

To; Welfare Group
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As promised, attached is a very preliminary analysis of the Republican welfare reform proposal. The description and change from current law are objective descriptions of the proposal and current law. The document also analyses what we currently know about the proposal and what questions we are still trying to answer.

The document is meant to be an internal administration document and is very much a work in progress. Please do not release. It may contain some errors. Please forward comments to Ann Segal or Ann McCormick.

TITLE I: AFDC TRANSITION AND WORK PROGRAM

A. AFDC Transition Program

DESCRIPTION AND CHANGE FROM CURRENT LAW

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 are 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. Under JOBS, educational activities were subject to the twenty-hour standard, which was a point of considerable controversy.

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 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. AFDC recipients are 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.

The proposed Republican bill explicitly preserves only exemptions number two and three, for disability and caring for an ill relative (exemptions five and seven would most likely be preserved as well). 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.

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

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. 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. While the JOBS participation standard for 1995 is 20 percent, 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.

Non-exempt recipients who fail to meet the participation standards 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.

Under JOBS, 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 affected. For AFDC-UP families, the other parent's needs are still considered in the calculation of the grant.

Overall, sanctions under the new bill would be larger than the equivalent JOBS sanctions for most AFDC families, particularly since, under JOBS, food stamp benefits can offset part of the reduction in the AFDC grant.

The sanction for the first offense under JOBS ends once the recipient complies (no minimum period). The sanction for the second offense must last at least 3 months and, for the third and all subsequent offenses, 6 months.

Federal Match

The bill does not address the topic of the federal match rate for state expenditures on the transition (as well as the work) program, implying that the match will be kept at the JOBS level, which is the higher of 60 percent and the Medicaid rate for

direct costs and personnel costs of full-time 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.

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

Teen Parents

Under JOBS, custodial parents under 20 who have not completed high school are required to participate in an educational activity. The new bill requires states to deny AFDC benefits to unmarried parents who are under 19, which to some extent obviates the need to require teenage parents to participate in educational activities. Married minor parents would, however, be eligible for AFDC-UP.

ANALYSIS AND COMMENT

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. Given the cost of CWEP slots, it is not likely states would be eager to pursue this course of action, but 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 internal welfare reform proposals.

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 bill is silent on the subject of measuring participation during the second year of the program, which is odd, given that participation during the second year is perhaps even more critical than in the first, as the work program follows hard on the heels of the second year.

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.

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. Food stamp benefits for these families would rise to above the pre-sanction levels, offsetting

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some of the federal savings from eliminating their AFDC benefits, which is not addressed in the bill.

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. The cost of infant and toddler care is significantly higher than that for older children. 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 also be a concession to those uncomfortable with requiring mothers of young children to leave the home, placing the children in care.

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.

Federal Match Rate and State Funding

As noted above, the bill does not address the match rate, which is a bit surprising. The original Shaw/Grandy bill, which was not revenue neutral, raised the match rate to the higher of 70 percent or the Medicaid rate, in recognition of the difficulty states have experienced in finding dollars for the JOBS program. While \$1 billion in Federal funding for JOBS was available in both FY 1991 and FY 1992, states were able to claim only two-thirds of the available funds in each of the two years.

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The new bill's higher participation rates and broader mandatory caseload may exacerbate the problem, given that 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 any savings). Even if the bill is revenue neutral on a nationwide basis, it is unlikely to be revenue neutral for individual states.

Offsetting Costs of Eliminating Benefits

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 consideration, but may need to receive even more in the welfare reform process.

QUESTIONS

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.

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.

The Republican bill is wholly silent on 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 on the question of how the treatment of both those who enter and leave within two years and those who leave while in the work program. 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).

As mentioned above, the outline of the bill says nothing about the match rate. John Tapogna of CBO is using a 70 percent match rate for his cost estimates, which indicates that the intent may have been to raise the rate to 70 percent (the level in the original Shaw/Grandy bill) but the provision was omitted from the outline.

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.

Title I: AFDC TRANSITION AND WORK PROGRAM

B. AFDC Work Program

DESCRIPTION AND CHANGE FROM CURRENT LAW

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 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 (Two Parent - 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.

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 a part of the JOBS program that States have the option of offering to participants. The program 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 her/his 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.

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 proposal 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.

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

It is not clear that this kind of program necessarily addresses the issue of non-work. 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). If one assumes that many

AFDC recipients work at some point, we must ask why they do not keep those jobs and why the jobs do not enable them to leave AFDC. Additionally, 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 II: PATERNITY ESTABLISHMENT

Requirement to Name Father

DESCRIPTION AND CHANGE FROM CURRENT LAW

Under current law, clients must cooperate with the state in establishing paternity. Regulations specify that the identification of the parent is part of the required cooperation. 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.

ANALYSIS

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 changed to 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.

QUESTIONS

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

Reduced Benefit

DESCRIPTION AND CHANGE FROM CURRENT LAW

Under current law, if the mother cooperates, the family is eligible for full benefits based on family size, even if paternity is not established.

Under the Republican proposal, 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 family is not eligible for full benefits based on family size unless paternity has been established for all children (needing paternity).

ANALYSIS

The Republican proposal makes the family pay the price for 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.

QUESTIONS

There are two situations often cited as effecting the ability of the program 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 CAP demo results indicate that even with clients trying hard to qualify for CAP, 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.

Non-Cooperation

DESCRIPTION AND CHANGE FROM CURRENT LAW

Currently, 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 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.

ANALYSIS

As above, this change makes the children bear the cost of the mother's intentional or unintentional non-cooperation. There appears to be no options except to withhold support for the entire family.

QUESTIONS

While this change might result in a reduction in the AFDC caseload, assuming the state with actually sanction, it would also certainly result in more homeless families more abandoned children, or more children in AFDC foster care.

Good Cause

DESCRIPTION AND CHANGE FROM CURRENT LAW

Currently, the client does not have to cooperate in the establishment of paternity if she can establish "good cause" as determined by the Secretary.

Under the Republican proposal, a mother is exempt from this requirement if the pregnancy is the result of rape or incest or if the state conclude that pursuing paternity would result in physical harm to the parent or child.

ANALYSIS

Current HHS regulations include additional reasons for good cause. Defines 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.

QUESTIONS

There is no indication that current good cause procedures are over-used or abused. Good cause is currently approved in about 1 percent of AFDC cases. This is a much lower incidence than the prevalence of domestic violence in low-income populations would seem to indicate as appropriate. There appears to be little reason for restricting the good cause provisions.

Paternity Acknowledgements in Hospitals

DESCRIPTION AND CHANGE FROM CURRENT LAW

Under current law, procedures for a simple civil process for voluntary 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.

The proposal would require States to develop procedures in public hospitals and clinics that facilitate acknowledgement of paternity.

ANALYSIS

The intent of this provision is unclear. It may be to require that all public hospitals have in place the procedures that are included in Reconciliation and to expand those procedures to public clinics as well. The proposed OCSE regulations implementing the voluntary acknowledgement provisions would require that all birthing hospitals have such programs.

QUESTIONS

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 to be effective clinic programs also have to have hospital-based or other types of follow-up.

Information Dissemination

DESCRIPTION AND CHANGE FROM CURRENT LAW

The Republican proposal requires 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.

ANALYSIS

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.

QUESTIONS

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

DESCRIPTION AND CHANGE FROM CURRENT LAW

Currently, 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%
- 6% if under 40%

Under the Republican proposal, States would have to increase paternity establishment rates unless percentage was 90 percent or higher. No provisions are included for the percentage increase required.

ANALYSIS

Ninety percent is probably not realistic given old cases in the system where contact with the other parent has been lost.

QUESTIONS

If the percentage goal is to be 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 -- 90 percent could be used for children born after implementation of the hospital-based paternity acknowledgement programs down to maybe 60 percent for kids born before 1980.

Father Missing or Dead

DESCRIPTION AND CHANGE FROM CURRENT LAW

There is now no comparable provision. States develop procedures to verify parents allegations.

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.

ANALYSIS

It is not clear how the mother could prove either that the father was dead or missing. Most people who had proof of paternity and of death would be filing for survivors benefits not AFDC.

QUESTIONS

Given the very low rate of children eligible for AFDC because of the death of a parent (2 percent in 1989), parents overclaiming death does not seem to be a problem.

Title III: Expanded Statutory Flexibility for States

Section A: Rewards and Sanctions for Immunizations and Health Checkups

DESCRIPTION AND CHANGE FROM CURRENT LAW

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

It is not clear whether the Republican proposal makes it mandatory or optional for States to implement this section which rewards or penalizes parents for the status of the 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. 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

This proposal adopts a demand-side approach to preventive health services. If this proposal is to be implemented by States, they should have to assure 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, and parents cannot be expected to comply if services are not available. Also, if for some legitimate reason, a parent cannot find 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

DESCRIPTION AND CHANGE FROM 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.

The Republican 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

The goal of this proposal is to discontinue the "rewards" that are attached to becoming a teenage parent. The number of teenaged 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 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 is not 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 suggest 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 does not appear to have a significant effect on whether or not teenagers get pregnant or keep their babies.

QUESTIONS

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

This proposal 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

DESCRIPTION AND CHANGE FROM 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.

The proposal 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).

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

DESCRIPTION AND CHANGE FROM 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).

Under the Republican proposal, if an AFDC recipient gave birth to a child ten months after the date of application for AFDC, she could be denied additional benefits. 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

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 operationalizes the assumption that families on AFDC have additional children in order to increase their AFDC benefits. The average AFDC family size is 2.9 people. Approximately three-quarters of all AFDC families have two or fewer children. 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). (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 New York's would be very high.

QUESTIONS

This proposal appears to be designed to save money by not supporting additional children and discouraging 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 both 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

DESCRIPTION AND CHANGE FROM 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.

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 Transitional Benefit Option

DESCRIPTION AND CHANGE FROM CURRENT LAW

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. This provision represents a change from current law, which contains no such transitional benefit for recipients who marry.

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

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

DESCRIPTION AND CHANGE FROM 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.

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 recipients, but the intent of the proposal, to position recipients with a microenterprise to work their way off welfare through their business, is consistent with much of the discussion within the Department.

Unlike several of the waiver requests submitted by States, the bill does not boost the equity limit on vehicles, which would 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.

Raising the limit on countable resources and the limit on the value of cars are proposals worthy of serious internal consideration.

The cost impact of the provision is primarily dependent on the number of additional persons made eligible for AFDC by raising the asset limit.

Section H. Conversion of AFDC to a Block Grant

DESCRIPTION AND CHANGE FROM CURRENT LAW

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 on March 10, 1993. No equivalent option is provided in current law.

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.

Julie Straun of NGA indicated that States oppose the Jan Meyers welfare reform bill as essentially an entitlement cap which, given CBO estimates of increases in AFDC caseloads, would shift costs to States. While the provision would give the States the option of saving State funds by reducing benefit levels, as Julie Straun pointed out, States already have that option, were they so inclined (although at present a \$1 reduction would only save the State about 50 cents, whereas a State electing the block grant provision would save \$1, if the caseload remained constant).

Section I. AFDC Benefit Levels for New State Residents

DESCRIPTION AND CHANGE FROM CURRENT LAW

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. Current law does not permit States to treat new residents differently from other residents with respect to AFDC receipt.

ANALYSIS

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

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).

Apart from the constitutionality of this provision, 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.

J. Parenting Classes, Money Management, and Moving Residence

DESCRIPTION AND CHANGE FROM CURRENT LAW

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 are also 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.

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). 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

DESCRIPTION AND COMPARISON WITH CURRENT LAW

Currently, specific waiver authority is provided for in the AFDC, food stamps, Medicaid, SSI, and Child Support Enforcement programs. 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.

Currently, 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.

The Republican proposal creates an interagency board made up of the Secretaries of the domestic Departments to oversee the approval of state applications for waivers. (This would effectively re-establish the Reagan/Bush Low Income Opportunity Board.)

All State demonstrations would have as specific objectives to:

- o Help long-term recipients improve their living conditions
- o Help recipients strengthen their families and achieve self sufficiency, or
- o 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 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

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 prove more costly to the States. Past practice has been to allow states whose demonstrations do yield federal savings to apply the saved funds to other projects that we normally wouldn't match. If we continue 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.

This proposal reintroduces the Reagan/Bush Administration's proposal to add waiver authority to a broad range of programs. This gives States the flexibility to consolidate very different kinds of discretionary funds. It is questionable how appropriate it would be to have waiver authority in many of the listed programs. 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.

Obtaining political support for waiver authority in all the listed programs would 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

DESCRIPTION AND CHANGE FROM CURRENT LAW

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

This 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.

Currently, information about employees and their income is 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 this proposal, States would maintain updated registries of support orders to verify new hire withholding information and assist other States with interstate searches.

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.

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.

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

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 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.

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.

ANALYSIS AND COMMENT

In general, the proposal to improve tracking by requiring new hire reporting is not unduly controversial. It was one of the Interstate Commission's recommendations. 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.

One objection to this proposal is that it creates an additional burden for businesses, so the fact that the Republicans support this idea mitigates that potential concern.

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 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.

The state registry concept is also a recommendation of the Interstate Commission.

One question here is whether a national registry, in addition to 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 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 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 results in unnecessary and lengthy delays for interstate withholding requests. The Uniform Interstate Family Support Act (UIFSA) would legitimize the practice of States sending withholding orders directly to employers in other States. This provision should be mandated to ensure that it is adopted by all States, regardless of how they treat and adopt UIFSA.

QUESTIONS

This proposal raises a number of questions:

- o Does the proposal create a national new hire database to collect the information from the revised W-4 forms, or will the data be housed separately at the State level?
- o Where will the information be stored and maintained (IRS, ACF data center, State SESAs, State child support agencies)?
- o Where would employers send the new W-4 information?
- o What information would be included in the new hire database?
- o 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?
- o Would the information provided by the noncustodial parent be verified against State registries of support orders on a regular basis? against all or selected registries?
- o Would the information network replace CSENet?
- o How would the FPLS be expanded?

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

DESCRIPTION AND CHANGE FROM 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's income and resources meet eligibility requirements and the legal alien also 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.

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 would 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 only 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.

Absent any other major changes in immigration policy (e.g., curtailing substantially immigration), there is some 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

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.

assistance to immigrants.

There are other, more specific questions that could be raised in regard to the proposal. For example, refugees are not allowed to adjust their status to legal permanent resident for one year upon arrival in the U.S. Since the proposal states that only refugees that have been adjusted to permanent resident status are eligible for welfare benefits, it 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 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.

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 for applying for benefits for their children. Further, additional public concerns may be raised if the parents are deported and the citizen children are not.

QUESTIONS

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

What is the purpose of the requirement that State AFDC agencies share information with INS for all illegal immigrant parents with citizen children applying for benefits?

TITLE VII: PROVISIONS RELATED TO ALCOHOL AND DRUG ABUSE

A: AFDC

DESCRIPTION AND CHANGE FROM CURRENT LAW

Under AFDC generally there is no mention of substance abuse issues.

Under the JOBS program 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. Alcohol and drug abuse itself is not listed separately as 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.

In the 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

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.

While we have estimates on the numbers of AFDC recipients who have recently used illicit drugs and alcohol, that is not the same thing as being addicted, which requires a medical diagnosis. Thus it is not possible to prepare an estimate that responds to the specific "addict" language of this proposal.

SAMHSA does have an algorithm they use to estimate the need for treatment, but it is not based on the medical definition of "addict" and the system of estimation is complex and controversial. The current algorithm is used strictly for doing PHS budget estimates. It is inapplicable for legislative purposes. SAMHSA is currently in the process of reviewing the algorithm and considering changes, but this is a long term project. We are exploring the possibility of using the current algorithm to make estimates of treatment needs in the AFDC population, but because of the complexity of even this analysis it may require transfer of funding to SAMHSA to pay for such a project.

We are also exploring the possibility of a more simplistic approach which would give a count of past month illicit drug use without counting individuals who only use marijuana and prescription drugs illicitly. We can then add to this count weekly and daily marijuana use and weekly illicit prescription drug use. Since even this more simplistic analytic framework is more complicated than our original analysis and the analytic work SAMHSA can do in-house, conducting it may require an interagency agreement.

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 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).

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). For instance, 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).

Another cost of the proposal which would not necessarily show up in the AFDC budget (although it would in Medicaid) is the cost of providing treatment. 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

Overall, it is unclear what the real 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).

Given the emphasis in the proposal on sanctions, the distinction between alcohol and illicit drugs becomes important. It is not clear on what legal basis alcohol abuse could be sanctioned in the AFDC population since alcohol use is legal.

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.

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.

There are also 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. It is likely that each state would do something different, and indeed many may choose not to make such determinations at all, but rather allow recipients with alcohol and drug problems to be expelled from the system through other provisions (for instance by not participating in training programs).

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.

B: SSI

DESCRIPTION AND CHANGE FROM CURRENT LAW

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.

Under the 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

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.

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.

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.

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.

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. Field offices are not likely to be able to comply with standard drug testing guidelines and chain of custody requirements.

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.

From both an administrative practicality and cost standpoint, implementation of drug screening which necessarily would have to be in compliance with current federal regulations 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.

TITLE VII: OTHER PROVISIONS

Eligibility for Food Stamps

DESCRIPTION

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

DESCRIPTION

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

DESCRIPTION

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

DESCRIPTION

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.