska with her fiance who was in the service. She continued to be on AFDC in Nebraska for one year before getting a job. She had her third son in 1982 and was married in 1983. She was not on AFDC at this time or throughout her marriage. Her husband continued to serve in the military and Birdella worked as an office cleaner and at Burger King. In 1984, the family moved to Chicago because of the service. She continued to work in Chicago. In 1986, however, Birdella separated from her husband, who had become abusive and addicted to drugs and alcohol. He was dishonorably discharged from the service and left town. At the time, Birdella was working as an assistant supervisor at a communication center, but left her job to move back to her family in Kansas City in August 1986.

After she arrived back in Kansas City, Birdella took a job with a portrait studio as a receptionist, earning $5.50 per hour. She had no place to live and had to move around to different relatives' houses. She did not have medical benefits with her job and also could not qualify for public housing because of the money that she had been making in Chicago. At this time, Birdella had to leave her job in order to get medical coverage; she had to wait until 1989 before she qualified for public housing. Back on welfare, Birdella participated in the Missouri FUTURES program which referred her to the Women's Employment Network (WEN) in 1992. Within one month of graduating from WEN's job preparation component, Birdella found a job as a secretary with HOK Sports Facilities, an architectural firm that designs major league and university facilities. Birdella makes $6.75/hour and receives full benefits.

Kansas City Futures Program

CONTACT: Patricia Miller, Co-Chair of Kansas City Futures Advisory Committee
816/889-2722

LOCATION: 615 East 13th Street
Room 403-1
Kansas City, MO 64106

The Kansas City Futures Program is a model for reinventing the welfare system and the state JOBS programs by putting more emphasis on local implementation, collaboration and privatization.

MISSION: to reinvent government and the welfare system through privatization, collaboration, a strengthened case management model, and outcomes based on results.

SUMMARY: In July, 1989 a group of concerned citizens and local agency representatives under the auspices of the Heart of America United Way developed recommendations for the implementation of the welfare reform provisions of the Family Support Act of 1988. In January, 1991 the Missouri Department of Social Services vested ownership of Futures in the Kansas City Futures Advisory Committee and charged them to design and oversee the implementation of the JOBS program in the three county area surrounding Kansas City. The Advisory remained engaged in designing program expansion, and the State is now in the process of turning over control of local expenditures and budget requests to the Advisory.

The Kansas City Futures program, with its unique structure, philosophy and practice, differs from the Futures program throughout the rest of Missouri and from other state JOBS programs in several ways:

Involvement of the local community/private sector in the program. State staff working with six subcommittees chaired by Advisory members and made up of representatives of social service agencies and volunteers from the private, nonprofit and public sectors designed the local program.

Innovative case management model. The local Division of Family Services staff who operate the program have adopted and integrated the mission and vision of the program into their day to day work with participants and the community. Kansas City uses a personalized case management system developed at the University of Kansas called the "Strengths Model." It focuses on the strengths and goals of participants in all areas of their lives. Thus, it is a comprehensive, holistic approach that enables participants to achieve success in their vocational training and career goals by having an impact on the entire family. Services are delivered in the community at sites that are accessible to participants and part of their everyday world rather than in bureaucratic settings.

Collaboration and non-duplication of efforts. The local program has been a model for collaboration in its partnerships with Full Employment Council (JTPA), Adult Basic Education in four school districts, Employment Security, Career Exploration and Assessment Center of Penn Valley Community College, and the Women's Employment Network. These agencies participated in the design process and their services are used in the program rather than duplicated.

Outcome-driven with accountability for results. Standards for educational achievement, successful completion of training, wages at job placement, and job retention have been set.

Privatization. In February, 1993 the Advisory Committee awarded five private agencies contracts to serve 260 persons who were on the waiting list for Kansas City Futures.

RESULTS: From July 1991 through December 1993, the Kansas City program has placed 208 participants in employment with an hourly wage of $6.50. Additionally, 89 participants received their GED and 468 participants completed life skills training. 986 participants are currently in the program, and 422 people are on the waiting list.

Women's Employment Network (WEN)

CONTACT: Janet Hoffman
Executive Director
816/842-7001

LOCATION: 1006 Grand, 2nd Floor
Kansas City, MO 64106

MISSION: To assist low-income women to achieve self-sufficiency, personal dignity and independence through gainful employment.

Women's Employment Network is a model training and employment program for low-income women that has served over 1,500 women and has placed 78 percent of them in decent-paying jobs.

SCOPE/RESULTS: WEN was started in July, 1986 and has since graduated over 1,500 women. 78 percent of all WEN graduates find gainful employment. Over 30 percent of all WEN graduates further their education. WEN graduates earn over 50 percent more than minimum wage; the average starting salary for WEN graduates is $6.30. More than 40 community volunteers provide assistance to WEN each month.

SUMMARY: WEN seeks to build metropolitan Kansas City by empowering low-income women to become economically independent citizens with resources to maintain their families and contribute to the community. WEN offers the following services to its participants:

- **Adult Basic Education**: Provides GED and other academic training cooperatively with the Kansas City Public School District; offers computer assisted learning programs; and includes life skills training and career exploration.
- **Job Readiness Class**: Teaches specific skills for gaining and keeping employment; builds women's self-esteem; and guides skills assessment and goal setting.
- **Job Placement Assistance**: Matches skills and abilities with job leads; conducts job search workshops; and invites companies to interview at WEN.
- **Vocational and Educational Assistance**: Provides college catalogs, counseling and career resources; and assists with financial aid applications.
- **Follow-Up and Support**: Provides consistent follow-up for two years after graduation; offers emergency assistance and counseling; reaches 1,500 graduates through alumni activities, newsletters and surveys.

BUSINESS/PRIVATE SECTOR INVOLVEMENT: Over 500 area employers contact WEN regularly to list a wide variety of job openings. WEN receives funding contributions from over 750 contributors, including nearly 50 individuals, corporations and foundations who have contributed at over $1,000. Other organizations have contributed time, talent, agency space, clothing, equipment, furniture and other services.

FUNDING: WEN is funded through individual, corporation and foundation support, as well as through federal and state grants from the Full Employment Council, Missouri Department of Social Services, Kansas PIC, Missouri Department of Economic Development, and Missouri Council on Women's Economic Development and Training.

Work

- Making welfare a transition to work: Building on the JOBS program
- The WORK program: Work, not welfare, after two years
- Supporting working families: EITC, health reform, child care

Responsibility

- Parental responsibility:
  Child support enforcement

- Accountability for taxpayers

- Performance, not process

Reaching the Next Generation

- Preventing teen pregnancy
- Phasing in young people first
- A clear message for teen parents: Supports and sanctions

HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

June 1994

FACTS RELATED TO WELFARE REFORM

Child Care Programs

Existing Child Care Programs

Five federal programs currently provide child care assistance to low-income families. AFDC/JOBS Child Care and Transitional Child Care help families moving from AFDC to work, while At-Risk Child Care and the Child Care and Development Block Grant enable low-wage working families to remain self-sufficient. In addition, Head Start provides low-income families with child development and other social services.

AFDC/JOBS Child Care, an entitlement program, offers assistance to recipients of Aid to Families with Dependent Children (AFDC) who are working or in education and training programs.

Transitional Child Care, also an entitlement program, provides assistance for up to one year after recipients leave AFDC for employment, so that parents entering the workforce will have the continued security of affordable care for their children.

The At-Risk Child Care program, a capped entitlement, allows states to provide child care to help low-income working families who might go on AFDC without such assistance.

The Child Care and Development Block Grant, a discretionary program, makes child care available to low-income parents who work, attend educational and training programs, or receive protective services. The federal government distributes funds to states, Indian tribes, and territories, which then enable parents to choose the care most appropriate to their children. The block grant also provides funds for quality improvements.

Head Start, a discretionary program, provides comprehensive services including education, health, parent involvement and social services to children from low-income families who meet the federal poverty guidelines.

Over the past few years, these five programs have provided critical child care support to low-income families. Despite this progress, there is still a significant demand for child care, for resources to improve quality and supply, and for better coordination and consistency across programs.

Clinton Administration Increases and Innovations

The Clinton Administration has made child care programs a consistent budget priority, increasing funding for the Child Care and Development Block Grant by 19 percent in the 1995 budget. To maximize the impact of each dollar, the Administration has also sought to coordinate and improve programs. To address quality and supply, the Administration is reviewing state health and safety standards, sponsoring a series of national institutes on critical child care issues, and attempting to give states more flexibility to address quality and consistency concerns through proposed regulations.

President Clinton's recent expansion of Head Start provides further support for quality child care. The 1995 budget includes substantial additional funding and encourages the development of full-day, full-year services to meet the needs of today's families.

Changes Under Welfare Reform

President Clinton's welfare reform proposal continues to expand and improve the system for both low-income working families and those transitioning off welfare. His proposal will expand availability, encourage safe and nurturing care environments, and further coordinate program requirements.

Maintaining and expanding the existing guarantee. Welfare recipients in work and training, including the JOBS and WORK programs, will still be guaranteed child care, and those leaving welfare will still receive a year of Transitional Child Care.

Expanding child care for low-income working families. Our proposal also substantially increases funding for the At-Risk program and reduces the state match. We almost double federal spending on child care for the working poor.

Addressing quality and supply. Quality improvement funds will support resource and referral programs, licensing and monitoring, and training and other provider supports. Children in group care receiving assistance will be immunized, and consistent health and safety standards will apply across child care programs. Our plan also directs special attention to increasing the supply of infant and toddler care.

Coordinating rules across all child care programs. Our proposal simplifies administration and ensures coverage by further standardizing different child care programs' requirements for provider standards, health and safety, parental access, consumer education, parental choice, and parental complaint management.

HHS NEWS

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June 1994

FACTS RELATED TO WELFARE REFORM

Child Support Programs

Existing Child Support Programs

The goal of the Child Support Enforcement (CSE) program, established in 1975 under Title IV-D of the Social Security Act, is to ensure that children are supported financially by both of their parents.

Designed as a joint federal, state, and local partnership, the multi-layered program involves 50 separate state systems, each with its own unique laws and procedures. Some local child support offices are run by courts, others by counties, and others by state agencies. At the federal level, the Department of Health and Human Services provides technical assistance and funding to states through the Office of Child Support Enforcement and also operates the Federal Parent Locator System, a computer matching system that uses federal information to locate non-custodial parents who owe child support.

Today, despite recent improvements in paternity establishment and collections, this child support system fails many families. In 1991, 14.6 million children lived in a female-headed family, almost triple the number in 1960, and 56 percent of them lived in poverty. Paternity is not established for most children born out of wedlock, child support awards are usually low and rarely modified, and ineffective collection enforcement allows many non-custodial parents--especially in interstate cases--to avoid payment without penalty.

As a result, non-custodial parents paid only $14 billion in child support in 1990. But if child support orders reflecting current ability to pay were established and enforced, single mothers would have received $48 billion: money for clothing, food, utilities, and child care. Closing that $34 billion gap is a top priority for this Administration.

Clinton Administration Increases and Innovations

Already, the Clinton Administration has proposed, and Congress has adopted, a requirement for states to establish hospital-based paternity programs, as a proactive way to establish paternities early in a child's life. In addition, the 1995 budget reflects a 13 percent increase in federal spending on child support.

Changes Under Welfare Reform

Building on the best state and federal initiatives, President Clinton's welfare reform plan will create an aggressive, coordinated system with automated collection and tougher enforcement. While the federal-state child support enforcement system collected $9 billion from non-custodial parents in 1993, the reformed system under our plan will collect $20 billion in the year 2000. The plan focuses on:

Universal paternity establishment. Performance incentives will encourage states to establish paternity for all births, and hospitals will expand efforts to get parents to voluntarily acknowledge paternity. Streamlined legal procedures and greater use of scientific testing will facilitate identification for those who do not voluntarily acknowledge their responsibilities. And we also require each welfare applicant to supply the name and location of the child's father in order to receive benefits.

Fair award guidelines and periodic updating. A commission will study whether national awards guidelines should be adopted. States will automatically update awards for families as non-custodial parents' incomes change.

Automated monitoring and tracking. States will centralize and modernize their child support structures through the use of central registries that monitor payments automatically. A new national child support clearinghouse will catch parents who try to evade their responsibilities even if they flee across state lines.

New penalties for those who refuse to pay. Expanded wage-withholding and data-base matching will be used to enforce compliance. As a last resort, states will withhold the drivers' and professional licenses of parents who refuse to pay support. Even the threat of license suspension is a proven enforcement tool, and suspension also reaches self-employed people unaffected by wage-withholding.

State initiatives and demonstration programs. The reform plan will, for the first time, create a state option to make money available for work and training programs for non-custodial parents who earn too little to meet their child support obligations. States can choose to make these programs mandatory--so that non-custodial parents work off what they owe. At the same time, demonstration grants for parenting and access programs--providing mediation, counseling, education, and visitation enforcement--will foster non-custodial parents' ongoing involvement in their children's lives. And child support assurance demonstrations will let interested states give families a measure of economic security even if child support is not collected immediately.

IN THE YEAR 2000, UNDER REFORM:

- 2.4 MILLION ADULTS WILL BE SUBJECT TO THE NEW RULES, INCLUDING TIME LIMITS AND WORK REQUIREMENTS.

- ALMOST ONE MILLION PEOPLE WILL EITHER BE OFF WELFARE OR WORKING:

    - 331,000 PEOPLE WHO WOULD HAVE BEEN ON WELFARE WILL HAVE LEFT THE WELFARE ROLLS.

    - 222,000 PARENTS WILL BE WORKING PART-TIME IN UNSUBSIDIZED JOBS.

    - 394,000 PEOPLE WILL BE IN SUBSIDIZED JOBS IN THE WORK PROGRAM. THAT'S UP FROM 15,000 NOW.

- ANOTHER 873,000 RECIPIENTS WILL BE IN TIME-LIMITED SCHOOL OR TRAINING PROGRAMS LEADING TO EMPLOYMENT.

- FEDERAL CHILD SUPPORT COLLECTIONS WILL HAVE MORE THAN DOUBLED, FROM $9 BILLION TO $20 BILLION.

- TEEN PREGNANCY PREVENTION PROGRAMS WILL BE OPERATING IN 1000 MIDDLE AND HIGH SCHOOLS IN DISADVANTAGED NEIGHBORHOODS.

- ALL HOSPITALS WILL HAVE PATERNITY ESTABLISHMENT PROGRAMS IN PLACE.

- A NATIONAL CLEARINGHOUSE WILL BE IN PLACE, TRACKING PARENTS WHO OWE CHILD SUPPORT ACROSS STATE LINES.

FOR YOUNGER RECIPIENTS, THE CHANGE WILL BE DRAMATIC:

- **IN THE YEAR 2000, 14 PERCENT OF PARENTS UNDER AGE 29 WHO WOULD HAVE STILL BEEN ON WELFARE WITHOUT REFORM WILL HAVE LEFT THE ROLLS.**

- **26 PERCENT OF MOTHERS UNDER AGE 29 WILL BE WORKING:** NINE PERCENT PART-TIME IN UNSUBSIDIZED PRIVATE SECTOR JOBS, AND 17 PERCENT IN THE NEW WORK PROGRAM. TODAY, JUST FIVE PERCENT OF YOUNG WELFARE RECIPIENTS WORK; ALMOST ALL OF THEM IN PART-TIME JOBS.

- **37 PERCENT OF PARENTS UNDER AGE 29 WILL BE SUBJECT TO STRONGER EDUCATION AND TRAINING REQUIREMENTS, STRICT STANDARDS, TOUGH SANCTIONS FOR NONCOMPLIANCE, AND A TWO-YEAR TIME LIMIT.** TODAY, JUST 22 PERCENT OF YOUNG WELFARE RECIPIENTS ARE EVEN <u>EXPECTED</u> TO PARTICIPATE IN ANY KIND OF EDUCATION OR TRAINING PROGRAM. PARTICIPATION STANDARDS ARE LOW AND THERE ARE NO TIME LIMITS TO ENCOURAGE MOVEMENT TO WORK.

- **AND, UNDER WELFARE REFORM, PARENTS UNDER AGE 29 WILL BE SUBJECT TO MUCH STRONGER PARTICIPATION REQUIREMENTS.** JUST 23 PERCENT OF THESE YOUNG MOTHERS WILL BE TEMPORARILY DEFERRED BECAUSE THEY HAVE A CHILD UNDER TWELVE MONTHS OF AGE; HAVE A DISABLED CHILD; OR ARE SERIOUSLY ILL THEMSELVES. TODAY, <u>73 PERCENT</u> OF YOUNG WELFARE RECIPIENTS ARE EXEMPT FROM EDUCATION AND TRAINING REQUIREMENTS.

WELFARE REFORM: RESPONSIBILITY

Our current welfare system often seems at odds with core American values, especially responsibility. *Overlapping and uncoordinated programs seem almost to invite waste and abuse. Non-custodial parents frequently provide little or no economic or social support to their children. And the culture of welfare offices often seems to reinforce dependence rather than independence. The President's welfare plan reinforces American values, while recognizing the government's role in helping those who are willing to help themselves.*

Our proposal includes several provisions aimed at creating a new culture of mutual responsibility. We will provide recipients with services and work opportunities, but implement tough, new requirements in return. These include provisions to promote parental responsibility, ensuring that both parents contribute to their children's well-being. The plan also includes incentives directly tied to the performance of the welfare office; extensive efforts to detect and prevent welfare fraud; sanctions to prevent gaming of the welfare system; and a broad array of incentives that the states can use to encourage responsible behavior.

Parental Responsibility

The Administration's plan recognizes that both parents must support their children, and establishes the toughest child support enforcement program ever proposed. In 1990, absent fathers paid only $14 billion in child support. But if child support orders reflecting current ability to pay were established and enforced, single mothers and their children would have received *$48 billion*: money for school, clothing, food, utilities, and child care. As part of a plan to reduce *and* prevent welfare dependency, our plan provides for:

- **Universal paternity establishment.** Hospitals will be required to establish paternity at birth, and each applicant will be required to name and help find her child's father before receiving benefits.

- **Regular awards updating.** Child support payments will increase as fathers' incomes rise.

- **New penalties for those who refuse to pay**. Wage-withholding and suspension of professional, occupational, and drivers' licenses will enforce compliance.

- **A national child support clearinghouse.** Three registries--containing child support awards, new hires, and locating information--will catch parents who try to evade their responsibilities by fleeing across state lines. Centralized state registries will track support payments automatically.

- **State initiatives and demonstration programs.** States will be able to make young parents who fail to meet their obligations work off the child support they owe. Demonstration grants for parenting and access programs--providing mediation, counseling, education, and visitation enforcement--will foster non-custodial parents' ongoing involvement in their children's lives. And child support assurance demonstrations will let interested states give families a measure of economic security even if child support is not collected immediately.

- **State options to encourage responsibility.** States can choose to lift the special eligibility requirements for two-parent families in order to encourage parents to stay together. States will also be allowed to limit additional benefits for children conceived by women on welfare.

Accountability for Taxpayers

To eliminate fraud and ensure that every dollar is used productively, welfare reform will coordinate programs, automate files, and monitor recipients. New fraud control measures include:

- **State tracking systems to help reduce fraud.** States will be required to verify the income, identity, alien status, and Social Security numbers of new applicants and assign national identification numbers.

- **A national public assistance clearinghouse.** Using identification numbers, the clearinghouse will follow people whenever and wherever they use welfare, monitoring compliance with time limits and work. A national "new hire" registry will monitor earnings to check AFDC and EITC eligibility, and identify non-custodial parents who switch jobs or cross state lines to avoid paying child support.

- **Tough sanctions.** Anyone who refuses to follow the rules will face tough new sanctions, and anyone who turns down a job offer will be dropped from the rolls. Cheating the system will be promptly detected and swiftly punished.

Performance, Not Process

The Administration's plan demands greater responsibility of the welfare office itself. Unfortunately, the current system too often focuses on simply sending out welfare checks. Instead, the welfare office must become a place that is fundamentally about helping people earn paychecks as quickly as possible. Our plan offers several provisions to help agencies reduce paperwork and focus on results:

- **Program coordination and simplification.** Conforming AFDC and Food Stamp regulations and simplifying both programs' administrative requirements will reduce paperwork.

- **Electronic Benefits Transfer (EBT).** Under a separate plan developed by Vice President Gore, states will be encouraged to move away from welfare checks and food stamp coupons toward Electronic Benefits Transfer, which provides benefits through a tamper-proof ATM card. EBT systems will reduce welfare and food stamp fraud, and lead to substantial savings in administrative costs.

- **Improved incentives.** Funding incentives and penalties will be directly linked to the performance of states and caseworkers in service provision, job placement, and child support collection.

WELFARE REFORM: REACHING THE NEXT GENERATION

Preventing teen pregnancy and out-of-wedlock births is a critical part of welfare reform. *Each year, 200,000 teenagers aged 17 and younger have children. Their children are more likely to have serious health problems--and they are much more likely to be poor. Almost 80 percent of the children born to unmarried teenage parents who dropped out of high school now live in poverty. By contrast, only eight percent of the children born to married high school graduates aged 20 or older are poor. Welfare reform will send a clear and unambiguous message to adolescents: you should not become a parent until you are able to provide for and nurture your child. Every young person will know that welfare has changed forever.*

Preventing Teen Pregnancy

To prevent welfare dependency in the first place, teenagers must get the message that staying in school, postponing pregnancy, and preparing to work are the right things to do. Our prevention approach includes:

- **A national campaign against teen pregnancy.** Emphasizing the importance of delayed sexual activity and responsible parenting, the campaign will bring together local schools, communities, families, and churches.

- **A national clearinghouse on teen pregnancy prevention.** The clearinghouse will provide communities and schools with curricula, models, materials, training, and technical assistance relating to teen pregnancy prevention programs.

- **Mobilization grants and comprehensive demonstrations.** Roughly 1000 middle and high schools in disadvantaged areas will receive grants to develop innovative, ongoing teen pregnancy prevention programs targeted to young men and women. Broader initiatives will seek to change the circumstances in which young people live and the ways that they see themselves, addressing health, education, safety, and economic opportunity.

Phasing in Young People First

Initial resources are targeted to women born after December 31, 1971. Phasing in the new system will direct limited resources to young, single mothers with the most at risk; send a strong message to teenagers that welfare as we know it has ended; most effectively change the culture of the welfare office to focus on work; and allow states to develop effective service capacity.

A Clear Message for Teen Parents

Today, minor parents receiving welfare can form independent households; often drop out of high school; and in many respects, are treated as if they were adults. Our plan changes the incentives of welfare to show teenagers that having children is an immense responsibility rather than an easy route to independence.

- **Supports and sanctions.** The two-year limit will not begin until teens reach age 18, but from the very first day, teen parents receiving benefits will be required to stay in school and move toward work. Unmarried minor mothers will be required to identify their child's father and live at home or with a responsible adult, while teen fathers will be held responsible for child support and may be required to work off what they owe. At the same time, caseworkers will offer encouragement and support; assist with living situations; and help teens access services such as parenting classes and child care. Selected older welfare mothers will serve as mentors to at-risk school-age parents. States will also be allowed to use monetary incentives to keep teen parents in school.

WELFARE REFORM: WORK

Under the President's reform plan, welfare will be about a paycheck, not a welfare check. *To reinforce and reward work, our approach is based on a simple compact. Each recipient will be required to develop a personal employability plan designed to move her into the workforce as quickly as possible. Support, job training, and child care will be provided to help people move from dependence to independence. But time limits will ensure that anyone who can work, must work--in the private sector if possible, in a temporary subsidized job if necessary. Reform will make welfare a transitional system leading to work.*

The combination of work opportunities, the Earned Income Tax Credit, health care reform, child care, and improved child support will make the lives of millions of women and children demonstrably better.

Making Welfare a Transition to Work: Building on the JOBS Program

Created by the Family Support Act of 1988 and championed by then-Governor Clinton, the JOBS program offers education, training, and job placement services--but to few families. Our proposal would expand and improve the current program to include:

- **A personal employability plan.** From the very first day, the new system will focus on making young mothers self-sufficient. Working with a caseworker, each woman will develop an employability plan identifying the education, training, and job placement services needed to move into the workforce. Because 70 percent of welfare recipients already leave the rolls within 24 months, and many applicants are job-ready, most plans will aim for employment well within two years.

- **A two-year time limit.** Time limits will restrict most AFDC recipients to a lifetime maximum of 24 months of cash assistance.

- **Job search first.** Participants who are job-ready will immediately be oriented to the workplace. Anyone offered a job will be required to take it.

- **Integration with mainstream education and training programs.** JOBS will be linked with job training programs offered under the Jobs Training Partnership Act, the new School-to-Work initiative, Pell Grants, and other mainstream programs.

- **Tough sanctions.** Parents who refuse to stay in school, look for work, or attend job training programs will be sanctioned, generally by losing their share of the AFDC grant.

- **Limited exemptions and deferrals.** Our plan will reduce existing exemptions and ensure that from day one, even those who can't work must meet certain expectations. Mothers with disabilities and those caring for disabled children will initially be exempt from the two-year time limit, but will be required to develop employability plans that lead to work. Another exemption allowed under current JOBS rules will be significantly narrowed: mothers of infants will receive only short-term deferrals (12 months for the first child, three months for the second). At state discretion, a very limited number of young mothers completing education programs may receive appropriate extensions.

- **Let states reward work.** Currently, AFDC recipients who work lose benefits dollar-for-dollar, and are penalized for saving money. Our proposal allows states to reinforce work by setting higher earned income and child support disregards. We also help fund demonstration projects to support saving and self-employment.

- **Additional federal funding.** To ease state fiscal constraints and ensure that JOBS really works, our proposal raises the federal match rate and provides additional funding. The federal JOBS match will increase further in states with high unemployment.

The WORK Program: Work Not Welfare After Two Years

The WORK program will enable those without jobs after two years to support their families through subsidized employment. The WORK program emphasizes:

- **Work, not "workfare."** Unlike traditional "workfare," recipients will only be paid for hours worked. Most jobs would pay the minimum wage for between 15 and 35 hours of work per week.

- **Flexible, community-based initiatives.** State governments can design programs appropriate to the local labor market: temporarily placing recipients in subsidized private sector jobs, in public sector positions, or with community organizations.

- **A Transitional Program.** To move people into unsubsidized private sector jobs as quickly as possible, participants 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. Participants in subsidized jobs will not receive the EITC. Anyone who turns down a private sector job will be removed from the rolls, as will people who repeatedly refuse to make good faith efforts to obtain available jobs.

Supporting Working Families: The EITC, Health Reform, Child Care

To reinforce this central message about the value of work, bold new incentives will make work pay and encourage AFDC recipients to leave welfare.

- **The Earned Income Tax Credit (EITC).** The expanded EITC will lift millions of workers out of poverty. Already enacted by Congress, the EITC will effectively make any minimum wage job pay $6.00 an hour for a typical family with two children. States will be able to work with the Treasury Department to issue the EITC on a monthly basis.

- **Health care reform.** Universal health care will allow people to leave welfare without worrying about coverage for their families.

- **Child care.** To further encourage young mothers to work, our plan will guarantee child care during education, training, and work programs, and for one year after participants leave welfare for private sector employment. Increased funding for other federal child care programs will bolster more working families just above the poverty line and help them stay off welfare in the first place. Our plan also improves child care quality and ensures parental choice.

HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

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- AFDC benefit levels have declined by 42 percent in the last two decades. The average monthly benefit for a mother and two children with no earnings has shrunk in constant 1992 dollars from $690 in 1972 to $399 in 1992, a 42-percent decline.

- This decline has been partly offset by an increase in food stamp benefits, such that the combination of AFDC and food stamps for a mother and two children with no earnings has declined by 26 percent between 1972 and 1992.

- In all 50 states, AFDC benefits are below the Census Bureau's poverty threshold, varying from 13 percent of the threshold in Mississippi to 79 percent in Alaska (median of 39 percent).

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- The number of persons receiving AFDC each year has increased significantly between 1975 and 1992. In 1975, 11.1 million individuals received benefits, and in 1992, 13.6 million persons received AFDC (up from 12.6 in 1991). Over the same time period, the average size of AFDC families has fallen, from 3.2 persons in 1975 to 2.9 persons in 1992.

- Recipiency rates, defined as the total number of AFDC recipients divided by the State population, have not followed a uniform trend among all States. While rates in some States increased substantially between 1975 and 1992, 22 States experienced a decline in monthly recipiency rates over that time period.

- Two thirds of AFDC recipients are children. In 1992, AFDC provided benefits to 9.2 million children.

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- Despite the increase in the number of recipients over the time period, benefit expenditures have remained relatively constant in real terms between 1975 ($21.3 billion) and 1992 ($22.2 billion). Real spending on AFDC apart from AFDC-UP has actually fallen since 1975, from $20.3 billion in 1975 to $20.1 billion in 1992.

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- The share of Federal spending devoted to AFDC has declined from 1.5 percent in 1975 to 1.1 percent in 1992.

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- Thirty-four percent of caretaker relatives (usually the mother) of AFDC children in 1992 were white, 39 percent were black, 19 percent were Hispanic, and 4 percent were Asian.

- Only 22 percent of AFDC families reported any non-AFDC income in 1992.

- Forty percent of female welfare recipients gave birth to their first child before the age of 19. Just over half had a high school degree when they entered the AFDC program, and 49 percent had not worked in the 12 months prior to entry.

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- Of adult AFDC recipients not exempted from the JOBS program in 1992, sixteen percent met the participation rate requirement. Only Indiana, Maine, Maryland and Guam failed to reach the 11 percent participation rate mandated in the Family Support Act for fiscal year 1992.

- Fiscal year 1992 Federal funding for the JOBS program was capped at $1 billion. However, State spending was only sufficient to draw down two-thirds of the available Federal funding for fiscal year 1992, and only 11 States claimed their full allocation of Federal funds. Only 19 States intended to spend enough to claim their full allocation in fiscal year 1993.

Other Facts

Living Arrangements of Children

- While the total child population in the United States was approximately the same in 1960 as in 1991, the percent of children living with a single parent increased from 9 percent to 26 percent. The majority of children born today will spend some time in a single-parent family.

Labor Force Participation of Women

- The percent of women who work in the wage labor market has increased dramatically in recent decades. Between 1950 and 1992, the labor force participation of women with children under age 6 increased from 14 percent to 58 percent.

Child Poverty

- In 1992, 22 percent of children lived in poverty. Among children in female-headed families, the rate was 54 percent; among children in families with a male present, the rate was 11 percent.

Child Support Enforcement

- In families with children with an absent father in 1989,
  58 percent had a child support order in place, 37 percent received some payment, and 26 percent received the full payment.

FAX TRANSMISSION

TO: Bruce Reed
Kathi Way
Jonathan Prince
Melissa Skolfield
Emily Bromberg

FROM: Helene Grady

Msg: Attached is a revised copy of the bios of 7 of the 11 former welfare recipients who will meet with the President. Kathy Romero, the first bio, will introduce the President. Please call with any questions -- 913/384-9234.

Former welfare recipients who will meet with President Clinton

Kathy Romero

Kathy is a 21-year old single mother of a three-year old daughter who, with the help of Kansas City FUTURES, obtained her GED and is now employed at Lutheran Trinity Hospital. At 17 she applied for AFDC and dropped out of high school, thinking that the father of her child would care for them. When he forgot their daughter's first birthday, she knew that it was up to her alone to raise her daughter.

At this point, Kathy had been on AFDC for one year and realized that in order to support her daughter on her own, she needed to do something more with her life. While in a GED training course in 1991, she learned about the FUTURES program and believes that without this program, she would still be on welfare today. FUTURES provided her with tuition assistance and child care which allowed her to earn her GED and continue training to become an admissions clerk. Despite this assistance, it was a difficult time for Kathy, but she attributes much of her success to the constant support of her FUTURES advocate (case manager) Rachel. In 1992, one of her training sites was so impressed with her work that they hired her without previous experience. She has been working at Trinity Lutheran Hospital as an admitting clerk ever since. Kathy describes her experience with FUTURES by saying, "It helped me out so that I could support my daughter on my own. It's improved me to help my daughter."

Pamela Ruhnke
H: 913/461-6445
W: 913/764-4403

Pam is a 32-year-old mother raising three children without any child support. She was on welfare for five years but is now working full time earning $7.36 per hour in a sheet metal apprenticeship program at Cates Sheet Metal. When Pam first applied for AFDC benefits in 1989 after leaving her second husband, she found out that she was making too much money to qualify for benefits. At the same time, her three jobs as receptionist, housekeeper and desk clerk did not pay enough to support her family. When she went to apply for welfare assistance, she learned she would need to quit two of her jobs in order to qualify for assistance. Pam explains that "I went in for a little bit of assistance. They told me I was making too much money, so I quit my jobs and went back and reapplied. It's pretty sad when you're working hard and they won't help you." A common problem for people trying to leave welfare is that it simply does not pay for them to go to work. The President's welfare reform plan will make work pay more than welfare for single mothers through three initiatives: promoting the recently increased Earned Income Tax Credit; dramatically increasing child care for both welfare recipients in education and training programs as well as low-income working families; and, through the Administration's health care initiative, providing universal health care for all families.

In May 1993, Pam joined the FUTURES program where she went to Adult Basic Education and to Full Employment Counseling/Job Training. She finished the program in May 1994 and found a job with Cates Sheet Metal in Olathe, MO, where she has been working for two months. She is in a five-year union apprenticeship program; when completed, she will earn between $21 and $24 per hour.

Vicki Phelps
H: 913/561-0726
W: 913/435-6300

Vicki, a 34-year old single mother of three children ages 14, 6 and 5, raises her children without child support. The father of her oldest child has not been located, while the father of her two younger children lives in Michigan, making it difficult for Vicki to collect the owed support. Vicki was receiving AFDC for more than five years, but now works full-time as a Team Coordinator at Continuum Vantage, an insurance company, where she supervises three employees and handles all billing for more than 700 clients.

In 1987, Vicki was working for an insurance company in a position that she had held for a year and a half. When she began having medical problems and required minor surgery, Vicki's whole life changed. The medication that she was taking made her drowsy, she missed a lot of work, and she finally had to give up her job. She had one child at the time, but soon after leaving work, found out that she was pregnant with her second child. At this time in late 1987, Vicki turned to AFDC to support her family.

Vicki moved in with the father of her younger children, who turned out to be an abusive boyfriend and father. He soon entered a drug treatment program. Meanwhile, Vicki was working in seasonal jobs while receiving AFDC and Food Stamps.

Vicki's story illustrates how important just a little help can be in getting on one's feet. Vicki started at the Women's Employment Network in the summer of 1992. They provided money for child care, transportation and emergency assistance. Vicki participated in their 15-day life skills/job readiness component and then began intensive job search.

Prior to WEN, Vicki had repeatedly tried to interview with Continuum Vantage. With her newly improved resume and interview skills, Vicki was offered a job and started there as a billing clerk in November 1992, earning $15,000 per year. She went off AFDC upon beginning work, and continued to receive Food Stamps and Medicaid. She has since been promoted three times and is currently a Team Coordinator. She earns $18,100 per year and is independent of public assistance.

Christine McDonald

Christine is a 27-year old single mother of two children, ages 8 and 5. She has never been married. Christine received benefits under AFDC off and on for several years before she was able to obtain a steady, well-paying job with Pepsi-Cola. One major problem that kept Christine on welfare was the lack of available subsidized child care.

Christine had her first child at age 19 and her second son at age 20. She went on welfare when she had her first child. However, this child died an accidental death when he was 22 months old, leaving Christine emotionally distressed and with little motivation. After recovering from the accident, Christine started working at K-Mart; she went off AFDC and continued to receive Food Stamps and Medicaid. After five months, Christine left K-Mart for a better-paying job at a grocery store. Christine was still off AFDC. In 1988, Christine had her third son and continued to work at the grocery store, until she ran into problems with her child care. She was living in subsidized housing at the time, but was on a waiting list for subsidized child care for both of her children. At this time, Christine had to leave her job and go back onto AFDC because she could no longer afford her own child care. In 1990 Christine finally received the subsidized child care and accepted a job with a Richmond Gorman department store as a shipping supervisor. In 1991, Richmond Gorman went out of business and Christine lost her job. She went back to welfare, and volunteered for the FUTURES program. FUTURES helped her to find the job that she currently has with Pepsi-Cola where she has been a laborer since December 1992. Christine earns $11.35/hour and is independent of AFDC.

Birdella Smith
H: 913/231-2032

Birdella, a 34-year old mother of three sons ages 17, 15 and 11, is divorced after being married for six years. She receives child support for her two older sons; but her ex-husband (father of her third son) owes child support to her. Birdella has her high school degree and two years of credits from Penn Valley Community College. She had been on and off AFDC for several years until the FUTURES and Women's Employment Network helped her to find a steady job with HOK Sports Facilities. Birdella's story illustrates how the need for medical care can keep single mothers on welfare rather than in entry-level jobs.

Birdella had her first son at age 18, after graduating from high school in 1977. She went to Penn Valley Community College and worked part-time at the college while her sister watched her son. Birdella had her second son in 1979. In 1981, she left Kansas City and moved to Nebraska with her fiance who was in the service. She continued to be on AFDC in Nebraska for one year before getting a job. She had her third son in 1982 and was married in 1983. She was not on AFDC at this time or throughout her marriage. Her husband continued to serve in the military and Birdella worked as an office cleaner and at Burger King. In 1984, the family moved to Chicago because of the service. She continued to work in Chicago. In 1986, however, Birdella separated from her husband, who had become abusive and addicted to drugs and alcohol. He was dishonorably discharged from the service and left town. At the time, Birdella was working as an assistant supervisor at a communication center, but left her job to move back to her family in Kansas City in August 1986.

After she arrived back in Kansas City, Birdella took a job with a portrait studio as a receptionist, earning $5.50 per hour. She had no place to live and had to move around to different relatives' houses. She did not have medical benefits with her job and also could not qualify for public housing because of the money that she had been making in Chicago. At this time, Birdella had to leave her job in order to get medical coverage; she had to wait until 1989 before she qualified for public housing. Back on welfare, Birdella participated in the Missouri FUTURES program which referred her to the Women's Employment Network (WEN) in 1992. Within one month of graduating from WEN's job preparation component, Birdella found a job as a secretary with HOK Sports Facilities, an architectural firm that designs major league and university facilities. Birdella makes $6.75/hour and receives full benefits.

Yolanda Magee

Yolanda, a 21-year old single mother of two-year old son, was on welfare for approximately nine months before finding a full-time job as a research clerk at Commerce Bank in Kansas City. Yolanda had her son at age 19, soon after graduating high school. She had been working as a clerk at T.J. Maxx retail store until her son was born, and she applied for welfare. She is not in touch with his father and does not receive child support.

Yolanda's story illustrates how training and case management can really work to move welfare recipients off welfare and into employment quickly. After six months at home with her son, Yolanda says that she was "tired of sitting at home...I wanted to work for a living." Yolanda heard from a friend about a computer training course at the Urban League, which she started attending in March 1992. The Urban League also set her up with the FUTURES program to provide her the supports (including child care assistance, counseling, and transportation assistance) that she would need in order to make the transition from welfare to work. FUTURES assigned Yolanda an advocate/case manager who visited her on-site at the Urban League every week. The Urban League's job placement office helped Yolanda with her resume and interview skills so that by June 1992, Yolanda had been offered a job by Commerce Bank. Yolanda is still in this job, earns $6.71 per hour with benefits and is independent of public assistance.

Arlenda Moffitt
H: 913/333-3860
W: 913/855-5619

Arlenda, a 26-year old mother of two sons ages 5 and 7 has been on and off welfare since 1986. Six weeks ago, she started a job in customer service with the Pitney-Bowes Management Service which pays $7 per hour with full benefits; this was her last month on welfare. With the help of both the Women's Employment Network (WEN) and the FUTURES programs, Arlenda has come from living in a shelter to working full-time and supporting her two sons.

Arlenda has tried working several part-time jobs to support her children, since she was getting no help from their father. She realized she needed more training in order to get a better job and to get off welfare once and for all. She entered the Women's Employment Network (WEN) in 1989. WEN was extremely supportive, encouraging her efforts to obtain a GED. They helped her with her interview skills, job readiness training, clothing, and parenting skills. Part-way through WEN, Arlenda became involved with the FUTURES program as well. FUTURES assigned an advocate (case manager) to Arlenda who helped her find her current job as a customer service representative at Pitney-Bowes Management Service. Arlenda appreciates the strong case management approach of FUTURES, saying: "It's so breathtaking. Talk about the support. FUTURES was always there for me...when they couldn't help, others did. When I got my GED, they even hung a banner to congratulate me."

FOR YOUNGER RECIPIENTS, THE CHANGE WILL BE DRAMATIC:

- **IN THE YEAR 2000, 14 PERCENT OF PARENTS UNDER AGE 29 WHO WOULD HAVE STILL BEEN ON WELFARE WITHOUT REFORM WILL HAVE LEFT THE ROLLS.**

- **26 PERCENT OF MOTHERS UNDER AGE 29 WILL BE WORKING:** NINE PERCENT PART-TIME IN UNSUBSIDIZED PRIVATE SECTOR JOBS, AND 17 PERCENT IN THE NEW WORK PROGRAM. TODAY, JUST FIVE PERCENT OF YOUNG WELFARE RECIPIENTS WORK; ALMOST ALL OF THEM IN PART-TIME JOBS.

- **37 PERCENT OF PARENTS UNDER AGE 29 WILL BE SUBJECT TO STRONGER EDUCATION AND TRAINING REQUIREMENTS, STRICT STANDARDS, TOUGH SANCTIONS FOR NONCOMPLIANCE, AND A TWO-YEAR TIME LIMIT.** TODAY, JUST 22 PERCENT OF YOUNG WELFARE RECIPIENTS ARE EVEN <u>EXPECTED</u> TO PARTICIPATE IN ANY KIND OF EDUCATION OR TRAINING PROGRAM. PARTICIPATION STANDARDS ARE LOW AND THERE ARE NO TIME LIMITS TO ENCOURAGE MOVEMENT TO WORK.

- **AND, UNDER WELFARE REFORM, PARENTS UNDER AGE 29 WILL BE SUBJECT TO MUCH STRONGER PARTICIPATION REQUIREMENTS.** JUST 23 PERCENT OF THESE YOUNG MOTHERS WILL BE TEMPORARILY DEFERRED BECAUSE THEY HAVE A CHILD UNDER TWELVE MONTHS OF AGE; HAVE A DISABLED CHILD; OR ARE SERIOUSLY ILL THEMSELVES. TODAY, <u>73 PERCENT</u> OF YOUNG WELFARE RECIPIENTS ARE EXEMPT FROM EDUCATION AND TRAINING REQUIREMENTS.

IN THE YEAR 2000, UNDER REFORM:

- 2.4 MILLION ADULTS WILL BE SUBJECT TO THE NEW RULES, INCLUDING TIME LIMITS AND WORK REQUIREMENTS.

- ALMOST ONE MILLION PEOPLE WILL EITHER BE OFF WELFARE OR WORKING:

    - 331,000 PEOPLE WHO WOULD HAVE BEEN ON WELFARE WILL HAVE LEFT THE WELFARE ROLLS.

    - 222,000 PARENTS WILL BE WORKING PART-TIME IN UNSUBSIDIZED JOBS.

    - 394,000 PEOPLE WILL BE IN SUBSIDIZED JOBS IN THE WORK PROGRAM. THAT'S UP FROM 15,000 NOW.

- ANOTHER 873,000 RECIPIENTS WILL BE IN TIME-LIMITED SCHOOL OR TRAINING PROGRAMS LEADING TO EMPLOYMENT.

- FEDERAL CHILD SUPPORT COLLECTIONS WILL HAVE MORE THAN DOUBLED, FROM $9 BILLION TO $20 BILLION.

- TEEN PREGNANCY PREVENTION PROGRAMS WILL BE OPERATING IN 1000 MIDDLE AND HIGH SCHOOLS IN DISADVANTAGED NEIGHBORHOODS.

- ALL HOSPITALS WILL HAVE PATERNITY ESTABLISHMENT PROGRAMS IN PLACE.

- A NATIONAL CLEARINGHOUSE WILL BE IN PLACE, TRACKING PARENTS WHO OWE CHILD SUPPORT ACROSS STATE LINES.

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Job Opportunities and Basic Skills (JOBS)

Existing JOBS Program

Created by the Family Support Act of 1988 and championed by then-Governor Clinton, the Job Opportunities and Basic Skills (JOBS) program helps AFDC recipients become job-ready and enter the workplace. JOBS offers education, training, and job placement, as well as guaranteed child care and other support services. But unfortunately, it reaches few poor families.

To support local flexibility, the Family Support Act gave state welfare agencies primary administrative responsibility for JOBS. The law encouraged welfare agencies to form collaborative relationships with other community institutions--such as schools, non-profit organizations, and business groups--so that JOBS programs would fit local circumstances and needs.

The Family Support Act represented a fundamental rethinking of welfare incentives and obligations. Through JOBS, it set in place expectations that welfare should be only a transitional preparation for self-sufficiency, and that training and support services are as vital as cash benefits. However, the law exempted about half of AFDC recipients, including mothers under age 16, mothers in school, and mothers with children under age three (or one, at state option). Most significantly, in 1994, states were required to have only 15 percent of non-exempt recipients participate in JOBS.

Funding constraints have also limited the program's reach. During the past five years, AFDC caseloads mushroomed and a weak economy put additional demands on state budgets. As a result, states drew down only 69 percent of the federal funds available for JOBS in 1992, and only 12 states were able to draw down their full allocation.

Changes Under Welfare Reform

Under President Clinton's welfare reform plan, an enhanced JOBS program becomes the core of the transitional assistance approach. Our proposal would expand and improve the current program to include:

A personal employability plan. From the very first day, the new system will focus on making young mothers self-sufficient. Working with a caseworker, each woman will develop an employability plan identifying the education, training, and job placement services needed to move into the workplace. Because 70 percent of welfare recipients already leave the rolls within 24 months, and most applicants are job-ready, many plans will aim for employment well within two years.

A two-year time limit. Time limits will restrict most AFDC recipients to a lifetime maximum of 24 months of cash assistance.

Limited exemptions and deferrals. Our plan will reduce existing exemptions and ensure that from day one, even those who can't work must meet certain expectations. Mothers with disabilities and those caring for disabled children will initially be exempt from the two-year time limit, but will be required to develop employability plans that lead to work. Another exemption allowed under current JOBS rules will be significantly narrowed: mothers of infants will receive only short-term deferrals (12 months for the first child, three months for the second). At state discretion, a very limited number of young mothers completing education programs may receive appropriate extensions.

Job search first. Participants who are job-ready will immediately be oriented to the workplace. Anyone offered a job will be required to take it.

Integration with mainstream education and training programs. JOBS will be linked with job training programs offered under the Jobs Training Partnership Act, the new School-to-Work initiative, Pell Grants, and other mainstream programs.

Tough sanctions. Parents who refuse to stay in school, look for work, or attend job training programs will be sanctioned, generally by losing their share of the AFDC grant. For most families, simply the threat of this financial loss will be enough to ensure compliance, but those who fail to comply will face real cuts in benefits.

A phase-in focusing on young recipients first. Initial resources are targeted to women born after December 31, 1971. Phasing in the new system will direct limited resources to young, single mothers with the most at risk; send a strong message to teenagers that welfare as we know it has ended; most effectively change the culture of the welfare office to focus on work; and allow states to develop effective service capacity. As welfare reform is phased in, a larger percentage of the caseload will be covered.

Flexibility for states. States that want to accelerate the phase in will be able to use federal matching funds to do so. States may define the phased-in group more broadly, require older women to participate in certain JOBS activities, or provide increased resources to volunteers under current JOBS rules.

Guaranteed child care for those in education and training. An expanded investment in child care will help eliminate a primary barrier to work preparation for young parents.

Additional federal funding. To ease state fiscal constraints and ensure that JOBS really works, our proposal raises the federal match rate and provides additional funding. The federal JOBS match will increase further in states with high unemployment.

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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

June 1994

FACTS RELATED TO WELFARE REFORM

Child Support Programs

Existing Child Support Programs

The goal of the Child Support Enforcement (CSE) program, established in 1975 under Title IV-D of the Social Security Act, is to ensure that children are supported financially by both of their parents.

Designed as a joint federal, state, and local partnership, the multi-layered program involves 50 separate state systems, each with its own unique laws and procedures. Some local child support offices are run by courts, others by counties, and others by state agencies. At the federal level, the Department of Health and Human Services provides technical assistance and funding to states through the Office of Child Support Enforcement and also operates the Federal Parent Locator System, a computer matching system that uses federal information to locate non-custodial parents who owe child support.

Today, despite recent improvements in paternity establishment and collections, this child support system fails many families. In 1991, 14.6 million children lived in a female-headed family, almost triple the number in 1960, and 56 percent of them lived in poverty. Paternity is not established for most children born out of wedlock, child support awards are usually low and rarely modified, and ineffective collection enforcement allows many non-custodial parents--especially in interstate cases--to avoid payment without penalty.

As a result, non-custodial parents paid only $14 billion in child support in 1990. But if child support orders reflecting current ability to pay were established and enforced, single mothers would have received $48 billion: money for clothing, food, utilities, and child care. Closing that $34 billion gap is a top priority for this Administration.

Clinton Administration Increases and Innovations

Already, the Clinton Administration has proposed, and Congress has adopted, a requirement for states to establish hospital-based paternity programs, as a proactive way to establish paternities early in a child's life. In addition, the 1995 budget reflects a 13 percent increase in federal spending on child support.

Changes Under Welfare Reform

Building on the best state and federal initiatives, President Clinton's welfare reform plan will create an aggressive, coordinated system with automated collection and tougher enforcement. While the federal-state child support enforcement system collected $9 billion from non-custodial parents in 1993, the reformed system under our plan will collect $20 billion in the year 2000. The plan focuses on:

Universal paternity establishment. Performance incentives will encourage states to establish paternity for all births, and hospitals will expand efforts to get parents to voluntarily acknowledge paternity. Streamlined legal procedures and greater use of scientific testing will facilitate identification for those who do not voluntarily acknowledge their responsibilities. And we also require each welfare applicant to supply the name and location of the child's father in order to receive benefits.

Fair award guidelines and periodic updating. A commission will study whether national awards guidelines should be adopted. States will automatically update awards for families as non-custodial parents' incomes change.

Automated monitoring and tracking. States will centralize and modernize their child support structures through the use of central registries that monitor payments automatically. A new national child support clearinghouse will catch parents who try to evade their responsibilities even if they flee across state lines.

New penalties for those who refuse to pay. Expanded wage-withholding and data-base matching will be used to enforce compliance. As a last resort, states will withhold the drivers' and professional licenses of parents who refuse to pay support. Even the threat of license suspension is a proven enforcement tool, and suspension also reaches self-employed people unaffected by wage-withholding.

State initiatives and demonstration programs. The reform plan will, for the first time, create a state option to make money available for work and training programs for non-custodial parents who earn too little to meet their child support obligations. States can choose to make these programs mandatory--so that non-custodial parents work off what they owe. At the same time, demonstration grants for parenting and access programs--providing mediation, counseling, education, and visitation enforcement--will foster non-custodial parents' ongoing involvement in their children's lives. And child support assurance demonstrations will let interested states give families a measure of economic security even if child support is not collected immediately.

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FACTS RELATED TO WELFARE REFORM

Child Care Programs

Existing Child Care Programs

Five federal programs currently provide child care assistance to low-income families. AFDC/JOBS Child Care and Transitional Child Care help families moving from AFDC to work, while At-Risk Child Care and the Child Care and Development Block Grant enable low-wage working families to remain self-sufficient. In addition, Head Start provides low-income families with child development and other social services.

AFDC/JOBS Child Care, an entitlement program, offers assistance to recipients of Aid to Families with Dependent Children (AFDC) who are working or in education and training programs.

Transitional Child Care, also an entitlement program, provides assistance for up to one year after recipients leave AFDC for employment, so that parents entering the workforce will have the continued security of affordable care for their children.

The At-Risk Child Care program, a capped entitlement, allows states to provide child care to help low-income working families who might go on AFDC without such assistance.

The Child Care and Development Block Grant, a discretionary program, makes child care available to low-income parents who work, attend educational and training programs, or receive protective services. The federal government distributes funds to states, Indian tribes, and territories, which then enable parents to choose the care most appropriate to their children. The block grant also provides funds for quality improvements.

Head Start, a discretionary program, provides comprehensive services including education, health, parent involvement and social services to children from low-income families who meet the federal poverty guidelines.

Over the past few years, these five programs have provided critical child care support to low-income families. Despite this progress, there is still a significant demand for child care, for resources to improve quality and supply, and for better coordination and consistency across programs.

Clinton Administration Increases and Innovations

The Clinton Administration has made child care programs a consistent budget priority, increasing funding for the Child Care and Development Block Grant by 19 percent in the 1995 budget. To maximize the impact of each dollar, the Administration has also sought to coordinate and improve programs. To address quality and supply, the Administration is reviewing state health and safety standards, sponsoring a series of national institutes on critical child care issues, and attempting to give states more flexibility to address quality and consistency concerns through proposed regulations.

President Clinton's recent expansion of Head Start provides further support for quality child care. The 1995 budget includes substantial additional funding and encourages the development of full-day, full-year services to meet the needs of today's families.

Changes Under Welfare Reform

President Clinton's welfare reform proposal continues to expand and improve the system for both low-income working families and those transitioning off welfare. His proposal will expand availability, encourage safe and nurturing care environments, and further coordinate program requirements.

Maintaining and expanding the existing guarantee. Welfare recipients in work and training, including the JOBS and WORK programs, will still be guaranteed child care, and those leaving welfare will still receive a year of Transitional Child Care.

Expanding child care for low-income working families. Our proposal also substantially increases funding for the At-Risk program and reduces the state match. We almost double federal spending on child care for the working poor.

Addressing quality and supply. Quality improvement funds will support resource and referral programs, licensing and monitoring, and training and other provider supports. Children in group care receiving assistance will be immunized, and consistent health and safety standards will apply across child care programs. Our plan also directs special attention to increasing the supply of infant and toddler care.

Coordinating rules across all child care programs. Our proposal simplifies administration and ensures coverage by further standardizing different child care programs' requirements for provider standards, health and safety, parental access, consumer education, parental choice, and parental complaint management.