
J. Verification of Citizenship and Alien Status
(section 713 of the bill)

Present law

Federal law specifies that States must require, as a condition of eligibility for the AFDC, Medicaid, unemployment compensation, and food stamps program, a declaration in writing by each adult individual (or, in the case of a child, by another individual on the child's behalf), stating whether the individual is a citizen or national of the U.S., and if not, that the individual is in a satisfactory immigration status. Under AFDC policy, a newborn child may not be eligible until a declaration has been signed. [sec. 1137(d) of the SSA]

Legislation enacted in 1990 overrode the provision of Section 1137(d) with respect to the food stamp program. Under that legislation, one adult member of the food stamp household is required to sign, under penalty of perjury, a written declaration as to the citizenship or satisfactory immigration status of all household members, and by regulation, a declaration for newborn children is allowed no later than the next redetermination of eligibility.

Explanation of provision

The bill would amend Section 1137(d) with respect to the AFDC program to allow one adult member of the AFDC family to declare in writing that each member of the AFDC unit is a citizen of the U.S. or an alien eligible for AFDC. When a child is born into the AFDC family the declaration would be required to be made no later than the time of the next redetermination of eligibility following the child's birth. The provision would be effective upon enactment.

K. Repeal of Fill-the-Gap Policy for Child Support Payments
(section 714 of the bill)

Present law

Federal law requires some States to provide monthly supplemental payments to AFDC recipients who have less disposable income than they would have if July 1975 rules were in effect because child support is paid to the child support enforcement agency instead of directly to the family. States required to pay supplemental payments are often referred to as "fill-the-gap" States. These States pay less assistance than their full AFDC need standard, and allow recipients to use child

support income to make up all or part of the difference between the payment made by the State and the State's need standard. [sec. 402(a)(28) of the SSA]

Explanation of provision

The bill would repeal the mandatory fill-the-gap policy for child support payments.

L. AFDC Gross Income Eligibility Limit
(section 715 of the bill)

Present law

The 1981 Omnibus Budget Reconciliation Act (P.L. 97-35) added a gross income eligibility test to the AFDC program, which it set at 150 percent of the State's AFDC need standard for the relevant family size. The Deficit Reduction Act of 1984 (P.L. 98-369) raised the gross income eligibility limit to 185 percent of the State's AFDC need standard for the relevant family size. This means that a family with gross income that exceeds 185 percent of the need standard does not qualify for AFDC. In determining whether a family's income is below the 185 percent test, the following items are disregarded: (1) Federal EITC payments, and (2) for up to 6 months, the earned income of an AFDC recipient child who is a full-time student and/or the income of an AFDC recipient child derived from participation in a JTPA program. [sec. 402(a)(18) of the SSA]

Explanation of provision

The bill would expand the disregards to be applied in determining whether a family meets the AFDC gross income eligibility test (185 percent of the State's need standard for the relevant family size) to include JTPA and related training payments, EITC payments, lump sum income, education assistance, in-kind income, and certain payments under the National and Community Service Act of 1990.

The following provisions amending the food stamp program are not within the jurisdiction of the Committee on Ways and Means:

(FOOD STAMP ACT AMENDMENTS)

(sections 721 through 729 of the bill)

M. Irregular or Inconsequential Income

Present law

The Food Stamp Act requires the exclusion of income of \$30 or less in a quarter per household received too infrequently or irregularly to be anticipated. The exclusion does not apply under retrospective budgeting. [sec. 5(d)(2) of the Food Stamp Act]

Explanation of provision

The bill would align the food stamp income exclusion for infrequent or irregular income more closely with the AFDC program disregard for small, nonrecurring gifts. The bill would exclude inconsequential payments for all food stamp recipients. A payment would be considered inconsequential if it does not exceed \$30 in a quarter for each member of the household. Inconsequential payments of less than \$30 per household member per quarter would be disregarded, if the payment were received during the certification period, regardless of whether the household's income is calculated on a prospective or retrospective basis.

N. Education Assistance

Present law

The Food Stamp program excludes all education assistance received under title IV of the Higher Education Act, the Bureau of Indian Affairs programs, or the Carl Perkins Act. Other education aid is excluded to the extent used or made available for tuition, fees, books, supplies, transportation, and miscellaneous personal expenses (not including living expenses). [sec. 5(d)(3) of the Food Stamp Act]

Explanation of provision

The bill would provide that all education assistance given to or obtained by a food stamp recipient (i.e., including loans, grants, scholarships, fellowships, and veterans' educational benefits) would be disregarded in determining the household's food stamp eligibility and/or benefit amount.

O. Student Earnings

Present law

Effective September 1994, the Food Stamp program will exclude the earnings of elementary or high school students under age 22 who are living at home. [sec. 5(d)(7) of the Food Stamp Act]

Explanation of provision

The bill would change the earnings disregard for food stamp recipients who are students. The disregard of earnings of elementary and secondary school students would be limited to students under age 19. The disregard would apply to students who live on their own or at home.

P. Counting Income from Training Programs

Present law

Food stamp law requires that earnings from JTPA adult and youth on-the-job training programs be disregarded for dependents under age 19. Other on-the-job training earnings are considered earned income. The JTPA requires that JTPA stipends and allowances be disregarded by the Food Stamp program. Other training program stipends and allowances are disregarded for food stamp purposes if provided as reimbursements for expenses. [sec. 5(d)(5) and 5(l) of the Food Stamp Act and sec. 142(b) of the Job Training Partnership Act]

Explanation of provision

The bill would count as earned income earnings from any on-the-job training program. On-the-job training program stipends and allowances would be disregarded when provided under the JTPA or any other training or similar program.

Q. Food Stamp Resource Limit

Present law

(1) In general

Food stamp law prohibits households without an elderly member to have counted liquid assets of more than \$2,000. Households with an elderly member cannot have counted liquid assets of more than \$3,000. Counted assets do not include the value of the home and surrounding property, a portion of the value of any vehicle, business assets (including property, such as farm land, and work-related equipment and vehicles), household goods and personal effects, burial plots, the cash value of life insurance policies and pension plans (other than Individual Retirement Accounts and Keogh plans), Federal earned income tax credit refunds (for the month of receipt and the following month), disaster payments, income-producing property, certain payment to Indians, and resources whose cash value is not accessible or of slight value. [sec. 5(g) of the Food Stamp Act]

(2) Treatment of earned income tax credit

Effective September 1994, lump sum earned income tax credits will not be counted as assets for 12 months after receipt, if received while enrolled in the Food Stamp program and only during a 12-month period of enrollment. [sec. 5(g)(3) of the Food Stamp Act]

(3) Treatment of resources necessary for self-employment

Business loans are excluded as income but not disregarded as resources. Other resources related to self-employment may be disregarded as resources, depending on their type and source. [sec. 5(d)(4) and 5(g)(2) of the Food Stamp Act]

(4) Treatment of lump sum payments for medical expenses or replacement of lost resources

Lump sum payments for medical expenses or replacement of lost resources are excluded as income but not disregarded as resources. [sec. 5(d)(8) and 5(g)(2) of the Food Stamp Act]

(5) Individual development accounts

No provision.

Explanation of provision

(1) In general

See the following provisions.

(2) Treatment of earned income tax credit

The bill would exclude earned income tax credits as assets for food stamp applicants as well as enrollees, regardless of when received, and clarify that Federal and State lump sum credits are to be disregarded. Lump sum earned income tax credits would still be disregarded for 12 months after receipt.

(3) Treatment of resources necessary for self-employment

The bill would exclude from being counted as a resource loans obtained for the purpose of starting or operating a business. The Secretary of Agriculture would be explicitly permitted by law to exclude from resources liquid or nonliquid assets that were used or would be used for the self employment of any member of a food stamp household to the extent and under circumstances allowed in regulations that would be issued by the Secretary of Agriculture after consultation with the Secretary of HHS.

(4) Treatment of lump sum payments for medical expenses or replacement of lost resources

The bill would exclude from being counted as a resource, for a period of 1 year following receipt, lump sum reimbursements or advance payments for medical expenses or the cost of repairing or replacing resources of the family.

(5) Individual development accounts

Money placed in "individual development accounts" would not be counted as a resource as long as the amount did not exceed \$10,000 (including interest) but only amounts credited to accounts while the person was a recipient of AFDC or food stamp benefits. In addition, nonrecurring lump sum payments received by any food stamp household member would not be counted as a resource in the month of receipt and the following month if the member says that the payment is to be deposited in an individual development account.

(ECONOMIC INDEPENDENCE)

R. Declaration of policy
(section 732 of the bill)

Present law

No provision.

Explanation of provision

The provision would declare that it is the policy of the United States: a) to eliminate barriers that prevent AFDC recipients from becoming self-sufficient through self-employment and asset accumulation; (b) to identify and implement cost-effective strategies to encourage saving and entrepreneurship among the broadest possible range of low-income families, particularly families eligible for AFDC, and that have the potential to reduce Federal spending on transfers and services to the disadvantaged; (c) to enhance private-sector opportunities for low-income families by enabling them to use their own human and financial resources through expansion of business investment, job creation, home ownership, and human capital investment; and (d) to expand the capacity of local organizations to provide asset-related services that help people to help themselves such as savings mechanisms, loan funds, technical assistance, and entrepreneurial training.

S. Individual Development Account Demonstrations
(sections 731-733 of the bill)

Present law

No provision.

However, section 1115 of the Social Security Act provides States an opportunity to seek waivers of Federal AFDC law. Section 1115 waiver authority is limited to any experimental, pilot or demonstration project which, in the judgement of the Secretary, is likely to assist in promoting the objectives of the AFDC and other programs.

At least one State is using waiver authority under section 1115 to conduct an individual development account pilot project to allow savings and accumulation of tax-benefited assets. Under this particular waiver, all savings and assets in an individual development account are exempt from the AFDC grant calculation.

Explanation of provision

The bill would authorize individual development account demonstrations under the following provisions:

(1) Purpose

The purpose of the demonstration projects would be to provide for a means of determining: (a) the social, psychological, and economic effects of providing low-income individuals the opportunity to accumulate assets and develop and utilize entrepreneurial skills; and (b) the extent to which an asset-based assistance policy may be used to enable individuals with low-income to achieve economic self-sufficiency.

(2) Demonstration projects

Within one year of enactment, any State or local government or any qualified organization may apply to the Administrator/Chairperson of the Community Development Bank and Financial Institutions Fund (hereinafter the 'Administrator/Chairperson') for a grant to conduct individual development account demonstration projects for eligible persons. Each application must:

- a. describe the demonstration project;
- b. describe the persons who will participate in the project;
- c. demonstrate the ability of the applicant to assist project participants in achieving economic self-sufficiency through the project; to assist project participants in developing greater knowledge about savings, investments, and other financial matters; to oversee the use of grant funds, including the documentation and verification of start-up expenses in

the case of entrepreneurial assistance; and to effectively administer the project;

- d. in the case of a qualified organization, document a commitment by the State in which the project is to be conducted to provide a specified amount of funds to the qualified organization for the project, and any similar commitment made to the qualified organization by any other non-Federal public entity or by any private entity;
- e. contain a plan for maintaining data and other information concerning assistance provided to project participants sufficient to evaluate the project and a certification that the applicant will fully cooperate and provide access to all information concerning the project in connection with any evaluation of the project; and
- f. contain other information as the Administrator/Chair may prescribe.

(3) Criteria for approval

In considering whether to approve an application, the Administrator/Chair would have to assess the likelihood that the project will promote self-sufficiency; the ability of the applicant to administer the project; the amount of non-Federal funds committed; and the adequacy of the plan for maintaining information necessary to evaluate the project.

(4) Approval

The Administrator/Chair would approve, on a competitive basis, applications deemed appropriate on the basis of the criteria outlined above. Approval decisions would not be subject to judicial review.

(5) Demonstration authority; annual grants

Approval of an application would authorize the project for five project years, in accordance with the approved applications and the requirements of the law. Grants would be made to each grantee on the first day of each project year.

(6) Reserve fund

Each grantee would establish a reserve fund in which the grantee would deposit annual grants made by the Administrator/Chairperson, other non-Federal sources, and proceeds from investments. Allowable expenditures would include those necessary to: assist project participants; provide financial assistance; administer the project; and maintain and provide information for the evaluation. Regulations would have

to be issued regarding accounting of funds, and funds remaining after project termination would revert to the Administration/Chairperson and contributing entities.

(7) Selection of eligible persons to receive assistance

A grantee would have to provide individual development account assistance to eligible persons whom the grantee deems to be best situated to benefit from the assistance, taking into account the amount of grants made by the Administrator/Chairperson and other funds available to the grantee for such assistance.

(8) Financial assistance for IDAs

Grantees would have to provide initial financial assistance to a project participant who establishes an individual development account, not to exceed \$500 per participant. The assistance would have to be deposited in the account established by the participant. The Administrator/Chairperson or a grantee could make matching contributions of not less than 50 cents and not more than \$4 for every \$1 dollar deposited, not to exceed \$2,500 for any project participant. Financial assistance would not be available for use by a participant until the account is closed and a participant has deposited into the account an amount equal to the initial assistance provided. Financial assistance could be used only for the payment of qualified expenses.

This following provision is not in the jurisdiction of the Subcommittee on Human Resources:

The provisions of section 529 of the Internal Revenue Code of 1986 would apply to an individual development account, as would rules, regulations and procedures that the Secretary of Treasury could prescribe (see item T. below, "Individual Development Accounts").

If an individual development account ceases to be such under the Internal Revenue Code or any portion is treated as distributed under the Internal Revenue Code (see item T. below, "Individual Development Accounts"), title to the amounts in the account attributable to financial assistance would vest in the grantee providing financial assistance and the amounts would be paid to the grantee and deposited into the reserve fund as soon after receipt as is practicable.

(9) Local control over demonstration

Each grantee would be required to have sole responsibility for the administration of demonstration projects approved by the Administrator/Chairperson. The Administration/Chairperson could prescribe regulations necessary to ensure that grantees comply with the terms of approved applications and the requirements of the law.

(10) Annual reports

Each grantee would report annually to the Administrator/Chairperson on the progress of the project. The report would, at a minimum, have to describe project participants, contain an audited financial statement for the reserve fund, provide information on amounts deposited in the individual development accounts of project participants, and provide other information that the Administrator/Chairperson requires with respect to evaluation of the project. The reports would have to be submitted annually and not later than the anniversary of the date of approval of the project. A copy of each report would have to be transmitted to the treasurer of the State in which the project is conducted.

(11) Sanctions

If the Administrator/Chairperson determines that a grantee is not conducting a project in accordance with the applications and requirements of the law, and has failed to undertake satisfactory corrective action, the Administrator/Chairperson could revoke the approval to conduct the project. A determination to revoke would not be subject to review by any court.

If the Administrator/Chairperson revokes approval, she must suspend the project, take control of the reserve fund, and solicit applications to conduct the project. If the Administrator/Chairperson approves an application to conduct the suspended project, she would have to transfer control of the reserve fund to the new grantee and the grantee would have to be considered the sole grantee. The date the Administrator/Chairperson approved the application of the new grantee would apply for purposes of the annual report.

If the Administrator/Chairperson has not approved an application to conduct a project by the date that is one year after approval was revoked, she would have to terminate the project and distribute remaining amounts in the reserve fund (including investments made from such amounts).

(12) Project evaluations

Within 6 months of enactment, the Administrator/Chairperson would have to enter into a contract with an independent organization to evaluate individual

demonstration projects conducted under this authority and the effectiveness of assistance provided to eligible persons.

In entering into a contract, she would have to consider that the following be evaluated: the types of information and public education efforts that attract participants; accessibility of the project and the ease of participation; the level of financial assistance required to stimulate participation and whether the level varies among different demographic populations; whether features utilized in conjunction with the accounts contributed to participation; the level of self-sufficiency achieved as measured by employment or self-employment rates, earned and investment income, exit rates, poverty rates, and recidivism rates, particularly for food stamp and AFDC recipients; the reduction in public expenditure on participants as measured by support payments including AFDC, food stamp benefits, Federal child care assistance, Federal housing assistance, JOBS, and other benefits, taking into account costs in support of the demonstration; the level of asset accumulation as measured by savings rates, net worth, business start-up, human capital investments, new homes, number of loans to low-income and AFDC eligible families, and whether accumulation continues after a subsidy or other assistance; the economic, psychological and social effects of asset accumulation; and the extent to which asset accumulation contributes to a greater sense of security and control and positive outlook, greater household stability, increased long-term planning, increased efforts to maintain and develop assets, greater knowledge about savings, investment and other financial matters, increased effort and success in educational achievement within the household, increased specialization in career development, improved social status, increased political participation, increased community involvement, increased earned income, decreased reliance on traditional forms of public assistance, with particular emphasis on food stamp benefits and AFDC, and increased tendency to save during and after participation.

In evaluating any demonstration project, the evaluator would have to obtain quantitative data before, during and after the project that is necessary to evaluate the project and include randomly assigned control groups.

(13) Definitions

The term 'household' would mean all individuals who share use of a dwelling as primary quarters for living and eating separately from other individuals in the living quarters.

The term 'net worth' would mean, with respect to a household, the aggregate fair market value of all assets owned in whole or in part by any member of the household, less obligations or debts of any member of the household. Net worth would have to be determined without taking into account the fair

market value and the obligations or debts of the primary dwelling unit of the household, the motor vehicle having the greatest equity value, and items essential for daily living.

The term 'individual development account' would have the meaning given the term in section 529 of the Internal Revenue Code of 1986 (see item T. below, "Individual Development Accounts").

The term 'project year' would mean any of the six consecutive 12-month periods beginning on the date the project is approved.

The term 'qualified organization' would mean a community development financial institution as defined under section 103 of the Community Development Banking Act of 1994, P.L. 103-325.

The term 'eligible person' would mean any person who is a member of a household that meets the following requirements: (a) the household has at least one individual eligible for the EITC; (b) the household did not have adjusted gross income (as determined under the tax code) in the immediately preceding calendar year in excess of \$18,000; and (c) the net worth of the household, at the end of the immediately preceding calendar year, did not exceed \$20,000.

(14) Authorization of appropriations

The bill would authorize \$10 million for fiscal year 1997, \$20 million for fiscal years 1998 through 2001, and \$10 million for fiscal year 2002 to be appropriated to the Administrator/Chairperson.

The following provisions are not in the jurisdiction of the Subcommittee on Human Resources:

T. Individual Development Accounts (section 734 of the bill)

Present law

Explanation of provision

U. Advance State EITC demonstrations (section 741 of the bill)

Present law**Explanation of provision**

V. Self Employment/Microenterprise Demonstrations
(section 801 of the bill)**Present law**

Section 1115 of the Social Security Act provides States an opportunity to seek waivers of Federal AFDC and other laws. Section 1115 waiver authority is limited to any experimental, pilot or demonstration project which, in the judgement of the Secretary, is likely to assist in promoting the objectives of the AFDC and other programs.

Several States have used waiver authority under section 1115 to conduct microenterprise development projects, under which AFDC rules governing the treatment of income and resources have been changed to support self-employment initiatives.

Explanation of provision**(1) In general**

The Secretary of HHS and the Administrator of the Small Business Administration (SBA) would jointly develop a self-employment/microenterprise demonstration program, subject to the availability of appropriations, of at least five years in length. The program would have to build on the experience of microenterprise and self-employment programs carried out previously by the Federal government and other entities.

The program would have to be designed:

- a. to identify regulatory and other barriers that prevent welfare recipients and low-income individuals from increasing self-sufficiency through self-employment and microenterprise development, and to identify and test effective means to eliminate barriers;
- b. to develop and evaluate promising program models, based upon existing effective practices, which have the potential to increase the number of welfare recipients and low-income individuals who become self-sufficient or increase self-sufficiency through self-employment and microenterprise development, and reduce

Federal spending on transfer payments and services to welfare recipients and low-income individuals; and

- c. to demonstrate the potential for expanding the capacity of local organizations to provide services, technical assistance and loans which help welfare recipients and low-income individuals start or expand self-employment or microenterprises.

(2) Use of intermediaries

The Secretary and Administrator would jointly enter into agreements with local intermediaries to carry out the plan. The intermediaries would have to apply to participate in the program and demonstrate that they are capable of implementing the agreement.

(3) Program design

To facilitate randomized evaluation, the Secretary and Administrator would identify predominant and effective program models currently used, and would design the demonstration in order to evaluate at least two distinct types of models with contrasting levels of technical assistance. In designing the demonstration program, the Secretary and Administrator would have to consult with experienced State and local agencies and private, nonprofit organizations, and other persons with recognized expertise in conducting randomized evaluations of self-employment or related programs.

(4) Assistance to intermediaries

The Secretary and Administrator could provide the following assistance to intermediaries selected to participate: grants for providing technical assistance, for operating costs and for costs associated with participating in the evaluation; loan guarantees; and loans. Grants could also be provided to intermediaries or third-party technical assistance providers to provide technical assistance to intermediaries selected to participate.

Assistance awarded may fully fund project periods of up to five years. The Secretary and Administrator could revoke, terminate or reduce assistance to an intermediary upon failure to comply with terms of the agreement.

(5) Selection of intermediaries

In determining whether to enter into an agreement with an intermediary, the Secretary and Administrator would have to consider: (a) the intermediary's record of success in serving low-income individuals; (b) the record of success in providing technical assistance or loans to low-income individuals for the purpose of self-employment; (c) the nature, types and costs of

technical assistance and/or lending methods the intermediary will employ in serving the target population; (d) the intermediary's ability to obtain matching funds from private sources; and (e) other matters the Secretary deems appropriate.

In addition to the demonstration program, the Secretary and Administrator could select up to five intermediaries that would employ program models that would operate independently of the randomized evaluation, if the programs demonstrate promising, innovative strategies that could not readily be evaluated by a randomized experimental design.

(6) Eligible individual

An individual eligible to participate in a program would be any low-income individual or welfare recipient. The Secretary and Administrator would ensure that an appropriate minimum percentage of welfare recipients participates in each program.

(7) Provisions of agreement

Any agreement entered into with an intermediary would have to provide that: (a) the intermediary has or will have an agreement with the State agency administering the JOBS and WORK programs that JOBS and WORK program funds will be used to provide support services, including training and technical assistance, to welfare recipients who are participating in the demonstration programs; (b) the intermediary will implement a program that is approved by the Secretary and Administrator; (c) the intermediary will cooperate with any selected evaluator(s); and the intermediary will meet any other obligations required by the Secretary and Administrator, including any fund matching requirements.

(8) Program Administration

The Secretary and Administrator would be required to enter into a memorandum of understanding for the joint administration of the demonstration programs. The designation of intermediaries to participate in the program would have to be completed no later than 12 months after the date of appropriation of funds.

The Secretary and Administrator also would coordinate and consult with the Secretaries of Agriculture, Housing and Urban Development, and Labor, on regulatory or other reforms or coordinated efforts by such agencies that may further eliminate barriers to self-employment and legitimize microenterprise development by low-income individuals and welfare recipients.

(9) Evaluation and Report

The Secretary, in consultation with the Administrator, would have to conduct or provide for an evaluation of the effectiveness of the demonstration program subject to randomized evaluation and prepare a preliminary report of the evaluation and submit it to the President and Congress no later than three years following the designation of intermediaries. A final report would be due within seven years following designation, together with such recommendations, including recommendations for legislation, as the Secretary and Administrator deem appropriate. The evaluation would have to be based on an experimental design with random assignment between a treatment group and a control group. In designing the evaluation, the Secretary would be required to consider testing for: (a) greater self-sufficiency as measured by employment and self-employment rates, amount of earned income, poverty rates, and exit and recidivism rates for AFDC, food stamps and other public assistance programs; (b) reduced costs of public support as measured by changes in overall support payments for items such as income maintenance, food, child care, health care, housing, job training and other benefits; (c) number of businesses and jobs created, number of loans to welfare recipients and low-income individuals, repayment rates for loans, and business performance after welfare or other public assistance ends; (d) the relative effectiveness, cost-to-benefit ratio, and degree of financial self-sufficiency of the different program models employed by the intermediaries participating in the demonstration program; and (e) the program's impact and effectiveness in serving participants in a time-limited welfare system, as compared to other low-income individuals.

In consultation with the Administrator, the Secretary would also have to conduct or provide for an independent evaluation of the effectiveness of any program models selected to operate independently of randomized evaluation. A preliminary report would be due to the President and Congress within three years following the designation of intermediaries, and a final report would be due within five years of designation, together with any recommendations (including recommendations for legislation) that the Secretary and Administrator deem appropriate. The preliminary report would have to include an analysis of any regulatory or other barriers that prevent welfare recipients and low-income individuals from becoming self-sufficient through self-employment and microenterprise development. The Secretary could require each selected intermediary to provide the Secretary with information the Secretary determines necessary to carry out her duties with respect to the demonstrations. In consultation with the Administrator, and at least once a year during the life of the demonstration, the Secretary would have to provide early and regular feedback and summaries to intermediaries of the evaluation's progress, the data collected during the evaluation, preliminary findings and other information the Secretary deems appropriate.

(10) Authorization of appropriations

To carry out the demonstrations, the following amounts would be authorized: \$4 million for fiscal year 1997, \$8 million for fiscal years 1998 through 2001, and \$4 million for fiscal year 2002.

(11) Definitions

The term 'intermediary' would mean an organization, partnership, or consortium of organizations that acts as a lender or as a technical assistance provider to individuals who wish to start or expand a microenterprise.

The term 'low-income individual' would mean an individual whose income level does not exceed 130 percent of the official poverty line.

The term 'microenterprise' would generally mean a business that has a net worth of less than \$15,000.

The term 'technical assistance' as it relates to assisting a welfare recipient or low-income individual would include business technical assistance, entrepreneurial training, or personal development services.

The term 'welfare recipient' would mean a participant in a time-limited welfare program who is eligible for JOBS or WORK or receiving AFDC.

IX. FINANCING

X. EFFECTIVE DATES



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Assistant Secretary
for Legislation

Washington, D.C. 20201

TO: MARY JO BANE 401-4678
 DAVID ELLWOOD 690-7383
 BRUCE REED 456-7028
 EMILY BROMBERG 401-4678
 ANN ROSEWATER 401-4678
 WENDELL PRIMUS 690-6562
 KATHY WAY 456-7028
 SUSAN BROPHY 456-6220
 PAUL CAREY 456-2604
 JANET MURGUIA 456-6221
 ISABELL SAWHILL 395-5730
 JEREMY BEN-AMI 456-7028
 AVIS LAVALLE 690-5673
 MELISSA SKOLFIELD 690-5673
 JOHN MONAHAN 690-5672

FROM: HHS/ASL STAFF (Jim Hickman 690-7627)

DATE: October 17, 1994

PAGES: 8 (including cover)

NOTE: / WELFARE REFORM: Request for Background Information on H. R. 4605 from the Democratic Members of the House Ways and Means Committee to the Secretary of the Treasury

300
 340
 380
 420
 460
 500
 540
 580
 620
 660
 700
 740
 780
 820
 860
 900
 940
 980
 1000

ONE HUNDRED THIRTY COMMITTEES
SAM H. CROSBY, FLORIDA, ACTING CHAIRMAN

DAN FOSTER, FLORIDA
J. L. WHEELER, TEXAS
CHARLES E. HANCOCK, NEW YORK
ROBERT P. STEIN, CALIFORNIA
ANDY JACOBSON, ILL. ILLINOIS
HAROLD C. FORD, TENNESSEE
ROBERT T. MATTHEWS, CALIFORNIA
BARBARA S. HENNING, CALIFORNIA
WILLIAM J. COTNEY, PENNSYLVANIA
EDWARD A. JENNINGS, TEXAS
DAVID M. LIPKIN, ILLINOIS
BERNARD L. BARNETT, MARYLAND
JIM McDONNELL, WASHINGTON
GERALD S. KLECKA, WISCONSIN
JOHN LEWIS, GEORGIA
L. J. PAVLE, VIRGINIA
RICHARD E. NEAL, MASSACHUSETTS
PETER ROACH, ALABAMA
MICHAEL R. MURPHY, NEW YORK
BOB KOPPEL, OREGON
WILLIAM J. JEFFERSON, LOUISIANA
BILL R. WINTER, CALIFORNIA
MEL REYNOLDS, ALABAMA

JANICE BENTZ, CHIEF COUNSEL AND STAFF DIRECTOR
BERNARD E. COLTON, DEPUTY STAFF DIRECTOR
FRANKLIN C. PAPER, JR., COUNSEL TO THE ACTING CHAIRMAN
PHILIP D. MURPHY, ADVISORY CHIEF OF STAFF

COMMITTEE ON WAYS AND MEANS

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

October 6, 1994

Rec'd 10/11

Orig. Ex. Sec
cl. Michael
Linda
Flayd
Garp
7m

The Honorable Lloyd Bentsen
Secretary of the Treasury
U.S. Department of the Treasury
15th and Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Mr. Secretary:

As you know, H.R. 4605, the Work and Responsibility Act of 1994, contains several substantive tax law changes as well as certain changes to Internal Revenue Service (IRS) procedures. Additional changes related to IRS involvement in child support collection and enforcement are contained in H.R. 4570, the Child Support Responsibility Act of 1994.

The Committee would like the assistance of you and your staff in evaluating the following provisions as we prepare for a Committee markup early in the next session of Congress. So that we can make the most of the information you provide, we would appreciate a response by January 9, 1995.

Federal Tax Treatment of WORK Wages

Section 207 of H.R. 4605 would exclude from gross income any remuneration received by an individual in a WORK program (i.e., a Federally subsidized temporary employment program for recipients of Aid to Families with Dependent Children (AFDC) who are no longer eligible to remain on the welfare rolls). In addition, such WORK wages would be disregarded for purposes of Federal unemployment tax, certain contribution rules, the employee's eligibility for the earned income tax credit (EITC), and the employer's eligibility for the targeted jobs tax credit (TJTC).

The Committee would be interested in the Department of the Treasury's (Treasury's) views on the tax policy rationale for the bill's treatment of wages from the WORK program. Further, the Committee would like you to share any data or analysis that shows how this treatment would affect participating employees' work incentives and perceptions of the tax system once their WORK

The Honorable Lloyd Bentsen
October 6, 1994
Page 2

eligibility terminates, as well as participating employers' incentives to create non-WORK jobs. The Committee is particularly interested in Treasury's assumptions regarding the participants' eligibility for EITC, and whether such participants will be better or worse off once they are able to find regular employment.

Disclosure of Tax Information for Child Support Enforcement

H.R. 4605 would establish a National Welfare Reform Clearinghouse to enable Federal and State agencies to locate absent parents and collect child support from them. In order to accomplish these purposes, sections 625-626 of the bill would expand the existing authority of the IRS to disclose tax return information to child support enforcement agencies and require employers to report information (through the transmission of the employee's W-4 Form or other means) on all new hires to the Federal Government. Section 627 would mandate a study of making certain Clearinghouse data available to noncustodial parents. In addition, section 653 would direct the Department of Health and Human Services (HHS) and Treasury to study how IRS return information might be used for the modification of child support orders (and further expands IRS tax return disclosure authority for purposes of conducting the study).

With respect to these provisions, the Committee would be interested in Treasury's analysis of the effect of increased sharing of tax return data on overall levels of Federal tax compliance, as well as on child support collections. The Committee also would be interested in any recent studies or reports on the ability of the IRS to ensure that non-Federal agencies (and their employees) comply with applicable Federal restrictions and safeguards on the use and re-disclosure of tax data. In addition, the Committee would be interested in your ideas about how employers could be required to report data on new hires without such reporting being perceived by affected employees as intrusive and by employers as unduly burdensome.

As you may know, H.R. 4570, the Child Support Responsibility Act, contemplates much broader disclosure of Federal tax return data and would mandate inclusion of detailed information regarding an individual's child support obligations on the W-4 Form. The Committee would be interested in Treasury's analysis of these provisions, including the effects on Federal tax compliance.

10/14/94 17:29

202 622 0634

DTR LEGIS APPS

6004

The Honorable Lloyd Bentsen
October 6, 1994
Page 3

IRS Collection of Child Support Arrears and AFDC Overpayments

H.R. 4605 would make two significant changes in the role of the Federal tax system in collecting overdue child support. First, section 662 of the bill would rearrange the priorities for the Federal tax refund offset so that child support debts owed to the family would take priority over most Federal agency debts, as well as over child support debts assigned to the State. Second, section 663 would bar the imposition of additional IRS fees for adjusting the amount of arrears that the IRS is authorized to collect under existing Code section 6305. In addition, section 712 of the bill would add a new refund offset for AFDC overpayments with an instruction to Treasury to implement the new offset in a manner similar to the existing offset for child support arrears.

The Committee would like the assistance of Treasury in analyzing the impact of multiple refund offsets on Federal income tax compliance. In this regard, the Committee would appreciate knowing whether the Administration relied on or took into account any recent IRS studies or the General Accounting Office (GAO) reports in designing the bill's expansion and reordering of the Federal tax refund offset. The Committee also would be interested in Treasury's analysis of the feasibility and desirability of utilizing the Federal refund offset program to enforce the payment of debts between private individuals.

In addition, the Committee would be interested in Treasury's view of the provision barring the imposition of user fees with respect to adjustments in arrearages. We would appreciate your analysis of alternative means of permitting the IRS to cover its cost and any evidence that the current dollar level of user fees impedes efficient and timely collection actions.

Full IRS Collection of Child Support

H.R. 4570, the Child Support Responsibility Act, would provide for so-called "full" IRS collection of child support arrearages and for the reconciliation of child support obligations and payments on the annual income tax return. Specifically, section 412 would require Treasury, in consultation with IRS, to issue regulations simplifying the full collection process under Code section 6305 and reducing the amount of child support arrearages needed before an individual may apply for collection under such section. In addition, section 105 of the bill would provide for the reconciliation of child support obligations and payments on each annual income tax return and for the collection of any net liabilities as Federal income taxes.

The Honorable Lloyd Bentsen
October 6, 1994
Page 4

Although these provisions are not part of the Administration's bill, the Committee would be interested in Treasury's analysis of them, including any suggestions for simplifying current IRS procedures for the collection of child support. The Committee would be particularly interested in your assessment of the IRS's ability to collect overdue child support on a much wider scale than current law permits, as well as its ability to cope with the additional complexity of requiring annual reconciliation of non-tax obligations on the Federal income tax return. The Committee is also interested in any studies or analyses that Treasury has conducted on the impact of such measures on overall taxpayer compliance.

Individual Development Accounts

Section 734 of the Administration's bill would permit individuals who are participants in a demonstration project and recipients of either AFDC or food stamps to establish Individual Development Accounts (IDAs). IDAs would be modeled after individual retirement accounts (IRAs) with a maximum contribution limit of \$10,000 per eligible individual. Amounts that participants in a demonstration project deposit in the IDA could also be eligible for matching contributions from the project. If matching grants are made, the match rate would have to be between 50 percent and 400 percent, and the amount of matching contributions would be limited to \$2,500 per participant.

The Committee is interested in the data or analyses that the Administration relied on in deciding to include IDAs in the legislation. We would hope that such research might show how many participants are expected to be eligible for and participate in the new IDAs, including participants' expected contribution levels and economic profiles.

The Committee also is interested in Treasury's views on whether the goals of the IDA program could be achieved by an administratively simpler approach of back-loaded tax treatment (that is, no deduction for contributions and no taxation of the proceeds when withdrawn). In this regard, we are interested in Treasury's analysis of the expected number of IDA participants who might claim itemized deductions.

Further, the Committee is interested in any research or evidence that led you to conclude that reducing the taxation of capital income would lead to a significant increase in saving by eligible individuals. In particular, the Committee is interested in any data derived from similar programs designed to help poor people save money for education, home purchases, or new business

The Honorable Lloyd Bentsen
October 6, 1994
Page 5

formations. Finally, the Committee would like you to analyze the potential impact, if any, of the IDA program on the national savings rate (taking into account any projected tax revenue losses associated with the provision).

Advanced EITC Payments Through State Demonstration Projects

Section 741 would authorize the Secretary of the Treasury to designate up to four States in which demonstration projects would be created to distribute advanced EITC payments to EITC participants in those States who elect the advance payment option. The payments would be made through a State agency identified by the State in its application to the Treasury for designation as a "demonstration" State. The amount of advanced payments allowed could be increased by the State from the current-law level of 60 percent to 75 percent of the maximum available credit for families with one child.

It would be helpful to the Committee if you could provide us with whatever analytical information on which Treasury relied in designing the proposal, including the rationale for increasing the advanced amount from 60 percent to 75 percent. In addition, the Committee would be interested in whatever data Treasury used to determine: (1) how and when States would make the advance payments to the participating workers; (2) how States would obtain the information necessary to determine the eligibility of participants and the amount of advanced payments that eligible participants would receive; and (3) the method the State would use to select and notify eligible participants and how the State would provide those workers with the option to elect the advance payment options.

Further, the Committee is interested in Treasury's view on the administrative and economic advantages and disadvantages of such a State-based payment system, compared to the current system in which the advance payment option is implemented by employers through the wage withholding system. We would also be interested in any data regarding the effect of the alternative system on: the opportunity for inadvertent error and intentional misuse of the EITC, and the EITC's effectiveness as an economic incentive to work.

The Committee also is interested in your assessment of IRS's ability to implement such a new system, including the feasibility of designating the "demonstration" States in a timely manner (i.e., by the end of 1995, as stated in the Administration's proposal), accommodating the four demonstration States in IRS's established procedures applicable to the employer-based system in

The Honorable Lloyd Bentsen
October 6, 1994
Page 6

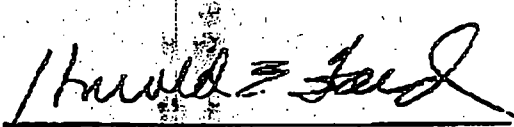
the other 46 States, enforcing the requirement that a State reimburse the Federal Government for excess EITC payments, and ensuring that an employee does not "double-dip" (e.g., by receiving advanced EITC payments from both his employer and his State agency).

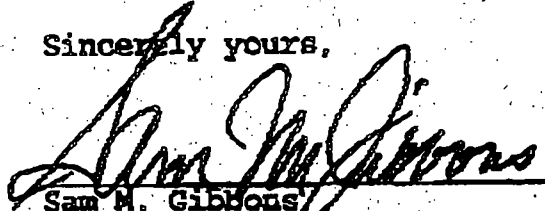
Disclosure of Alien Sponsor's Tax Return

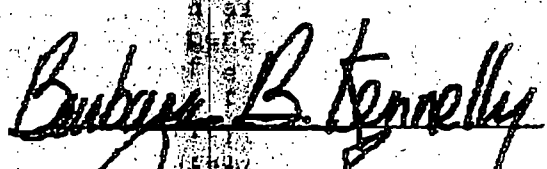
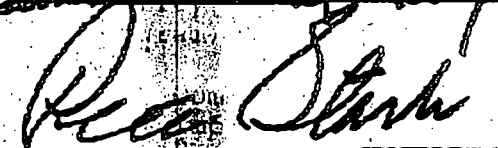
Section 903 of H.R. 4605 would require the IRS to disclose the tax return data of any person who sponsors an alien if the sponsored alien subsequently applies for certain government welfare benefits. Under this provision and current law, the income of a sponsor is deemed to be the income of the alien for a period of five years (for purposes of determining the alien's eligibility for the AFDC and Food Stamp programs, as well as the SSI program).

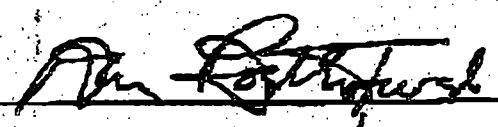
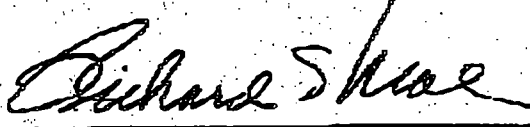
The Committee is interested in Treasury's views on the possible impact and precedent of providing access to tax return information belonging to one party for the purpose of verifying another party's eligibility for benefits. In addition, the Committee would be interested in knowing whether the Administration has considered other cost-effective means of enforcing the sponsor-to-alien income deeming provision contained in this section of the bill.

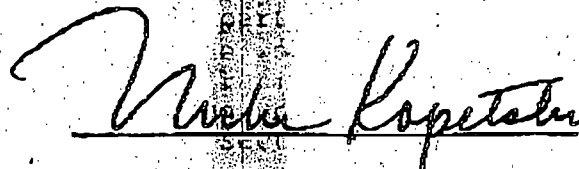
Sincerely yours,

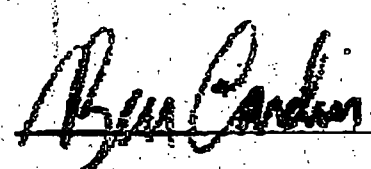

Harold E. Ford, Chairman
Subcommittee on Human Resources


Sam M. Gibbons
Acting Chairman





The Honorable Lloyd Bentsen
October 6, 1994
Page 7

Gerard D. Keyka
Sandra Levin

William J. Byrne

RF Pope

Jim M. Donnell

Neil Reynolds

Joe Lewis

John Miller

Andy Fisher

Robert J. Blatter

Charles Rangel

Peter Hoagland

Bill K. Brewster

Don J. Mason

Michael L. Anderson



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
WASHINGTON, D.C. 20201

PHONE: (202) 690-7627

FAX: (202) 690-7380

TO:

FROM:

NAME:

Kathy Way

NAME:

Rich Jarplin

OFFICE:

OFFICE:

ROOM NO.:

ROOM NO.:

PHONE NO.:

PHONE NO.:

FAX NO.:

456-7028

DATE:

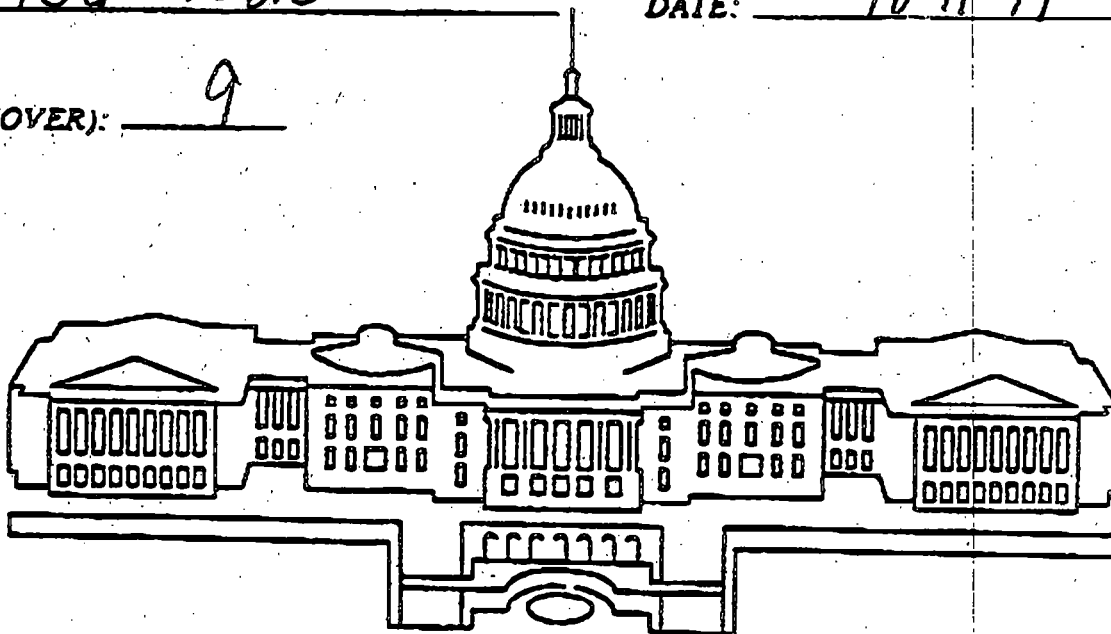
10-11-94

TOTAL PAGES

(INCLUDING COVER):

9

REMARKS:



F.Y.I.

ROSTENKOWSKI, ILLINOIS
 J.J. PICKLE, TEXAS
 CHARLES B. RANGEL, YORK
 FORTNEY PETE STARK, CALIFORNIA
 ARMY JACOB, JR., INDIANA
 HAROLD E. FORD, TENNESSEE
 T. MATSUI, CALIFORNIA
 BARBARA B. KENNEDY, CONNECTICUT
 WILLIAM J. COYNE, PENNSYLVANIA
 MICHAEL A. ANDREWS, TEXAS
 DANIEL M. LEVIN, MICHIGAN
 BENJAMIN L. CARDIN, MARYLAND
 JIM McDERMOTT, WASHINGTON
 GERALD D. KLECKA, WISCONSIN
 LEWIS, GEORGIA
 L.F. PAYNE, VIRGINIA
 RICHARD E. REAL, MASSACHUSETTS
 PETER HOAGLAND, NEBRASKA
 MICHAEL R. MCNULTY, NEW YORK
 KOPECEK, OREGON
 WILLIAM J. JEFFERSON, LOUISIANA
 MEL KETNOLOS, ILLINOIS

ALLIANCE
 BILL THOMAS, CALIFORNIA
 S. CLAY SHAW, JR., FLORIDA
 DON SUNDQVIST, TENNESSEE
 NANCY L. JOHNSON, CONNECTICUT
 JIM BURNING, KENTUCKY
 FRED GRANDY, IOWA
 AMO HOUGHTON, NEW YORK
 WALLY MERGEL, CALIFORNIA
 JIM MCGRERY, LOUISIANA
 MEL HANCOCK, MISSOURI
 RICK SANTORUM, PENNSYLVANIA
 GAVE CAMP, MICHIGAN

COMMITTEE ON WAYS AND MEANS

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

October 6, 1994

JANICE MAY, CHIEF COUNSEL AND STAFF DIRECTOR
 DEBORAH G. COLTON, DEPUTY STAFF DIRECTOR
 FRANKLIN C. PAPER, JR., COUNSEL TO THE ACTING CHAIRMAN

PHILIP B. MOSLEY, MINORITY CHIEF OF STAFF

The Honorable Donna E. Shalala
 Secretary of Health and Human Services
 U.S. Department of Health and Human Services
 200 Independence Avenue, S.W., Room 615
 Washington, D.C. 20201

Dear Madam Secretary:

It is the goal of the Committee on Ways and Means to be ready to consider welfare reform legislation at the beginning of the next session of Congress. Already, Members of the Committee have made significant progress toward this goal by holding a series of hearings on welfare topics this past summer. Over the next two months we hope to continue gathering information that will enable us to assess the many welfare policy changes under consideration. We are writing today to ask you to help us with this task.

We share the President's goal of basing our nation's welfare system on values that Americans hold most dearly -- work, family and responsibility. On the whole, we believe that the comprehensive welfare reform bill that President Clinton sent to Congress earlier this year, H.R. 4605, the "Work and Responsibility Act of 1994," reflects a commitment by his Administration to design Federal policies that support these values. However, the legislation has numerous and complex features which ultimately will help to determine its effectiveness. It is with respect to some of the most critical features of the bill that we request information from your agency.

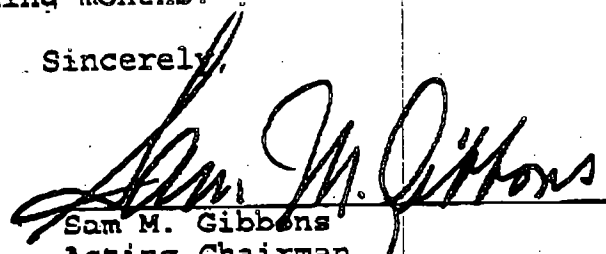
The attached document, "Request for Background Information on H.R. 4605," outlines the information we seek. So that we can make the most of the information you provide, please respond no later than January 9, 1995.

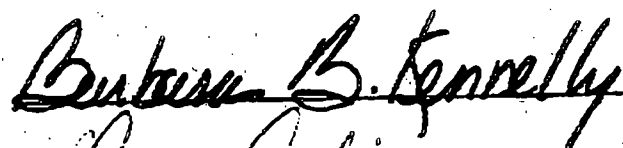
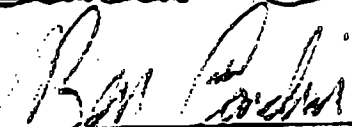
The Honorable Donna E. Shalala
October 6, 1994
Page 2

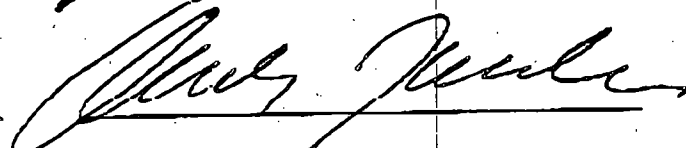
We look forward to your response and to working with you on welfare reform legislation in coming months.

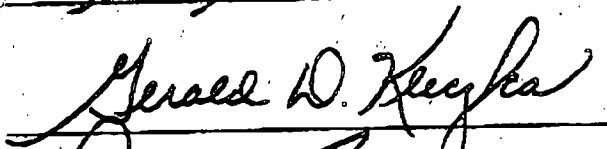
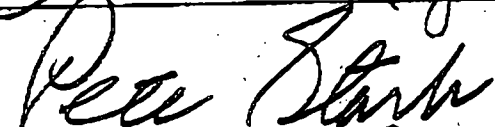
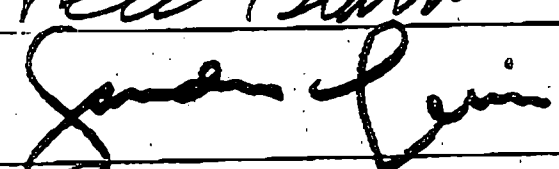
Sincerely,

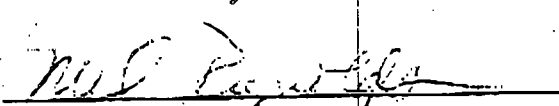
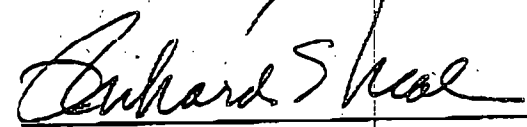

Harold E. Ford
Chairman
Subcommittee on Human Resources

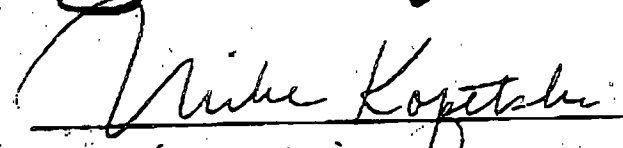
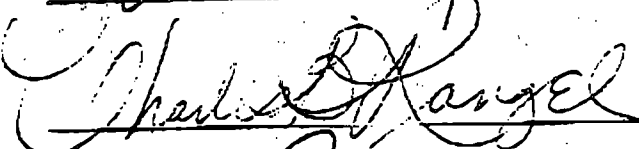

Sam M. Gibbons
Acting Chairman

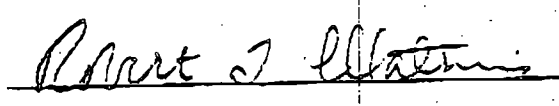
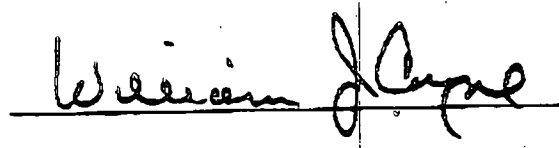
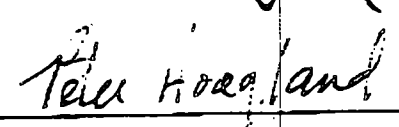

Barbara B. Kennelly

Ben Forder

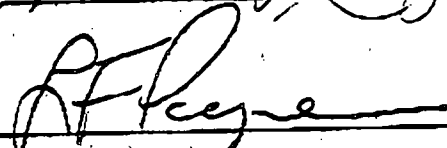
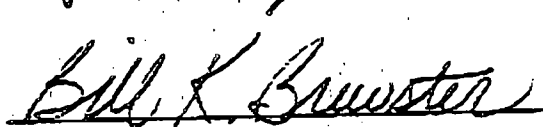

Tom Portier

Mary Miller

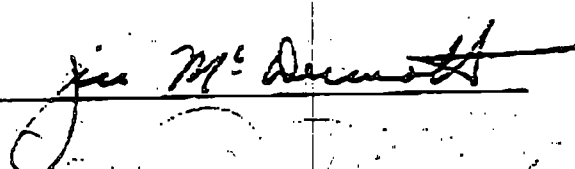

Gerald D. Keegha

Peter Stark

Sandra Levin

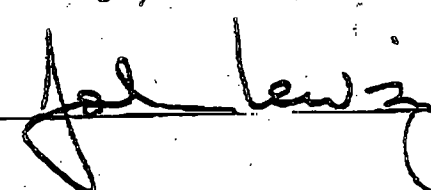

Neil Fennell

Richard Skel

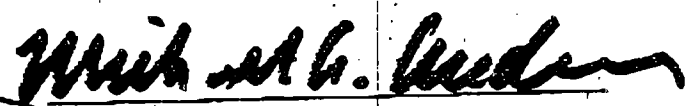

Mike Kopetski

Charles D. Kangel


Robert J. Williams

William J. Byrne

Ted Hoagland


RF Payne

Bill K. Brewster


Jim Mc Dermott


Joe Lewis


Mike M. G. Anderson

John D. Kille

**REQUEST FOR BACKGROUND INFORMATION ON H.R. 4605,
THE WORK AND RESPONSIBILITY ACT OF 1994**

Health Benefits

One of the central assumptions of welfare reform was that universal health insurance would be available. Unfortunately, Congress did not pass health care reform this year. In the Administration's view, do we need to guarantee low-income, working families a health care benefit package in order to prevent them from falling onto the welfare rolls, or remaining trapped on welfare, due to medical needs? Short of universal health insurance coverage, what kind of health care benefit package would provide this guarantee? Is the one-year Medicaid transitional assistance, authorized under the Family Support Act of 1988, sufficient? Under H.R. 4605, how many and what fraction of families leaving welfare would exhaust the Medicaid transitional assistance and remain in need of health insurance coverage?

Education, Training, and Employment Efforts

Have ongoing evaluations of State JOBS programs provided strong evidence of the most cost-effective strategies for helping welfare families achieve long-term self sufficiency? If so, please discuss and compare education and training strategies, strategies that focus on immediate job placement, and strategies that include a combination of these features. Given this evidence and projected labor market conditions, what fraction of AFDC families do you project will reach the two-year time limit of H.R. 4605 without having found private-sector employment? What earnings level will be achieved for those who do find jobs? What proportion of families will achieve more than a poverty-level existence?

Target Population

If funding and implementation constraints require a strategy for phasing in welfare reform, what would the most cost-effective strategy be? What does the research suggest? That is, for what categories of recipients would the benefits relative to the costs of participation be highest? Does the research evidence suggest that this could vary by State or locality?

Job Creation/Job Placement

Please provide the research evidence on the quality, availability, and accessibility of private-sector jobs for welfare parents, including parents who have participated in education and training programs. Is job availability or accessibility an issue for certain categories of individuals or in certain geographic areas? If so, what does the research evidence suggest are effective mechanisms for creating jobs or

for linking individuals to existing jobs? In your view, what effect will the provisions of H.R. 4605 have on job availability and accessibility? Will there be sufficient jobs in high-unemployment areas?

Sanctions

In the Administration's view, what are the likely benefits of adopting the sanctions policies of H.R. 4605 (relating to failure to participate in the JOBS program and to accept available work) relative to the sanctions policies of current law or other approaches? What are the likely costs (e.g., for monitoring, dispute resolution activities, and hearings, as well as costs to families and children) of adopting the policies of H.R. 4605? In a given year, what proportion of families does the Administration project will face sanctions under the bill for failure to participate in the JOBS program? What proportion of families required to participate in JOBS is projected to lose the entire AFDC payment under sanctioning? What effect is this projected to have on child welfare caseloads? Will homelessness increase? How will State and local assistance programs be affected?

Job Retention Strategies

According to the research evidence, a significant percentage of families leave welfare for work within the first two years; however, most of these families eventually return to welfare. What does the research evidence say about why families return to welfare and the strategies that would be most effective in helping them stay off welfare?

Two-Year Time Limit

What research evidence led the Administration to propose a time limit of two years in a lifetime? Were other approaches to designing a time limit examined by HHS staff, and if so, what are the relative costs and benefits of each approach? How difficult will it be to keep track of the receipt of welfare in a nationwide automated system? Can the States provide the data necessary to maintain this system?

What does the research evidence suggest will be the effect of the two-year, lifetime limit on AFDC receipt contained in H.R. 4605? Please discuss the effect of the limit on welfare receipt, family income, and family well-being, under two different assumptions: (1) a "high-powered" JOBS program is in effect; (2) an "average" JOBS program is in effect.

Work Programs

Based on the research evidence, what are the strengths and weaknesses of each of the following mechanisms for providing work for welfare recipients who are unable to secure work in the private sector: (1) work in exchange for welfare benefits (community work experience); (2) public-service jobs; (3) the work-for-wages plan under H.R. 4605? Please discuss the implications of each for raising the income levels of families through work, reducing welfare receipt, enforcing a work mandate, minimizing administrative costs and bureaucracy, and protecting the best interests of children.

Under H.R. 4605, what does the Administration expect would happen to children whose parents fail to participate in the WORK program? Do you project any effect of the WORK-for-wages program on child welfare caseloads?

Federal-State Financial Participation

Over the JOBS program's history, States have drawn down a disappointing, albeit growing, percentage of Federal JOBS funds. Does the Administration have any evidence to suggest that States do not agree with the goals set out in the Family Support Act of 1988 for the JOBS program or that States are unable to assume a significant share of the costs of the program? Have the States who have cut taxes since 1988 fully funded their JOBS programs? In order to be effective, what amount of new State funds would have to be spent under H.R. 4605 during the first five years of program implementation? In order to be effective, what amount of new State funds would have to be spent under H.R. 4605 during the second five-year period? If States were to fail to provide these new funds, what would be the implications for H.R. 4605?

Child Care

Safe and affordable child care is a key component of welfare reform. Based on the research evidence, what type of child care opportunities should be available to low-income working families, in order to: (1) prevent families from falling onto the welfare rolls, or remaining trapped on welfare, due to child care issues, and (2) ensure that children are protected and receive appropriate care? How many low-income, non-AFDC families will be in need of child care assistance when H.R. 4605 is fully in effect? What level of child care expenditures under the At-Risk program would meet this need, and how does that figure compare to the funds actually made available under the bill?

With respect to child care standards and other quality issues, H.R. 4605 would conform the Federal policy for the AFDC and At-Risk child care programs with the policy under the Child Care and Development Block Grant (CCDBG). What does the research evidence to date suggest about the extent of compliance with the quality standards under the CCDBG program? To what extent are States effectively monitoring compliance? What effect have the standards had on the quality of child care provided to children and child outcomes?

Family Cap

Based on the research evidence, what are the likely benefits of denying AFDC payments to children conceived by individuals on welfare? What are the likely costs? In the Administration's view, will this policy deter welfare mothers from conceiving children on welfare? Please provide data on the number of States you project would adopt a family cap under H.R. 4605, the number of welfare families in those States who you project would be subject to the family cap, and the average benefit loss to the families.

Single-Parent Families

Does the research evidence suggest any relationship between trends in divorce, out-of-wedlock childbearing, and teen pregnancy, and if so, what are the relationships? From the standpoint of welfare receipt, what distinctions, if any, can be drawn among the categories of single-parent families? From the standpoint of child well-being, what distinctions, if any, can be drawn among the categories of single-parent families? What does the research evidence to date suggest are the most effective strategies for reducing early childbearing?

Family Formation and Keeping Families Together

What other policies have you considered which would encourage family formation and discourage family breakup? Would extending the duration of the AFDC unemployed-parent program beyond a minimum of six months encourage families to remain intact?

State Child Support Enforcement Mandates

H.R. 4605 includes numerous new mandates on States regarding child support enforcement, including a requirement for adoption of the Uniform Interstate Family Support Act (UIFSA), and a requirement that each State establish a central State registry and payment center for all orders. With respect to each of the major new mandates, what are individual States now doing, and to what extent are the policies in

H.R. 4605 compatible with evolving State policies? Why does H.R. 4605 only require reporting of child support arrearages to credit bureaus? Would it be beneficial to report all child support orders to credit bureaus?

Role of Noncustodial Parents

Based on research evidence to date, to what extent do noncustodial parents of children on welfare provide financial and emotional support to their children? What does the research evidence suggest are the benefits and costs of promoting greater financial and other involvement of noncustodial parents in the lives of their children? What strategies are likely to be most effective in increasing the involvement of noncustodial parents? In the Administration's view, do increased opportunities for involvement lead to increased payment of child support? In the Administration's view, what effect will the child support provisions of H.R. 4605 have on State paternity establishment rates and the establishment and collection of child support awards?

Federal Registries

H.R. 4605 would require the establishment of Federal registries of new hires, child support orders, and lifetime welfare receipt. Is the technology in place to implement the registries? If not, what are your estimates of the Federal and State costs for developing and implementing the registries? Are there examples of private-sector analogues that work (e.g., credit card or credit check registries)?

AFDC Emergency Assistance

Expenditures under the AFDC Emergency Assistance program are projected to grow considerably over the next five years. Please provide information on the expected high-growth service categories, as well as any State-specific information you have detailing existing expenditures by service category. In the Administration's view, is the growth in Federal outlays for emergency assistance actually leading to additional services in the States, or merely substituting Federal for State funds?

Welfare Hotels and AFDC Emergency Assistance

Please provide the most recent, State-specific information available on the use by States of AFDC or AFDC Emergency Assistance funds for welfare hotels and other forms of housing assistance. What proportion of Emergency Assistance expenditures fund welfare hotels and other forms of housing assistance? Is the housing assistance short term or long term in nature? In your view, why are a few States

reliant on welfare hotels as part of their housing strategies? If the goal is to help States reduce reliance on welfare hotels while protecting the Federal budget and other program priorities, what Federal policy changes would be most effective? Is the issue best addressed through changes to housing or human services policies? Would it make more sense to invest scarce funds in the construction or rehabilitation of affordable housing rather than to pay high rents for welfare hotels? If so, should the Federal or the State governments be largely responsible? In the Administration's view, will recent Federal funding increases for assistance to the homeless and other housing programs provide States with adequate tools to address the problem?

Income Testing of Meal Reimbursements to Family Day Care Homes

In relation to the estimated five-year savings of \$500 million, what are the administrative costs of income testing meal reimbursements to family day care homes?

Cost

In the five-year projection period, some of the returns to investments in such activities as child support enforcement and training might not show up fully when compared to the costs. What are the projected costs and savings of H.R. 4605 over a ten-year period?

United States Senate

WASHINGTON, DC 20510-1302

March 10, 1994

Kathi Way
Special Assistant to the President for Domestic Policy
The White House
Washington, D.C. 20500

Dear Kathi:

I am writing regarding your efforts as a member of the Administration's task force on welfare reform.

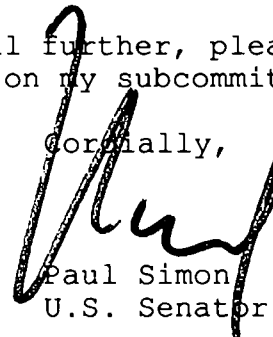
There is no question that a time-limited welfare proposal will bring with it a need to create some new jobs in the public sector, even if these are only a "last resort." As you may know, working with my colleagues Senator Boren, Senator Reid, and others, I have advocated a new "Community WPA," to provide welfare recipients and the long-term unemployed with an opportunity to work on projects that not only benefit the employees, but benefit the community as well. In addition to giving the participants an accomplishment to be proud of, this "project" approach provides for a natural end point for the public sector job.

Most welfare recipients want work, at the same time that there are huge needs in this country that are not being addressed. Why don't we put these two things together? That's what the WPA did. Building bridges, clearing parks, teaching people to read, involving people in the arts were all a part of that effort that enriched this Nation greatly, while it helped give people hope, pride, and a future. While we cannot duplicate the WPA, we can learn from it, and build on it.

I hope that you will work with me to include the WPA approach in the welfare reform proposal, at least as an option or demonstration project in some states or communities.

If you would like to discuss my proposal further, please don't hesitate to contact me or Bob Shireman on my subcommittee staff.

Cordially,



Paul Simon
U.S. Senator

PRESENT:
LEVIN
COYNE
KENNELLY
MATSUI
FORD

JACOBS
RANGEL
ROSTENKOWSKI
GIBBONS
~~ARCHER~~

CARDIN
MCDERMOTT
KLECZKA
LEWIS
PAYNE
PICKLE

HOAGLAND
MCNULTY

ARCHER
CRANE
SHAW
JOHNSON
GRANDY
HOUGHTON
HERBER

MCCRERY
SANTORUM
CAMP
REYNOLDS
BREWSTER
HARCOCK

7/14/ - House Ways & Means

Gibbons: This year

Archer:

weaknesses ① exempt 90% in 1st year

② will only add 150,000 to work by 1999

③ doesn't adequately address illegitimacy rate

most effective strategy is to stop

cash payments to teens who have babies

Ford - commend Pres. task force: would do whatever is necessary

to move the 13 million people on welfare, off welfare.

Believes this bill does not go far enough.

Santorum: paternity - good. work provisions don't go far enough

should include more people. Teen moms - having them

live at home doesn't go far enough. Should discontinue

Cash assistance. Financing: offsets come from programs

outside the welfare programs. Bill doesn't include

SSI in bill.

Reynolds: raised on welfare. Remembers welfare agents

checking for men in the house. Question: what do we

do with the children when mothers don't play by rules?

What do we do with children born in states with

family caps?

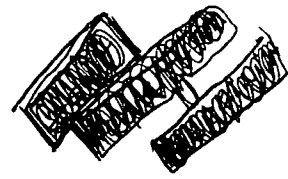
Crane: glad democrats have learned from republicans

While democrats have taken a page from the book they

\$6/hr. job
+ child care
+ healthcare

(2)

the year
the year
the year
the year
the year
the year
the year
the year
the year
the year



have not read the book. Has grave reservations about proposal.

Levin: avoid taking partisan credit. Emphasis bi-partisan proposal. concerned with reliance on a single federal model. Supports state flexibility

Shaw: wants welfare reform with work component. current crisis in welfare system.

Matsui: mindful of Family Support Act

Lewis:

Shalala's testimony

Gibbons: parental responsibility - child support - ready to federalize the system. thinks states have NOT DONE A good job.

Is health care reform necessary for successful welfare reform?

Shalala - yes.

Shaw: expand on connection of welfare/health care.

Do you have numbers to support your connection.

Believes the one year transition for health care benefits

Shalala will provide specific information including stats.

Ford: Republican package does not create job or provide paycheck, just workfare. Question re: job creation -

Ans. ① front-end investment in young people to finish school.
② if jobs not available at end of two years, we create jobs.

3

~~"Back to work program"~~

it's
not
a
program

it's
not
a
program

it's
not
a
program

Emmets - family cap: welfare families average just less than 2 children
why was family cap included? ans. - clear message to
encourage deferring parenthood. issue of consistency
financing issue: concerned final bill will be
financed by "cutting-off" benefits to "legal"
immigrants.

Santorum: removing cash assistance from mothers who have children
is surreal: quote from Shulala, discontinuing welfare payment
is no incentive to children (teens) not to have "OUT-OF-WEDLOCK" births

Kennelly - supports work proposal -

emergency assistance - a cap or reduction?

teenager: grants to schools

Coyne: would the proposal have been more ambitious

if more funding was available?

what would happen if you couldn't create the
of jobs needed for those hitting 2 year limit.

Levin: cost projection for years 6 thru 10

issue of state flexibility - should we give more?

need for very strong fed / state partnership.

Cardin: state/federal partnership - need to simplify the system
and rules/regs across program lines.

performance not process -

Houghton: up front job search is effective.

job training before work is a waste. Are there pools for self-employment?

Ans. yes - there is # for microenterprise

Suggests creating a "job enmeshment"

HAGLAND: what do you want this year? Ans. whole bill.

Do you have data on paternity establishment and child support?

Is there a sanction on states if they don't establish in-hospital paternity? *Ans. yes, 50% medical*

Payne: America Works?

Food Stamp, cash-out what is Secretary's position

Ans: we have been supportive of waivers.

we have a 9th circuit court decision that may have an impact on WAIVER REQUESTS.

Camp: 1993 Republican Plan CONCERNED WITH WORK - 90% of caseload is exempted under your (Admin) plan. Republican plan has 700,000 working.

Lewis: child support doesn't poor record to date suggest federalization of the system - Ans: Agree substantial change is needed just believe in different federal/state mix of responsibilities.

Neal: What portion of welfare dilemma can be traced to teen pregnancy - 50% of welfare recipients were teenage parents.

Teenage culture supports teen pregnancy as an escape from troubled households. Was Murphy Brown right or wrong?

Ans. should not condone children born out-OF-WEDLOCK.

Hancock: what % of families currently receive welfare or some form of Govt. subsidy?

many people employed by government in the welfare programs.

Immigrants - ???

Pickle:

Rangel:

N. Johnson: much in common btwn R's & D's Both use paycheck after 2 years Teen pregnancy - Nat'l Campaign necessary Nat'l Clearinghouse, good continue:

⑤

Johnson: cont. - does your bill require teen fathers to work?

Left to states to design.

- Will ~~have~~ states have rights to require participation in other programs?

- Is there mandatory treatment for drugs?

- Tougher on minor mothers live at home.

Santorum: look into experience of states regarding payments to teens who are "living at home"

START WITH 100% of caseload

77% born after 1972

6% exempt.

17% eligible

5% exempt from other options

12% of caseload would be in program 1st year.

~~What do we do about the Oregon waiver?~~
~~What do we do about the Oregon waiver?~~

Senate Finance 7-13-94 - present:

Conrad Rockefeller Mayrnihan Durenbergh

Breaux Pryor Packwood Baucus

Daschle Mitchell Roth Grassley

Bradley

Shalala testifying

common elements -

- Transition, support for child care
- builds on FSA
- EITC - 1st step WR
- child care
- Health Security
- JOBS/WORK
- RESPONSIBILITY
- teen pregnancy prevention

Mayrnihan - research, teen pregnancy prevention

(at length about President's reliance on Sen. Finance stats on teen pregnancy).

Packwood - Oregon waiver, why young adults,

story of Mrs. Rivera in Boston Globe - on welfare since 1968, has 17 children, X-grandchildren etc., costs state of Mass 3/4 - 1 million annually.

Mayrnihan - Judy Gueron - our lady of small positive results"

M.D.R.C. / family support Act - focus on young adults

~~Grassley-questions~~

②

Grassley-questions ^① viability of 2 yr. time limit followed by work.

② if private sector jobs are not available and if funds aren't available for subsidized jobs people won't be off welfare after 2 years.

③ Shalala quoted as calling those who ^{would} cut off welfare for women young children, "extremists".

Shalala - no evidence to support implementation of family caps reduces # out-of-wedlock births.

Conrad - N. Dakota - "deeply troubled" by teenagers who want to have babies.

Mayrnan - noted President Clinton has raised issue of teen pregnancy to National agenda, no other President has.

Rockefeller - most appealing aspect of proposal is "individual responsibility".

Durenberger: Respect for background/ability for

Shalala, Bane, Ellwood. Who is the "We" who says teenagers can't have children. Why do we need a National government to solve this community problem.

Peyor: After FSA it took 3 1/2 years

to promulgate regulations. How long will it take? supports fast track for solving this problem.

Breaux: Where does this proposal fit in spending money for welfare reform.

Shalala - proposal supports up front investment leading

Bradley: Concerned about child

support. wants to move child support, particularly interested if welfare reform stalls

Bradley: Family cap - New Jersey has more incentives associated with family caps than penalties.

Durenberger: health care & how are we going to pay for it in 1994.

Jose E. Serrano (D-NY)
Chairman

Lucille Roybal-Alfaro (D-CA)
Vice-Chair

Ed Pastor (D-AZ)
Secretary-Treasurer



Congress of the United States
Congressional Hispanic Caucus
103rd Congress

E (Giles) de la Chaza (D-TX)
Raul de la Haza (D-VT)
Solomon P. Ortiz (D-TX)
Bill Richardson (D-NM)
Esteban F. Torres (D-CA)
Ramon Zayas-Lujan (R-NM)
Nancy Pelosi (D-CA)
Henry Bonilla (R-TX)
Lincoln Diaz-Alcala (R-FL)
Luis G. Guebara (D-NJ)
Robert Menendez (D-NJ)
Carlos Romero-Barcelo (D-PR)
Frank Tejeda (D-TX)
Nydia Velázquez (D-NY)
Robert Underwood (D-Osma)

Richard V. Lopez
Executive Director

April 14, 1994

President William J. Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. President:

We are writing once again to express our deep concern about the welfare reform proposals being considered by the Administration. Among the proposals continuing to cause alarm are the changes to the deeming requirements and elimination of the Earned Income Tax Credit for legal immigrants. The people being asked to pay half the costs of welfare reform - elderly, blind, and disabled, as well as working poor - are people whom we welcomed to this country and who pay taxes into a system that seems determined to punish them for not being born in the United States.

Furthermore, we are concerned about the effects of the education and training proposals on Latinos. Our communities will greatly benefit from increased education and training opportunities. However, we must provide opportunities for education and training beyond the high school level and placement into jobs that provide a living wage and benefits.

As we stated in our last correspondence, welfare reform promises to assist millions of low income families on the path toward self-sufficiency. We strongly believe that welfare reform cannot serve that noble purpose if approached as a measure to attack legal immigrants, and we were encouraged to hear you acknowledge this fact during your recent news conference. However, we must reiterate our position that if the plan submitted to Congress includes measures that attack legal immigrants, cuts programs designed to help the poor, and does not attempt to provide meaningful training and job placement, the Congressional Hispanic Caucus would be forced to oppose such a plan.

President Clinton
April 14, 1994
Page 2

Sincerely,

Robert A. ...

Ed Pastor

Frank Lepida
R. del Campo
Frank ...

STATE OF MICHIGAN



JOHN ENGLER, Governor

DEPARTMENT OF SOCIAL SERVICES235 South Grand Avenue, P.O. Box 30037, Lansing, Michigan 48909
GERALD H. MILLER, Director

April 21, 1994

Ms. Kathi Way, Special Assistant to the President
218 Old Executive Office Building
The White House
Washington, D.C. 20500

Dear Kathi:

I understand that you will be discussing Michigan's advance Earned Income Credit proposal with Carol Rasco and will recommend elevating the issue to the Cabinet level for resolution in Michigan's favor. I welcome your assistance and would be pleased to provide you and Carol with any background information necessary for discussions with Secretary Bentsen.

Governor Engler and I have been extremely anxious to implement this program and have been disappointed with the reluctance of the Federal government to approve this initiative. I look forward to hearing from you after Carol's Monday meeting with Secretary Bentsen.

Please do not hesitate to contact me if I can be of any assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gerry", written over the printed name "Gerald H. Miller".
Gerald H. Miller

Signatories

Representative Jim Bacchus
Representative Scotty Baesler
Representative James Barcia
Representative Thomas Barlow
Representative Sanford Bishop
Representative Rick Boucher
Representative Glenn Browder
Representative Bob Carr
Representative Jim Chapman
Representative Bob Clement
Representative Ron Coleman
Representative Gary Condit
Representative Jim Cooper
Representative Sam Coppersmith
Representative Jerry Costello
Representative Bud Cramer
Representative Pat Danner
Representative Buddy Darden
Representative Nathan Deal
Representative Calvin Dooley
Representative Chet Edwards
Representative Glenn English
Representative Karan English
Representative Anna Eshoo
Representative Bob Filner
Representative Eric Fingerhut
Representative Martin Frost
Representative Pete Geren
Representative Dan Glickman
Representative Bart Gordon
Representative Gene Green
Representative Jane Harman
Representative Jimmy Hayes
Representative Bill Hefner
Representative Peter Hoagland
Representative Tim Holden
Representative Jay Inslee
Representative William Jefferson
Representative Don Johnson

Representative Tim Johnson
Representative Ron Klink
Representative Blanche Lambert
Representative Martin Lancaster
Representative Larry LaRocco
Representative Greg Laughlin
Representative Bill Lipinski
Representative Nita Lowey
Representative Dave McCurdy
Representative Paul McHale
Representative David Mann
Representative Martin Meehan
Representative David Minge
Representative Jim Moran
Representative Bill Orton
Representative Frank Pallone
Representative Lewis F. Payne
Representative Collin Peterson
Representative Pete Peterson
Representative Earl Pomeroy
Representative Glenn Poshard
Representative David Price
Representative J. Roy Rowland
Representative Bill Sarpalius
Representative Phil Sharp
Representative Karen Shepherd
Representative Ike Skelton
Representative Jim Slattery
Representative Louise Slaughter
Representative John Spratt
Representative Bart Stupak
Representative Dick Swett
Representative John Tanner
Representative Gene Taylor
Representative Frank Tejeda
Representative Karen Thurman
Representative Tim Valentine
Representative Charlie Wilson

NEWS

from the Office of Michael N. Castle

NEW CASTLE COUNTY OFFICE
Three Christina Centre
201 N. Walnut Street, Suite 107
Wilmington, DE 19801
(302) 428-1902 - FAX (302) 428-1950
BEEPER (302) 428-1880

KENT COUNTY OFFICE
Frear Federal Building, Suite 2005
Dover, DE 19901
(302) 736-1666 - FAX (302) 736-6580

WASHINGTON OFFICE
1205 Longworth House Office Building
Washington, D.C. 20515
(202) 225-4165 - FAX (202) 225-2291

Member: Banking, Finance, and
Urban Affairs
Merchant Marine and
Fisheries
Education and Labor

August 2, 1994
FOR IMMEDIATE RELEASE
Contact: Claire M. DeMatteis

CASTLE: 'WE CAN CRAFT A BIPARTISAN WELFARE REFORM BILL'

"As a member of the House Education & Labor Committee, I am pleased we are addressing the issue of welfare reform this session, and I look forward today to an open, constructive dialogue on the similarities and differences between the President and House Republican's Welfare Reform plans.

"As Governor of Delaware, I worked extensively on welfare reform with then-Governor Clinton to pass the national Family Support Act of 1988. Building upon the work of this Committee and the House Republican Welfare Reform Bill, which was introduced on November 10, 1993, and now has 163 cosponsors, I hope we can begin to craft a bipartisan Welfare Reform bill this year.

"Specifically, there are some key similarities and differences between President Clinton's and the House Republican bill. For example, while both measures mandate a strict, 2-year work requirement for welfare recipients, the President's plan contains several loopholes that may significantly hamper the effectiveness of this requirement. Additionally, I do not believe the President's plan goes far enough to address the very serious problem of illegitimacy. We must enact tough reforms to discourage young girls from becoming young mothers and to make boys more responsible for the children they father. Also, the President's bill does little to stem welfare payments to drug addicts. Incredibly, it is federal policy to provide drug addicts whose addictions prevent them from working with an entitlement of \$446 per month in cash plus Medicaid coverage. I also would like to see tougher provisions on welfare for aliens, which is included in the House Republican plan.

"Again, I look forward to crafting a compromise Welfare Reform Bill that contains serious provisions on illegitimacy, drug addiction, aliens, welfare spending and mandatory work. I hope we do not let this opportunity to enact such a bill slip away."

###

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION



PHONE: (202)690-7858 FAX: (202)690-7383

Date: 7/27/94

From: David T. Ellwood

To: Kathi Way

Division: _____

Division: _____

City & State: _____

City & State: _____

Office Number: _____

Office Number: _____

Fax Number: _____

Fax Number: _____

Number of Pages + cover 18

REMARKS: _____

Major Differences with the Administration Welfare Reform Plan and the Matsui Proposal (H.R. 4767)

DRAFT

I. JOBS/WORK

The Matsui proposal has no time-limits. Instead, this bill would expand the JOBS program in 2 ways:

- The JOBS participation rate would be vastly increased. Additionally, the definition of participation is expanded to include various educational activities (*i.e., 1 hour studying = 2 hours of participation*) and employment (*i.e., 1 hour of work = 1 hour of participation*):
 - 25% in 1996
 - 30% in 1997
 - 40% in 1998
 - 50% in 1999
- Half of all JOBS participants would be required to be engaged in work activities (unless 1/3 of JOBS funds are spent on job retention, placement, or development):
 - unsubsidized employment
 - on-the-job training (OJT)
 - work supplementation
 - public service employment (PSE)
 - community work experience program (CWEP)
 - alternative work experience program (AWEP)
 - self-employment program (*i.e., micro-enterprise*)

(NOTE: States would have restrictions for counting CWEP and AWEP activities)
- Consequently, the Matsui plan has no formal WORK program. The work requirements substitute for the WORK program; work activities would be JOBS activities. Wages in these jobs would be treated as income.

II. Information Systems

The Matsui proposal has no National Welfare Registry and has no equivalent information systems proposal. Since time-limits would not have to be tracked, such systems are unnecessary. Consequently, this plan contains no significant anti-fraud and abuse provisions.

III. Performance Measures

The Matsui plan lacks a comprehensive approach to a performance measurement system. Under the Matsui plan, the Secretary would develop regulations regarding the consequences for States that fail to meet participation requirements.

IV. Teen Pregnancy Prevention

Matsui plan does not have a family cap option and has a separate JOBS participation requirement for teens. Teens would have a 100% participation rate by FY00. Other provisions are similar and perhaps more liberal.

V. Child Care

The provisions are similar but spend more than the Administration's plan:

- \$800 million for FY 1996
- \$1.3 billion for FY 1997
- \$1.8 billion for FY 1998
- \$2.3 billion for FY 1999

VI. Child Support Enforcement

The Administration's and Rep. Matsui's welfare reform bills contain many similar provisions aimed at strengthening our child support collection system. Two important provisions present only in the Administration bill are:

- a cooperation requirement which, in the absence of good cause, compels the mother to name and supply sufficient information to verify the identity of the father, prior to receipt of welfare benefits.
- a State grant program to facilitate noncustodial parent access to and visitation of children.

The Matsui bill contains only a few provisions not present in the Administration bill. Among these are:

- a five percent increase in federal financial participation (FFP) for States with unified child support enforcement programs which meet certain requirements;
- additional benefits (such as Federal death, Black Lung, and Veterans) subject to garnishment;
- cost-of-living adjustments for child support awards;
- a provision allowing temporary waiver of right to collect child support for teen noncustodial parents participating in State educational or employment preparation programs;
- a provision for reduction in funding for failure to meet staffing requirements.

VII. Improving Government Assistance

- Matsui contains similar IGA provisions, especially regarding income and resource rules.
- Matsui eliminates all rules for two-parent households (including separate JOBS participation rates).
- Matsui contains no IDA provisions and has conforming resource rule changes to facilitate microenterprise development but has no funding or demonstrations.
- Under Matsui, the earned income disregard would have a minimum of \$120 + 1/3 and a maximum of \$200 + 1/2 of remaining income (adjusted by the CPI).

The Family Self-Sufficiency Act of 1994 (H.R. 4767)

Introduced by Matsui (D-CA) on July 15

Section-by-Section Summary

DRAFT

TITLE I PROMOTING WORK AND SELF-SUFFICIENCY

Subtitle A - Expansion of Funding for, and Participation in, the JOBS Program

Sec. 101 Increase in JOBS Program Funding

- Would set funding levels for JOBS at:

- \$1.59 billion for FY 1995
- \$2.08 billion for FY 1996
- \$2.62 billion for FY 1997
- \$3.16 billion for FY 1998
- \$3.70 billion for FY 1999

Sec. 102 Increase in JOBS Matching Rate

- Would increase the Federal share of JOBS expenditures to:
 - FMAP + 5, but not less than 65 in FYs 1996-1997
 - FMAP + 7, but not less than 67 in FY 1998
 - FMAP + 9, but not less than 69 in FY 1999
 - FMAP + 10, but not less than 70 in FY 2000 and thereafter
- State allotment is based on the ratio of the Statewide average monthly caseload to the national average monthly caseload (i.e., not on WIN funding levels).
- The Secretary shall provide in regulation a mechanism for adjustment to the limit applicable to JOBS and child care funding in cases where reimbursements to a States (will) exceed their allotment.
- Federal reimbursement of child care shall be FMAP, but not less than 60.

Sec. 103 JOBS Participation Requirements

- JOBS participation requirements would be:
 - 25% in 1996
 - 30% in 1997
 - 40% in 1998
 - 50% in 1999
- Separate AFDC-UP participation rates are eliminated.

Matsui Proposal - Summary Continued

- Expands activities which can be counted towards JOBS participation. Hours in these activities count as hours of JOBS participation:
 - 1 hour for study and preparation (for enrollees in higher education) and of preparation for training = 2 hours of JOBS participation
 - 1 hour of unsubsidized or self-employment = 1 hour of JOBS participation (including those who have left AFDC due to increased employment for up to 6 months)
 - 1 hour in parenting education = 1 hour of JOBS participation
- Secretary of HHS shall specify a set of penalties for failure to meet the participation requirements. States which substantially fail to comply would have their JOBS match rate reduced to 50% and Secretary may terminate or not grant Section 1115 waivers.
- Work participation: A State must have at least 1/2 of the State's participation rate be engaged in employment activities:
 - unsubsidized employment
 - on-the-job training (OJT)
 - work supplementation
 - public service employment (PSE)
 - community work experience program (CWEP)
 - alternative work experience program (AWEP)
 - self-employment program (i.e., micro-enterprise)
- Restrictions of counting CWEP or AWEP activities for work activities: Not more than 6 months for participants with little work history, 90 day limit for participants who have such occupation-specific activities specified in their employability plan.
- Regarding the work participation requirement above, if a State expends 1/3 of its JOBS expenditures on job development, job placement, and job retention activities it would not be required to meet the work participation requirements.
- No sanction shall be imposed for non-compliance if there is a lack of availability of quality child care.
- States must report on:
 - the number of participants who attain jobs (at least minimum wage and 15 hrs per week and not temporary, 1 entry per participant per month)
 - retention of jobs by participants
 - wage rates of working participants
 - hours of employment of program participants
 - benefits of employed participants
 - other information as the Secretary may require

Sec. 104 Preliminary Assessment of Self-Sufficiency Needs Within 30 Days After Approval of AFDC Application

- States would have 30 days to conduct a preliminary assessment of needs of the family, determine JOBS participation status, and advise the family of the availability of child care.

*Matsui Proposal - Summary Continued***Subtitle B - Job Creation, Job Placement and Development, and Work Requirements****Sec. 111 Public JOBS Creation Program**

- Would expand the JOBS program to include job creation activities in the public or private non-profit sector as an optional State activity. Participants must be AFDC recipients and, within the last 6 months, cannot have voluntarily terminated full-time employment. Job search activities are required periodically.
- Wages are treated as earned income for all purposes. Participants who become ineligible due to income would be eligible for transitional medicaid and child care assistance.
- Slots are limited to 24 months in duration.
- States must spend 50% of funds under this section for individuals who have been on aid 36 of the previous 60 months.

Sec. 112 Expansion of Job Placement, Job Development, and Job Retention Activities.

- Would require States to expend 10% of all JOBS monies on job placement, development, and retention activities.
- States would be required to provide case management services for at least 90 days (but not more than 365 days) to JOBS participants who become employed.

Sec. 113 Self-Employment Programs

- Would expand JOBS program to include self-employment/micro-enterprise development as an optional JOBS activity.

Sec. 114 Provisions Generally Applicable to the JOBS Program

- Replace current law anti-displacement provisions with:
- Funds cannot be used to replace any already available activity at the local level or already conducted activity by State or local government. Existing employees cannot be displaced and slots cannot interfere with promotional opportunities of existing unsubsidized employees.
- Participants cannot perform duties which: supplant hiring of employed workers; to which an individual has collective bargaining rights; were assigned to a presently employed worker; were assigned to a recently discharged/resigned, laid-off, on strike, or on leave worker.
- Positions cannot be assigned to fill any established unfilled position vacancy; may not be used to assist, promote, or deter union organizing; or may not be used to impair existing contracts for services or collective bargaining agreements.
- [JTPA Sections 142(a), 143(a)(4) and (5), and 143(c)(2) and Sec. 130(f) and 176(f) of the National Community Service Act of 1990 apply to this section]

*Matsui Proposal - Summary (Continued)***Subtitle C - Support for Working Families****Sec. 121 End Dollar-for-Dollar Work Penalty**

- Earned income disregards set at a minimum of \$120 + 1/3 of remaining income and a maximum of \$200 + 1/2 of remaining income. This minimum/maximum amount shall be adjusted by the CPI in increments of \$10.
- The Secretary shall establish State reporting requirements to improve data regarding the earned income disregard and employment entry.

Sec. 122 Increase in Limitation on Total Family Income

- Families are no longer eligible for aid when their income exceeds the greater of 185% of the State's needs standard or 130% of poverty.

Sec. 123 Availability of Health Care for Poor Working Families

- State option to provide 1 year (2 six-month periods) of additional transitional medicaid eligibility.

Sec. 124 Elimination of Different Treatment of Two-Parent Families

- Conforming amendments to current law to facilitate the elimination of different treatment of two-parent families.

Sec. 125 Increase in Step-parent Earned Disregard

- Would replace the State's standard of need with a minimum of 130% of poverty (higher at State option) in considering the step-parent earned income disregard.

Subtitle D - Child Care**Sec. 131 Increase in Child Care Funds**

- Would set funding levels for child care at:
 - \$800 million for FY 1996
 - \$1.3 billion for FY 1997
 - \$1.8 billion for FY 1998
 - \$2.3 billion for FY 1999

Sec. 132 Payments to Encourage Entire State Allotment for At-Risk Child Care

- 5% of amounts are reserved (plus unused monies) for bonus payments.
- States who spend their entire allotment are entitled to a 5% bonus payment plus a share of any remaining bonus funds. Monies must be used for child care services or infrastructure and cannot be used to off-set any amount by the State owed to the federal government or cannot supplant State or local expenditures for staff or administration.

*Matsul Proposal - Summary (Continued)***Sec. 133 Limitation on Carryforward of Unused At-Risk Child Care Allotments**

- The amount of excess shall not be used to increase the limitation determined with respect to a State after the 2nd consecutive fiscal year.

Sec. 134 Payment of Local Market Rates

- The State agency shall pay to a family the cost of care up to the 75th percentile of the local cost.

Sec. 135 Set-Aside for Improvement of Infrastructure and Quality

- Between 10% and 12% must be used by the State for the improvement of the quality of services and building of infrastructure, especially with respect to teen parents.

Sec. 136 Child Care for Working AFDC Parents

- The dependent care disregard is increased to \$200 (or the dollar amount if greater) and to \$250 if the child is under 2. These amounts shall be adjusted by the CPI in increments of \$10.
- Dependent care disregard is not to be regarded as sufficient to guarantee child care.
- The Secretary may no longer decrease the dependent care disregard for part-time workers.

Sec. 137 Health and Safety Standards; Continuity of Care

- Child care under this section (including at-risk) must meet all health and safety standards established by the CCDBG lead agency, including: requirements involving immunizations and access to immunizations; medicaid; public health clinics; and consumer concerns.
- The Secretary of HHS shall specify (by regulation) a required core set of data elements relating to all child care to facilitate accurate analysis of the supply and quality of child care.

Sec. 138 Periodic Identification of Child Care Needs; Ensuring That Families Understand Child Care Alternatives

- The State would conduct an assessment of a family's child care needs and provide counselling upon application for aid, entry into the JOBS program, entry into employment, and changes in employment or training. The employability plan would address child care needs as per the assessment.

Sec. 139 Ensuring that Reimbursement Mechanisms Meet Family Needs

- The State agency may make advance payments of child care if the such payment is necessary for a family to receive care.

*Matsui Proposal - Summary Continued***Sec. 140 The Facilitation of Seamless Services**

- States must determine if families who cease assistance are eligible for transitional child care. If so, a separate application is not required for such benefits. States must help families obtain information about or referral to other child care programs available. Families ineligible for transitional child care may be eligible for other child care offered by the State.

Sec. 141 Authority to Provide Continuity of Child Care

- A State may continue child care assistance during breaks between otherwise allowable activities to ensure continuity of child care.

Sec. 142 Child Care for Families Including a Caretaker Relative Not Receiving AFDC

- The State must provide child care to families with a caretaker relative if necessary to accept or retain employment. If not receiving aid, the State may charge a sliding scale fee to determine the appropriate contribution.

Sec. 143 State Option to Extend Transitional Child Care Benefits

- State may extend transitional child care for 12 months or may extend child care to families earning up to 185% of poverty.

Sec. 144 State Option to Provide Transitional Child Care Benefits to Families Who Have Received AFDC for Fewer than 3 Months

- State option to provide transitional child care benefits to families who have received AFDC for fewer than 3 months.

Sec. 145 Limitation of At-Risk Child Care To Families Ineligible For Recipient or Transitional Child Care

- Limitation of at-risk child care to families ineligible for recipient or transitional child care.

Sec. 146 Elimination of Requirement that Family Receiving Transitional Child Care Benefits Include a Dependent Child

- Eliminates the requirement that family receiving transitional child care benefits include a dependent child.

Sec. 147 State Option to Waive Contribution Requirement for Families With Income Below the Poverty Level

- State option to waive contribution requirement for families below the poverty level.

Sec. 148 Consultation of Child Care During Dispute Resolution

- Child care services are continued during dispute resolution procedures.

Sec. 149 Option to Consolidate State Responsibility for Child Care

- At State option, child care activities could be consolidated under 1 lead agency.

*Matsui Proposal - Summary Continued***TITLE III - TEEN PARENTS AND WELFARE REFORM****Subtitle A - Family****Sec. 301 Minor Teen Parent Residency Requirement**

- Denies benefits to mother's under the age of 18 who are not living with a responsible adult.
- Exemptions for mothers who do not have a legal guardian in the State or one who will allow her to live at home; have been living independently for a year after the child was born; are deemed independent by the court; will put their safety in jeopardy; if denial of benefits would prevent continued participation in substance abuse treatment, education, training, or employment, without providing an equivalent alternative; or other good cause.
- The case manager shall take into consideration: evidence of past risk to individual or child, whether illegal activity has taken place in the home, whether relocation would result in overcrowding, consultation of a family counselor.
- Provides individualized case management to all teen women who are pregnant or have a child.

Sec. 302 Benefits Increased by \$50 for Paternity Establishment or Establishment of a Child Support Order

- Increases the monthly benefits by \$50 to teen mothers who establish paternity or have a child support order in effect.

Subtitle B - Education and Employment**Sec. 311 Schooling and Employment Requirements**

- Requires all teen women who are pregnant or have a child, and have not completed secondary school or received a GED, to participate in education or an employment preparation program that leads to a high school diploma equivalent.
- Exemptions for participants: whose child care or other supportive services needs cannot be addressed by the program; who the case manager determines the recipient would not benefit from such a program--in which case the participant shall participate in appropriate alternative activities.
- Imposes a monthly benefit reduction of the lesser of \$60, 20 % of aid otherwise payable, or the elimination of one person from the family benefit for individuals who fail to meet the State minimum performance standard.
- Proscribes guidelines in implementing the State minimum performance standard. The standard should be based on "satisfactory progress" in the program or the fulfillment of an "attendance standard;" with good cause exemption.
- Defines "satisfactory progress" as a passing grade. In assessing an individuals' failure to meet the progress standard, limitations of individuals' ability to learn or other circumstances that limit her/his capacities should be taken into consideration--in which case the individual's performance shall be rated by a proscribed attendance standard.

Matsui Proposal - Summary Continued

- State option to place sanctioned money into an escrow account to pay to the individual after s/he has demonstrated a "satisfactory effort."
- Requires States to monitor the percentage of students sanctioned at each school. If a school's sanctioned percentage exceeds that of similar schools, the State shall suspend the school's ability to sanction individuals until the sanction percentage is deemed not excessive.
- Rewards individuals who meet performance standard: (State may require a higher degree of performance than minimum standard) with an increase in the monthly benefit a minimum of the lesser of \$60, 20 % of aid otherwise payable, or the elimination of one person from the family benefit for individuals who fail to meet the State minimum performance standard.

Sec. 312. Summer Activities and Teen Earnings

- State option to increase monthly benefits by the lesser of \$60 or 20% of aid otherwise payable to teenage recipients who participate in "appropriate summer activities"—as determined by the case manager.
- Requires States to make child care and other supportive services available to summer activities participants.
- Disregards all earned income of teenage summer activity participants.

Sec. 313 Planning, Start up, and Reporting

- Establishes teen participation rates of:
 - 15% FY96
 - 40% FY97
 - 70% FY98
 - 90% FY99
 - FY00 All teens must be phased in
- Require States to submit to the Secretary a report on the number of individuals in each category (with respect to calculating teen participation). The Secretary shall enact procedures to ensure accuracy and shall submit the States' reports to Congress.

Sec. 314 Child Care for Non-AFDC Teen Parents

- State option to provide child care to teen parents not receiving aid, and whose income is less than 150% poverty line. Provided they accept case management, child care will be provided to enable teen parents to attend an educational institution or training program.
- State option to require a family to contribute to the cost of child care provided in accordance with the CCDBG sliding fee scale.
- Amends "At Risk" Child Care eligibility to include teen mothers who need child care to participate in a training or educational activity.

*Marsui Proposal - Summary (Continued)***Subtitle C - Case Management****Sec. 321 Case Management**

- Requires States to assign case management for: all teenage women receiving aid; a period of one year to each former recipients of aid who are teenage custodial parents, and do not decline such assignment.
- State option to assign a case manager to: teenage non-custodial parents; teenage parents whose income does not exceed 150% of the poverty line, are not receiving aid, and do not decline assignment.
- Sets guidelines for case managers: to ensure custodial parents under 18 have appropriate living arrangements; provide referral to appropriate services (pre-natal care, pre-and post-partum school reentry, child care, well baby care) for individual to complete educational or employment preparatory programs; facilitate the establishment of paternity; explain rights and responsibilities of program participants; develop and monitor the case plan; ensure the case plan incorporates education, health, and employment goals after completing of secondary school or training program; attempt to identify the cause of, and address any problems that may lead to reduction of aid; recommend to the State the appropriate bonuses and sanctions for requirements, and identify exemptions; provide health agency and family planning information; and identify appropriate volunteer activity opportunities.
- Stipulates that case managers shall be located in State offices that administer the plan, or allow such offices to subcontract the duties of case managers to community-based organizations or other agencies such as health or education agencies.
- Sets the maximum caseload for full time case managers at 65 cases; with the average number not exceeding 50.
- State option to provide child care for teen parents who perform voluntary community service.

Subtitle D - Demonstration Projects**Sec. 332 Adolescent Pregnancy Prevention Grants**

- Provides financial assistance for the development of intensive and sustained school-linked and school-based pregnancy prevention programs for adolescents (teens) in high poverty or high out of wedlock birth rate areas. Program funds will be used to develop, operate, expand, and improve a sequential, age-appropriate program of instruction and counseling services for adolescents.
- Authorizes the following funding levels (in millions):
 - \$20 FY95
 - \$40 FY96
 - \$60 FY97
 - \$80 FY98
 - \$100 FY99
 - \$100 for each subsequent fiscal year

Matsui Proposal - Summary Continued

- Unused dollars will carry over to the following fiscal year
- Grantees are entitled to a minimum of \$50,000 and a maximum of \$400,000 for each fiscal year.
- Reserves up to 10% of the authorized grant money to be used for evaluation, training, and technical assistance related to the programs, and for the establishment and operation of a National Clearinghouse on Adolescent Pregnancy Prevention Programs.
- Defines "eligible entities" as a partnership between the local education agency (representing one or more elementary, middle, or secondary schools) together with one or more community-based organizations, institutions of higher education, or public or private agencies or organizations.
- Defines "eligible areas" as school attendance areas in which: at least 75% of the children from low income families; the number of children receiving AFDC is substantial; or the unmarried adolescent birth rate is high.
- Applications must include a plan which details the proposed administration and goals of the plan. Applicants must also demonstrate that they meet a set of proscribed requirements including (but not limited to) the assurance that at least 20% of the cost of carrying out the program will be provided by the partnership as a non-Federal share
- Gives priority in selecting sites to applicants which pay more than 20% of the program cost and also participate in other Federal and non-Federal programs that relate to teens.
- Prohibits the use of funds for religious instruction, to conduct worship services, or to promote any religious view or teaching.
- Ensures, to the extent feasible, that the distribution of grants reflects geographic diversity.
- Grants shall be for a term of 5 years.

Sec. 332 Demonstration Projects to Provide Comprehensive Services to Prevent Adolescent Pregnancy in High-Risk Communities

- Provides up to \$3.6 million for each of fiscal years 1995 through 1999 for a minimum of five sites and a maximum of seven for the purpose of conducting demonstrations in high-risk communities to provide comprehensive services (with a particular emphasis on pregnancy prevention), promote community involvement, and improve the environment in which youth live.
- Authorizes \$20 million for fiscal years 1995 through 1999 for the funding of demonstrations; excess funds will be carried over.
- Reserves up to 10% of authorized funds for training and technical assistance related to the demonstration project.
- Stipulates that the community must have an identifiable boundary, have a population of 20,000 to 35,000 residents, and have a poverty rate of not less than 20%.

Matsui Proposal - Summary Continued

- Applications must include a plan which details the proposed administration and goals of the plan. Applicants must also demonstrate that they meet a set of proscribed requirements including (but not limited to) the assurance that at least 10% of the cost of carrying out the program will be provided by the partnership as a non-Federal share.
- Gives priority in selecting sites to applicants that provide for non-Federal resources significantly in excess of those required.
- Grants shall be for a term of 5 years.

*Matsui Proposal - Summary Continued***TITLE IV WAIVERS****Sec. 401 Funding for Waivers that are Not Cost Neutral**

- The Secretary may approve applications for Section 1115 waivers regardless of cost-neutrality implications. No waivers could be granted which result in a reduction of AFDC grants (except in cases of sanctions).
- The Secretary would announce the availability of funds for the purposes of such waivers. Congress would authorize the following for waivers:
 - \$100 million for FY 1996
 - \$200 million for FY 1997
 - \$300 million for FY 1998
 - \$400 million for FY 1999
- The waiver process would be public via publication in the Federal Register. No waiver could be issued unless at least 30 days of comment period have elapsed.
- The Secretary would publish an annual status report of all waivers summarizing status and initial findings.

*Matsui Proposal - Summary Continued***TITLE V - IMPROVING GOVERNMENT ASSISTANCE****Subtitle A - AFDC Amendments****Sec. 501 Requirement That Needs-Standard Reflect the Cost of Essential Items**

- In reporting the needs standard, States must identify items essential to meet basic needs and the amounts for each item. Updates to the needs standard must assess the costs and sufficiency of the items. States must report on the results of the updates, including methodology.

Sec. 502 Maintenance of Minimum Benefit Levels

- Benefit levels cannot be reduced below the October 1994 levels.

Sec. 503 Optional Supplementation of Benefits for Families Subject to Retrospective Budgeting

- If a family's grant will be reduced due to a change in circumstances, the State at its option may pay a supplemental grant equal to the amount the family would have otherwise received.

Sec. 504 Income Disregards (see also Sec. 121)

- Income of students under age 20 is disregarded from income.
- The following are disregarded from income:
 - training stipends
 - educational assistance
 - National Community Service Act income
 - in-kind income
 - non-recurring lump-sum payments
- State option to fill-the-gap.

Sec. 505 Increase in Resource Limit

- AFDC resource limit increased to \$2,000 (\$3,000 if elderly).

Sec. 506 Exclusions from Resources

- The following are excluded from resources:
 - life insurance
 - real property which the family is making a good faith effort to dispose of
 - EITC payments (for 12 months following receipt)
 - lump-sum payments for medical expenses or replacement of lost resources (for an 11 month period)
 - resources for self-employment

*Matsui Proposal - Summary Continued***Sec. 507 Verification of Status of Citizens and Aliens**

- States may accept a declaration in writing from an adult in the family in meeting verification requirements with respect to citizenship of family members.

Sec. 508 Calculation of 185% of Need Standard

- [conforming amendment]

Sec. 509 Payment to Territories

- The cap is increase by 25%, to be adjusted annually by the CPI.

Subtitle B - Food Stamp Act Amendments**Sec. 511 Inconsequential Income**

- Inconsequential income threshold is increased to \$30.

Sec. 512 Educational Assistance

- Educational Assistance is disregarded for all household members.

Sec. 513 Training Stipends and Allowances; income from On-the-job Training Programs

- Training stipends and OJT income are disregarded.

Sec. 514 Earned Income Tax Credits

- EITC shall be disregarded as a resource for 12 months from the date of receipt.

Sec. 515 Resources Necessary for Self-Employment

- Loans and liquid resources (as specified by the Secretary of USDA in consultation with HHS) used for self-employment/microenterprises will be disregarded from resources.

Sec. 516 Lump-Sum Payments for Medical Expenses or Replacement or Lost Resources

- Lump-sum payments shall be disregarded for 12 months.

Sec. 517 Conforming Amendment

- Conforming Amendment.

TITLE VI - EFFECTIVE DATE**Sec. 601 Effective Date**

- October 1, 1995

(NOTE - Title II Strengthening Parental Responsibility (Child Support) is forthcoming)