

To: Bruce Reed
Kathi Way
From: *Naomi* Goldstein
Re: Attached draft memos
Date: May 17, 1994

Here is the draft decision memo, and the draft side-by-side bill comparison, with a cover memo.

DRAFT May 17, 1994 2:30 pm

MEMORANDUM TO THE PRESIDENT

FROM: Mary Jo Bane
David T. Ellwood
Bruce Reed

SUBJECT: Major Welfare Reform Policy Issues

DATE: May 17, 1994

Two major policy issues remain to be resolved before the welfare reform legislation is put into final form. The first is the family cap. The other is whether states should be allowed to put time limits on WORK program participation. Both have important policy and political ramifications.

The Family Cap/Child Exclusion

Ensuring that both parents take responsibility for the support of their children is a major goal of welfare reform. The package includes strong components that emphasize the obligations of both fathers and mothers, and that send a very strong message that young people should not have children until they are ready and able to care for them.

The most controversial element of the parental responsibility package is a possible state option to deny benefit increases when additional children are conceived by parents on welfare. The family cap (which children's advocates are now calling the child exclusion) is opposed on several grounds. It is seen by some as penalizing children for the transgressions of the parents. There is little evidence that failing to provide a \$60 increase in benefits will influence behavior. The increased benefit now provided for additional children is comparable in amount to the increased tax deduction provided to working families. And a number of states are already experimenting with the idea.

Those who support the family cap option note that workers do not receive a pay raise when they have additional children. They argue that sending a strong signal about responsible childbearing is extremely important. The family cap saves \$220 million over 5 years, money which can be spent on child care.

The idea of limiting benefits for additional children is popular with the public and strongly supported by the right. It is vehemently opposed by the traditional left, by women's groups, by many of the churches and by some elements of the right to life movement.

An alternative to including the family cap option would be to announce at the time of introducing welfare reform that the administration would support a limited number of additional state demonstrations of family cap approaches. After we had reviewed the results of these demonstrations to see whether family caps were effective in reducing pregnancies, we would then decide whether to make it a state option or mandate a family cap nationwide.

Limiting Extended Participation in the WORK Program

The plan includes a requirement that states operate a WORK program to provide work opportunities through subsidized private or community jobs to those who are unable to find unsubsidized jobs within the two year time limit. In designing and explaining the WORK program, we need to be able to answer questions of two sorts:

- o You mean you're going to allow people to stay in these guaranteed jobs forever?
- o You mean you'll leave children without any income because their parents haven't been able to find a private sector job?

We would like to be able to answer both these questions with a firm "no," but doing so requires careful structuring of the program.

The plan contains a number of provisions to ensure that WORK positions will not last forever. It includes serious sanctions for non-cooperation, including a six month denial of benefits or subsidized work to a family where an adult refuses to accept a private sector job. It also includes a limitation on the amount of time a person can spend in any one subsidized slot, mandatory job search between slots, and a thorough assessment after two placements. It is structured so that recipients are always better off taking private sector jobs: as in private sector jobs, recipients are not paid if they do not work, but as long as they are in a subsidized job they are denied the income supplement of the EITC. These provisions are tough enough to have generated serious criticism from children's advocates, even from those who have come around to accepting the idea of work requirements after two years.

The real disagreement at this point, however, is over whether the WORK program itself should be time-limited and families deprived of all benefits after some period of time. The Mainstream Forum proposal, for example, limits community service to three years over all, with a state option to extend the time limit at state expense, and also a state option to readmit to the work program a limited number of people who hit the time limit. These provisions are supported by those who want to provide additional insurance that the work program does not become a large guaranteed-for-life job creation program. Some governors would like an option to time limit the WORK program.

The argument against limiting the WORK program is basically one of fairness to people who have been playing by the rules and to their children: people who are unable to find private sector jobs, or people whose productivity is not high enough to make them attractive to private sector employers. People left in the WORK program after several years are likely to be among the most vulnerable in the society, since those simply unwilling to take private sector jobs will have been sanctioned much earlier in the process. While most Americans agree that after a certain length of time people should be expected to work for welfare benefits, they are rightly reluctant to deny support for the children of parents who play by the rules but cannot find unsubsidized jobs. The specter of homelessness or foster care for children when parents are playing by the rules is not consistent with most Americans' basic values.

A modified proposal would allow states the option of time-limiting the WORK program for participants with previous work experience and in areas of very low unemployment. Although such a proposal would reduce some of the criticisms of more general time limits, it remains open to the charge that some parents who through no fault of their own were unable to find private sector work would be denied all benefits for their children. It would also be very difficult to specify: work experience and low unemployment could be defined in ways that would encompass most recipients.

This issue is a crucial one for the left. Even a modified version of time limits on work could drive Democrats away from support of the plan. In addition, some governors worry about the burden that might be placed on their general assistance programs by people deprived of other benefits and work opportunities.

Key Decisions

There are obviously serious policy arguments to support either decision on each of these issues. One challenge in crafting this bill is to find a set of policies that do not seriously divide the party. Both issues are highly charged politically. They are both touchstone issues for both the liberal and the conservative wings of the Democratic party, but especially for left-of-center Democrats.

DRAFT 4/17/94 2:30 pm

MEMORANDUM TO THE PRESIDENT

From: Mary Jo Bane
David T. Ellwood
Bruce Reed

Re: Side by Side Comparison of Welfare Bills

Date: May 17, 1994

Enclosed is a detailed side by side comparison of four major welfare reform bills. There are both more liberal and more conservative bills than those described here, but these are the most important. The headings are self explanatory except for the Matsui bill which will be introduced next week. This is likely to be supported by a significant number of more liberal Democrats when it is finalized and introduced next week. There is also a proposal put forward by the American Public Welfare Association which is fairly similar to ours.

In many ways the most remarkable thing about all these bills is their similarity. Essentially all sides agree on an increased emphasis on work, child support enforcement, prevention, and support for working families. Where there are differences we tend to be in the middle, leaning mostly toward the Mainstream Forum. There seems to be widespread acceptance of the idea of time limits, though the Matsui bill rejects specific time limits, and even they call for half of all JOBS participants to be in a work program. The transitional assistance program is very similar across bills. In areas such as child support enforcement and prevention, our bill contains most of the elements in other bills and more. Still there are a few key differences that you should be aware of which mostly involve the WORK program.

- The nature of the work program. We call for a work-for-wages model as does the Mainstream Forum. The House Republicans and Matsui bill use CWEP (though for very different reasons).
- Work expectations. Our plan calls for 15 to 35 hours work requirement, depending on state benefit levels and the decisions of the state. The Mainstream Forum and House Republican plan require 35 hours work in all cases. The Mainstream Forum plan is likely to be very expensive since they call for work for wages with the federal government picking up 80% of the cost of the jobs and wages. In states like Mississippi, this will be considerably more money than is now spent on AFDC.
- Ultimate time limits on the WORK requirement. The Mainstream Forum has a three year time limit with a state option to extend. The House Republicans have a

state option to terminate benefits after 3 years. In both cases, apparently the safety net can end for families and children after 5 years of help, even if there are no jobs available.

- Sanctions. Matsui calls for limiting sanctions to the adult's portion of the grant. Our bill and the others ultimately put the entire cash grant at risk if persons refuse to participate in work.
- Phase-in. Our phase-in is similar, but slightly slower than the Mainstream Forum's. The Republicans phase-in very rapidly after the year 2000.
- Family caps. Matsui rejects family caps, the other bills contain them.
- Child care for the working poor. Both the Mainstream Forum and the Matsui bill provide more than twice as much child care for the working poor as we do. The House Republicans provide none.
- Financing. The Republicans and Mainstream Forum use an immigrant cut off for funding. The Matsui bill has not identified a funding option.

We have more detailed side by side comparisons if that would be helpful. Please understand that these comparisons are preliminary as all the bills are changing, and the language is not always easy to interpret. We will be updating and improving this chart over the next few days.

DRAFT

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Prevention and Parental Responsibility				
Prevention	-national mobilization for responsible parenting including national goals, programs in schools, nationwide informational clearinghouse -enhanced responsible family planning for AFDC and non-AFDC teens -community based, comprehensive teen support/pregnancy prevention demonstrations -state option of family cap (?)	-community based, comprehensive teen support/pregnancy prevention demonstrations - no option for family caps	-national campaign to teach risks of teen pregnancy -states encouraged to provide adequate family planning and education -required family cap	-state option of family cap
Rules for Teenagers	-parents under 18 must live at home or with adult. -comprehensive case management -requirement to stay in school with sanctions and optional bonuses -time clock starts when turn 18	-parents under 18 must live at home or with adult. -comprehensive case management -requirement to stay in school with sanctions and bonuses	-parents under 18 must live at home or with adult. -comprehensive case management -requirement to stay in school with sanctions and bonuses -unclear when clock starts	-no benefits for persons under 18 unless state passes law explicitly allowing them. -parents under 18 must live at home or with adult.
Supporting Two-Parent Families	state option for equal support of two parent families	requirement of equal support of two parent families	requirement of equal support of two parent families	allow states to pay couples who marry 50% of AFDC benefit

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Paternity establishment	-in hospital paternity establishment sought in all cases -simplified administrative procedures -strict cooperation requirements for AFDC -states required to establish paternity within 1 year	-simplified administrative procedures -strict cooperation requirements for AFDC -performance incentives for states to establish paternity.	-simplified administrative procedures -strict cooperation requirements for AFDC -performance incentives for states to establish paternity.	-AFDC denied or sharply reduced until paternity established
Strengthen Enforcement	-central state registries -federal clearinghouse -W-4 reporting -strengthen IRS role -simplified wage withholding -strengthen interstate procedures -guidelines commission -regularly update awards	{likely to be similar to administration}	-central state registries -federal clearinghouse -W-4 reporting -strengthen IRS role -simplified wage withholding -strengthen interstate procedures -guidelines commission	-expand federal parent locator service -W-4 reporting -simplified wage withholding -strengthen interstate procedures
Innovative programs	-training and work programs for non-custodial parents -child support assurance demonstrations	-child support assurance demonstrations	-training and work programs for non-custodial parents	-training and work programs for non-custodial parents

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Transitional Assistance and Work				
Transitional Program	Enhanced JOBS program -employability plan -high participation -up-front job search -training and education closely linked to placement -worker support to help people stay in jobs	Enhanced JOBS program -employability plan -high participation -some JOBS funds reserved for placement and retention	Enhanced, more flexible JOBS program -employability plan -high participation -up-front job search -job development activities -explicit options to contract out JOBS program activities	Enhanced JOBS program -employability plan -high participation -up-front job search -training and education closely linked to placement
Time Limits	2 Years	No limits, but states required to have at least 1/2 of JOBS participants in a public or private sector work program	2 Years	Up to 2 years (less allowed)
Work Program	Work for wages model -15 to 35 hours work required -emphasis on private sector placements -EITC not provided -Supplemental benefit if earnings less than AFDC -12 month limit on each placement -job search required after each placement -sizable sanctions for private sector job refusal, quits, etc.	Not clearly spelled out - Probably work for welfare (CWEP) in most cases - Only adult's portion of grant lost for failure to work	Work for wages model -30 hours required -5 hours job search required -EITC not provided -sizable sanctions for private sector job refusal, quits, etc.	Primarily Work for Welfare -35 hours work required -sizable sanctions for private sector job refusal, quits, etc.

(12 weeks, right?)

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Overall Limits on Work Participation	- loss of eligibility if refuse private job offer or fail to perform adequately - other state options?	None	3 year maximum with state option to extend in some cases. No benefits afterwards.	State option to limit work to 3 years. No benefits afterwards.
Exemptions and Extensions	-ill or disabled -caring for disabled child -child under 1 year once, 4 months subsequently -completing GED, school-to-work, work/study	-ill or disabled -caring for disabled child -child under 3 years	-ill or disabled -caring for disabled child -child under 6 months once, 4 months subsequently -completing GED, work/study	-ill or disabled -caring for disabled child -child under 6 months once, 4 months subsequently
Phase-in	Persons born after 1971, with state option for faster phase-in.	None listed	Persons born after 1971, and going down by one year each year after 1997. State option for faster phase-in	New applicants initially, gradually reaching 90% of entire caseload in 2002
Other Benefit Changes	-improved asset rules, IDAs, microenterprise -state option for more liberal earnings disregards	- requirement of more liberal earnings disregards	-improved asset rules, IDAs, microenterprise -state option for more liberal earnings disregards	-improved asset rules, IDAs, microenterprise -state option for more liberal earnings disregards

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Support for Working Families				
Earned Income Tax Credit	-strategies to encourage advanced payments -state option to provide advance payments through welfare office	-none	-information on EITC provided to all welfare recipients	-none
Child Care for Working Poor	-\$800 million more in federal dollars by FY1999	-\$2 billion more in federal dollars by FY 1999	-\$2 billion more in federal dollars by FY 1999	-no provision
Health Coverage	-existing transitional benefits -health reform	-expanded transitional benefits and higher income threshold	-expanded transitional benefits	-no provision

	Administration	Liberal House Democrats	Mainstream Forum	House Republicans
Reinventing Government Assistance				
Simplify eligibility/ Improve coordination	-numerous simplifications -interagency waiver board -enhanced coordination among programs, including one-stop	-none	-some simplification -interagency waiver board -enhanced coordination among programs, including one-stop	-interagency waiver board
Modify Performance Measures	-restructured quality control system -outcomes based performance measures	-none	-outcomes based performance measures	
Reduce Fraud/Abuse	-federal clearinghouses for beneficiaries, child support orders, new hires. -required use of Social Security number for welfare applicants -improved computer verification methods\ -EBT expansions	-none	-improved computer verification methods\ -EBT expansions	-study idea of required use of Social Security number for welfare applicants -EBT demonstrations