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DATE: May 12, 1994

RE: House Republican SSI Bill Information

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HOUSE REPUBLICANS INTRODUCE BILL TO REFORM MAJOR WELFARE PROGRAM

"Supplemental Security Income might be the most wasteful program in the entire federal government," said Rick Santorum (R-PA) who, along with several other Republicans, will introduce legislation today designed to radically reform the SSI program. "And yet, Democrats are blocking almost every attempt we make to end the waste," he added.

Spending in the SSI program has increased rapidly in recent years, rising from about $13 billion in 1983 to over $29 billion in 1994. Growth has been exponential, rising more than $10 billion in just the last 3 years. The spending explosion can be traced to unprecedented increases in the number of noncitizens, the number of children, and the number of alcoholics and drug addicts coming onto the SSI rolls. Bill Thomas (R-CA), a senior member of the Ways and Means Committee and one of the major authors of the legislation, pointed out that the Committee has heard extensive evidence that severe abuses are occurring among each of these three population groups.

A particularly disturbing example of abuse was called to the Committee's attention by George Gekas, (R-PA). Mr. Gekas gave the Committee a letter from lawyers to prisoners on what steps the prisoners should take to apply for SSI upon their release.

The first and, in budget terms, most important section of the bill eliminates SSI benefits for most noncitizens. After steep rises in recent years, the number of noncitizens on SSI reached 700,000 this year. By ending SSI benefits and, in most cases, Medicaid for noncitizens, the Republican bill would substantially reduce the SSI rolls. The Congressional Budget Office estimates that this single reform would save over $15 billion during the next 5 years, and $4.4 billion in the final year.

The second major section of the bill dramatically alters the SSI program for alcoholics and addicts. "The SSI program for addicts has been one of the fastest growing sources of spending in the federal budget for the past three or four years," said Wally Herger (R-CA), another Ways and Means member sponsoring the legislation. The number of alcoholics and addicts drawing SSI benefits has doubled to 78,000 in the last year alone. "Apparently the word is getting around," said Herger.

Recent hearings by the Ways and Means Committee have shown that very few addicts receiving SSI are participating in treatment programs as required by law. Rather, they appear to be receiving the cash SSI benefit of about $450 per month and using the money to purchase drugs. "The use of federal tax dollars to subsidize the drug habit of addicts is unconscionable," said Clay Shaw (R-FL), another member of the Ways and Means Committee, "especially given the fact that, according to the Social Security Administration, few addicts ever leave the SSI rolls. Once addicts get on SSI, it becomes a permanent source of money to support their drug habit."

The Republican bill would limit receipt of SSI by addicts to three years, would require addicts to submit to drug tests and temporarily end their cash benefit if they test positive for illegal substances, would penalize addicts for not sticking with their treatment program, and would strengthen a program requiring that the cash SSI benefit be paid to a third party rather than directly to the addict. These provisions are estimated by CBO to save about $130 million over 5 years.

"Perhaps the most delicate issue of SSI reform is the provision for children," said Jim McCrery (R-LA), a member of the Ways and Means Committee and the prime author of the bill's provision on children.

"Although the SSI children's program is filled with abuse, some members of Congress are reluctant to propose reform legislation for fear that they will be accused of being anti-child. But through hearing from those who see the abuses first hand, we realize that we must do something or we actually will be anti-child," added Ways and Means member Dave Camp (R-MI).

Recent stories in the press and on TV news magazines have highlighted the unusual legislative history of the children's benefit. "When SSI was passed back in 1972, a mere 26-word section was slipped in during the House-Senate conference that made children eligible for the benefit. The provision received virtually no discussion by the committees of jurisdiction or on the floor of either House," said Nick Smith (R-MI) who has introduced legislation of his own addressed to children's SSI benefits.

Now there is widespread abuse of the program. Democrat members of Congress have told the Ways and Means Committee that they are getting reports of parents tutoring their children to act out in school so they can qualify for the $450 per month cash benefit, which also carries eligibility for Medicaid health insurance. After a 1990 Supreme Court decision, SSI administrators loosened eligibility requirements for children, especially those who have hard-to-measure impairments such as attention deficit disorder.

"The result," according to Ways and Means member Nancy Johnson (R-CT), "has been a surge in child recipients, from a little over 300,000 in 1990 to nearly 800,000 in 1993. By limiting the benefit to a voucher for treatment rather than cash, we will restore the original intent of the legislation and save taxpayer dollars at the same time."

Bill Archer (R-TX), the senior Republican on the Ways and Means Committee, complimented Republicans on the Committee for their timely efforts to restore confidence in a severely abused federal program. "We always hear that entitlement programs cannot be controlled," said Archer, "but this legislation shows that meaningful but appropriate cuts are possible."

"Of course," Archer added, "Democrats often stand in the way of these favorable initiatives. Last week the Ways and Means Committee defeated, on almost straight party-line votes, both the provision on immigrants and the provision on children. Similarly, the President, who continues to say he intends to end welfare as we know it, apparently is surrounded by aides who cannot spell SSI -- at least virtually no mention of this vastly inefficient program has appeared in any of their documents. What a shame that Congress appears likely to once again ignore a vast waste of taxpayer dollars by blocking Republican attempts to reform the program."

The Congressional Budget Office estimates that the Republican bill would save about $16 billion over 5 years.

<u>Original cosponsors of the SSI reform bill</u>:
Rick Santorum (R-PA), Bill Archer (R-TX), Newt Gingrich (R-GA), Bill Thomas (R-CA), Wally Herger (R-CA), Jim McCrery (R-LA), E. Clay Shaw (R-FL), Nancy Johnson (R-CT), Dave Camp (R-MI), Michael Castle (R-DE), George Gekas (R-PA), and Nick Smith (R-MI)

Outline of Santorum et al. SSI Bill
May, 1994

Title I: Noncitizens
Title II: Drug Addicts and Alcoholics
Title III: Children
Title IV: Fraud

Title I: Noncitizens

1. With the exceptions noted below, noncitizens are made ineligible for the Supplemental Security Income program under Title XVI of the Social Security Act.

2. Exceptions:
   -- Refugees admitted under section 207 of the Immigration and Naturalization Act are subject to the provisions of this title only after they have resided in the United States for 6 years.
   -- Aged over 75 years of age if lawfully admitted and a resident for at least 5 years.
   -- Noncitizens now residents in the U.S. are not subject to the provisions of this title for 1 year; the Social Security Administration must notify noncitizen recipients of SSI that they will be dropped from the program in 1 year.

Title II: Drug Addicts and Alcoholics

1. Drug Testing & Follow Up: Illegal Drugs and Alcohol

   -- The Secretary must identify all SSI recipients whose disability is a result of addiction to illegal drugs or alcohol.
   -- These addicts must then be subject to random drug tests to determine whether they are using illegal drugs or alcohol.
   -- Any person testing positive for illegal drugs or refusing to take the test must be dropped from SSI for at least 12 months.
   -- Any alcoholic testing positive for alcohol or refusing to take the the test must be dropped from SSI for at least 6 months.
   -- Former recipients expelled for taking illegal substances or alcohol can be readmitted to SSI after a year if they have passed 2 drug tests at least 2 months apart; addicts and alcoholics must pay for the drug tests themselves.

2. Medicaid Eligibility Recipients who lose their SSI benefits because of positive drug tests are deemed eligible for Medicaid.

3. 3-Year Limitation on Disability Benefits Any persons admitted to the SSI program as a result of alcohol addiction or addiction to illegal substances cannot receive cash benefits for more than 3 years (not necessarily consecutive).

4. <u>Representative Payees</u>
   -- Government agencies are permitted to serve as Representative Payees for the purpose of receiving and disbursing the cash SSI benefit to addicted recipients.
   -- Agencies can charge a fee of up to 10% of the SSI benefit.
   -- In selecting Representative Payees, the Secretary must give first priority to state or local government agencies; if they refuse, second preference must be given to community nonprofit social agencies licensed or bonded by the state; if local social agencies refuse, individuals may be permitted to serve.

5. <u>Penalties for Not Continuing in Treatment</u>
   -- Addicts on SSI are now required by law to participate in treatment
   -- Under the new provision, addicts who do not participate satisfactorily in their treatment program are sanctioned:
   a) for the first offense, the sanction is termination of cash benefits until the recipient resumes treatment for 2 months;
   b) for the second offense, the sanction is termination of cash benefits until the recipient resumes treatment for 3 months;
   c) for the third and subsequent offenses, the sanction is termination of cash benefits until the recipient resumes treatment for 6 months

<u>Title III: Children</u>

1. The SSI cash benefit for individuals under age 18 is terminated.

2. Children who qualify for SSI retain their entitlement to Medicaid.

3. Children who qualify for SSI will also be given a voucher that can be used to purchase any service, device, aid, physical renovation of their home, or other item included in the 70 items defined by the Internal Revenue Service as legitimate medical expenses for the medical expense tax deduction and not covered by the Medicaid program. The maximum value of the voucher is equal to the monthly SSI benefit for individuals.

4. Within 6 months of passage of this legislation, the Secretary must establish and disseminate the details of the voucher program, including the mechanism for distributing and redeeming the voucher.

<u>Title IV: Fraud</u> The Social Security Administration (SSA) must modify its fraud detection procedures in several ways:

1. Third-party translators (who help non-English speaking immigrants apply for SSI) must certify under oath that their translations are accurate.

2. SSA is given the authority to impose civil penalties against translators, medical professionals, and recipients who engage in fraudulent schemes designed to illegally enroll people in SSI.

3. SSI fraud is elevated from a misdemeanor to a felony.

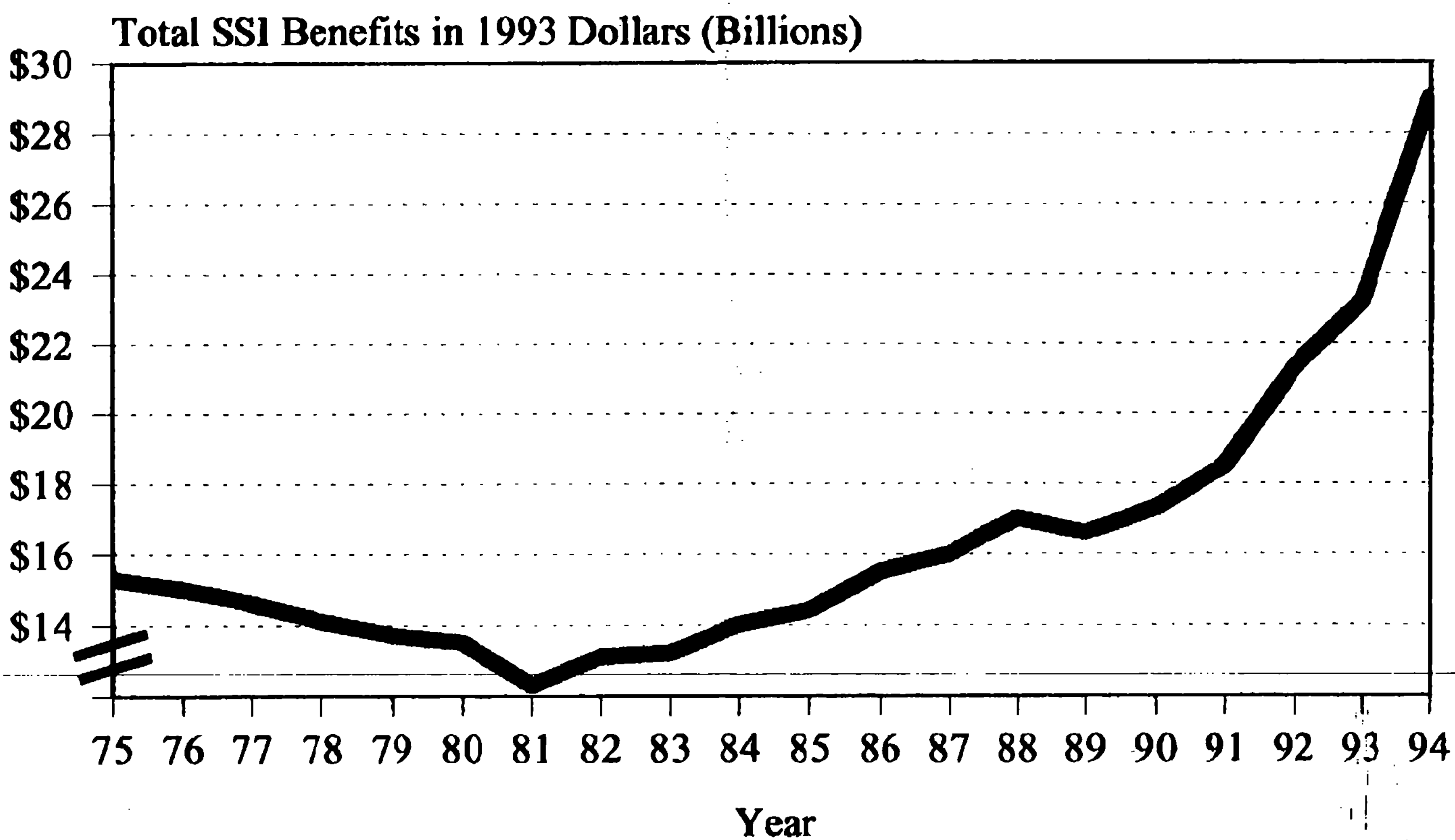
4. SSA is given broader authority to reopen cases suspected of fraud and to quickly terminate fraudulent cases.

5. The Inspector General of HHS must provide the Secretary with identifying information on individuals suspected of fraud.

6. SSA must report to the Ways and Means Committee on an annual basis the extent to which it has used its authority to review potentially fraudulent cases.

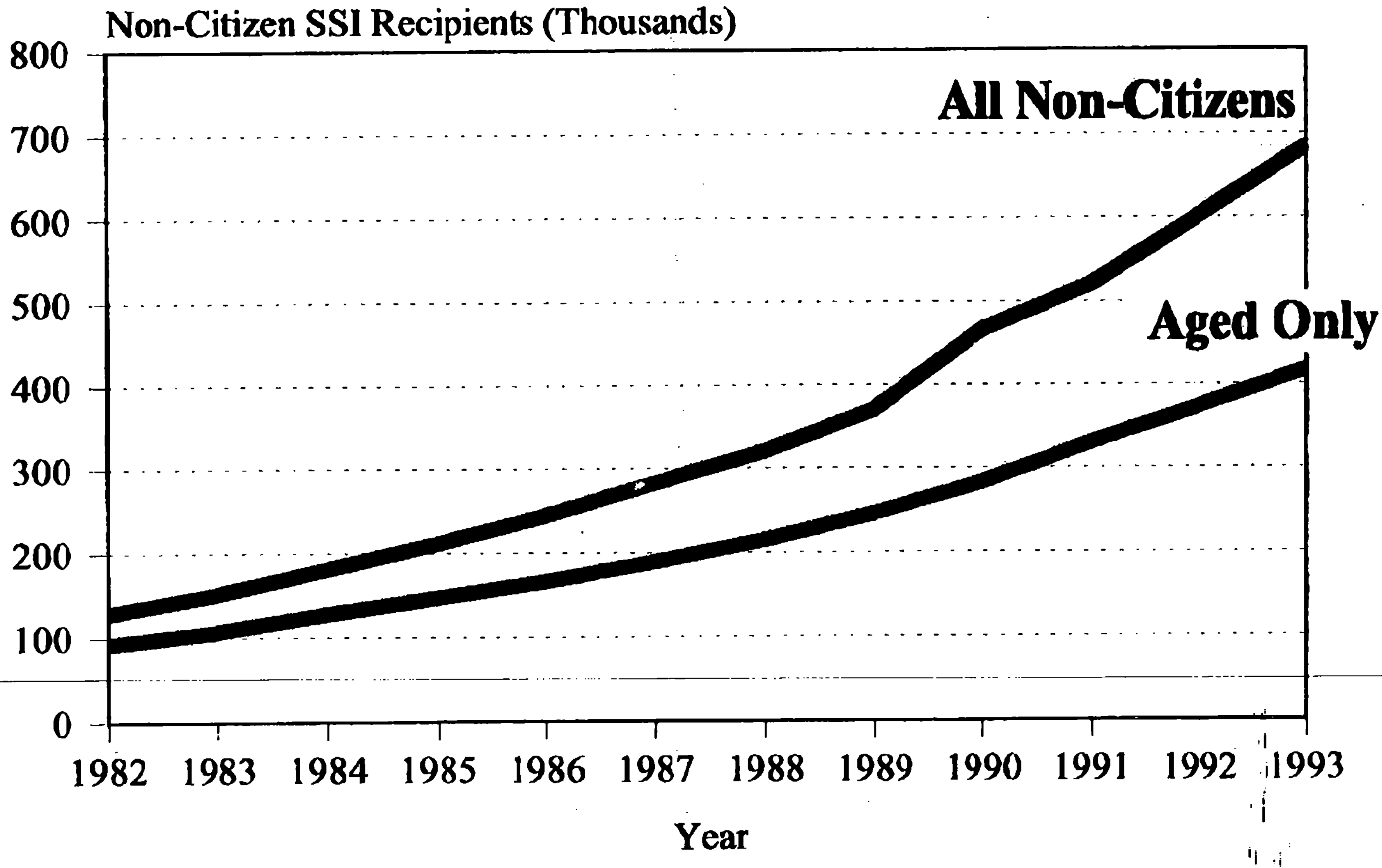
7. The Social Security Administration must develop profiles of the kinds of cases that have a high probability of fraud, and must conduct periodic targeted redeterminations based on the profiles.

Total SSI Benefits in Constant Dollars, 1975-1994



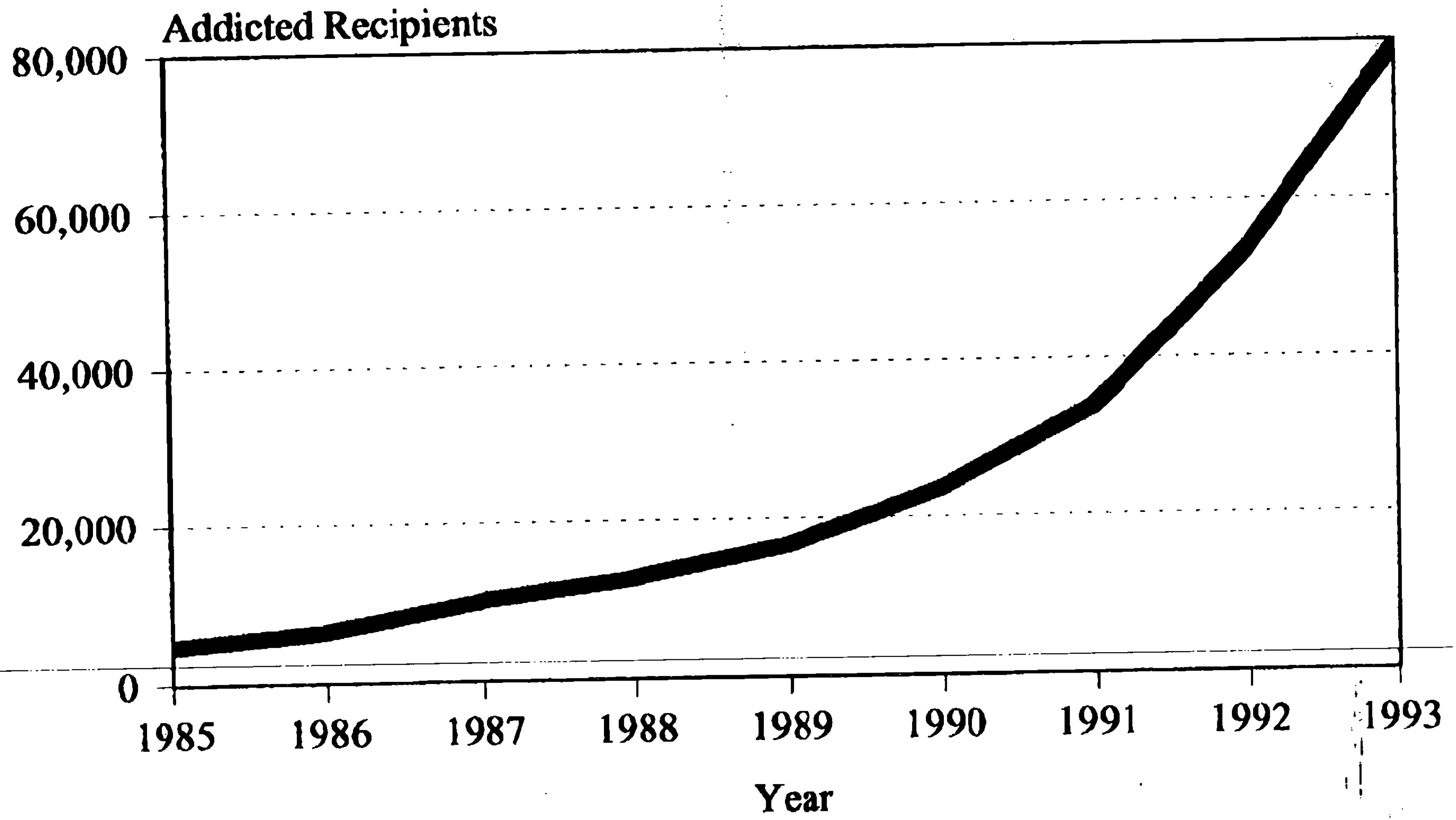
Source: Green Book, 1993, pg. 867

More and More Non-Citizens Receive SSI



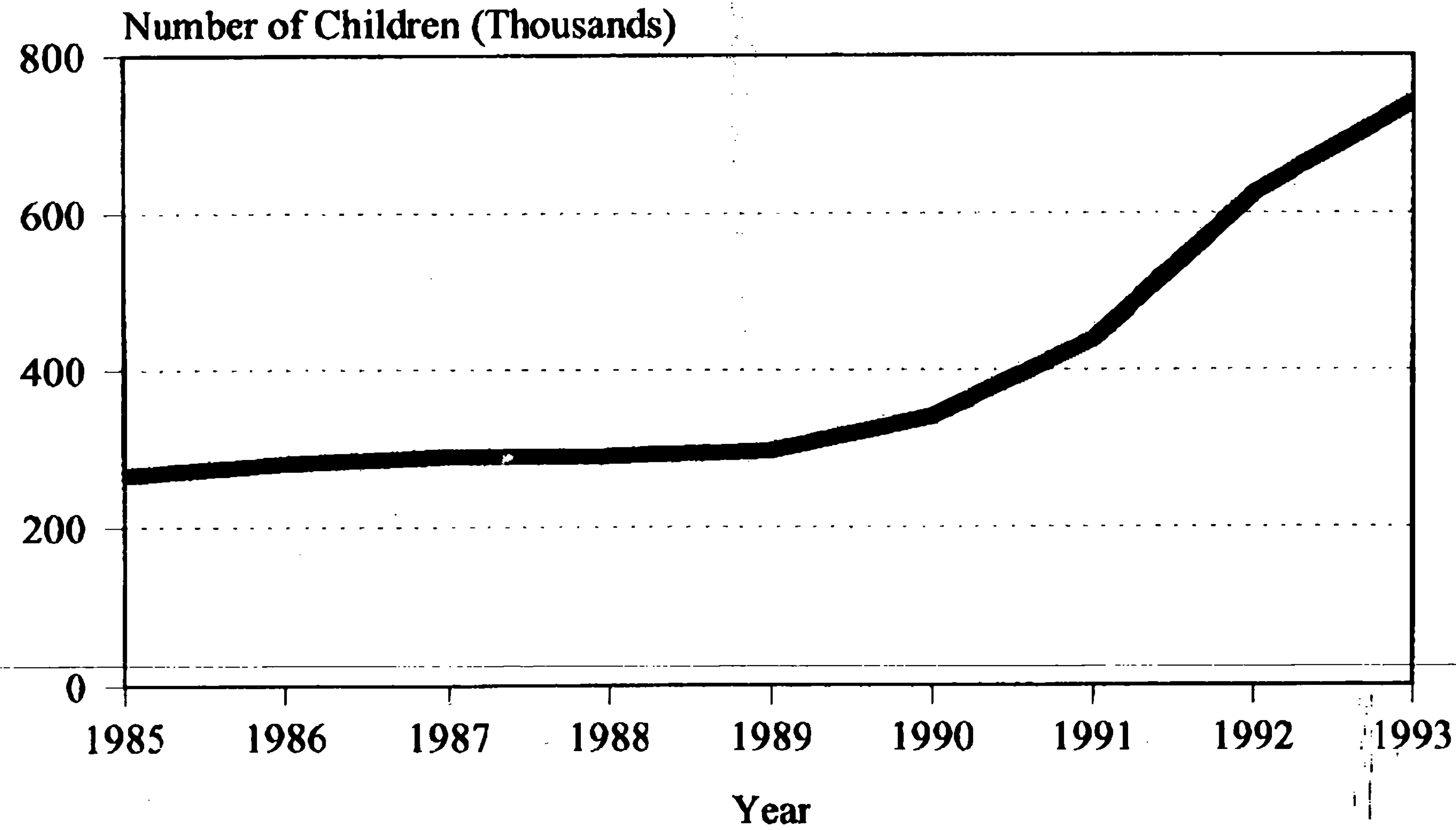
Source: Department of Health and Human Services

Explosion of Drug Addicts Receiving SSI, 1985-1993



Source: Social Security Administration

Children Receiving SSI Benefits, 1985-1993



Source: Congressional Budget Office.

WASHINGTON TIMES May 12, 1994

It's called SSI, and it may be our worst social program

By Rick Santorum

House Republicans are today introducing what is potentially the most important piece of social legislation, other than health care, to be considered by Congress this year. Amidst all the sound and fury over welfare reform, with the exception of a few notices on the nation's editorial pages, virtually no one is discussing changes in an obscure welfare program called Supplemental Security Income (SSI).

Some obscurity. SSI is costing taxpayers $29 billion this year, up more than $10 billion in constant dollars in just three years. And yet few Americans even know what SSI spells.

Rick Santorum, Republican of Pennsylvania, is the senior Republican on the welfare subcommittee of the House Ways and Means Committee.

Created by Congress in 1972, Supplemental Security Income provides an entitlement benefit for two groups of Americans — poor elderly and disabled individuals. Why these two groups? Because age and physical or

SSI is costing taxpayers $29 billion this year, up more than $10 billion in constant dollars in three years.

mental impairment reduce the ability to work. Beneficiaries receive a monthly check of $436 if they're single, or $669 if they're married. In addition, they receive Medicaid, which is worth about $8,000 for the elderly, $7,000 for the disabled. So the package of benefits is worth a minimum of $12,000 per year, much more for couples.

SSI's spectacular growth has been driven by three primary demographic groups. The first and most shocking groups is addicts. SSI law stipulates that people with drug or alcohol addictions that are severe enough to interfere with their ability to work are by definition disabled and therefore eligible for SSI benefits. These addicts may be disabled, but they are not too spaced out to recognize a good deal when they see one. In 1985 there were 4,700 addicts on SSI; by the end of 1993 that number had grown to 79,000. The word is getting around.

Before it gets around much more, Congress must question the very basis of SSI policy on addicts. Giving money and health insurance to people because they have damaged themselves by using drugs is unwise social policy because it taxes productive citizens to reward other people for rotten behavior.

Two changes make sense. First, we should subject people who have drug-related conditions to periodic blood tests. If they test positive for illegal substances, they should be dropped from SSI. Second, the SSI benefit should be converted from cash to vouchers for treatment. Providing cash to addicts does not address their major problem, and, in fact, enables them to continue and even intensify their drug habit.

The second demographic group causing SSI spending to mushroom is children. Since 1990, the number of children receiving SSI has increased from 287,000 to about 650,000.

Why children are even eligible for SSI is something of a mystery. The underlying concept of SSI is that if people are too old or too disabled to work, SSI provides a substitute for wages. But children are not expected to work; the basic rationale of SSI doesn't fit.

Worse, several congressional Democrats have testified recently that families in their districts are coaching their children to act as if they have a disability — particularly attention and behavioral disorders — so they can qualify for SSI cash and medical care. These abuses of the program have been encouraged by recent changes in the rules under which children's SSI eligibility is determined. Essentially, children can now qualify if they cannot engage effectively in age-appropriate activities.

An additional problem with providing cash to families because they have a disabled child is that there is no assurance that the cash will actually be used to help the disabled child. The concern of Congress is to help disabled children get treatment for their condition at public expense. Thus, we should convert the entitlement for cash into vouchers for treatment, thereby removing the incentive to cheat

Taken together, the SSI reforms we are introducing today would cut the budget deficit by a minimum of $30 billion over the next five years.

in order to receive the cash benefit. No one wants to deprive children of needed treatment, but cash subsidies for other family spending is not what Congress intended.

The third demographic group abusing SSI is non-citizens. Immigrants should — and most do — come to America for opportunity, not welfare. We offer immigrants a straightforward deal: Come to America and enjoy immense personal freedom and gain access to the world's most productive economy. However, until you become a citizen, you must support yourself or be supported by a sponsor who signs an affidavit agreeing to meet your basic needs.

And yet, through the typically bizarre legislative process, Congress also allows illegal aliens to qualify for welfare benefits in SSI and several other programs. The result? In 1982 there were about 128,000 non-citizens on SSI. Last year there were 683,000, 60 percent of whom were elderly. Once on SSI, non-citizens are automatically eligible for Medicaid. Most are also eligible for Food Stamps. It is no surprise that we spend around $8 billion per year on welfare benefits for immigrants.

The solution to this hemorrhaging of tax dollars is simple: End welfare for non-citizens. Remember, the deal we offer immigrants does not guarantee access to welfare benefits. In fact, deportation for accepting public aid has always been a basic tenet of American immigration policy. The bill Republicans are introducing today will save the federal government $4 billion per year by ending taxpayers' responsibility for giving SSI payments to noncitizens. Subsequent legislation could go further.

Democrats in the administration and on Capitol Hill seem reluctant to address the SSI travesty. Democrats on the House Ways and Means Committee rejected nearly all these proposals when Republicans offered them last week, thereby killing what might be the last chance of House action on SSI this year. Similarly, the administration has been floating welfare reform proposals for several weeks, but so far not a word about the billions in wasted SSI spending.

Too bad. Taken together, the SSI reforms we are introducing today would cut the budget deficit by a minimum of $30 billion over the next five years. Equally important, they would prevent the federal government from inflicting additional harm on the very people the SSI program is supposed to help.

Analysis of House Ways and Means Republican Welfare Reform Proposal

Attached is a section-by-section, in-depth analysis of the Republican proposal drafted by Ron Haskins. Also attached are cost estimates of most of the provisions. The status of all the estimates is summarized below.

Title I: AFDC TRANSITION AND WORK PROGRAM.

These estimates are done

Title II: PATERNITY ESTABLISHMENT

These estimates are done. Note that we have assumed that no states would take up the option in section F which allows states to specifically exempt themselves from all requirements in this title.

Title III: EXPANDED STATUTORY FLEXIBILITY FOR STATES

We are waiting for estimates from UI/TRIM on several of the provisions under this title. (UI's programmers have been tied up doing health care work, but they expect to produce our GOP bill runs at the end of this week.)

Title IV: EXPANSION OF STATE WAIVER AUTHORITY

We think these costs will be very small, since the waiver projects are to be cost-neutral.

Title V: CHILD SUPPORT ENFORCEMENT

These estimates are done.

Title VI: WELFARE RESTRICTIONS FOR ALIENS

These estimates are done.

Title VII: MISC. PROVISIONS

Sections A & C are not estimatable because we don't know how many addicts are on AFDC and SSI. Staff are talking to FNS about sec. B, and staff are working on estimates for sec. D and E.

Attachments

TITLE I: AFDC TRANSITION AND WORK PROGRAM

A. AFDC Transition Program

CURRENT LAW

Assessment

States are currently required to develop an employability plan for each JOBS participant, based on an initial assessment and in consultation with the participant.

Services

As part of the JOBS program, states are required to provide the following services: educational activities, job readiness activities, job skills training and job development and job placement. In addition, states must offer at least two of the following four services: group and individual job search, on-the-job training, work supplementation and community work experience.

Participation Requirements for Recipients

To be counted as a participant under the JOBS program, an individual must be scheduled for at least 20 hours of JOBS services per week and must attend for at least 75 percent of the scheduled hours during a month.

Educational activities are subject to the twenty-hour standard, defined as time spent in class, with no consideration of time spent on homework. This has been and continues to be a point of considerable controversy.

Exemptions

AFDC recipients are currently exempted from JOBS if they are:

1) the parent or caretaker relative of a child under three (a few states have opted to exempt only parents of children under one);
2) ill, incapacitated, of advanced age;
3) a caretaker of an ill or incapacitated family member;
4) employed more than 30 hours per week;
5) a child who is either under age 16 or attending school full time;
6) in the second trimester of pregnancy or
7) residing in an area where the program is not available.

Sanctions

If a recipient required to participate in JOBS fails to comply, the individual's needs are not considered in calculating the family's AFDC benefits, but food stamp benefits are not reduced (and would actually be expected to rise, to some degree offsetting the sanction). For AFDC-UP families, the other parent's needs are also not considered in the calculation of the grant, unless he or she is participating in the JOBS program.

Supportive Services

Under current law, recipients are guaranteed child care if it is necessary for them to either work or participate in the JOBS program, and transportation if needed to participate in JOBS.

Participation Standards for States

States are presently required to enroll 15 percent of non-exempt AFDC families in the JOBS program during FY 1994 and 20 percent during FY 1995. The participation standards for AFDC-UP families are 40 percent in FY 1994, 50 percent in FY 1995, 60 percent in FY 1996 and 75 percent in FYs 1997 and 1998.

Federal Match

States are presently reimbursed at a 90 percent rate for JOBS expenditures up to the amount allotted to the state in FY 1987 for WIN (Work Incentive Program). Additional expenditures are reimbursed at the higher of 60 percent and the Medicaid rate for direct costs and personnel costs of full-time JOBS staff and 50 percent for other administrative costs.

Targeting

Under current law, states are mandated to spend 55 percent of their JOBS funds on recipients falling within the target populations. The target groups are 1) families in which the parent is under 24 and has either not completed high school or had no work experience within the past year; 2) families who have received assistance for 36 of the previous 60 months; and 3) families in which the youngest child is within two years of aging out of AFDC. States failing to meet the 55 percent standard face a reduced matching rate of 50 percent (see Federal match section above).

Teen Parents

Under JOBS, custodial parents under 20 who have not completed high school are required to participate in an educational activity.

<u>REPUBLICAN PROPOSAL</u>

Assessment

Under the new Republican welfare reform bill, the state welfare agency and the recipient would arrive at a written agreement, similar to the employability plan required under JOBS, except that as part of the agreement the recipient, if still on AFDC after 2 years (less at state option), would have to work in exchange for benefits.

Services

States would provide the same services under the transition program that are currently offered under JOBS: education, job skills, job readiness, job development and job placement, group and individual job search, on the job training, work supplementation and community work experience. The bill does not indicate whether the current distinction between services states are mandated to offer and those that are offered at state option would be maintained.

Participation Requirements for Recipients

Non-exempt recipients would, under the Republican bill, be required to participate in the transition program for a total of 520 hours during the year, or an *average* of 10 hours per week, which represents a reduction relative to the JOBS participation requirement of 20 hours per week.

Participation in educational activities is treated separately. Meeting the standard set by the education institution (including degree-granting programs) for full-time enrollment and maintaining passing grades would be considered participation, even if fewer than ten hours per week were spent in class.

The Republican bill allows states flexibility regarding the implementation of the ten-hour requirement. A recipient can meet the standard by participating 40 hours per week for three months, 20 hours per week for six months or 10 hours per week for the entire year. JOBS enrollees are required to participate 20 hours each week. The flexibility permitted in the new bill could present measuring issues, as discussed below.

States are required to assess, at the conclusion of the participant's first year in the transition program, whether he or she is meeting the participation standard. As discussed below, measuring participation at the conclusion of the year could be problematic.

States would have the option of delaying the entry of job-ready recipients into the transitional program for a period of up to one year, a choice not explicitly provided under JOBS, although the much lower participation standards under JOBS enable states, if they choose, to effectively delay the entry of job-ready recipients indefinitely.

Exemptions

Under the new bill, the number of criteria for exemptions would be sharply reduced. The proposed Republican bill explicitly preserves only exemptions for disability and for caring for an ill relative. The bill specifically excludes drug and alcohol offenders from coverage under the disability provision. States are, however, permitted to exempt, for up to 12 months, recipients who are enrolled in substance abuse treatment programs.

Perhaps most critically, the bill replaces the current exemptions for mothers of children under three and pregnant women with an exemption during the 6-month period in which the recipient gives birth to the first child born after coming onto the AFDC rolls and exemptions during the 4-month period in which any subsequent child is born while the recipient is on AFDC. The birth exemption periods are to be divided between the pre and post-natal periods according to the recipient's preferences, i.e, exempt from participation requirements for 2 months before the birth and 4 months after, or for 3 months before and 3 months after (first birth while on AFDC).

The bill does add an exemption for a 2-month period in which a child previously removed returns home.

Supportive Services

The outline of the Republican bill does not address the provision of these support services.

Participation Standards for States

The participation levels states are mandated to achieve under the proposed Republican bill are substantially higher than the level currently required under JOBS. The new bill calls for states to enroll 30 percent of non-exempt new applicants in the transition program in 1996 and 40 percent in 1997. As of 1998, the participation requirements apply to the *entire caseload* (not only new applicants). The participation standards are 50 percent for 1998, 60 percent for 1999, 70 percent for 2000, 80 percent for 2001 and 90 percent for 2002.

Sanctions

Non-exempt recipients who fail to participate as assigned are subject to sanction. The family's combined AFDC and Food Stamp benefits are to be reduced by 25% until the recipient complies or 3 months have passed, whichever is longer. If the recipient does not come into compliance within 3 months, the sanction must be extended for another 3 months (no additional reduction in benefits). If the recipient does not comply within six months, the family's AFDC benefits are eliminated entirely. The family is still eligible for Food Stamps, Medicaid and any other benefit for which they would otherwise qualify.

Federal Match

While the bill does not address the topic of the Federal match rate for state expenditures on the transition (as well as the work) program, we have been told by Ron Haskins that the Federal match will be the higher of 70 percent or the medicaid match. The cost analysis assumes this rate.

Targeting

The outline for the new bill does not contain targeting provisions similar to those in current law, although it does encourage states to fulfill the participation standards by focusing on mothers with older children.

Teen Parents

The new bill requires states to deny AFDC benefits to unmarried parents who are under 19, which marks a shift from current law, under which states can require teen parents to participate in educational activities. Married minor parents would, however, be eligible for AFDC-UP.

<u>ANALYSIS</u>

Services

The Republican bill contains no language concerning the selection of services, implying that the choice of services and the assignment of participants to services are to be left to the discretion of states.

The new bill gives the states the option of requiring recipients to participate in work program after less than two years in the transitional program. It is not entirely clear if there is a minimum stay in the transition program (see below), or if states could require all recipients to participate in work activities, without receiving any transitional services. Given the cost of CWEP slots, it is not likely states would be eager to pursue this course of action.

Participation

Under the new bill, states have, as mentioned above, flexibility regarding how recipients are to meet the 520 hour per year standard, i.e., full-time for 3 months, half-time for six months, etc. Incorporating flexibility into the program might present serious measuring issues. If a recipient could meet the standard by participating a total of 520 hours during the year, rather than a minimum 10 hours each week, compliance could only be determined on an annual basis. A recipient inactive for six months could still meet the standard by participating 20 hours per week for the remainder of the year, and consequently sanctions could only be imposed after the annual review.

The bill sidesteps this issue by not specifying the duration of noncompliance that would trigger the sanction, i.e. failing to average ten hours per week for two weeks, a month, two months, etc.

If a state did choose to take advantage of the new bill's proffered flexibility, it might have to measure participation as the percentage of recipients enrolled in the transition program for a full year who met the 520-hour standard. Under this method, recipients who leave before completing a full year would be ignored in the calculation of the participation rate. Donna Pavetti's data indicates that about 30% of persons entering welfare leave within the same calendar year.

As proposed in the outline, the 520-hour rule does not encourage states to involve recipients in activities as rapidly as possible. Rather, it provides an incentive to delay entry into the transition program or allow transition program participants to remain inactive for the first few months in the hope that they will leave within the year, without costing the state any dollars in services. If a recipient is still on the rolls after six months, half-time participation during the last six months of the year will meet the standard.

The outline of the bill does not specify whether a recipient would be subject to sanction if he or she were cooperating but failed to meet the participation requirement as a result of state failure to conduct the assessment or make referrals to services in a timely manner, or due to a shortage of spaces in appropriate programs. The problem of recipients failing to meet the standard through no fault of their own would probably be less serious if participation were measured on an annual basis only, which would allow recipients to meet the standard by more intensive participation in the later months of the year.

Sanctions

Sanctions under the new bill would in general be larger than the sanctions under current law, since food stamp benefits would also be reduced, rather than rising to offset the reduction in the AFDC benefit.

The bill requires sanctions to be imposed for a period of at least 3 months. This provision may have the effect of discouraging caseworkers from employing sanctions as a tool to promote participation, particularly in the case of the final sanction, removal from the AFDC rolls. In a case in which a final sanction was imposed, the family's food stamp benefits would rise to above the pre-sanction levels, offsetting some of the federal savings from eliminating their AFDC benefits.

Supportive Services

Although the bill boosts the participation standards and vastly broadens the mandatory caseload, it earmarks no funding for child care, transportation and other support services, which may exacerbate the funding pressures on states, discussed further below.

Targeting

The proposed bill is ambiguous with respect to treatment of parents with young children. By replacing the exemption for mothers of children under 3 with the 6 and 4-month birth exemptions, the bill appears to require states to serve mothers of young children in the transition program. Elsewhere in the bill, however, states are encouraged to fulfill the participation standards by serving mothers of older children.

The intent of that provision may be to minimize child care costs. Given that (according to New York State data) 40% of AFDC recipients have children under 3, states will not be able to meet the participation standards without enrolling substantial numbers of these mothers. The provision may be a concession to those uncomfortable with requiring mothers of young children to leave the home, placing the children in care.

QUESTIONS/CONCERNS

Time Limits. The Republican proposal gives states the option of requiring some recipients to enter the work program before two years have elapsed. The equity questions and logistical problems associated with assigning different time limits to different individuals need to be addressed both in the context of this proposal and of Administration welfare reform proposals.

The bill does not clarify whether the work requirement comes into effect after two years of AFDC receipt or after two years of participation in the transition program. If the former is the case, a recipient could be enrolled in the work program without having received any transitional services.

The Republican bill does not address the critical question of whether the two-year limit on receipt of cash benefits before the work requirement is triggered is a lifetime limit, a limit on consecutive years of receipt or a renewable limit. The bill is entirely silent regarding the treatment of those who enter and leave welfare within two years and those who leave while in the work program; can they return and, if so, for how long?

In light of Donna Pavetti's work, which indicates that 58 percent of women who leave welfare return within two years and 77 percent return within seven years, this question is absolutely critical, with respect to both the Republican bill and our own welfare reform efforts.

The bill, moreover, does not indicate whether those dropped from the rolls after five years can regain their AFDC eligibility after a period of time has passed or due to a change in circumstances (birth of another child).

Exemptions. It is not specified whether the 4 and 6-month birth exemptions, as well as the exemption for enrollment in substance abuse treatment programs, exempts a recipient from participation for the purposes of sanctions only, or for the purposes of the two-year time limit as well.

Targeting. The absence of the targeting provisions of the type found in JOBS generates an incentive for states to serve the recipients least in need of services, particularly during the early years of the phase-in period when the participation standards are relatively low. Recipients who enter the program at a young age without either a high school diploma or work experience are among the most in need of services, but under the new bill states would not be encouraged to enroll them in services rapidly. Given that these are the recipients with the longer average stays on AFDC, those least likely to leave before the expiration of the time limit, delays in involving them in services could be particularly serious.

Match Rate. The new bill's higher participation rates and broader mandatory caseload may exacerbate the problems states are currently experiencing raising funds for the JOBS program. The savings from the provisions eliminating benefits for noncitizens will be distributed very unevenly across states (California, for example, may experience substantial savings, while states with few noncitizens and/or few SSI recipients may see little or no savings). Even if the bill is revenue neutral on a nationwide basis, it is unlikely to be revenue neutral for individual states.

Teen UP Participants. It is not clear whether at least one of the two married minor parents in the AFDC-UP program would have to participate in the work program, or whether a minor parent could substitute school attendance for the work requirement.

Offsetting Costs. Under the bill, states are permitted to deny benefits to families who have been enrolled in the work program for 3 years (on AFDC for a minimum of 5 years). These families would, again, be eligible for increased food stamps, as well as increased housing benefits (as a result of the reduction in income).

The elimination of AFDC benefits due to either sanction or reaching the 3-year work program time limit would be accompanied by greater demand for emergency assistance, foster care, homeless services and other locally provided social services, a point that has received some, but may need to receive even greater consideration in the welfare reform process.

Title I: AFDC TRANSITION AND WORK PROGRAM

B: AFDC Work Program

CURRENT LAW

Basic Families (Single Parent)

The JOBS program contains two work programs. The first is the Community Work Experience Program (CWEP) and the second is the Work Supplementation Program. Under current law, States have the option of implementing these programs, they are not required to do so. In FY1991 there were 13,112 slots for CWEP participants and 707 slots for people in work supplementation. Many states do not operate these programs, especially work supplementation.(Administration for Children and Families).

CWEP is designed to provide opportunities for training and work experience for JOBS participants, which will hopefully improve their chances for employment in the private sector. The projects on which they work must "serve a useful public purpose." Participants work a maximum number of hours equivalent to their AFDC benefit divided by the federal (or State if it is bigger) minimum wage. After nine months, the participant cannot be required to work in the position unless his or her hours of work multiplied by the pay rates of others in similar positions at the same site is less than the AFDC cash benefit.

States who adopt work supplementation programs use the money that would have been payable to families as an AFDC benefit to create and pay for a participant to work in a job. States have the option of reducing or eliminating the amount of the earned income disregards for families participating in work supplementation (Green Book 1993).

The current law sanctions and exemptions policy is discussed in the section describing the transitional program.

REPUBLICAN PROPOSAL

Basic Families (Single Parent)

After two years of AFDC receipt, welfare recipients will have to participate in a work program. States can either run CWEP, work supplementation, a combination of the two, or a completely different program. The latter two options must be reviewed by the Secretary of Health and Human Services before a state can proceed with their proposed plan. A recipient of the AFDC-Basic program will have to participate in a state-run work program for 35 hours per week.

The CWEP component of this bill is the same as that of the JOBS program except for the increase in hours worked to 35 per week.

The work supplementation bill will be changed in the following ways:

- there will no longer be a requirement that all recipient jobs must be new jobs;
- recipients must be paid the equivalent of their AFDC **and** Food Stamps benefit as opposed to just their AFDC benefit under the JOBS program;
- states can negotiate with employers so that the employers pay part of the salary and the state pays the difference.

Although the transitional program will be operational in 1994 (under the framework of the JOBS program), the work program will not phase in until 1996. In 1994 and 1995, AFDC recipients will participate in the current JOBS program at the participation rates that were mandated by the Family Support Act, 15% in 1994 and 20% in 1995. Therefore, there will be no participants in the work program (and no additional costs to the federal government) until 1996.

Beginning in 1996, any AFDC recipient who applied to receive AFDC before the implementation date of this program (October 1, 1994) will be considered part of the pool of eligible participants in the work program. We will assume that a majority of the caseload will **not** be exempted from the work requirements because the GOP plan provides for fewer exemptions than there are under the current JOBS program.

The sanctions and exemptions regulations for the work program are the same as those in the transitional program. (See section on transitional program for details). In 1996, 30% of the non-exempt caseload must participate in a work program. The participation rates in future years are the following:

- 40% of new Basic applicants in 1997,
- 50% of new Basic applicants in 1998,
- 60% of new Basic applicants in 1999,
- 70% of the entire Basic caseload in 2000,
- 80% of the entire Basic caseload in 2001,
- 90% of the entire Basic caseload in 2002.

After three years in the work program and five years of receipt of AFDC, states have the option of dropping families from the AFDC rolls. However, the family will continue to be eligible for Medicaid, Food Stamps and other benefits.

UP Caseload (Unemployed Parent)

States must also provide work programs for one parent in any two parent family that receives AFDC-UP. Participants in the UP work program must work for 32 hours per week and engage in job search for eight hours. The participant will be paid an amount equivalent to his or her AFDC **and** Food Stamp benefits after he or she has completed the work requirement. The participation rates for UP families are as follows:

- 40% of the entire UP caseload in 1994 (current law),
- 50% of the entire UP caseload in 1995 (current law),
- 100% of the entire UP caseload in all subsequent years of the program.

Under current law, many states have the option of imposing a six month time limit on the receipt of benefits by a UP family. This proposal gives all states the right to impose this limit.

ANALYSIS

This program was designed to put AFDC recipients to work. The hope is that they will receive sufficient training in the transition period to enable them to find private sector jobs. If that is unsuccessful, this bill will fund public sector jobs for both AFDC-Basic and -UP recipients. Recipients are required to work off both their AFDC and Food Stamp benefits.

As stated above, there is no real counterpart to this program in current law. The CWEP and work supplementation programs are not utilized greatly under the JOBS program. According to HHS data, only 3% of JOBS participants were enrolled in CWEP or work supplementation programs, and only 2% of JOBS funds were allocated for these programs. Under the JOBS program, a majority of the Basic Caseload is not required to participate and a majority of the UP Caseload does not participate in JOBS.

Therefore, with fewer exemptions and higher participation rates for mandatory participants, there will need to be a sizable increase in funding for the creation of new positions. There might be a need for as many as 2 million more jobs than were required in the JOBS program in the first five years. If we assume a cost of approximately $3000 per job slot, we end up with a cost of about $6 billion for the work component of this bill for just custodial parents.

The issue of the provision of supportive services is not raised in this proposal. We would assume that, as under the JOBS program, state and federal governments would be required to provide child care and transportation subsidies for people participating in this work program. Child care costs would be expected to increase greatly from current levels because there will be more people working for longer hours, and there will no longer be an exemption for parents with children under the age of three. It is possible that child care costs could equal or exceed the costs of the development and maintenance of the work slots.

QUESTIONS/CONCERNS

It is unclear what the level of non-work is among AFDC recipients. We know that about ten percent of AFDC recipients work either part-time or full-time. Some studies have shown that one-third of AFDC recipients have worked at some time during their period of receipt of benefits (CLASP). This bill contains no specifics about child care, medical coverage, and other supportive services. If recipients are not able to meet these needs, it is not clear that they will be able to participate in a work program.

There is also a question of the equity of the phase-in. If someone comes on to the welfare rolls on September 1, 1994, she will not enter into the transition program until 1998. However, if someone enters the welfare system on November 1, 1994, she could end up going straight into the work program in 1996, without receiving the education, training and job search services that other recipients have received.

TITLE I: AFDC TRANSITION AND WORK PROGRAM

D. Work Program for Fathers

CURRENT LAW

Presently there is no current federal law governing work experience or requirements for noncustodial parents with arrears for child support payments. However, the Family Support Act of 1988, (Public Law 100-485_October 13, 1988 102 STAT. 2363) includes a provision requiring the "Secretary to permit up to 5 states to provide services under the (JOBS) program, on a voluntary or mandatory basis, to non-custodial parents who are unemployed and unable to meet their child support obligations." This provision is the point of departure for Parents Fair Share.

Under the Downey-Hyde proposal an administrative law judge could have required mandatory participation "in CWEP and job search activities under the JOBS program for noncustodial fathers who willingly fail to pay child support in lieu of or in addition to other penalties." The parent would receive no payment for work in CWEP activities; instead earnings would be transferred to the noncustodial parent. Such CWEP requirements could last for up to six months. The proposal also permitted noncustodial parents who were unable to pay because of unemployment or low income to volunteer to participate in the JOBS program before they had accumulated the equivalent of two months of arrears. If participation was accepted, the child support order would be waived during participation, and if no slot were available, no arrearage would accrue. Participation in other activities after JOBS could also result in waiver of the support order. These other activities must include job search, but could include activities that benefitted the child. Since both the Family Support Act and the proposed Downy-Hyde proposal specify participation in the JOBS program, these provisions probably also relate only to noncustodial parents with children in the AFDC caseload.

REPUBLICAN PROPOSAL

Title ID of the Republican proposal mandates participation in the State work program for noncustodial parents with the equivalent of more than 2 months of arrearage, unless noncustodial parents have a court approved repayment plan. The State program must include proper notification of child support arrearage and a 30-day period to respond, followed by a 2-4 week job search program as the initial phase, followed by a 35 hour per week work program (probably CWEP). Within the initial 30-day period, and within 30 days of the beginning of the job search phase, noncustodial parents free themselves from the participation requirement by paying their child support.

States are free to add additional program components, but within these guidelines, they cannot substitute other activities for the work program. The one exception is that the work program requirement can be reduced to 30 hours per week, if the State's program includes a job search component. States are required to meet program participation requirements for AFDC fathers, so, for example, 30 percent of all fathers with children (of applicants) on AFDC, who do not pay child support must be participating in a program under this section by 1996.

ANALYSIS

This is potentially a large program but the absence of "earnings" could reduce the cost substantially. The program is highly punitive, and therefore, could have high "smoke out" effects. The benefit of such a program is its ability to distinguish between volition and ability as the barrier to child support payment. The cost of such a program is that when ability is the barrier, the program offers nothing.

The program is potentially costly for two reasons. First, there appears to be no escape clause for this subsection. States with work programs for AFDC applicants must get their partners to pay child support, or have CWEP programs for these partners. Second, meeting the child support obligation (including arrearage, perhaps)_is the only way out. There must be a CWEP slot for noncustodial parents who cannot find or keep private sector employment, even after participating in a CWEP program for a period, and for recidivists--those who are likely to fall into arrears again, after paying an earlier child support obligation. This is unlike the Downey-Hide proposal or the Children's 1st CWEP-NCP program in Wisconsin, which both have time limits.

On the other hand, the costs of the program are reduced by the absence of a subsidy, child support or AFDC offset of any kind. Normally, supervision (overhead) costs of basic CWEP jobs are $1500 per slot. In this case there is no need to add the "earnings" at the minimum wage, because the CWEP slot is unsubsidized. No funds go to defray the AFDC expense and none are counted against the noncustodial parent's pre-program arrearages. This is one reason that the basic program would can "smoke out" hidden earnings so effectively. The only incentive to participation is to avoid more serious sanctions (probably incarceration). However, unless states use their freedom to add additional services, the program will be onerous for those with limited ability to pay.

The only similar experience we have, for which some results are available, is the Wisconsin Children 1st program. That program operated in two counties, one which implemented a basic CWEP program, and another, in Racine, which gave NCP's a full array of JOBS like services. This program was mandatory, both counties found high noncompliance rates, so that participants had to be sanctioned several times before they finally cooperated, arrearages continued to accrue during program participation, although earnings were used compensate for AFDC benefits and *most participants completed the program by paying their orders*. Finally, both programs increased child support payments, although the enhanced (Racine) program got higher compliance rates and increases in the amount of child support paid.

Two final odd features of the program should be mentioned. First, the weekly work requirement is unrelated to the value of the child support order. So, fathers with small child support orders (or few children) and those with larger child support orders must all work 35 hours. This is why "earnings" do not compensate for AFDC benefits. However, it also seems to violate the principle, let the punishment fit the crime. Finally, noncustodial fathers may soon figure out that they can escape this work requirement by irratic or partial payments. That is, as long as they stay at two months arrearages or less, the requirement is not imposed. NcP's with smaller support orders or higher incomes can more easily carry out this strategy.

QUESTIONS/CONCERNS

Several questions arise about this proposal:

- Does an ncp free himself of the participation requirement by resuming child support payments or must he make up all arrearage (e.g., the two months arrearage that made him subject to the requirement) to be released?

- How long is program participation mandated, for as long as the ncp owes child support, arrearage?

- Are ncp's required to participate in the program every time they accumulate more than 2 months worth of arrears? In other words, are recidivists allowed.

- Do arrearage continue to accrue while the ncp participates in the program?

- Will the Federal Government participate in the costs of employment services not mandated under this requirement? In other words can States use Federal funds to support JOBS-like services to ncps.

TITLE II: PATERNITY ESTABLISHMENT

CURRENT LAW

Under current law, clients must cooperate with the state in establishing paternity. Regulations specify that identification of the parent is part of the required cooperation. If the mother cooperates, the family is eligible for full benefits based on family size, even if paternity is not established. If the client does not cooperate, her portion of the AFDC benefit will be terminated and payment for the child will be made to a protective payee unless no such payee can be found. The client does not have to cooperate in the establishment of paternity if she can establish "good cause" as determined by the Secretary. The state develops any procedures it feels necessary to confirm allegations that the father is dead or missing, but states must attempt to locate all "missing" fathers through state and federal locate procedures.

Under the new provisions of P.L. 103-66, the Omnibus Budget Reconciliation Act of 1993, states must have procedures in place for a simple civil process for voluntarily acknowledging paternity. Such procedures must include a hospital based program for the voluntary acknowledgement of paternity during the period immediately before or after the birth of a child.

P.L. 103-66 also strengthened the paternity establishment standard which states must meet. States must increase their paternity establishment percentage each year unless their paternity establishment percentage is 75 percent or higher. The increase must be: 3% between 50% and 74; 4% between 45% and 49%; 5% between 40% and 44%; and, 6% if under 40%.

REPUBLICAN PROPOSAL

Under the Republican proposal, clients must provide the father's name as part of the AFDC application process and cooperate in the establishment of paternity. The family is not eligible for full benefits based on family size unless paternity has been established for all children (needing paternity). If the mother provides the father's name, she is eligible for a reduced benefit based on the number of children with paternity established. The proposal would require that if the client does not provide a name and cooperate in the establishment of paternity, the family would be eligible only for a benefit for any children for whom paternity is not in question. If the mother provides a "false" name, the entire family would be dropped from the rolls.

A mother is exempt from the cooperation requirement if the pregnancy is the result of rape or incest or if the state concludes that pursuing paternity would result in physical harm to the parent or child. The Republican proposal would require States to develop procedures to handle cases in which mothers claim the father is dead or missing. The burden of proof is on the mother.

The Republican proposal would require States to develop procedures in public hospitals and clinics that facilitate acknowledgement of paternity. It would also require all state officials and employees to inform unwed mothers that they cannot get AFDC unless they name the father and that they need to establish paternity. Additionally, the Republican proposal would increase the State paternity establishment standard to 90 percent.

ANALYSIS

The Republican proposal does not go beyond existing law in its requirement for cooperation. The existing statute and regulations already require that an AFDC applicant or recipient provide the name of the father of any child requiring paternity establishment and cooperate in the establishment of paternity. Where the Republican proposal goes beyond current law is in the type of benefit reductions used to induce cooperation. Families would receive a reduced benefit or no benefit (in a one child case) unless the mother named the child's father and would not receive full benefit unless paternity was established for all children in the family. The Republican proposal does not take into account that the lack of paternity establishment may result from the inaction or inefficiencies of the state child support enforcement agency. Once the mother has provided complete information she has little leverage over the "system's" ability to establish paternity.

Currently good cause is defined in the implementing regulations, but not in statute. HHS regulations define good cause as the child conceived as a result of rape or incest, legal proceeding for adoption are under way or the parent is considering relinquishment, or physical or emotional harm might be inflicted by the putative father. The Republican proposal only includes rape, incest and the threat of physical harm, thus limiting the definition of good cause.

The intent of the Republican proposal provision regarding voluntary acknowledgement is unclear. The provision in P.L. 103-66 (and its implementing regulations) require that all birthing hospitals, including public hospitals, have voluntary acknowledgement programs. The Republican proposal mandates that such procedures be in place in public clinics as well. Limited experience with clinic programs have not found them to be very effective at generating acknowledgements.

The Republican proposal increases the required paternity establishment standard to 90 percent, a 15 percent increase over the percentage standard established in Reconciliation. It does not, however, provide any specifics regarding the incremental increases which states can meet, if they can not yet meet the 90 percent standard.

QUESTIONS/CONCERNS

Non-Cooperation

Many jurisdictions have reported an unbelievable high rate of "unknown" fathers. This may have resulted in part from the impersonal application process for AFDC benefits, the delayed follow-up by IV-D agencies, and the unwillingness of many AFDC programs to sanction or even threaten sanctions for non-cooperation. Jurisdictions which have instituted a personal child support interview as part of the AFDC application process have reported substantial reductions in the use of "unknown." For example, in one site, Colorado staff indicated a reduction from 25 percent to less than 5 percent of applicants reporting unknown fathers. In a review of paternity establishment in 3 Wisconsin counties, staff indicated that a liberal threat of sanction also served to improve the quality of information provided by the mother.

It appears that it is the "process," not the lack of requirements, which allow AFDC clients to avoid naming the children's fathers. Requiring states (under current law) to have personal child support interview at the time of application could improve performance more than legislating a requirement which already exits in regulation.

Reduced Benefits

There are two situations often cited as affecting the programs ability to establish paternity. One is that there is an on-going relationship with the father that the mother does not want disturbed. The second is that the mother truly does not have sufficient information about the child's father for the system to establish paternity. The New York Child Assistance Program (CAP) demonstration results indicate that even with clients wanting to qualify for CAP participation, many women, especially with older children, could not provide sufficient information for the system to establish paternity and awards. This provision would severely penalize families caught in the "rules" change, because many do not have accurate and complete information about the child's father and his current whereabouts.

While this change might result in a reduction in the AFDC caseload, assuming the state will actually use sanctions, it could also result in more homeless families, more abandoned children, or more children in AFDC foster care.

It is also not clear how the mother could prove that the father was either dead or missing. Most people who had proof of paternity and death would be filing for social security survivors benefits, not AFDC. Given the very low percentage of children eligible for AFDC because of the death of a parent (2 percent in 1989), claims of parental death do not appear to be a problem.

Good Cause

There is no indication that current good cause procedures are over-used or abused. Good cause is currently approved in less than 1 percent of AFDC cases. This is a lower incidence than could be expected given the prevalence of domestic violence in low-income populations. There appears to little reason for further restricting the good cause provisions.

Paternity Acknowledgements in Public Clinics

One state, Delaware, has tried to implement its paternity acknowledgement program at clinic sites. While they think the public information campaign was helpful, it did not result in any actual paternity establishments. Delaware staff believe in order for a clinic program to be effective, there must be hospital-based or other types of follow-up.

Information Dissemination

Most women who have children out of wedlock are not on AFDC nor do they necessarily ever intend to receive AFDC. Any outreach to change the civic culture around paternity establishment needs to be built on the best interest of the child (and the parents), not some denial of future public assistance payments.

Many states are currently engaged in paternity establishment campaigns. It is unlikely that the most successful conveyors of information regarding the positive benefits of paternity establishment are state employees and officials.

Paternity Establishment Percentage

Ninety percent is probably not realistic given old cases in the system where contact with the other parent has been lost. If the percentage goal is increased to 90 percent, it should be phased in over time. The rate has to take into account that after a certain number of years, mothers may indeed have lost contact and may not be able to provide sufficient information to pursue the case. One might base the percentages on year of birth, e.g., 90 percent could be used for children born after implementation of hospital-based paternity acknowledgement programs and a lower percentage, perhaps as low as 50 percent, could be used for kids born before 1980.

Title III: Expanded Statutory Flexibility for States

Section A: Rewards and Sanctions for Immunizations and Health Checkups

CURRENT LAW

All parents are required to have their children immunized by the time they enter school; there are no specific requirements for AFDC parents.

REPUBLICAN PROPOSAL

It is not clear whether it is mandatory or optional for states to implement this section which rewards or penalizes parents for the status of their children's immunizations. If it is mandatory, States could pass a law exempting themselves from this provision.

States would pay parents an extra $50/month for six months if they have their children immunized and make sure that they receive preventive health services. If the parent does not follow these rules, they could be sanctioned up to $50/month until they comply.

ANALYSIS

This proposal will probably not cost or save a lot of money in benefits for families, because the sanctions presumably will balance out the bonuses. There will be some additional administrative costs for monitoring recipients for compliance. If usage of medical services increases, there will be an increase in Medicaid costs.

There are many theories as to why poor children do not receive immunizations and preventive medicine. One reason is that poor parents do not know about the benefits of these services and therefore do not attach importance to making sure their kids receive them. If this is the motivating factor behind parents' behavior, this provision might induce parents to make sure that their children receive medical services. The fifty dollar bonus could also help parents pay for transportation or child care to get the children to the clinics or doctors. Preliminary anecdotal evidence from a similar Maryland program is that the sanctions are having an effect on encouraging parents to have their children immunized.

However, it is also true that many doctors will not accept Medicaid patients and that it is often difficult for poor parents to take their children to public clinics or hospitals for attention. If these reasons are the factors behind the low immunization rates of poor children, then this regulation will not help improve their health.

QUESTIONS/CONCERNS

This proposal adopts a demand-side approach to preventive health services. If this proposal is implemented by States, they should have to insure that there is access to preventive services for children. This is the only way to ensure that it achieves its purpose of improving the health of young children. Parents cannot be expected to comply if services are unavailable.

Also, if for some legitimate reason, a parent cannot take the child to get their medical services, the loss of fifty dollars a month will not improve the child's health and well-being.

Section B: No AFDC for parents under age 19

CURRENT LAW

Under current law, teenaged parents can apply for AFDC if they meet income and asset requirements. Some teens are heads of their own case and others receive benefits under their parent's case.

REPUBLICAN PROPOSAL

This proposal would eliminate benefits for any teenager who becomes a single parent and her child. If the teenager marries the father of her child, and they meet the other criteria, the couple can become eligible for the AFDC-UP program. Again, it is not clear if this is a mandatory or optional provision for States.

ANALYSIS

This goal of this proposal is to discontinue the "rewards" that are attached to becoming a teenage parent. The number of teenage parents is larger today than it was thirty years ago. Also, many of those who remain on AFDC for more than eight years first entered the program as teenagers. This proposal advances the view that if teenage parents cannot receive AFDC, they will not get pregnant (or will not have or keep the child); if they do get pregnant and decide to keep their child, this proposal will force them to move in with their parents or get married.

According to the Alan Guttmacher Institute, higher welfare payments are negatively correlated with teenaged childbearing for blacks and whites. When welfare payments are raised, however, abortion rates rise. One reason for this result could be the correlation within a state between higher levels of AFDC funding and the availability of Medicaid funding for abortions. The authors of this study conclude that welfare payments do not act as an incentive for teenagers to bear children (Family Planning Perspectives, 1986).

The literature also shows that teenagers often do not get pregnant by choice. Some are the victims of sexual abuse. More, however, do not have access to information on contraception, and many who have the information still do not use contraceptive methods correctly. For those who choose to get pregnant and keep their child, the financial incentive does not appear to be the prime motivating factor.

It is also unclear what the effect of this proposal will be on the behavior of young women and men after the pregnancy has occurred. It is possible that more teenagers will move in with their parents instead of establishing their own households. However, the literature does not support the hypothesis that without AFDC, more teenagers would marry the father of their children. It is also possible that this proposal could increase abortion rates for teenagers.

Therefore, changes in welfare policy do not appear to have a significant effect on whether or not teenagers get pregnant or keep their babies.

QUESTIONS/CONCERNS

A significant question is whether these teens can receive AFDC benefits after they turn twenty. If this is the case, then teenagers will still have babies and just wait to apply until they are older than twenty.

This proposal also could increase costs in other areas like foster care, homelessness, food stamps, and Medicaid.

It is also not clear that all teens will be better off living with their parents. The teen could come from an abusive household which is what led her to become sexually active at an early age. Also, it might not be best for her to marry the father of her child if there is a potential for abuse in that situation as well.

This provision does not offer any kind of preventive approach to teenage pregnancy. It also does not try to exert any pressure on the male not to engage in sexual activity.

Section C: Rewards and Sanctions for School Attendance

CURRENT LAW

Welfare recipients and their children are currently subject to the same school attendance and truancy rules as are all families. There are States currently testing the issue of rewards and sanctions under waiver demonstrations.

REPUBLICAN PROPOSAL

This provision builds on the Learnfare model established by Wisconsin, in which children on AFDC were sanctioned if they did not regularly attend school. Families with school aged children would be sanctioned $75.00 per child per month if that child did not regularly attend school without good cause. The proposal mentions something about a reward of $75.00 but it is not clear how a family goes about receiving this award.

ANALYSIS

This program would likely cost more than it would save. After a lawsuit initiated by parents in Milwaukee, the state of Wisconsin had to offer pre-sanction services that protected families' rights to due process before their benefits were terminated. The state had a sanction rate of 3% after these procedures were implemented. Additionally, Wisconsin provided funds for case management and supportive services, which other states would also have the option of instituting (IRP). Finally, this program did not improve attendance rates among AFDC children. One report said that it actually lowered them, although the state of Wisconsin has criticized the methodology used in that report.

Therefore, with low sanction rates and savings and high service costs, this provision would be costly and it is not clear that it would improve attendance among AFDC children.

Section D: No additional money for more children

CURRENT LAW

Under the existing AFDC program, recipients receive additional benefits when they have children. The benefit for a median state is approximately sixty dollars a month for each additional child (Green Book 1993).

REPUBLICAN PROPOSAL

Under this proposal, if an AFDC recipient gave birth to a child ten months after the date of application for AFDC, she would not receive an adjustment in her benefit to account for her child. States could exempt a family if they left AFDC for at least ninety days for a job that was ended for good cause. Also, states could exempt families that remain off of AFDC for at least 12 consecutive months.

ANALYSIS

This proposal operationalizes the assumption that families on AFDC have additional children in order to increase their AFDC benefits. However, the evidence does not seem to support such a conclusion. The average AFDC family size is 2.9 people. Approximately three-quarters of all AFDC families have two or fewer children. Only, ten percent of families have four or more children (Green Book).

The evidence is that families who live in higher benefit states do not have more children than those in lower benefit states. In 1991, the average number of AFDC children per family in New York (average benefit of $507.47 for a family of one mother and two children) was 1.8; the average number of AFDC children per family in Mississippi (average benefit of $119.13 for a family of three) was 2.1. (Data from Administration of Children and Families).

Therefore, it is not clear whether this proposal will have much of a deterrent effect on the number of children born to AFDC mothers. The decision to have additional children is not just a monetary decision; if it were, Mississippi's average family size would be very low and that of New York would be very high.

QUESTIONS/CONCERNS

Many states have applied for federal waivers that would allow them to implement a proposal like this. Some have been approved and are operational, while most are still pending approval. Before we try a program like this at the national level, we might want to study the outcomes for AFDC children and their mothers in New Jersey, which has implemented this provision already.

This proposal appears to be designed to save money by not supporting additional children and discourage women on AFDC from having additional children. It is not clear that this proposal will accomplish either goal.

It is not clear whether additional children would be eligible for Medicaid and Food Stamps as well as other benefits, including IV-E Foster Care payments.

If we assume that the decision to bear additional children is not affected by benefit levels, this proposal will not influence the childbearing decisions of women on AFDC. Therefore, it will harm the recipient, the additional child and any other children in the family.

Finally, this proposal could also increase the abortion rates of these recipients. In states without Medicaid funding for abortions, more women could turn to illegal abortion as a last resort.

Section E: Change work disregards within limits

CURRENT LAW

Before the Omnibus Budget Reconciliation Act of 1981 changed the rules for earned income disregards, recipients were allowed to keep their first thirty dollars of income and one-third of their subsequent earnings before their AFDC grants were lowered. OBRA 1981 limited the receipt of this disregard to four consecutive months. If a recipient left AFDC and then returned, he or she would not be eligible for the disregard again for twelve months.

In 1984 and 1988, Congress amended this provision to allow states to extend the thirty dollar disregard for an additional eight months after the four month limit for the one-third disregard had elapsed.

REPUBLICAN PROPOSAL

This provision would allow states to change the disregard standards. The standard cannot exceed the level of a permanent disregard of the first $200 of earnings and one-half of subsequent earnings.

ANALYSIS

Some states have applied for, and some have received, waivers that would allow them to change the earnings disregards for welfare recipients. It is not clear how many states would ultimately take advantage of this option, so it is difficult to determine what the federal costs would be for it.

This provision could increase the work effort of recipients by allowing them to combine work with welfare. However, it could also increase the rolls because some people who would have become ineligible for benefits would become eligible.

Section F. Married Couple Transition Benefit Option

CURRENT LAW

There is no married couple transitional benefit under current law.

REPUBLICAN PROPOSAL

Under the Republican bill, an AFDC recipient who married an individual other than the father of their children and would otherwise be ineligible for AFDC (due to higher total household earnings) would be permitted to continue receiving 50% of the pre-marriage AFDC benefit for up to one year, so long as the combined family income is below 150 percent of the poverty level.

AFDC recipients who marry but would be eligible for AFDC-UP can receive either AFDC-UP or the transitional benefit (choice left to the state), but not both.

ANALYSIS

Any incentive effects from this provision would be largely limited to AFDC recipients who have the option of marrying an individual, not the father of the child, whose income, combined with the recipient's present/expected future earnings, would leave the family above the state's AFDC payment standard but below 150 percent of the poverty line. Recipients who would qualify for AFDC-UP after marriage would generally prefer it to the transitional benefit, given that the average AFDC-UP payment of $548 is considerably higher than one-half the average AFDC-Basic payment, $177. A family receiving AFDC-UP would still be eligible for 12 months of transitional benefits if increases in earnings rendered it ineligible for AFDC-UP.

States could exclude newly married families from AFDC-UP in favor of enrolling them in the transitional benefit program, but this would, if anything, serve as a disincentive to marriage.

For AFDC recipients whose post-marriage family income would be between the payment standard and 150 percent of the poverty level, the incentive effect of a payment of $177 may not be significant, particularly given the unpleasant aspects of remaining on the AFDC rolls. Given that the literature has yet to find a strong relationship between welfare benefit levels and family formation in general, the impact of this particular provision does seem dubious.

The provision might have negligible behavioral effects (recipients make the same decision they would have made in the absence of the benefit) but a nonnegligible take-up rate, in which case introduction of the transitional benefit would boost spending without changing the marriage rate.

QUESTIONS/CONCERNS

It is not entirely clear why the provision does not cover recipients who marry the father of one of their children. Given the variation in child support awards, full payment of child support could still leave the family below the AFDC benefit standard, particularly if there are children of other, nonpaying fathers in the home.

Section G. Increased Asset Limit

CURRENT LAW

Public Law 97-35 currently limits allowable resources, excepting the home and one automobile, to a maximum of $1,000 equity value (or less, at the discretion of the state). The value of the automobile cannot exceed $1,500. States are permitted to disregard items essential to daily living, such as clothing and furniture, when calculating countable resources. Current law does not exclude from countable resources capital equipment needed for employment, although about half of the states do disregard farm machinery, livestock, tools and equipment essential for livelihood or income.

REPUBLICAN PROPOSAL

The proposed bill would allow states, when calculating countable resources, to disregard up to $10,000 in assets associated with a microenterprise owned by the family. States are also permitted to exclude up to $10,000 in savings designated for the purchase of a home or for education and training.

ANALYSIS

A number of states, among them Missouri, Wisconsin and Utah, have approved waivers to raise the limit on allowable resources and/or exempt vehicles. A number of other states, including Iowa and Virginia, have waivers pending. Allowing states to disregard up to $10,000 placed in a targeted savings account is consistent with encouraging forward thinking.

Disregarding funds associated with a microenterprise would affect relatively few current recipients. The cost impact of the provision is primarily dependent on the number of additional persons made eligible for AFDC by raising the asset limit.

Unlike several of the waiver requests submitted by states, the bill does not boost the equity limit on vehicles. Lifting the limit on the value of cars might permit more AFDC families to own reliable cars and in turn assist recipients in finding employment by expanding the area in which they are able to work.

Section H. Conversion of AFDC to a Block Grant

CURRENT LAW

Presently, states participate in the AFDC program at their option, but a state choosing to participate must comply with the requirements of the program and cannot receive its funding in the form of a block grant. Currently all 50 states, the District of Columbia, Puerto Rico, Guam and the Virgin Islands operate AFDC programs.

REPUBLICAN PROPOSAL

The Republican bill offers states the option of ending their participation in the AFDC program in favor of receiving a block grant equal to the amount of federal reimbursement the state received in 1992, plus a one-time inflation adjustment of 3 percent. States choosing the block grant would be required to present an annual report to the Department of Health and Human Services demonstrating that all block grant funds were spent on poor and low-income families. The provision is similar in form and intent to the welfare reform bill proposed by Jan Meyers in the House of Representatives on March 10, 1993.

ANALYSIS

Under the provisions of the proposed bill, the block grants would be frozen at the 1992 federal funding level (plus the one-time inflation adjustment), transferring the full risk associated with both increases in the caseload and high inflation rates to the states, seriously limiting the attractiveness of the option.

QUESTIONS/CONCERNS

Julie Strawn of the National Governors Association indicated that states oppose the Jan Meyers welfare reform bill as essentially an entitlement cap which, given Congressional Budget Office estimates of increases in AFDC caseloads, would shift costs to states. While the provision would give the states the option of saving state dollars by reducing benefit levels, states can already pursue this strategy. At present, however, a $1 reduction in welfare benefits would only save the state's share of the $1. If a state elected the block grant provision, a $1 reduction in benefits would save the state the full $1, *provided* the caseload remained constant.

Under the provision a state would be required to submit a report demonstrating that the block grant funds were spent to assist poor and low-income families. Nothing in the proposal, however, mandates states electing the block grant option to continue providing cash support to these families. As the provision is currently written, a state could, for example, deliver the assistance in the form of expanded social services or new low-income housing.

Even states electing the block grant option who continue to provide cash assistance would be under no obligation to make education and training services available to recipients. In some states recipients might have no access to JOBS-type services, which were mandated by the Family Support Act in order to help families on AFDC become self-sufficient.

The block grant provision would also enable states to change the eligibility criteria in order to deny benefits to two-parent or, conversely, to single-parent families.

To summarize, the provision presents very serious equity issues. While at present states vary widely in benefit levels, under the block grant proposal, a poor single-parent family, depending on the state, might be eligible for cash assistance, education and training services, both or neither.

A state can currently decline to participate in the AFDC program and instead implement its own cash assistance program, which would give the state the same freedom as the block grant provision to establish the eligibility criteria and structure of its program. Such a state would not, however, receive federal funding for the program. The provision as currently outlined would allow federal funds to be disbursed in a manner not consistent with either existing Congressional legislation (such as the Family Support Act) or Administration policy in this area.

Section I. AFDC Benefit Levels for New State Residents

CURRENT LAW

California and Wisconsin both have approved waiver requests to implement similar provisions. As a result of a pending lawsuit, an injunction is now in place enjoining California from pursuing the policy. The Department has since denied waiver requests along similar lines submitted by Illinois and Wyoming (although Wyoming has not received formal notification).

REPUBLICAN PROPOSAL

Under the proposed Republican bill, states would be permitted to, for up to one year, provide new residents of the state the same level of benefits as they would have received in the state in which they previously resided.

ANALYSIS

The provision's intent is to discourage welfare recipients from moving from one state to another in order to receive higher AFDC benefits.

Apart from the constitutionality of this measure, there is the question of potential gains to be realized. Studies on the effect of welfare benefit levels on migration conducted in the late 1960s and early 1970s did not find that welfare recipients were attracted to states with higher benefit levels. More recent work, using newer data and different analytical techniques, does suggest that benefit levels may have an effect on migration. Gramlich and Laren (1984) found that recipients are more likely to move from low-benefit to high-benefit states and Clark (1989) found that low-income female household heads were more likely to move from low-benefit to high benefit states.

Controlling for other factors in the migration decision, however, is problematic. The high benefit states, such as California, Connecticut, Hawaii and New York may be attractive for reasons other than the benefit level. A Gramlich/Laren study that tried to control for these factors yielded mixed results.

Moreover, migration decisions may be determined by long rather than short term expectations, in which case holding benefits at the level of the previous state for one year might have little effect. Data on the duration of post-move stays would be needed to clarify this question.

Section J. Parenting Classes, Money Management and Moving Residence

CURRENT LAW

Current law does not explicitly permit states to count attendance at parenting or money management classes as participation in the JOBS program. States are allowed to provide, as part of the JOBS program, education and training activities other than those described in the JOBS regulations.

There are no state waiver requests, either approved or currently pending, containing restrictions on changing the school district of dependent children (although the outline reads "before changing a dependent child's residence", presumably the provision would only apply to moves that would change the child's school).

REPUBLICAN PROPOSAL

The bill would allow states to require recipients in the Transition program to attend parenting or money management classes, and to count the attendance as participation. States would also be permitted to require recipients to obtain the welfare agency's permission before changing a dependent child's residence during the school year.

ANALYSIS

Counting attendance in parenting and money management classes as participation is consistent with Toby Herr's full participation model for the transition program and, from the standpoint of setting reasonable expectations for welfare recipients, has considerable merit.

The purpose of the provision is most likely to preserve educational continuity for the children of AFDC recipients.

Constitutionality could well be an issue here. Moreover, it is not clear that a nonnegligible percentage of transfers would be blocked by the welfare agency in any event, given that most AFDC recipients who move probably do so for fairly compelling reasons--better housing, better schools, safety.

TITLE IV: EXPANSION OF STATE WAIVER AUTHORITY

CURRENT LAW

Currently, specific waiver authority is provided for in the AFDC, food stamps, Medicaid, SSI, and Child Support Enforcement programs. The Secretary of HHS has the authority, under section 1115 of the Social Security Act, to waive state compliance with various provisions of the AFDC, Child Support Enforcement, Medicaid and SSI programs in order to conduct demonstrations judged likely to assist in promoting the objectives of the Act. Child support demonstrations must not disadvantage needy children and must not increase Federal AFDC costs.

The Secretary of Agriculture has the authority, under section 17 of the Food Stamp Act, to conduct experimental food stamp projects to increase the efficiency of the program and improve delivery of food stamp benefits to eligible households. No project may lower the benefit levels of recipients.

Within HHS, ACF and HCFA coordinate the negotiations and final approval of State applications for waiver projects with the principal staff offices, OMB, and staff of the Domestic Policy Council. Every effort is made to secure approvals as expeditiously as possible. Administration policy requires that the demonstrations be rigorously evaluated and that demonstrations involving ACF programs be cost-neutral to the Federal Government.

REPUBLICAN PROPOSAL

The Republican proposal extends waiver authority to 72 entitlement and discretionary programs, covering public assistance, health and public health services, nutrition programs, housing assistance programs, education, child care and child development, employment, and senior citizen's programs.

All State demonstrations would have as specific objectives to:

- Help long-term recipients improve their living conditions
- Help recipients strengthen their families and achieve self sufficiency, or
- Promote individual initiative and personal behavior consistent with self-sufficiency.

The proposal would put into law the requirement that demonstrations be cost-neutral to the federal government.

The proposal creates an interagency board made up of the Secretaries of the domestic Departments to oversee the approval of state applications for waivers. The board would be chaired by a Presidential appointee who would have the authority to approve the waivers. Agencies would have 45 days to provide to the board their analysis of each state proposal, and the board would have 120 days to notify States whether their waivers are approved.

ANALYSIS

The Republican proposal re-introduces the Reagan/Bush Administration's proposal to add waiver authority to a broad range of programs and, if passed, would effectively re-establish the Low Income Opportunity Board in the White House.

Since the demonstrations are to be cost-neutral to the Federal Government, we know that the projects would incur no additional federal costs, even if they proved more costly to States. Past practice has been to allow states whose demonstrations do yield federal savings to apply the savings to other projects that we normally wouldn't match. If we continued this practice, there would be no federal savings.

A negligible cost would be the cost of salaries and overhead for the Chairman and staff of the waiver board. Individual agencies would incur costs for staff assigned to monitor the demonstrations.

Evaluation standards for the Republican waiver program are not stated. Generally, the costs of contracting for waiver evaluations are shared by the Federal Government and the States and would be outside the cost-neutrality base.

QUESTIONS/CONCERNS

The proposal gives States the flexibility to consolidate very different kinds of discretionary funds. Many states might use the waiver authority to streamline multiple programs that provide similar services and/or serve similar client groups, e.g.employment programs or programs for the elderly. The proposal does not explain the extent to which individual program rules could be waived, e.g. could program funds now targeted to children be used for the elderly and vice versa?

It is questionable how appropriate it would be to give States waiver authority in many of the listed programs. Currently, States are not involved in the administration of several of these programs; federal funds go directly to such entities as community based organizations, educational institutions, or local housing authorities. At least one of the listed programs has been repealed.

Obtaining political support for waiver authority in all the listed programs could prove difficult. The programs are under the jurisdiction of 7 House and 6 Senate oversight committees and are championed by numerous advocacy groups.

TITLE V: CHILD SUPPORT ENFORCEMENT

CURRENT LAW

Improved Tracking of Absent Parents to Enforce Support/ New Hire Reporting

Information about employees and their income is currently reported by most employers to State Employment Security Agencies (SESA) on a quarterly basis. Employees are not required by the Federal government to disclose support obligations to their employers or to provide that information on W-4 forms.

The Family Support Act of 1988 required States to establish a system for immediate wage withholding for all IV-D cases with new or modified orders by November 1, 1990, and for all new non IV-D orders by January 1, 1994, with limited exceptions. To initiate a wage withholding request, States must send the withholding notice to the noncustodial parent's employer.

Improved Tracking of Absent Parents to Enforce Support/ Child Support Registries

Under current law, States are required to develop automated systems statewide by October, 1995. Once the system is in place, the State will essentially have a registry of all IV-D child support orders within the State. However, the registries only include IV-D cases and do not have to be centralized.

Improved Tracking of Absent Parents to Enforce Support/ Expanded Federal Parent Locator Service (FPLS)

FPLS was created to assist States in locating noncustodial parents to both secure and enforce child support obligations when a State had exhausted all of its own locate resources.

In addition, OCSE operates the Child Support Enforcement Network (CSENet), a Federal communication network that coordinates information and interstate case data between States. However, there is presently no link between the FPLS and CSENet.

Streamlined Wage Withholding

The OCSE is currently developing a standardized wage withholding notice to be used by all IV-D agencies in all income withholding cases.

OCSE regulations require IV-D interstate income withholding requests to go to the central registry of the State where the income is derived, and not to be sent directly to the out-of-state employer. Employers are not currently required to honor withholding notices from other States.

REPUBLICAN PROPOSAL

Improved Tracking of Absent Parents to Enforce Support/ New Hire Reporting

The Republican proposal would establish a nationwide system for reporting and tracking newly hired workers to improve the nation's ability to locate parents and enforce support orders. New employees would be required to report child support obligations subject to wage withholding to employers through revised Federal W-4 forms. Withholding would begin immediately and employment information would be maintained for interstate searches.

Improved Tracking of Absent Parents to Enforce Support/ Child Support Registries

Under the proposal, States would maintain updated registries of support orders to verify new hire withholding information and assist other States with interstate searches.

Improved Tracking of Absent Parents to Enforce Support/ Expanded Federal Parent Locator Service (FPLS)

The Federal Parent Locator System (FPLS) would be expanded to improve access to information nationwide and the Federal Office of Child Support Enforcement (OCSE) would coordinate an information network between States to provide for speedy interstate searches.

Streamlined Wage Withholding

The proposal would streamline the interstate system of wage withholding by establishing uniform notices and requiring employers to honor withholding notices from out-of-state courts.

ANALYSIS

A national system of new hire reporting, coupled with a child support registry, could greatly improve child support location and enforcement functions. Several States, including Washington State, have implemented new hire reporting programs which have proven to be an effective location and enforcement device.

The proposal is unclear as to whether a national registry of new hires would be created or whether the information would be retained at the State level. If the later is chosen, it is arguably a much less efficient route. Huge volumes of data would have to be processed on a frequent basis, placing a heavy burden on States and their automated systems. States would have to not only broadcast their information to all or selected States regularly, but also would be constantly receiving new hire data from other States and matching the data against their own entire caseload. Some states may not be able to handle this process given existing automated systems. Also, a tremendous amount of data would be broadcast to States with marginal returns.

Cost estimates done by the Congressional Budget Office (CBO) on the basis of recommendations made by the National Commission on Interstate Child Support Enforcement, suggest that a new hire reporting system would save $110 million, although CBO reports that they will likely revise this estimate downwards, perhaps considerably.

While the Republican proposal supports individual state registries, it should be examined whether the addition of a national child support registry, along with the state registries, might have more advantages. A national registry in conjunction with the new hire database provides the maximum ability to identify obligors with multiple support obligations and to locate noncustodial parents. In addition, it would result in greater uniformity and simplicity in the interstate process.

While more expensive, the wider scope and frequency of matches is likely to make the use of a national new hire directory and a national registry the most cost effective alternative in the long run.

The standardization of the income withholding order to employers should save employers significant resources now expended on deciphering notices and calculating orders.

The preclusion of direct withholding now results in unnecessary and lengthy delays for interstate withholding requests. The proposal to allow States to send withholding orders directly to employers in other States would eliminate this problem.

QUESTIONS/CONCERNS

In general, the proposal to improve tracking by requiring new hire reporting is not unduly controversial and was included as one of the Interstate Commission's recommendations. One objection to a new hire reporting requirement is that it creates an additional burden for businesses, so the fact that the Republicans support this idea mitigates that potential concern.

However, the proposal is unclear as to whether a national new hire database will be created for the collection of information from the revised W-4 forms, or whether the data will be housed separately at the State level. In addition, a number of questions still must be answered. Where will the information be stored and maintained (IRS, ACF data center, State SESAs, State child support agencies)? Where would employers send the new W-4 information? What information would be included in the new hire database?

The state registry concept was also included as a recommendation by the Interstate Commission on Child Support. However, as mentioned above, the use of State registries rather than the addition of a limited national registry may be less efficient. Important questions must first be answered. Is the registry a centralized state registry that allows easy matching against other state data bases? Does the registry include only cases in the IV-D system? Would the information provided by the noncustodial parent be verified against State registries of support orders on a regular basis and would the matches be made against all or selected registries?

The proposal is very unclear as to how FPLS would be expanded and whether the information network mentioned actually refers to CSENet or to a new entity. However, the basic principle is a good one.

The newly created Uniform Interstate Family Support Act (UIFSA) would legitimize the practice of States sending withholding orders directly to employers in other States. However, unless States adopt UIFSA verbatim, there is no guarantee that every State will adopt this specific provision. Thus, the provision should be mandated to ensure that adoption by all States, regardless of how they treat and adopt UIFSA.

TITLE VI: ANALYSIS OF THE TREATMENT OF ALIENS UNDER THE REPUBLICAN WELFARE REFORM PLAN

CURRENT LAW

Generally, AFDC and SSI benefits are available to lawful permanent resident aliens--or regular immigrants--who meet program eligibility requirements. Also, Medicaid is available to individuals who qualify for AFDC and/or SSI. However, some significant conditions are placed on this general eligibility.

One condition is the "sponsor deeming" provision. A sponsored lawful permanent resident alien who applies for AFDC or SSI benefits is evaluated by having the sponsor's income and resources deemed available to the alien for three years from the alien's date of entry. A sponsor is a person who has signed an affidavit of support on behalf of an alien seeking permanent residence. This provision prevents sponsored legal aliens from being eligible for entitlement benefits for three years, unless the sponsor has limited income and resources and the legal alien meets eligibility requirements. The INS does not have data on the number of legal permanent residents for whom affidavits of support have been signed by sponsors. A best guesstimate is that roughly half of all legal permanent resident aliens (i.e., excluding PRUCOL) may have a sponsor. In 1992 this would have represented about 285,000 immigrants.

For the AFDC program, the three-year deeming provisions may also apply to immigrants who were sponsored by a public or private agency or organization, unless the agency no longer exists or is no longer able to meet the alien's needs. Also for AFDC, if a sponsor is not actually supporting the sponsored alien, the sponsor's income and resources will not be counted when determining whether unsponsored members of the alien's family--such as U.S. citizen children--are eligible for AFDC. There are no comparable provisions for SSI or food stamps.

For the SSI program, if the alien is the sponsor's child or spouse, the regular SSI parent-to-child or spouse-to-spouse deeming rules are applied instead of the three-year alien deeming rules. Also, deeming does not apply to aliens who become blind or disabled after admission to the U.S. as permanent residents.

In addition to sponsor deeming, legal permanent resident aliens who have received their immigrant status based on the Immigration Reform and Control Act of 1986 (IRCA) are not eligible to receive AFDC benefits for five years after receiving their temporary status. In general, family members of IRCA immigrants who are granted immigrant status based on their relationship to the IRCA immigrant are also disqualified from receiving benefits for the same period of time as the IRCA immigrant. The five-year disqualification period does not apply for IRCA immigrants if they are: age 65 or over, blind, or disabled; or Cuban/Haitian entrants. As a practical matter, this five-year disqualification period is due to expire in the near future for most IRCA immigrants (i.e., towards the end of 1993). In some individual cases the disqualification period will extend longer, since the five-year period is determined by when an individual's application has been processed.

Under current law, refugees are eligible for AFDC and SSI benefits upon entry to the U.S. if they meet program eligibility requirements. While refugees are often sponsored by voluntary or other non-profit organizations, they fall under a different category than legal permanent residents for purposes of program eligibility (i.e., they fall under PRUCOL--or aliens "permanently residing under color of law"). Thus, the sponsor deeming provisions do not apply to refugees, nor to other PRUCOL aliens such as **asylees** and **parolees**.

Lawful permanent resident aliens can apply for citizenship 5 years after entering the country. Refugees can adjust to permanent resident status one year after entering the country, and can apply for citizenship 5 years after entering the country.

Illegal aliens are not eligible for AFDC or SSI benefits. They are eligible for emergency medical services under Medicaid, and for social security benefits if they qualify.

Also, under current law State AFDC plans must include safeguards which restrict the use or disclosure of information concerning applicants or recipients to purposes directly connected with the administration of the plan, with limited exceptions. The release of information about applicants and recipients to the Immigration and Naturalization Service (INS) is prohibited.

<u>REPUBLICAN PROPOSAL</u>

Title VI of the Republican Welfare Reform plan would deny welfare benefits (other than emergency Medicaid) to all non-citizens, except for refugees and certain permanent residents. The exceptions for refugees and permanent resident aliens would be--

- Refugees who have been adjusted to permanent resident status would be eligible to receive welfare for only 1 year beyond the time limit required for them to apply for citizenship (unless they were over age 70).

- Permanent resident aliens over age 70 who have been legal residents for at least 5 years would be eligible for welfare benefits.

In addition, State AFDC agencies must provide the name, address, and other identifying information (including fingerprints) to the INS for all illegal immigrant parents with citizen children.

Any noncitizen who was currently residing in the U.S. and was affected by any of the above provisions would be exempt from that provision for one year following passage of the bill. Any Federal department that administered welfare programs that served resident aliens would be required to directly notify, or ensure that states notified, all resident aliens affected by the above provisions.

ANALYSIS

The most significant overall impact of the proposal would be to deny eligibility for welfare benefits to a substantial number of individuals who are currently eligible for those benefits. For example, roughly 600,000 SSI recipients are non-citizens (although some are over age 70 and may continue to be eligible under the proposal).

In total, INS estimates that in 1993 there are 10.5 million legal aliens in the U.S. The total number of permanent legal aliens entering the country in 1992--excluding IRCA immigrants--was about 810,000. Out of this total, 106,000 were refugees and about 19,000 are over age 70.[1] Even with the most inclusive assumptions, this leaves almost 700,000 legal immigrants--in 1992 alone--that would not be eligible for welfare benefits under any conditions based solely on their immigration status (Of note, this figure reflects the universe of immigrants, and is larger than the number who would apply for benefits. In addition, perhaps as many as one-third of the legal immigrants would currently fall under the sponsor deeming provisions and--depending on the sponsor's income and resources--may not be able to receive benefits for up to three years).

An immigrant is eligible to apply for citizenship after 5 years of residence. Under the proposal, if a legal immigrant became blind or disabled in the first 5 years after entering the country, that individual would not be eligible for any welfare benefits. Immigrants who received a visa on the basis of an employer certifying that a full-time job was available to the immigrant would not be eligible for any benefits if the business went bankrupt or if the job was terminated for any reason.

Refugees are allowed to adjust their status to legal permanent resident after one year in the U.S. Because the proposal states that only refugees that have been adjusted to permanent resident status are eligible for welfare benefits, the proposal appears to disqualify refugees in their first year of residence, which is often the time when resources are most needed by refugees attempting to resettle in a new society. The current level of

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[1]. We have asked SSA to estimate the number of beneficiaries affected by this proposal, and the benefit savings that would result. The numbers provided in this paper should be viewed with caution and are meant solely to provide some general sense of the scale of the proposal.

funding (discretionary) provided for the Refugee Resettlement program is not sufficient to support all refugees entering the country in their first year of settlement (currently it provides about half of all first-year refugees with about eight months worth of cash and medical support). According to the INS, about 90-95 percent of refugees adjust to permanent resident status after their first year.

<u>QUESTIONS/CONCERNS</u>

Absent any other major changes in immigration policy (e.g., curtailing substantially immigration), there may be concern that prohibiting access to federally-funded assistance may result in other problems that would need to be addressed (e.g. homelessness, crime, etc.). State and local governments may object to a Federal policy that allows immigrants to enter the country, and then denies federal assistance to meet the immigrants' needs. The result would be that either needs go unmet, or state and local resources must be used to provide assistance to immigrants.

The purpose of the provision requiring State AFDC agencies to share information with the INS for all illegal immigrant parents with citizen children is unclear. One likely purpose is to share the information so that deportation proceedings can begin. However, the children are U.S. citizens and may be eligible for benefits. Requiring information to be shared with INS may discourage parents from applying for benefits for their children. Further, additional public concerns may be raised if the parents are deported and the citizen children are not.

It is unclear whether the prohibition on receiving benefits extends to social insurance programs such as unemployment compensation or social security insurance benefits.

TITLE VII: PROVISIONS RELATED TO ALCOHOL AND DRUG ABUSE

A: AFDC

CURRENT LAW

There are no comparable provisions in the general AFDC program. In the JOBS program, under current regulations a recipient whose only activity is drug treatment would not be counted towards a state's participation rate. Drug treatment may, however, be provided as a supportive service using JOBS funds should a state choose to do so. Alcohol and drug abuse itself is not grounds for an exemption under JOBS, but a state could use the illness and incapacity exemptions to excuse alcohol and drug abusers.

One component of the Oregon JOBS waiver (approved July 1992) allows the state to require participation in mental health or substance abuse diagnostic, counseling and treatment programs if they are determined to be necessary for self sufficiency.

REPUBLICAN PROPOSAL

Recipients who are determined by states to be addicted to alcohol or drugs would be required to participate in treatment.

At state option, those addicted and in treatment may defer work/education participation for one year.

Addicts who do not participate in treatment are expelled from the program for 2 years.

Random drug screens are authorized for those who have participated in drug rehabilitation or have a history of addiction. If an individual refuses a drug screen they are expelled from the program. No mention is made of what happens if a drug screen comes up positive, but it is presumed that they would be expelled too.

ANALYSIS

Number of Persons Affected

It is not possible to provide an accurate estimate of the number of persons on AFDC who are addicted to alcohol or other drugs. We do have estimates of the number of AFDC recipients who have recently used illicit drugs and alcohol, but that is not the same thing as addiction, which requires a medical diagnosis. SAMHSA does have an algorithm they use to estimate the need for treatment, but it is not based on the medical definition of addiction, and the system of estimation is complex and controversial. We are, however, exploring the possibility of using the algorithm to make estimates of the treatment needs of the AFDC population.

Data from a recent ASPE/NIDA study estimate that 678,000 persons over 12 years of age in households that receive AFDC (392,200 of them mothers) have used an illicit drug in the past month. This count includes such illicit drugs as cocaine, heroin, and LSD, as well as marijuana and use of prescription drugs without a physician's direction. Because this data is the result of self report, it is frequently criticized as being an undercount. It is also important to note that many of those who use drugs would not meet the medical definition of addiction. However, there are negative consequences associated with frequent drug use independent of addiction (e.g. increased incidence of family violence, absenteeism in employment and training, increased health problems).

Costs/Savings

There will be savings as a result of expelling recipients from the program, but there will also be significant costs to provide assessment and treatment (although those costs will not necessarily show up in the AFDC budget).

The proposal says that states will determine who the addicts are. It is not clear how they would do this (and indeed each state might choose to do so differently or may choose not to identify addicts at all). Screening and assessing each AFDC recipient would be costly. In addition, random drug testing of those known to be addicted would also pose significant costs (see the cost discussion under the SSI provision).

Treatment costs would be substantial, but would be more likely to appear in the Medicaid budget than in AFDC. Drug treatment currently ranges in cost from $5500 per treatment "slot" for outpatient services to $19,000 for residential treatment. Roughly 2.5 persons per year are treated in each slot. The vast majority of treatment is provided through outpatient services.

The proposal might also have cost implications for the child welfare and foster care programs. If families whose benefits are cut can no longer adequately care for their children, those children may end up in foster care. Lack of benefits may also prevent reunification of some families whose children have been removed.

QUESTIONS/CONCERNS

Conceptual Questions

Overall, it is unclear what policy goals the drug and alcohol provisions are designed to accomplish - i.e. rehabilitation or punishment. The mandatory treatment provisions offer an aspect of a rehabilitation goal. Yet as currently structured the proposal is punitive and sets families up for failure, imposing conditions and standards which would be extremely difficult to meet. Particularly problematic is that it seems to be designed to punish parents with no consideration given to the children's needs.

Furthermore, these provisions run counter to the public health view that addiction is a chronic, relapsing disease one characteristic of which is inability to discontinue use even in the face of negative consequences (like the proposed sanctions).

There are several issues that arise in regard to the drug testing provisions. In the past, drug testing has been used to screen individuals in order to provide treatment services and to discourage casual use of drugs. Neither is the case here where testing is instead used to impose sanctions. There are potential legal issues surrounding attempts to do such testing and assessment which need to be explored. Initial discussions with the Public Health Service indicate there are potential legal and constitutional questions that arise relating to drug testing of beneficiaries (the phrase "unreasonable search and seizure" has been mentioned repeatedly). We will explore these issues further with both PHS and GC.

Administrative Questions

In addition to the legal issues, there are administrative difficulties in how the drug testing has been proposed. It appears in this proposal that the welfare office has the responsibility for administering drug tests. Yet that office may only see an individual every six months, and testing in these circumstances would not be random. Drug testing in connection with employment or training programs, where you had contact with the individual on a regular basis, would make more administrative sense. It should also be recognized that urine drug toxicologies detect only the use of drugs in the past 24 - 48 hours or so.

The proposal does not specify how alcohol and drug screening would take place and how addiction (a medical diagnosis) would be determined, except that states would make the determinations. If screening is conducted on the basis of subjective criteria the provisions are likely to be applied unjustly. For example, administrative costs may prompt the targeting and sanctioning of populations with higher prevalence (i.e. blacks) more frequently than is consistent with the prevalence rate.

While participation in alcohol or drug treatment is required, the proposal does not specify who is responsible for assuring treatment is obtained and available, or what happens (as is often the case) that treatment is unavailable? For instance, many states place severe limits on Medicaid coverage for drug treatment services, and some provide virtually no drug treatment services at all. If a state limits coverage to 30 days of detoxification and chooses not to pay for rehabilitative services, what happens to participants who are required to be in treatment? We would be creating requirements participants could not fulfill. In addition, many programs do not treat pregnant women and few provide child care and other ancillary services women with children need in order to participate.

While the abuse of both alcohol and illicit drugs have similar negative consequences for family functioning and job readiness, there may be a need to differentiate between the two since the use of alcohol, even to the point of addiction, is not illegal. In the context of rehabilitation, taking steps to encourage individuals to seek treatment for alcohol and drug problems makes sense. However, in the context of sanctions, it is not clear on what grounds benefits could be denied for alcohol use, which is legal.

Most of the language in the proposal talks about alcohol and other drugs on an equal basis, but sanctions are imposed primarily on the basis of drug screens which generally do not detect alcohol use. Indeed, in the SSI drug and alcohol provisions it is explicitly stated that benefits will be terminated only for use of illegal drugs. In the context of a rehabilitation oriented policy, alcohol and other drugs should be treated equally because of their impact on employment and self sufficiency. If rather it is the illicit nature of drug use that is of concern, even here it should be noted that in other cases where federal benefits are denied because of drug use (e.g. in the cases of student loans and public housing) it is only the conviction of an individual for a drug related crime and not use of drugs per se that is the basis for denial of benefits.

Technical Questions

It is not clear whether the proposal intends to cut off the whole family's benefits for noncompliance with treatment or whether the sanctions would apply only to the parent's portion of the benefits.

The proposal makes no provision for an appeals process, and sets no standards for drug testing programs. Both would be needed in order to implement provisions of this nature. Further, there is some question as to whether differential treatment on the basis of a history of addiction (as opposed to a current medical condition) is allowed under the Americans for Disabilities Act. The proposal authorizes random drug screens for either addicts or those with a history of addiction.

B: SSI

<u>CURRENT LAW</u>

All SSI recipients whose disabilities would not exist if they were not abusing alcohol or other drugs are required to have a representative payee and be in treatment. (A representative payee is a third party who receives the beneficiary's check and controls the disbursement of funds.)

REPUBLICAN PROPOSAL

SSA would be required to conduct random periodic drug testing of SSI recipients whose disabilities relate to drug abuse. If they are found to be using illegal drugs, benefits are terminated permanently. (Note here a distinction is made between alcohol and illicit drugs. For the AFDC proposal all references are to alcohol or other drugs.)

ANALYSIS

Number of Persons Affected

As of June 1993 the SSI program had just under 66,000 recipients on "current pay" status whose disabilities relate to the abuse of alcohol and other drugs. A total of just over 75,000 so called "DA&A" (drug addict and alcoholic) recipients are on the rolls altogether.

Costs/Savings

The costs and savings of this provision depend on how it is implemented and how many people are expelled from the program. For instance, how often would each recipient be tested? Federal agencies that do random drug testing test between 4 and 100 percent of their pool of potential testees in a given year.

Random drug testing of federal employees in sensitive positions in 1991 cost an average of nearly $75 in direct costs per test over a volume of nearly 117,000 tests conducted. These costs are for urine toxicologies in the workplace. Administrative costs of such a system in the field are likely to be higher. In addition, urine drug toxicologies detect only very recent drug use (past 24 - 48 hours). While there are other more sensitive tests, their cost would be considerably higher.

From both an administrative practicality and cost standpoint, implementation of drug screening would be difficult and expensive given the low number of individuals involved and their geographic dispersion. The administrative burden and screening costs potentially could exceed any savings which might be gained.

QUESTIONS/CONCERNS

Administrative Questions

This provision would be very difficult to administer. Random or "for cause" drug testing is typically used in connection with employment or drug treatment. In both cases you know where the individual is for much of the time, and having them show up to give a urine sample is feasible. SSI recipients, however, are only seen for recertification every 12 to 36 months and it is often very difficult to locate them even then. Testing in connection with recertification would not be random, and would be difficult even so.

Mandatory guidelines issued in 1988 for federal workplace drug testing programs set scientific and technical standards for drug testing which are the "gold standard" for good practice in drug testing and are generally used in both the public and private sectors. An SSI drug testing program would almost certainly be required to adhere to these standards. There is a significant burden in doing so. For instance, these federal guidelines require that there be a designated collection site and that it be secure, permitting entry only of authorized personnel. In addition, the guidelines require strict chain of custody -- i.e. documentation to account for the identity and integrity of each urine specimen from point of collection to final disposition. Field offices are not likely to be able to comply with standard drug testing guidelines and chain of custody requirements.

Technical Questions

The proposal notes that if use of illegal drugs is detected the participants SSI benefits are permanently terminated. It is not clear whether this is intended to preclude their returning to SSI for a disability unrelated to drug use.

TITLE VII: OTHER PROVISIONS

REPUBLICAN PROPOSAL

Eligibility for Food Stamps

To qualify, an adult must be:

- o receiving UI, AFDC, SSI, DI, workers compensation, or social security; or
- o in the last month of pregnancy or within two months of giving birth; or
- o participating in the Food Stamp work program; or
- o able to show proof of incapacitation or current employment.

If an adult in a Food Stamp household is disqualified, the children will still qualify for benefits (household will be reduced by 1 person).

Evaluation of Education and Training Programs

HHS must examine impacts of education and training programs on exits from AFDC, welfare expenditures, wage rates, employment histories, and repeat spells on AFDC. At least one study must have three groups to which AFDC adults are randomly assigned as specified and followed for 5 years.

Initial AFDC Applicant Job Search

States must require AFDC applicants to participate in job search while the application is being processed. They will be reimbursed for child care and transportation expenses. Emergency aid may be provided for emergencies defined by the States. States can, however, pass a law to exempt themselves from this provision.

Demonstrations on Fraud and Administrative Efficiency

HHS is authorized to conduct demonstrations on EBT. Within 5 years HHS must write a report to Congress about the studies and make recommendations. HHS is required to appoint a commission to determine the cost and feasibility of creating an inter-state system of Social Security numbers of all welfare participants for purposes of identifying fraud.

REP04
27-Sep-93
Version

House Republican Welfare Reform Bill
Shaw/Grandy
BUDGETARY IMPACT OF THE PROVISIONS
(Federal Budgetary Impact in Millions)

SEC. NO.	PROVISION	Effective Date	Programs	FISCAL YEARS 1995	1996	1997	1998	1999	5-YR TOTAL
I.	**AFDC TRANSITION AND WORK PROGRAM**								
	AFDC Transition and Work Program (Sections A, B, C, & D)	Enactment	AFDC Costs	0	0	1,500	2,100	3,400	7,000
			AFDC Saving	0	0	100	130	170	400
			Food Stamps						
			NET	0	0	1,400	1,970	3,230	6,600
II.	**PATERNITY ESTABLISHMENT**								
A. & B.	Requirements to name the father to get full benefits & cooperate with CSE	Enactment	AFDC	(225)	(450)	(900)	(900)	(900)	(3,375)
			Food Stamps	125	250	500	500	500	1,875
			NET	(100)	(200)	(400)	(400)	(400)	(1,500)
C.	States required to inform unwed women about CSE requirements & develop hospital procedures for paternity establishment	Enactment	CSE	0	0	0	0	0	0
D.	States required to develop procedures when father dead or missing	Enactment	CSE	0	0	0	0	0	0
E.	Exemption for mothers for rape, incest, etc.	Enactment	CSE	&&	&&	&&	&&	&&	&&
F.	States required to follow provisions above unless specifically exempt themselves	Enactment	CSE	[Effects of this provision included in above estimate					
G.	State paternity establishment percentage increased to 90%	Enactment	CSE	%%	%%	%%	%%	%%	%%
III.	**EXPANDED STATUTORY FLEXIBILITY FOR STATES**								
A.	Rewards & sanctions for immunization and/or health checkup	Enactment	AFDC	5	5	5	5	5	25
B.	No AFDC for parents under 19	Enactment	AFDC						
C.	Rewards & sanctions for school attendance	Enactment	AFDC	115	115	120	120	130	600
D.	No add'l money for more children	Enactment	AFDC						
E.	Change work disregards within limits	Enactment	AFDC	260	270	275	285	295	1,385

F.	Married couple transition benefit option: keep half of AFDC after marriage with time & income limit	Enactment	AFDC						
G.	Increase asset & other limits up to $10,000 for certain purposes	Enactment	AFDC	0	5	5	5	5	20
H.	State option to convert AFDC to block grant	Enactment	AFDC						
I.	State option to pay benefits at level of state of last residence	Enactment	AFDC						
J.	State option to require classes on parenting or money management, or permission to change child's residence	Enactment	AFDC						
IV.	**EXPANSION OF STATE WAIVER AUTHORITY** (All provisions)		AFDC	&&	&&	&&	&&	&&	1
			CSE						
			Food Stamps						
			NET	0	0	0	0	0	1
V.	**CHILD SUPPORT ENFORCEMENT**								
A.	Improved tracking of absent parents enforce support:								
1.	New hire reporting (W-4 Reporting)		AFDC	0	(20)	(45)	(45)	(45)	(155)
			CSE	0	0	0	0	0	0
2. 3.	Child support registries & Expanded FPLS		CSE	10	10	2	2	2	26
B.	Streamlined wage withholding		CSE	0	0	10	37	(1)	46
C.	Improved paternity establishment (This is current law now)		CSE	0	0	0	0	0	0
VI.	**WELFARE RESTRICTIONS FOR ALIENS** (All provisions)		AFDC	(1)	(1)	(1)	(1)	(1)	(5)
			CSE						
			SSI	(79)	(1,966)	(2,140)	(2,304)	(2,463)	(8,952)
			Food Stamps						
			NET	(80)	(1,967)	(2,141)	(2,305)	(2,464)	(8,957)
VII.	**MISCELLANEOUS PROVISIONS**								
A.	AFDC recipients & drug addiction	Enactment	AFDC	??	??	??	??	??	??
B.	Eligibility for food stamps	Enactment	Food Stamps	??	??	??	??	??	??

C.	Random drug testing of addicts getting SSI disability benefits	Enactment	SSI	??	??	??	??	??	??
D.	Evaluation of education & training programs	Enactment	AFDC	??	??	??	??	??	??
E.	Initial AFDC applicant job search	Enactment	AFDC	??	??	??	??	??	??
F.	Demos on fraud & administrative efficiency	Enactment	AFDC	??	??	??	??	??	??
		TOTALS	AFDC	(226)	(471)	454	1,024	2,284	3,066
			CSE	10	10	12	39	1	72
			SSI	(79)	(1,966)	(2,140)	(2,304)	(2,463)	(8,952)
			Food Stamps	125	250	500	500	500	1,875
			NET	(170)	(2,177)	(1,174)	(741)	322	(3,939)

NOTES:

All estimates are rounded.

&& Less than $500,000.

?? Not available yet

%% Indeterminate, but small.

Title III - Section A - Rewards and Sanctions for Immunizations and/or Health Check Up

Assumptions

- For the purposes of this estimate, we assumed that a sufficient number of states to comprise half of the AFDC caseload will implement this proposal.
- Most of the costs for this program will be in Medicaid or the new funds for immunization in the President's FY94 budget.
- The costs of the bonuses and the savings from the sanctions will offset each other.
- Increased AFDC costs will therefore be only administrative costs. Maryland assumed that they would need approximately 10 additional staff people to run the program. In order to determine the number of workers needed for all the states, we multiplied 10 workers by a ratio of the AFDC caseload in Maryland (72,900) over the national caseload (4.8 million) for 1992. (Green Book 1993).
- In the Maryland waiver proposal, there is a ratio of nine front line workers to every one supervisor. Maryland priced a front line worker at $20,000 per year and a supervisor at $50,000. We used these unit costs and then inflated them by a factor of 2.8% over five years.
- We assumed a cost of one million per year for equipment.
- We assumed that states with one half of the national caseload will exempt themselves from implementing this proposal, so we multiplied the totals by one-half.

Title III - Section C - Rewards and Sanctions for School Attendance

Assumptions

- It is estimated that there will be approximately 9.5 million children on AFDC in 1994, rising to 9.9 million in 1998 (Green Book 1993). In Wisconsin's Learnfare program, which applied to all teens, the sanction rates for young teens (between the ages of 13 and 14) were only 2%. This implies that the rates for children under 13 would be negligible. Therefore, we only estimate the costs of sanctioning or rewarding teenagers between the ages of 13 and 18. This estimate is also limited to teenaged recipient children, and it does not include teen heads of families who would be ineligible for AFDC under the GOP proposal. 17.1% of all children on AFDC are between the ages of 13 and 17.

- For the purposes of this estimate, we assumed that states with half of the caseload will exempt themselves from these provisions.

- We assume that there will not be any short term effects of teens who will leave the caseload because they are already in school.

- The model used for this estimate is based on Ohio's LEAP program which sanctioned or rewarded AFDC teenagers based on their school attendance. In this program more students received bonuses than were sanctioned. The ratio from LEAP, and used in this estimate, is approximately 1.2 bonuses to every sanction per teenager per year. Under the Republican plan, the sanctions and bonuses will be $75.00.

- Costs for this program resulted from bonuses and administrative costs. The LEAP program cost $330 per teen for the eighteen months of the evaluation. This is equivalent to a yearly cost of approximately $250. We assumed that ten percent of the states will have this kind of program already and that their costs will be half of the rest of the states that implement this program. Therefore, the administrative cost will be about $240 per teen per year.

GOP Transition and Post Transition Work Program

Summary

The following discussion explains our cost estimate for the transition and post-transition sections of the Republican welfare reform proposal. The federal cost for the first five years of this program is estimated to be approximately $7 billion. The education, training, and work portions of this bill will cost about $4.4 billion; the child care costs will be approximately $3.6 billion. There will be federal savings of approximately $400 million. The net federal cost will be about $6.6 billion over five years.

The model we used does not take into account behavioral assumptions about the numbers of people who will leave welfare because of this program. There is also no accounting for a smoke-out effect brought on by the implementation of a two-year limit.

Assumptions

Cohort model

- Annual case openings are 60% of the total average monthly caseload.
- The cohort model was developed using probabilities of AFDC duration developed by June O'Neill and modified by John Tapogna of CBO. The following are the probabilities
  -- 71% chance of being on AFDC for six months
  -- 57% chance of being on AFDC for one year
  -- 31% chance of being on AFDC for two years
  -- 21% chance of being on AFDC for three years
  -- 13% chance of being on AFDC for four years.
  By taking the average of these numbers, we take account of the monthly movement on and off of AFDC during the year.
- Using this framework, by 1998, the percentage of the caseload that entered before October 1, 1993 and is still on AFDC will be about 21%. This estimate is in line with ACF data on the duration of welfare spells.
- The cohort model tracks when applicants will hit the two-year time limit. In the third year of a cohort's receipt of AFDC, only half will hit the time limit because we started to measure them at six months.

Definitions

- There are four groups of participants in this program.
- **Group 1**: People who entered the Basic AFDC program before the effective date of October 1, 1993. These people will participate in the JOBS program until 1998 when they will enter the transition period.
- **Group 2**: New applicants who entered the Basic AFDC program after October 1, 1993 but who have not hit the time limit in 1996. These people will participate in the transition

program until they hit their two-year limit and will then enter the work program.

- **Group 3**: New applicants who entered the Basic AFDC program after October 1, 1993 but hit the time limit in 1996. These people will go directly to the work program when it is implemented in 1996.
- **Group 4**: UP participants. These people will participate in the JOBS program until 1996. Then they will go directly to the work program. There will not be a transition period for UP participants.

<u>Exemptions</u>

- In 1994 and 1995, before the GOP plan is phased in, approximately 50% of the Basic caseload will be exempt from participation because of the exemption rules specified in the Family Support Act of 1988. Since most of the UP cases are mandatory, only 10% will be exempt from the transition program.
- The percentage of recipients who will be exempt from participation will decrease under the GOP proposal, mainly because there will no longer be an exemption for parents with children under the age of three (or one at State discretion).
- Starting in 1996, 30% of the caseload will be exempt from participation. Therefore, even though recipients are not required to participate in the GOP plan until 1996, they will be subject to the higher participation rates. We feel that this is a realistic assumption because it is unlikely that states would follow two different exemption requirements. There will be no exemptions for UP participants in the work program.

<u>Participation Rates</u>

- Participation rates in the transition program for non-exempt members of Group 1 are spelled out in the JOBS legislation and the GOP proposal. I assume that the actual participation rates for the JOBS portion will be 22% of the caseload in 1994 through 1997.
- In 1998, 50% of Groups 1, 2, and 3 will participate in the transition program. UP recipients (Group 4) will participate in the JOBS program at rates of 40% and 50% in 1994 and 1995, respectively. After 1996, there will be no transition period for UP participants.
- The participation rates for non-exempt members of Groups 2 and 3 in the transition program will be 30% in 1996 and 40% in 1997.
- Participation rates in the Basic post-transition work program for those who are not exempt are in the GOP proposal. They are as follows: no participation in 1994 and 1995, 30% of Group 3 in 1996, 40% of Groups 2 and 3 in 1997 and 50% of Groups 2 and 3 in 1998. The participation rates for Group 4 will be 100% starting in 1996.

Benefits/Savings

- We assume federal AFDC savings of approximately $400 million.
- We assume a status quo AFDC benefit of $388, the median state benefit in 1992 (Green Book).
- Savings will come from reductions in benefits for two reasons: employment and sanctions.
- While in the post-transition period, recipients will either be employed in CWEP jobs or in private sector employment. Based on studies of GAIN and SWIM, we believe that 95% of the participating caseload will need CWEP jobs and 5% will be able to find private sector employment.
- We assume that there will be a 50% benefit reduction if participants find private sector employment. However, since this model does not account for behavioral effects, we assume that people who find jobs will still qualify for some benefits and all of the program services.
- There will be a 25% reduction in AFDC benefits for sanctions in the transition or post-transition program. There will also be a 25% reduction in Food Stamp benefits, but those savings are not included in this cost estimate.
- We have no way of knowing what the sanction rate will be in this program. The teenage parent demonstration program workers used sanctions more aggressively than JOBS workers. The teen parent demo had a sanction rate of 30%. This figure refers to the rate over the entire course of the experiment. Therefore, I felt that a 10% sanction rate would be more realistic for the purposes of this estimate. This number is very tentative and subject to change after further examination of ACF data.

Costs

Overall

- The net cost for this proposal was determined by subtracting what we are currently spending on the JOBS program from the new costs imposed by this proposal. The five year total federal cost will be $7 billion. The net five year federal cost will be $6.6 billion.
- JOBS baseline expenditures were computed by Manny Helzner of ACF.
- The costs for this program (when not provided by ACF) were adjusted for inflation using the state and local deflator of 2.8%. (Used by CBO).

Average

- The average costs of the transition were determined by using JOBS data for the costs of components. The JOBS program assumes participation of 20 hours per week. However, the average participation rate is really more like 15 hours per week. The average costs for this program were provided by Helzner.
- The costs for the new transition programs were scaled to represent the costs of a 10 hour week for the transition

program. We felt that multiplying the JOBS costs by 75% would account for the different variable costs for a 10 hour and 20 hour slot.

- The fixed costs of a CWEP job are $400 per year. In order to adjust the CWEP figures upwards to reflect the cost of a 35-hour- per-week job as opposed to a 20-hour-per-week job, I multiplied the variable costs of $1900 by 125%. (Original estimation by Rebecca Maynard and adjustment by John Tapogna of CBO).
- Child care costs were based on estimates by ACF about the monthly cost of child care by the number of hours of participation for each client (ACF data).
- The child care numbers were multiplied by 55% to reflect the fact that not every parent would use paid child care. Currently, there is approximately a 46% usage rate for child care by JOBS participants. There was a 70% percent usage rate in the teen parent demonstration program which had fewer exemptions. Therefore, the 55% figure represents a guess based on these two bounds.

<u>Federal Share</u>

- I assumed that the federal share for benefits and savings would remain at 54%.
- The match rate for the services provided in the new proposal was not specified. It is believed that it will be somewhere between the old match rate of 57% and a complete match of 100%. Therefore, the match rate for services used in this estimate is 70%.

Title V Child Support Enforcement

New hire reporting on W-4 forms:

CBO's estimate for the Interstate Commission report was $80 million in AFDC savings. We assumed the federal share would be about 55%. or $45 million. This estimate does not include food stamp savings or any benefit avoidance savings for the non-AFDC population.

Child support Registries and Expanded Federal Parent Locator:

There will be up front costs for developing the software and systems needed for these two proposals that are over and above the current CSENet costs. We do not anticipate seeing any savings within the first two years. We estimate that initial development costs for both systems combined will be around $10 million a year for two years. Thereafter, we estimate that annual operating costs will be around $2 million for both systems.

Streamlined wage withholding

This estimate assumes that the proposal entails adoption of the model Uniform Interstate Family Support ACt (UIFSA).