WORK AND RESPONSIBILITY ACT OF 1994

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.

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.

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

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.

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FACTS RELATED TO WELFARE REFORM

Aid to Families with Dependent Children (AFDC)

Benefits

- AFDC benefit levels range from $120 per month for a family of three in Mississippi to $923 per month in Alaska, with the median state paying $367 in AFDC benefits (January 1993 figures). Food stamp benefits fall as AFDC benefits increase, however, offsetting to some degree the disparity in AFDC benefit levels among the different states.

- 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).

Caseloads

- 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.

Expenditures

- 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.

- Contrary to the general conception, not all States have experienced an increase in total AFDC expenditures. While the national average between 1985 and 1992 was a 17-percent increase, State-by-State figures varied from an increase of 184 percent in Arizona to a decrease of 38 percent in Wisconsin.

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

Recipient Characteristics

- 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.

The JOBS Program

- 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.

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FACTS RELATED TO WELFARE REFORM

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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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.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FOR IMMEDIATE RELEASE
June 14, 1994

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FINANCING THE PRESIDENT'S WELFARE REFORM PLAN

The President's welfare reform proposal does not increase the deficit or raise taxes. It is fully paid for over five years, ***largely by reductions in entitlement spending***. The five-year total of these savings is over $9 billion, more than $7 billion of which is from reductions in entitlement spending. The offsets are as follows:

NEW REDUCTIONS IN ENTITLEMENT SPENDING

- Tighten SSI, AFDC, and Food Stamp sponsorship and eligibility rules for non-citizens. Sponsors of legal aliens would bear greater responsibility for those whom they encourage to come to the U.S. (Five-year savings: $3.7 billion)

- Cap each State's spending in the AFDC Emergency Assistance (EA) program. EA spending has escalated dramatically in recent years as some States appear to have been using the funds for longer-term needs rather than for true emergency assistance to keep people off welfare. ($1.6 billion)

- Income test meal reimbursements to family day care homes to improve targeting of subsidies. ($500 million)

- Limit SSI eligibility for drug and alcohol addicted recipients (now under consideration in the Congress). (Approximately $800 million)

- Better target agricultural support to full-time farmers by ending deficiency payments for those with more than $100,000 in non-farm income. ($500 million)

EXTENSIONS OF EXPIRING PROVISIONS

- Hold constant the portion of Food Stamp overpayment recoveries that States may retain. ($100 million)

- Extend fees for passenger processing and other customs services as well as for railroad safety inspections. ($200 million)

- Use excess savings from extension of corporate Superfund tax, with no impact on Superfund program. ($1.6 billion)

REVENUE ENFORCEMENT MEASURES

- Deny the earned income tax credit (EITC) to non-resident aliens and require income reporting for EITC purposes for Defense personnel living abroad. ($300 million)

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WORK AND RESPONSIBILITY ACT OF 1994

FINANCING

The financing for welfare reform comes from three areas: (1) reductions in entitlement programs; (2) extensions of various savings provisions set to expire in the future; and (3) better EITC targeting and compliance measures. Estimated Federal savings for all proposals are roughly $9.3 billion over five years.

Entitlement Reforms

Cap the Emergency Assistance Program. The AFDC-Emergency Assistance (EA) Program is an uncapped entitlement program which has skyrocketed in recent years. In fiscal year 1990, expenditures totalled $189 million; by fiscal year 1999 they are projected to reach almost $1 billion. While the intent of the EA program is to meet short-term emergency needs and help keep people off welfare, States currently have wide latitude to determine the scope of their EA programs. Recently, States have realized that the definition of the program is so broad that it can fund almost any critical services to low-income persons. Some States have begun shifting costs from programs which the States fund primarily on their own such as foster care, family preservation, and homeless services into the matched EA program. States appear to be funding services that address long-term problems as well as true emergency issues.

We propose to modify the current Emergency Assistance program by establishing a Federal cap for each State's EA expenditures. The cap will be set in fiscal year 1995 and increased by the Consumer Price Index in each subsequent year. The basic allocation formula balances the need to protect States that have been spending heavily on EA in and before 1994 with the potential claims of new States which have not previously had claims for services under EA.

The basic allocation formula is a combination of two components:

(1) Allocation among States proportional to their requested expenditures in 1994; and

(2) Allocation among States proportional to their total AFDC spending in the previous year.

There will be a ten-year transition period, and the weighting of the components will shift over time, with increasingly more weight being given to the second component. Beginning in 1995, the weighting will be 90 percent by component 1 and 10 percent by component 2. The weighting will be altered by 10 percentage points each year such that by 2004, the weighting will be 100 percent by component 2.

The proposal ensures that all States will receive continued funding equal to their actual 1991 levels. The Federal match will continue at 50 percent up to the cap. This proposal raises about $1.60 billion over five years.

Tighten Sponsorship and Eligibility Rules for Non-Citizens. In recent years, the number of non-citizens lawfully residing in the U.S. who collect SSI has risen dramatically. Immigrants rose from 5 percent of the SSI aged caseload in 1982 to over 25 percent of the caseload in 1992. Since 1982, applications for SSI from immigrants have tripled, while immigration rose by only about 50 percent over the period.

Most of the legal permanent resident applicants enter the country sponsored by their relatives, who agree as a condition of sponsorship that their relatives will not become public charges. To enforce this commitment, until this year, current law required that for 3 years, a portion of the sponsor's income in excess of 110 percent of poverty be "deemed" as available to help support the legal permanent resident (LPR) immigrant should they need public assistance. Currently, about one-third of the LPR immigrants on SSI subject to the deeming rules apply in their 4th year of residency. Last fall, to pay for extended unemployment benefits, Congress extended the time of deeming under SSI from three years to five years until 1996 when it reverts to three years again.

The Administration proposal related to non-citizens contains two parts--extending the deeming period for sponsor income and coordinating eligibility criteria under four Federal assistance programs.

Deeming. Our proposal makes the current five-year period of sponsor responsibility permanent law under the SSI program and extends from three years to five years sponsor responsibility under the AFDC and Food Stamp programs. The sponsor's income would be deemed as available to support the immigrant should they apply for public assistance. For the period beginning with six years after being lawfully admitted for permanent residence in the U.S. and until a sponsored immigrant attains citizenship status, if the sponsor has income above the U.S. median family income ($39,500), the sponsor will continue to be responsible for ensuring the support of the immigrant. This will have the effect of denying benefits to immigrants with sponsors with income above the median. Once immigrants attain citizenship, they will be eligible to apply for benefits on their own. Any immigrant whose sponsor is receiving SSI or AFDC benefits would be exempt from sponsor-to-alien deeming under SSI, AFDC and food stamps. The proposal affects applications after the date of enactment (i.e., it would grandfather current recipients as long as they remained continuously eligible for benefits). These changes in deeming rules would not apply to, and would have no effect on, Medicaid eligibility for immigrants. This part of the proposal saves about $2.8 billion over five years.

The proposal sets consistent deeming rules for sponsored immigrants across three Federal programs (SSI, AFDC, and Food Stamps). Sponsor responsibility is based on longstanding immigration policy that immigrants should not become public charges. Sponsored immigrants most often apply for SSI benefits on the basis of being aged, and are different from most citizens in that the latter typically spent their life working and paying taxes in the U.S. At the same time, this proposal ensures that truly needy sponsored immigrants will not be denied welfare benefits if they can establish that their sponsors are no longer able to support them, if their sponsors die, or if the immigrant becomes blind or disabled after entry into the U.S. The policy would not affect refugees or asylees.

Eligibility criteria. The second element of this proposal establishes similar eligibility criteria under four Federal programs (SSI, AFDC, Medicaid, and Food Stamps) for all categories of immigrants who are not legal permanent residents. This element establishes in statute a consistent definition of which non-LPR immigrants are eligible for welfare benefits. Currently, due to different eligibility criteria in statute, and litigation over how to interpret statutory language, the four Federal programs do not cover the same categories of non-LPR immigrants. For example, aliens whose departure the

INS does not contemplate enforcing are eligible for SSI, but not for Food Stamps. The Food Stamp program has the most restrictive definition of which categories of non-LPR immigrants are eligible for benefits (i.e., the eligibility criteria encompass a fewer number of INS statuses). SSI and Medicaid have the most expansive definition of which categories of non-LPR immigrants are eligible for benefits, and the AFDC program falls between these extremes.

This proposal makes eligibility criteria in the SSI, Medicaid, and AFDC programs similar to the criteria that currently exist in the Food Stamp program. The new list of INS statuses required for potential eligibility to the SSI, Medicaid, and AFDC programs is also virtually identical to those listed in the Health Security Act providing eligibility for the Health Security Card. Like the extended deeming provisions, this part of the proposal affects applications after date of enactment (i.e., it would grandfather current recipients as long as they remained continuously eligible for benefits). This part of the proposal saves about $900 million over five years.

New Rules Regarding SSI Benefits for Drug and Alcohol Addicted Recipients.
Current law requires that all SSI disability recipients for whom substance abuse is material to the finding of disability must be in available treatment and must have their payments made through a representative payee (a third party who receives and manages the funds). Payments to these SSI drug addict and alcoholic (DA&A) beneficiaries are suspended if the individual fails to participate in appropriate alcohol or drug treatment, if such treatment is available. No similar requirements are made of Social Security (Title II) disability beneficiaries who receive benefits on the basis of addictions. The representative payee and treatment requirements have been part of the SSI program since its inception over 20 years ago. However, the provisions have not been implemented effectively.

Under the proposal, strengthened sanctions and new time limits will be applied to benefits paid to individuals receiving Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) benefits who have substance abuse problems that are material to their disability finding.

The Congress is reaching decisions on these proposals currently in conference on H.R. 4277, a bill which the Administration supports. We anticipate savings of $800 million over five years. Should the final bill yield savings of less than $800 million, we are committed to working with Congress to fully finance the package.

Income Test Meal Reimbursements to Family Day Care Homes. The Child Care Food Program provides food subsidies for children in two types of settings: child care centers and family day care homes. They are administered quite differently. The subsidies in centers are well targeted because they are means-tested; USDA believes that over 90 percent of Federal dollars support meals served to low-income (below 185 percent of poverty) children. The family day care part of the program is not well targeted because it has no means test (due to the burden it would place on the providers). A USDA-commissioned study estimates that 71 percent of Federal food program dollars to family day care homes support meals for children above 185 percent of the poverty line. While the child care center funding levels have been growing at a modest rate, the family day care funding levels are growing rapidly--16.5 percent between 1991 and 1992.

The following approach better targets the family day care food program funding to low-income children and creates minimal administrative requirements for providers.

- Family day care homes located in low-income areas (e.g., census tracts where half of the children are below 185 percent of the poverty line) would receive $.84 and $1.67 in breakfast and lunch reimbursements, respectively, during school year 1995. This is roughly equivalent to the "free meal" rate paid on behalf of low-income children in day care centers, whose families have incomes under 130 percent of poverty.

- All other homes would have a choice. They could elect not to use a means-test; if they elect this option, they would receive reimbursements at the reduced levels of $.54 and $1.27, respectively. Alternatively, a family day care home could administer a simplified, two-part means-test. Meals served to children below 185 percent of the poverty line would be reimbursed at the "free meal" rate. Meals served to children above 185 percent of the poverty line would be reimbursed at the reduced-price rate.

- Intermediaries that serve family day care homes in low-income areas would be reimbursed an extra $10 per month for ongoing administrative costs, and a $5 million set-aside would help such day care homes to become licensed (or registered).

This provision yields savings of about $500 million over five years.

Limit Deficiency Payments to Those Making $100,000 or More from Off-Farm Income Per Year. USDA farm programs are criticized for unfairly supporting large farms and wealthy producers rather than smaller farms and lower-income farmers. The Congressional Office of Technology Assessment concluded that most big farms "do not need direct government payments and/or subsidies to compete and survive." We propose to make producers receiving $100,000 or more in off-farm adjusted gross income ineligible for Commodity Credit Corporation (CCC) crop subsidies (price support loans and income support payments). The proposed targeting of subsidies would direct farm payments to smaller, family farms, which deserve Federal financial help more than large agricultural enterprises and individuals with sufficient off-farm income. It would cause an estimated 1-2 percent of program participants to drop out of USDA farm programs. Most of these wealthiest participants include corporations and individuals for whom farming is not a primary occupation or source of income. This proposal would save about $500 million over five years.

Extend Expiring Provisions

Hold Constant the Portion of Food Stamp Overpayment Recoveries that States May Retain. States are permitted to keep some portion of the 100-percent Federal Food Stamp recoveries as an incentive payment for pursuing program violations. This proposal would extend the 1990 Farm Bill provision which reduced the percentage of recovered Food Stamp overissuances retainable by State agencies for fiscal years 1991-95. Under this provision, which would be extended to fiscal years 1996-2004, States could retain 25 percent of recoveries from intentional program violations (previously 50 percent) and 10 percent of other recoveries (previously 25 percent). This proposal raises about $100 million over five years.

Extend Fees for Passenger Processing and Other Custom Services. A flat-rate merchandise processing fee (MPF) is charged by U.S. customs for processing of commercial and non-commercial merchandise that enters or leaves U.S. warehouses. The fee, adopted by OBRA 1986, generally is set at 0.19 percent of the value of the good. Other variable customs fees are charged for: passenger processing; commercial truck arrivals; railroad car arrivals; private vessel or private aircraft entries;

dutiable mail; broker permits; and barge/bulk carriers. NAFTA extended the MPF and other fees through September, 2003. The proposal extends the fees through September, 2004 and saves about $1 billion in that year.

Extend Railroad Safety User Fees. Railroad safety inspection fees were enacted in the Omnibus Budget Reconciliation Act of 1990 to pay for the costs of the Federal rail safety inspection program. The railroads are assessed fees according to a formula based on three criteria: road miles, as a measure of system size; train miles as a measure of volume; and employee hours as a measure of employee activity. The formula is applied across the board to all railroads to cover the full costs of the Federal railroad safety inspection program. The fees are set to expire in 1996. The 1995 President's Budget proposed to extend the fees through 1999 and expand them, effective in 1995, to cover other railroad safety costs. The proposal extends the fees permanently. This proposal raises about $200 million over five years.

Extend Expiring Corporate Environmental Income (CEI) Tax Used to Finance Superfund. A broad-based environmental tax, based on corporate alternative minimum taxable income (0.12 percent) in excess of $2 million, was first enacted in 1986 and is set to expire at the end of 1995. The welfare reform proposal would extend the CEI tax into 1998.

Superfund reauthorization legislation would provide a further CEI tax extension through the year 2000, which would provide sufficient additional credit needed for budget scoring of the Superfund legislation's "orphan share" proposal. All revenue from the CEI tax extension, whether enacted in welfare reform or Superfund legislation, will continue to be dedicated to the Hazardous Substance Superfund to be used only for Superfund cleanups.

EITC Targeting and Compliance Measures

Deny EITC to Non-Resident Aliens. Under current law, non-resident aliens may receive the Earned Income Tax Credit (EITC). Because non-resident taxpayers are not required to report their worldwide income, it is currently impossible for the IRS to determine whether ineligible individuals (such as high-income nonresident aliens) are claiming the EITC. The proposal will deny the EITC to non-resident aliens completely. We estimate that about 50,000 taxpayers will be affected, mainly visiting foreign students and professors. The proposal raises about $100 million over five years.

Require Income Reporting for EITC Purposes for Department of Defense (DoD) Personnel. Under current law, families living overseas are ineligible for the EITC. The first part of this proposal would extend the EITC to active military families living overseas. To pay for this proposal, and to raise net revenues, the DoD would be required to report the nontaxable earned income paid to military personnel (both overseas and States-side) on Form W-2. Such nontaxable earned income includes basic allowances for subsistence and quarters. Because current law provides that in determining earned income for EITC purposes such nontaxable earned income must be taken into account, the additional information reporting would enhance compliance with the EITC rules. The combination of these two proposals raises about $200 million over five years.

A table which summarizes the financing provisions is attached.

SUMMARY OF FINANCING PROVISIONS

Proposal	Five-Year Federal (in billions)
Entitlement Reforms	
Limit Emergency Assistance	1.6
Tighten Sponsorship and Eligibility Rules for Non-Citizens	
Five-Year Deeming and Eligibility Only for Aliens with Sponsors below Median Income	2.8
Establish Similar Alien Eligibility Criteria for Four Federal Programs	0.9
New Rules Regarding Benefits for Drug Addicts and Alcoholics (H.R. 4277)	0.8[1]
Income Test Meal Reimbursements to Family Day Care Homes	0.5
Limit Deficiency Payments to Those Making $100,000 or More from Off-Farm Income	0.5
Extend Expiring Provisions	
Hold Constant a Portion of Food Stamp Overpayment Recoveries for States	0.1
Extend Fees for Passenger Processing and Other Customs Services	0.0
Extend Railroad Safety User Fees	0.2
Extend Expiring Corporate Environmental Income Tax Used to Finance Superfund	1.6
Tax Compliance Measures	
Deny EITC to Non-Resident Aliens	0.1
Require Income Reporting for Department of Defense Personnel	0.2
TOTAL	**9.3**[1]

1. Because we are uncertain of the final outcome of H.R. 4277, the total financing number is preliminary. Should the final bill yield savings of less than $0.8 billion, we are committed to working with Congress to fully finance the package.

WORK AND RESPONSIBILITY ACT OF 1994

COSTS

Work and Responsibility Act of 1994

Five-Year Cost Summary[1]

($ billions)

Additional funding for education, training and placement	2.8
WORK slots for participants who reach the two-year time limit	1.2
Additional child care spending for those in the mandatory education and training program and in the WORK slots	2.7
Additional child care for the working poor	1.5
Initial investments in the child support enforcement system and demonstrations	0.6
Teen pregnancy prevention	0.3
Other[2]	1.7
Total	10.8
Net savings[3]	(1.5)
Net total	9.3

[1] Budget outlays

[2] Includes state option to eliminate bias against two-parent families; investments in automation; and incentives to work and save.

[3] From caseload reductions and reduced fraud

SUMMARY OF ADMINISTRATION'S WELFARE REFORM COST ESTIMATES (in billions)

	Five-Year Federal Costs
Transitional Assistance Followed by Work	
Additional Education, Training and Placement Spending	2.8
WORK Spending (including Noncustodial Parents)	1.2
Additional Child Care Spending for Program Participants	2.7
Investments in Automation	.8
Subtotal	7.5
Savings from Caseload Reductions and Reduced Fraud	(1.5)
Subtotal, Transitional Assistance	6.0
Making Work Pay	
Working Poor Child Care Expenditures	1.5
State Flexibility on Earned Income and Child Support Disregards	.2
State Demonstrations to Advance EITC	.1
Subtotal, Making Work Pay	1.8
Prevention/Parental Responsibility	
Teenage Pregnancy Prevention Grants	.3
Child Support Enforcement and Demonstrations	.6
State Option to Limit Additional Benefits to Additional Children/Minor Parents	(.1)
Subtotal, Prevention/Parental Responsibility	.8
Improving Government Assistance (IGA)	
Remove Two-Parent (UP) Restrictions	.2
IDA/Microenterprise Demonstrations	.1
Conform Resource Limit, Income Definitions and Other	.2
Subtotal, IGA	.5
Net Medicaid Impact	.2
TOTAL	**9.3**

COSTS

In any welfare reform plan, up-front investments in education, training and placement services, child care, and the development of work opportunities and automation are required. The costs of welfare reform to the Federal government in our plan are estimated at $9.3 billion over five years. The cost package is modest and carefully matched to financing.

Costs gradually increase over the five-year period, reaching an annual level of $3.3 billion in 1999. The program phases in over time in a focused and pragmatic way that recognizes the need for States to develop infrastructure, train staff in the new culture and ensure that the program will be well-developed and implemented.

The package assumes that States share in the cost of welfare reform at a reasonable level; they will also share in the savings. The States' share of required expenditures on transitional assistance, WORK and child support enforcement of $1.6 billion are more than balanced by estimated savings of $1.7 billion from caseload reductions and child support enforcement. If States choose to enact the optional provisions of the proposal, which many States have already requested through waivers, our estimate is that the total cost to the States would be about $1 billion.

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

Additional JOBS spending. New JOBS spending of $2.8 billion over five years represents a 56-percent increase over current spending. In 1999, Federal spending allowed under the JOBS program will be $1.9 billion. This will enable the JOBS program to serve approximately 750,000 participants at any one time. Costs per participant were estimated from the experience of the most effective current programs that provide education, training and placement services to welfare recipients.

WORK Spending. The WORK program, which begins serving participants in 1998 (when they begin hitting the two-year time limit), costs $1.2 billion during the first five-year period. Costs of the WORK program increase over time, as more slots need to be developed for an expanded phased-in group, more of whom hit the time limit each year. By 1999, the WORK program is expected to be serving approximately 260,000 participants. WORK costs include materials and equipment, supervision, job development, and other costs.

Child Care Spending for JOBS and WORK participants. New child care spending of $2.7 billion over five years for JOBS and WORK participants is added to annual Federal spending under current law. This represents the cost of a guarantee of child care to participants in both programs, and the costs of transitional child care for one year to those who leave the rolls. The estimates assume that in fiscal year 1999, 370,000 new slots will be created. Parental choice of child care arrangements, including both formal and informal arrangements, is guaranteed.

MAKING WORK PAY/CHILD CARE

Working Poor Child Care. The "At-Risk" program of child care for the working poor is increased to $1 billion by 1999. This program supplements the Child Care and Development Block Grant (CCDBG), which is currently funded at about $1 billion with increases requested. Together, the two programs will serve approximately 1.1 million working-poor children in fiscal year 1999. The cost of this provision is estimated at $1.5 billion over five years.

Disregards for Earned Income and Child Support. To cover the costs of work expenses, States will disregard $120 per month from the earnings of families working their way off the welfare rolls. States have the option of increasing disregards, both for earned income and for child support. The cost estimates assume that States serving half the caseload increase their disregards. The cost of this provision is estimated at $0.2 billion over five years.

PREVENTING TEEN PREGNANCY AND PROMOTING PARENTAL RESPONSIBILITY

Teen Pregnancy Prevention Grants. About 1,000 grants, averaging $60,000 per year each, will be made to schools and community-based organizations for teen pregnancy prevention projects. In addition, the proposal will fund five to seven comprehensive youth and prevention demonstrations.

Child Support Enforcement and Demonstrations. Total net spending of $0.5 billion over five years will increase computerization and enforcement staff. This new spending will generate modest AFDC savings and substantial improvements in the economic well-being of children by 1999. The returns on these investments will grow during the second five-year period. In addition, $0.1 billion over five years will be spent on demonstrations.

Minor Parent Requirements and State Option to Limit Benefits for Additional Children. These new provisions are estimated to save $0.1 billion over five years.

IMPROVING GOVERNMENT ASSISTANCE

Remove Two-parent Restrictions. The proposal allows States to remove the restrictions that treat two-parent families less favorably than one-parent families. Assuming that States serving half the caseload choose this option results in estimated Federal costs of $0.2 billion.

Asset and Microenterprise Demonstrations. The proposal allows recipients to accumulate assets in restricted accounts and fund demonstrations of subsidized accounts and programs, and will cost about $0.1 billion.

Other Conforming and Efficiency-enhancing Provisions. The proposal takes a number of steps to conform the rules of the AFDC and Food Stamp programs, to improve the efficiency of program operations and to decrease fraud. The total costs of these provisions are estimated to be $0.2 billion.