

Rationale

Indian tribes and Alaska Native organizations who currently rely on the use of CCDBG to provide child care that is the responsibility of the State IV-A agency will be able to use CCDBG funds for their intended purpose once JOBS and transitional child care funds are available to them. The amount of child care funding available to the Indian tribes and Alaska Native organizations from title IV-A funds for JOBS and transitional child care and CCDBG should be sufficient to meet the child care needs without the additional funding provided by At-Risk Child Care. Therefore, it is not being recommended to fund the Indian tribes and Alaska Native organizations directly for the At-Risk Child Care program at this time. However, we are adding a provision to give the Secretary authority to determine that there is a need in the future and to allocate funds for At-Risk Child Care to tribal programs at that time.

Specifications

- (a) Upon an approved application, all Indian tribes and Alaska Native organizations that operate a JOBS/WORK program would be allowed to administer title IV-A JOBS and transitional child care funds.
- (b) Tribes that elect to administer title IV-A JOBS and transitional child care funds will receive reimbursement from title IV-A funds for the actual amount spent on child care up to an amount equal to their combined JOBS and Work allotment.
- (c) Indian tribes and Alaska Native organizations would not be required to match Federal funds.
- (d) The JOBS and transitional child care program set forth in the application of an Indian tribe or Alaska Native organization under this part need not meet any requirement of the JOBS and transitional child care programs that the Secretary determines is inappropriate with respect to such tribal JOBS and transitional child care program.
- (e) The Secretary shall develop appropriate data collection requirements.
- (f) Appropriate performance measures will be developed.
- (g) Provide for the periodic review of the child care allotment to ensure that it is sufficient to meet the JOBS and transitional needs of tribal grantees. Provide for an automatic adjustment in the allotment based on the results of this review.
- (h) The Secretary has the authority to conduct a study of the use of JOBS and transitional child care by Indian tribes and Alaska Native organizations to determine if child care needs are being met. If there are unmet child care needs, the Secretary has the authority to award At-Risk child care funds to Indian tribes and Alaska Native organizations through a set-aside.

MISCELLANEOUS**1. Technical Assistance, Demonstrations and Evaluations****Current Law**

The three year contract awarded in 1990 to provide technical assistance to Tribal JOBS grantees expired last year. Tribal JOBS grantees are not eligible to operate demonstration projects. And evaluations of the Tribal JOBS programs have not been done.

Vision

To gain more thorough information about what makes a successful Tribal or Alaska Native JOBS program, evaluation is needed just as it is for State programs.

Rationale

Welfare reform will be a major force in Indian country. Whatever form welfare reform will take, Indian tribes and Alaska Native organizations will need ongoing technical assistance to understand and implement necessary changes to their JOBS programs.

Most Tribal (including areas served by Alaska Native organizations) environments are sufficiently different from State environments to warrant the involvement of a certain number of Indian tribes or Alaska Native organizations in demonstration projects. A demonstration project may further allow an Indian tribe or Alaska Native organization to design and implement a program that tests innovative approaches that suits the unique circumstances of that Indian tribe, Alaska Native organization or of Indian country.

Specifications

- (a) Indian tribes and Alaska Native organizations would be eligible to submit applications for demonstration projects related to welfare reform, such as combining JOBS and WORK into a block grant.
- (b) Any contract awarded for the provision of technical assistance following the passage of welfare reform legislation must specify that Indian tribes and Alaska Native organizations receive a fair share of the technical assistance.
- (c) Amend the qualifying entities that can apply for Job Opportunities for Low-Income Individuals (JOLI) demonstration grants (authorized by section 505 of the Family Support Act) to include Tribal governments and Alaska Native organizations.

Provisions for Territories

1. Time Limits In the Territories

Vision

As under current law, Territories will be required to operate a JOBS program. However, Territories will have the option to run a time-limited system or not. Should a Territory choose to implement a time-limited system, operation of a WORK program would be mandatory. The funding for operation of the WORK program would be available in an equivalent manner as for all States. Provisions which would remove At-Risk child care from the section 1108 cap (see IMPROVING GOVERNMENT ASSISTANCE section) will enable Territories to meet their expanded child care needs. Additionally, the Secretary would have flexibility to accommodate special circumstances faced by Territories.

Specifications

- (a) Funding level for JOBS will be at a 75% match rate (as under current law). The JOBS allocation methodology will be the same as under current law.
- (b) Time-limits will be an option. Territories can elect to implement a time-limited system but are not required to. If a Territory chooses to operate a time-limited system, it must specify a phase-in strategy in the plan, subject to Secretarial approval. Territories would also be required to specify a time-frame for implementing a time-limited system state-wide, subject to Secretarial approval.
- (c) Territories would be subject to all participation rates and other performance standards if applicable. However, the Secretary shall have the authority to modify these and other requirements to accommodate special circumstances.

2. WORK Requirements:

- (a) If Territory elects to operate a time-limited system, a WORK program is mandatory. Territories would be required to specify an implementation plan, subject to Secretarial approval.
- (b) WORK funding would be the same as JOBS – 75 percent match for administrative costs from the national capped entitlement. The WORK allotment will be based on the same methodology as for other States: based on number of JOBS participants subject to time-limits and number of WORK registrants. WORK wages funding would come from Sec. 1108 capped monies (i.e., the AFDC benefits these recipients would have gotten anyway under a non-time-limited system).
- (c) The Secretary shall have the authority to allow or require Territories to opt-out of a time-limited and WORK system. Territories can opt-in again after at least 5 years.

WAIVER PROVISIONS [Title II]

Current Law

Section 1115 of the Social Security Act provides the Secretary authority to waive compliance with specified requirements of the Act that are judged likely to promote the objectives of the AFDC, child support, or Medicaid program. Demonstrations under waiver authority must be cost neutral to the federal government and must be rigorously evaluated.

Vision

The two-year time limit is part of the overall effort to shift the focus of the welfare system from disbursing funds to promoting self-sufficiency. It is imperative that we send a clear and consistent message about our expectations of the states and of welfare recipients. For that reason, the numbers of waivers granted to states to apply time limits other than 24 months will be limited to 5.

States will be able to conduct demonstrations regarding the WORK program. However, certain aspects of the WORK program will not be waivable so that recipients are afforded some protections against financial loss and loss of Medicaid and to ensure that the program does not result in displacement of other workers.

Specifications

1. Authority for Demonstrations

- (a) Allow the Secretary to authorize no more than five demonstrations with time limits other than 24 months. These time limits can be longer or shorter than 24 months provided that they are consistent with the overall goals of the JOBS and WORK programs.

2. Non-Waivable WORK Provisions:

- (a) Each State shall have a WORK program.
- (b) No person defined as eligible in for the WORK program shall be excluded from the WORK program.
- (c) Participant families in a demonstration program, other than those subject to sanctions, shall not be made worse-off than a family of the same size, with no income, receiving AFDC benefits.
- (d) Participants employed under any demonstration program shall be compensated for such employment at a rate no less than the highest of:
 - the Federal minimum wage specified in section 6(a)(1) of the Fair Labor Standards Act of 1938;
 - the rate specified by the appropriate State or local minimum wage law;

- the rate paid to employees or trainees of the same employer working the same length of time and performing the same type of work.
- (e) In assigning participants in the demonstration program to any program activity:
- each assignment shall take into account the physical capacity, skills, experience, health and safety, family responsibilities, and place of residence of the participant;
 - no participant shall be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight;
 - individuals shall not be discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition, and all participants will have such rights as are available under any applicable Federal, State, or local law prohibiting discrimination;
- (f) Appropriate workers' compensation and tort claims protection shall be provided to participants on the same basis as they are provided to other individuals in the State in similar employment (as determined under regulations of the Secretary).
- (g) No work assignment under the program shall result in:
- the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of non-overtime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements;
 - the employment or assignment of a participant or the filling of a position when (A) any other individual is on layoff from the same or any equivalent position, or (B) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the effect of filling the vacancy so created with a participant subsidized under the program; or
 - any infringement of the promotional opportunities of any currently employed individual.
- (h) Funds available to carry out a demonstration program may not be used to assist, promote, or deter union organizing. No participant may be assigned to fill any established unfilled position vacancy.
- (i) The State shall establish and maintain a grievance procedure for resolving complaints by regular employees or their representatives that the work assignment of an individual under the program violates any of the prohibitions described in subsection (g). A decision of the State under such procedure may be appealed to the Secretary of Labor for investigation and such action as such Secretary may find necessary.
- (j) Participants in the program and their families shall be categorically eligible for Medicaid.

MAKE WORK PAY [Title III, Title VII]

Background and Vision

A crucial component of welfare reform that promotes work and independence is making work pay. In 1992, 30 percent of female heads of families with children worked but the family remained poor. Even full-time work can leave a family poor. Almost 11 percent of these female heads who worked full-year/full-time were poor, 15 percent if they had children under six years of age. Simultaneously, the welfare system sets up a devastating array of barriers for people who receive assistance but want to work. It penalizes those who work by taking away benefits dollar for dollar; it imposes arduous reporting requirements for those with earnings but still eligible to receive assistance; and it prevents saving for the future with a meager limit on assets. Moreover, working poor families often lack adequate health protection and face sizeable child care costs. Too often, parents may choose welfare instead of work in order to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules, and to reduce both poverty and welfare use, then work must pay better than welfare.

Working family tax credits are a major component of making work pay. The expansion of the Earned Income Tax Credit (EITC) passed in 1993 was a significant step toward making it possible for low-wage workers to support themselves and their families above poverty. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. Those families who are eligible for the maximum credit in 1996 obtain, in effect, a raise worth \$1.62 per hour (or \$3,000 per year), assuming full-year/full-time work. Full utilization and periodic distribution will maximize the effect of this pay raise for the working poor.

A critical step toward making work pay is ensuring that all Americans have health insurance coverage. Many recipients are trapped on welfare by their inability to find or keep jobs with health benefits that provide the security they need. And too often, poor, non-working families on welfare have better coverage than poor, working families. The President's health care reform plan will provide universal health care coverage, ensuring that no one will have to choose welfare instead of work to ensure that their children have health insurance. The EITC expansion, access to child care, and health care reform will support workers as they leave welfare to maintain their independence and self-sufficiency.

Another essential component for making work pay is affordable, accessible child care. In order for families, especially single-parent families, to be able to work or prepare themselves for work, they need dependable care for their children. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to low-income working families who have never been on welfare.

All regulatory provisions specified in this section shall be published within 1 year of enactment of this act, unless specified as otherwise.

A. CHILD CARE

Current Law and General Direction of Proposal

The Federal Government currently subsidizes child care for low-income families through a number of different programs. The programs have different eligibility rules and regulations, creating an extremely complicated system that is hard for both providers and recipients to navigate. The major existing programs include an entitlement to child care for AFDC recipients (title IV-A); transitional child care (TCC) (also an entitlement) for up to a year for people who have left welfare for work; a capped entitlement (\$300 million) for those the State determines to be at-risk of AFDC receipt (At-Risk); and the Child Care and Development Block Grant (CCDBG). There is also a disregard for child care costs available to working AFDC recipients. While these multiple programs provide valuable support for child care, legislative changes are needed to strengthen the welfare reform plan.

We are at this time making changes only in the IV-A programs, which will remain as separate authorities. Any changes in the CCDBG will be made during its reauthorization in 1995.

Vision

Child care is critical to the success of welfare reform. It is essential to provide child care support for parents receiving assistance who will be required to participate in education, training, and employment. In addition, child care support for the working poor is also essential to "making work pay" and to enable parents to remain in the workforce. Our goals are to increase child care funding so that families have the access to the child care that they need, to simplify the administration of Federal child care programs to support the development of State child care systems and to reduce the likelihood that parents and children will have to change providers as they move from funding stream to funding stream, and to assure that children are cared for in healthy and safe environments.

Rationale

We are proposing to increase available child care support significantly by extending the child care guarantee to JOBS Prep and WORK program participants and by increasing the funding for child care for working poor families through the At-Risk Child Care Program. To assure access to a variety of forms of child care, we would prohibit States from lowering their State-wide limits and mandate that States supplement the disregard or provide a second, direct payment option to all parents. To improve consistency, we propose to have the IV-A child care programs follow the CCDBG requirements and allow States to place all Federal child care programs in one agency. Finally, to increase supply and improve quality in order to ensure that children are in healthy and safe environments, we propose to create a set-aside in the At-Risk program, to make licensing and monitoring of IV-A child care programs allowable for reimbursement as an administrative cost, to add IV-A requirements that States must assure that children do not have access to toxic substances and weapons and that all children must be immunized to meet the Public Health Service immunization standards.

We have selected the strategy of using the CCDBG standards and adding two new standards because we believe this truly represents the minimal requirements that can assure that children are protected. Many States obviously agree since they are already using the same standards for IV-A child care and

CCDBG child care according to their State plans. In all cases except immunization, States will continue to establish their own standards; in the case of immunization, we do not believe requirements should vary from State to State. Using the CCDBG standards for IV-A child care also strengthens the parental rights and opportunities; we will assure the parental choice of providers, provide parents information on options for care and payment of child care, and establish a system for parental complaints.

Specifications

1. Expansion of Funds to the Working Poor

- (a) Change the State match for the At-Risk Child Care Program, Section 402(i) to that consistent with the new, enhanced match for other IV-A services. Increase the amount authorized for the program to \$300 million in 1995; \$500 million in 1996; \$580 million in 1997; \$755 million in 1998; and \$1 billion in 1999. The program will increase by \$50 million each year thereafter until 2004 when it will increase by \$100 million. Restrict eligibility to families not eligible for other IV-A child care programs. Reallocate unused At-Risk funds to States that have exceeded the required State match.

2. Program Simplification/Consistency Issues

- (a) Continue to have the IV-A child care funds flow to the IV-A agency but give the States the explicit option to contract to the lead CCDBG agency.
- (b) Make the IV-A requirements for coordination, public involvement, and consultation in relationship to development of the IV-A child care plan consistent with the requirements of the CCDBG statute.
- (c) Make the IV-A child care requirements consistent with CCDBG requirements with respect to parental rights and health and safety standards.

Add to the health and safety standards section:

- (i) a requirement that the State must have requirements that children funded under the IV-A child care programs are immunized at levels specified by PHS. States will be given the flexibility to exclude certain children from this requirement.
- (ii) a requirement that the State must have rules to assure that no child has access to toxic and illegal substances or weapons in the child care setting.
- (d) Require that the State establish and periodically revise sliding fee scales that provide cost sharing by the families that receive Federal assistance for child care services. The fee scales will be the same for all programs (that used for CCDBG).
- (e) Establish one requirement for State reporting to cover all programs, with core data elements to be defined by the Secretary.

3. Continuity of care

- (a) Give States the option under the IV-A programs to extend hours and weeks of care when reasonable to assure continuity of care for children.

4. Information to Parents

- (a) Require that States must provide child care information to parents (use CCDBG language, adding "(including options for care and payment).")

5. Supply and Quality Issues

- (a) Create a 10% set aside in the At-Risk program for supply building and quality improvements using language in CCDBG Section 658 (G) as allowable activities and adding as an allowable activity the expansion of the supply of care for infants and toddlers in low-income communities (as defined by the States).
- (b) Establish explicitly that licensing and monitoring of IV-A funded child care providers is an allowable administrative cost, limited by a cap on expenditures of \$15 million a year with State allocations set by a formula established by the Secretary.

6. Payment

- (a) Prohibit States from lowering their statewide limits below those in effect on January 1, 1994.
- (b) Retain the disregard, but mandate that States must offer working AFDC recipients the same level and forms of child care assistance as families in JOBS, TCC, and At-Risk Child Care. To accomplish this, States may either offer families the choice of the disregard or a direct payment for care or they may instead offer them a supplement to the disregard.

7. Clarification of the Guarantee

- Guarantee child care for volunteers whose activities are approved as part of their employability plan under JOBS regardless of the availability of JOBS funding for those activities if the volunteer still undertakes the approved activities.

8. Territories

Allow territories to use WORK funds to pay for child care for WORK participants; continue to allow them to use JOBS funds to pay for child care for JOBS participants. Remove At-Risk Child Care from the territorial cap (*See IMPROVING GOVERNMENT ASSISTANCE section*).

B. IMPROVING THE EITC [Title III]

1. Permitting Publicly Administered Advanced EITC Payment Systems

Current Law

The earned income tax credit (EITC) is a refundable tax credit available to a low-income filer who has earned income and whose adjusted gross income is below specified thresholds. Low income workers can claim the EITC when filing their tax returns at the end of the year. In addition, workers with children have the choice of obtaining a portion of the credit in advance through their employers, and claiming the balance of the credit upon filing their income tax returns. The amount of the advanced payment is calculated on the basis that taxpayers have only one qualifying child. The annual advanced EITC payment cannot exceed 60 percent of the maximum full-year EITC for a family with one child. In 1996, the maximum advance payment would be \$1,223 for a maximum annual EITC of \$2,038 (family with one child) and \$2022 when the maximum is \$3370 (for a family with two or more children.)

An employee choosing to receive a portion of the EITC in advance does so by filing a form W-5 with his or her employer. The employer is not required to verify employee's eligibility for the credit. Employers may be penalized for failing to comply with an employee's request for an advanced payment. The employer calculates the advanced EITC payment to which an employee is entitled based on the employee's wages and filing status and adds the appropriate amount to the employee's paycheck. The employer reduces its payment of employment and income taxes to the IRS by the aggregate amount of advanced EITC payments made during the period and reports this amount to the IRS on form 941.

At the end of the year, the employer notifies both the IRS and the employee of the actual amounts of advanced credits paid to the employee by filling in a box on the form W-2. When filing their income tax return at the end of the year, an employee is required to report advance payments, if any, of the EITC.

Vision

The proposal would promote use of advance payment option of the Earned Income Tax Credit (AEITC) by allowing selected public agencies to administer an advanced EITC payment for low income workers who voluntarily request it. For example, a States might choose to administer the AEITC through Food Stamp offices. States are not permitted to do this under current statute.

Rationale

Few programs are as effective in reaching the eligible population as the EITC. Despite the successes of the current program, the delivery of the EITC could be improved, particularly by enhancing the probability that the EITC will be claimed in advance throughout the year rather than as a year-end lump sum payment. In recent years, fewer than 1 percent of EITC claimants have received the credit through advance payments in their paychecks. The reasons for the low utilization rate are not fully known, though a recent GAO study found that many low-income taxpayers were unaware they could claim the credit in advance.

There may be other barriers to participation in the advance payment option. The GAO study also found that once informed, many workers stated that they would prefer to receive the EITC in a lump-sum payment. While some workers may simply prefer the forced savings aspect of receiving the credit in a lump sum, others may fear their employer's reaction if they ask for a government wage supplement to be added to their paycheck. Others may be fearful of owing the government a large sum of money at the end of the year because they received too large an amount in advance.

It is believed that welfare recipients, in particular, could benefit from receiving the credit at more regular intervals throughout the year. By receiving the credit as they earn wages, workers would observe the direct link between work effort and the EITC. Public agencies that deal directly with welfare recipients are uniquely advantaged to ensure that the AEITC option is used frequently and appropriately. They could explain to recipients who are about to transition from welfare to work how the AEITC will increase their income stream, making work a more rational option.

Allowing states the option to provide advance payments of the EITC through public agencies (e.g., the offices which also provide food stamp benefits) could dramatically increase use of the AEITC among the working AFDC and ex-AFDC populations. A State could choose to target information about the EITC to welfare recipients or other individuals likely to become welfare recipients but who are currently outside the workforce. Individuals could have the choice of receiving the credit from a neutral third-party, without fear of notifying their employers of their eligibility for the EITC. Moreover, they could receive assistance in determining the appropriate amount of the EITC to claim in advance. States would also have the resources to verify eligibility for the credit better than employers, reducing the risk of erroneous payments being made to ineligible persons. This option would also allow for an evaluation of alternative delivery systems.

Specifications

- (a) A State would have the option to propose to the Secretary of the Treasury a demonstration project pursuant to which advance payments of the EITC would be made to eligible residents through a State agency. Such agencies may include public assistance offices (AFDC and/or Food Stamps), Employment Service Offices, State finance and revenue agencies, and so forth. A state may choose only one agency to provide the advance credit.
- (b) Approval by the Secretary of the Treasury of a State's proposal would be required in all cases. The Secretary of the Treasury would consult with the Secretary of Health and Human Services, the Secretary of Agriculture, and other Departmental Secretaries as appropriate if the State proposal includes coordination of EITC payments and other Federal benefits.
- (c) Where appropriate, States may include in their proposals coordination of advance payments of the EITC and other federal benefits (such as food stamps) through electronic benefit technology.
- (d) State plans would be required to specify how payment of the EITC would be administered. States must include a detailed explanation of how eligibility for the credit would be determined and verified. States would also have to agree to provide recipients and the IRS with annual information reports in a timely fashion (typically by January 31 of the following year) showing the amounts of the EITC paid in advance. In addition, states would agree to

provide the IRS with a listing by December 1st of the names, social security numbers, and the amounts of advance payments received through October of all persons who participated in the state program at any time during the year (through October). States which failed to meet these reporting requirements would not be allowed to continue participation in the program.

- (e) States would be allowed (but not required) to provide on an advanced basis up to 75 percent of the maximum amount of the credit for which the taxpayer is eligible and voluntarily requests.
- (f) States would reduce payments of withholding taxes (for both income and payroll taxes) from their own employees by the amount of the advance payments made during the prior quarter.
- (g) After the processing of income tax returns and matching of returns with information reports, the Secretary of the Treasury would be required to issue an annual report detailing the extent to which EITC claimants under State plans: (1) participated in the state plan; (2) filed a tax return; (3) reported accurately the amount of the advanced payments payable during the year by the state; and (4) repaid any overpayments of the advanced EITC within the prescribed time. The report would also contain an estimate of the amount of the excessive overpayments made by the state. Excessive overpayments would include advance payments not reported on the tax return and advance payments in excess of the EITC calculated on the basis of information reported to the IRS and causing taxpayers to owe outstanding amounts to the IRS.
- (h) States would be required to repay the Federal government 50 percent of excessive advance payments subsequently not recaptured by the IRS made to State residents participating in the plan over a 4 percent threshold. The Secretary of the Treasury would demonstrate that due and diligent effort had been made to recapture these amounts through normal procedures. The 4 percent threshold applies to all advanced payments made by the state for a given tax year. States would become liable for the excessive amounts two years after the due date for the filing of a tax return.
- (i) The Secretary of Treasury and the Secretary of Health and Human Services would jointly ensure that technical assistance is provided to States undertaking demonstration projects aimed at increasing participation in the EITC and the EITC advanced payment programs. Sufficient training and adequate resources would be provided to both agencies pursuant to the provision of technical assistance to the States. The Secretaries of Treasury and HHS will see that such pilots are rigorously evaluated.
- (j) The Secretary of Treasury, in consultation with the Secretary of HHS, shall enter into agreements with up to 4 States to pilot and assess the development and implement publicly administered advanced Earned Income Tax Credit initiatives.
- (k) These agreements shall provide planning and implementation grants to States selected under this provision provided:
 - (i) that the Secretary of the Treasury also reviews and approves of the proposal submitted to the Secretary of DHHS;

- (ii) that the selected States agree to share their findings and lessons with other interested States in a manner to be described by the Secretary.
- (l) The total amount available under this provision for demonstration planning, organizing, and start-up is \$1.4 million and no individual State can receive a grant in excess of \$500,000.
- (m) Unless otherwise extended by the Secretary Treasury, in consultation with the Secretary of HHS, these demonstration programs shall not exceed three years in duration.

C. INCOME DISREGARDS [Title VII]

Current Law

Federal AFDC law requires that all income received by an AFDC recipient or applicant be counted against the AFDC grant except income that is explicitly excluded by definition or deduction. States are required by Federal law to disregard the following income: (1) for the first four months of earnings, working recipients are allowed a \$90 work expense disregard, another \$30 unspecified disregard, and one-third of remaining earnings are also disregarded; (2) the one-third disregard ends after four months; and (3) the unspecified \$30 disregard ends after 12 months.

In addition, a child care expense disregard of \$175 per child per month (\$200 if the child is under 2) is permitted to be calculated after other disregard provisions have been applied. Currently, \$50 in child-support is passed through to families with established awards. States are now required to disregard the EITC in determining eligibility for and benefits under the AFDC program.

Vision

The provisions proposed under this component are designed to: (1) make the treatment of income simpler for both recipients and welfare officials to understand; (2) make work a more attractive, rational option for those who would continue to receive assistance; (3) remove the time sensitivity of current rules (i.e., eliminate provisions which change the rules governing the treatment of income depending on how long the person has worked); and (4) improve the economic well-being of those who need to combine work and welfare. (See IMPROVING GOVERNMENT ASSISTANCE for other earning disregard provisions)

Specifications

- (a) Require States to disregard a minimum of \$120 in earnings, indexed for inflation in rounded increments of \$10.
- (b) States will have the flexibility to establish their own disregard policies on earned income above this amount for both applicants and/or recipients and WORK program participants.
- (c) States shall have flexibility in establishing fill-the-gap policies (i.e., States will have the flexibility to determine which types of income should be considered in developing a fill-the-gap policy, such as child support payments, stipends, etc, in addition to earned income).
- (d) The AFDC \$50 pass-through of child support payments will also be indexed for inflation in rounded \$10 increments. States will have the flexibility to pass-through additional child support payments above this amount.

- (e) The Federally established earnings disregard and the \$50 child support pass-through will be indexed for inflation according to changes in the consumer price index (CPI). The disregards will be rounded to the nearest \$10 increment.

The base period for the provisions to index the disregards shall be the calendar quarter ending September 30, 1996. The computation quarter for determining whether an adjustment is warranted shall be the calendar quarter ending September 30 for each year following 1996. For computation purposes, adjustments will be determined based on the un-rounded disregard amount. For example, if the unrounded adjusted value of the disregard is \$125, then the rounded disregard is \$130. To determine the value of the disregard in the subsequent year, the change in the CPI will be compared to \$126, not \$130. Adjustments to the disregards will become effective the following January 1.

- (f) The effective date of these provisions shall be October 1, 1996.

Rationale

The proposal allows for greater State flexibility; State can determine the appropriate income disregard and can determine which sources of income to disregard. The indexing of the minimum amount will ensure that working recipients are afforded an adequate earned disregard in the future.

PERFORMANCE MEASURES PROPOSAL [Title IV]

Vision

The provisions described in this section initiate a process that will result in the development and implementation of a comprehensive performance measurement system which reflects and reinforces the emerging "culture" of the redesigned welfare system.

Current JOBS Law

Under the SSA section 487 [FSA Section 203(b)] not later than October 1st, 1993, the Secretary of Health and Human Services shall:

(1) in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, develop performance standards with respect to the programs established pursuant to this part that are based, in part, on the results of the studies conducted under section 203(c) of such Act, and the initial State evaluations (if any) performed under section 486 of this Act; and

(2) submit his/her recommendations for performance standards developed under paragraph (1) to the appropriate committees of jurisdiction of Congress, which recommendations shall be made with respect to specific measurements of outcomes and be based on the degree of success which may be reasonably expected of States in helping individuals to increase earnings, achieve self-sufficiency, and reduce welfare dependency, and shall not be measured solely by levels of activity or participation. Performance standards developed under this subsection shall be reviewed periodically by the Secretary and modified to the extent necessary.

Current JOBS Program Performance Measures

Participation rate for all AFDC recipients required to participate in JOBS (45 CFR 250.74(b) and 250.78) - For Fiscal Year 1994 the required participation rate is 15%. This is to ensure that a minimum proportion of the AFDC adult population is participating at a meaningful (significant) level.

Participation rate for AFDC-UP recipients (45 CFR 250.74(c) - For Fiscal Year 1994 the required participation rate is 40%. This is to ensure that a minimum proportion of the AFDC-UP principal wage earners or their spouses engage in work activities.

Target group expenditures (45 CFR 250.74(a)(1)) - At least 55% of a State's JOBS expenditures must be spent on applicants and recipients who are members of the State's target populations as defined at 45 CFR 250.1. This is to ensure that the hard to serve are served by requiring that 55% of IV-F expenditures are spent on the target groups defined in the statute or, if different, approved as a part of the State's JOBS plan.

Current Data Reporting System

The JOBS Case Sample Reporting System (CSRS) was established to meet some of the reporting requirements mandated by section 487 of the Social Security Act. However, the data necessary to establish participation rates is collected through both CSRS and aggregate hard copy. Only data necessary to establish the numerator for overall participation is collected through CSRS. The population from which each state must draw its sample (or in lieu of drawing a sample, the State may submit the entire population each month) is defined as the number of JOBS participants that were engaged in at least one hour of activity in an approved JOBS program component during the sample month. In addition to JOBS program data, a limited amount of demographic data and child care data is also required to be submitted.

Current QC Law

Under section 408 of the Social Security Act, States are required to operate a quality control system in order to ensure the accuracy of payments in the AFDC program. States operate the system in accordance with time schedules, sampling methodologies, and review procedures prescribed by the Secretary. The law defines: what constitutes a payment error; how error rates and disallowances are calculated; the method for adjusting State matching payments; and the administrative and judicial reviews available to states subject to disallowances because of error rates in excess of the national standard (i.e., the national error rate for each year).

The AFDC-QC system functions primarily as a monitoring/auditing system. Its primary purpose is to establish the correctness with which payments are made to AFDC cases in each State. The AFDC-QC system also obtains the data necessary to produce the publication entitled "Characteristics and Financial Circumstances of AFDC Recipients." The AFDC-QC system is not used to meet any of the reporting requirements for the AFDC program. Subsequent to the establishment of this system, which is a subsystem of the National Integrated Quality Control System (NIQCS), OMB required additional AFDC data be collected to replace the biennial survey of AFDC families that had been in place through 1979.

Vision

One objective of welfare reform is to transform the "culture" of the welfare system; from an institutional system whose primary mission is to ensure that poor children have a minimal level of economic resources to a system that focuses equal attention on the task of integrating their adult caretakers into the economic and social mainstream of society. We envision an outcome-based performance measurement system that consists of a limited set of broad measures and focuses State efforts on the goals of the transitional support system -- helping recipients become self-sufficient, reducing dependency, and moving recipients into work. The system would be developed and implemented over time, as specified in statute. Interested parties will be included in the process for determining outcome-based performance measures and standards.

Until a system incorporating outcome-based standards can be put in place, State performance will be measured against service delivery measures as specified in statute. These service delivery standards would be used to monitor program implementation and operations, provide incentives for timely implementation, and ensure that States were providing services needed to convert welfare into a transitional support system. The current targeting and participation standards would be eliminated (see draft specifications on JOBS, TIME LIMITS, AND WORK). The new service delivery measure for

JOBS would ensure that a substantial portion of such cases are being served on an ongoing basis. As soon as WORK program requirements begin to take effect (i.e., two years after the effective date of the start of the phase-in), States would be subject to a performance standard under the WORK program. Until automated systems are operational and reliable, State performance vis-a-vis these service delivery measures would be based on information gathered through the modified QC system.

Within a specified time period after enactment of this bill, the Secretary will develop a broader system of standards which incorporates measures addressing the States' success in moving clients toward self-sufficiency and reducing their average tenure on welfare. All accompanying regulations to this section shall be published within 12 months of the enactment of this act, unless an effective date is otherwise specified.

Rationale

The standards against which systems performance are judged must reflect the emerging mission or goal of the reformed system. The existing Quality Control (QC) system may actually create counterproductive incentives for states attempting to cope with this emerging institutional environment. QC focusses on how well the income support function is done to the exclusion of other systems goals. This directly shapes the atmosphere of and feel within welfare agencies; how personnel are selected and trained, how administrative processes are organized, and the basis for allocating organizational rewards.

It is a simple reality that the management and technological demands which emerge from a system designed to change how people function are more complex than those for an income support system. Strategies that judge performance solely by inputs or effort will no longer be adequate. The new system eventually must be judged by what is accomplished rather than how it is accomplished. At the same time, the challenges of transforming organizational cultures cannot be ignored; we must remain cognizant of the implementation and operational challenges all levels of government will confront in moving to the new system.

In response to the demands imposed by substantive organizational change, the "official" focus of the QC system will be revised to include program outcomes in addition to payment accuracy. The QC system should reflect the new mission of the system without jeopardizing the integrity of the program as it is currently understood. This can be achieved through the development of performance measures and standards that reflect the degree to which the policy is implemented as intended and which eventually focus on results, while ensuring that the residual income support functions are administered competently. The goal is that payment accuracy and other designated performance standards be given equal priority by the welfare agency.

Provisions 1 through 3 generally deal with requirements and procedures for establishing performance outcomes; provisions 4 and 5 deal with developing service delivery measures and standards to assess whether the program is being implemented and operated as intended; and provision 6 provides the necessary authority to modify the QC system to carry out the monitoring functions specified in the Act.

Specifications

1. Establishing an Outcome-Based Performance Standards System

Vision

Part 1: This provision provides general authority to the Secretary of DHHS to establish an outcome-based performance standards system.

The vision governing welfare reform is consistent with the theme of "reinventing government." Ultimately, this means less federal prescription, greater local flexibility and responsibility, and the measurement of success by outcomes and not inputs or effort.

Rationale

These provisions establish and reinforce the goal that State performance eventually will be judged by the results they achieve and not the way they achieve those results. This means keeping a focus on the goals of reform; moving clients toward self-sufficiency and independence while ensuring the overall well-being of children and their families.

Specifications

- (a) In accordance with the effective dates specified, in order to assess State performance, the Secretary shall enact an outcome-based performance standards system that will measure the extent to which the program helps participants improve their self-sufficiency, their independence from welfare, their labor market participation, and the economic well-being of families with children. As specified below, the Secretary shall first develop outcome-based performance measures and then shall take steps to set expected standards of performance with respect to those measures. The system will also include performance standards for measuring the extent to which individuals are served by the transitional support system (i.e., service delivery standards).
- (b) The current quality control system shall be revised to reflect the new performance standards system (*see section on Quality Control*).
- (c) The Secretary shall publish annually State-level data indicating State performance under such a system.
- (d) Amend Sec. 487 (b) to read: The Secretary may require States to gather such information and perform such monitoring functions as are appropriate to assist in the development of such a performance measurement system and shall include in regulations provisions establishing uniform reporting requirements for such information.
- (e) In adopting performance standards the Secretary shall use appropriate methods for obtaining data as necessary, which may include access to earnings records, State employment security records, State Unemployment Insurance records, and records collected under the Federal Insurance Contributions Act (chapter 21 of the Internal Revenue Code of 1986); drawing reliable statistical samples and revising QC reviews of AFDC payment and case information; and using appropriate safeguards to protect the confidentiality of the information obtained.

- (f) The Secretary shall, in consultation with appropriate interested parties, review and modify the performance measures and standards, and other components of the performance measures system periodically as appropriate.

2. Developing an Outcome-Based Performance Measurement System

Vision

Part 2: This provision requires the Secretary to propose a specific set of intermediate outcome measures and establishes a process and timetable for doing such.

Before outcome-based standards are established, a set of outcome-based measures will be put in place. (Note: a measure is merely an aspect of the program on which data is collected; a standard is a specific level of performance that is expected of States or agencies with respect to that measure.) These provisions are viewed as the first step toward developing a true outcome-based performance measurement system and recognize complementary work taking place in other agencies.

Rationale

Recognizing the complexity of this task, this legislation incorporates a prudent strategy that moves forcefully, yet with reasonable caution in the direction of developing an outcome-based performance system.

Specifications

- (a) By April 1, 1996, for the purposes of enacting a performance measurement system, the Secretary will develop recommendations for specific outcome-based performance measures (with proposed definitions and data collection methodologies) and shall solicit comments from the Congress, Secretaries of Labor, Education, and other Departments, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons (hereinafter referred to as *interested parties*).
- (b) The recommendations shall include the percentage of the caseload who reach the 2-year time-limit and may include but shall not be limited to measures which examine:
- (i) factors used in section 106 of the Job Training Partnership Act and any subsequent amendments such as placement and retention in unsubsidized employment and a reduction in welfare dependency; and,
 - (ii) other factors as deemed appropriate by the Secretary.
- (c) Based on comments from the interested parties, the Secretary will finalize the measures and will publish them in the Federal Register by October 1, 1996.

3. Implementing an Outcome-Based Performance Measurement System

Vision

Part 3: This provision requires the Secretary to set standards of performance for States to meet with respect to the measures developed under prior provisions and sets some procedural guidelines for setting those standards.

Knowing what we want to accomplish is different from setting concrete expectations for States about what they ought to accomplish. The standards should be set carefully, with adequate time to obtain input from stakeholders and interested parties and to fully assess the potential impact of the standards.

Rationale

It is important to provide sufficient time to think through an appropriate set of measures with relevant parties and to carefully consider what kind of realistic standards might be set with respect to those measures. The legislation sets a time period to consider important measurement issues and what consequences should be set for failure to meet established standards.

Specifications

- (a) By April 1, 1998, for the purposes of enacting outcome-based standards, the Secretary, in consultation with interested parties, shall present recommendations for performance standards based on the performance measure information (as specified above) and other appropriate information.
- (b) Based on comments from the interested parties, the Secretary will finalize the standards and will publish them in the Federal Register by October 1, 1998.
- (c) The Secretary shall amend the regulations for this Act to establish the penalties and incentives for the proposed standards by October 1, 1998.

4. Service Delivery Standards

Vision

Part 4: This provision requires that certain standards be set to determine how well States are implementing key aspects of the new system and sets rewards and penalties based on those standards.

To ensure that welfare systems are operating the program as intended, the new performance system will provide for awards and penalties for State performance through adjustments to the State's claims for federal matching funds on AFDC payments and on JOBS service dollars. These measures are designed to provide positive and negative incentives to States to serve recipients under the new transitional system and to monitor program operations. States would be subject to financial incentives for a monthly participation rate in JOBS and a participation rate in WORK. In addition, the caps on JOBS extensions and deferral assignments and State accuracy in keeping of the two-year clock are considered service delivery standards.

Rationale

Because major changes to the welfare system are being proposed, it is critical that the extent to which the intent of the law is being realized be monitored carefully. Measuring critical aspects of the new program will provide necessary feedback upon which to judge progress toward changing the "culture" of the welfare system, while the proposed set of incentives and penalties will keep States focused on the required changes.

Specifications

- (a) Upon enactment of this act, the Secretary shall implement service delivery measures for purposes of accountability and compliance.
- (b) States shall be subject to service delivery standards upon the effective date of the new JOBS program. States shall begin reporting and validating data for service delivery measures no later than 12 months following the publication of the JOBS/WORK regulations in a manner to be prescribed by the Secretary.
- (c) The service delivery standards apply only to the phased-in mandatory population that is subject to the time limit (including those additional groups a State can opt to include in the phase-in group). There are no performance standards for the non-phased-in group. The service delivery standards apply to both AFDC and AFDC-U cases. There are not separate standards for these two groups: for each standard, only one rate will be calculated and it will include both AFDC and AFDC-U cases.
- (d) Monthly Participation Rate in JOBS: Similar to current law, States are expected to meet a monthly participation rate. Using a computation period of each month in a fiscal year (i.e. over a 12 month period), the State's monthly participation rate shall be expressed by a percentage, and calculated as follows:
 - (i) The denominator consists of the average monthly number of individuals who are mandatory for JOBS (i.e., excluding those in the deferral status)
 - (ii) The numerator consists of the average monthly number of individuals who are mandatory for JOBS (i.e., excluding those in the deferral status) who participate in an activity, are employed and meet the minimum work standard (and remain on aid), or are in the sanctioning process as defined by JOBS program rules. The definition of *participation* for the purposes of calculating the monthly participation rate will be determined in regulation.
- (e) The performance standard for the JOBS monthly participation rate is set at 50 percent, with a -5/+5 tolerance level, with financial penalties if the standard is not met and financial incentives if the standard is exceeded. For the proportion of caseload below the standard (45%), a 25 percent reduction in the FFP for their AFDC benefits will be levied for the annual period covered by the rate, using the average AFDC benefit level paid in the State to calculate the amount of the penalty. (This penalty is not a 25 percentage point reduction. Rather, the penalty will reduce the FFP from 50 percent to 37.5 percent, not from 50 percent

to 25 percent.) There will be no penalties or additional payments for those States with participation rates between 45 and 55 percent. Penalties will not be assessed in the first year of program operation.

- (f) If a State exceeds the JOBS monthly participation rate (55%) in a fiscal year, the State will be entitled to receive an additional payment (without the requirement of any additional nonfederal share) for use in carrying out its JOBS program. The payments will be made from penalties collected from State performance on other service delivery measures and from unused JOBS and WORK money. The Secretary shall determine the amount of the payments.
- (g) WORK Program Participation Rate: To ensure that individuals who reach the time limit are assigned to work slots, States will be expected to meet a WORK participation standard. Financial penalties are applied if the standard is not met. The WORK performance measure would take effect two years after the effective date of this legislation (*see JOBS, TIME LIMITS, AND WORK section*). To meet this standard, States are required to meet either:
 - (i) **Case 1:** The number required so that 80 percent of those who are registered for the WORK program are assigned to a WORK slot or are in other defined statuses (as explained below). Using a computation period of each month in a fiscal year (i.e. over a 12 month period), the WORK participation rate is expressed as a percentage and is calculated as follows: (1) The denominator consists of two parts: first, the average monthly number of individuals who are registered for the WORK program (i.e., excluding those in the deferral status); and second, the average monthly number of individuals who left the WORK program within the last three months and are working in an unsubsidized job and are not eligible for an earnings supplement. (2) The numerator consists of the average monthly number of individuals who are assigned to a WORK slot, are in the sanctioning process as defined under the WORK program rules, are participating in a WORK job search activity between WORK assignments (for a period of up to three months), or, who left the WORK program within the last three months and are working in an unsubsidized job and are not eligible for an earnings supplement. The exact definition of the rate will be specified in regulation. Or,
 - (ii) **Case 2:** The number required so that total number of WORK slots the State is required to create, based on their funding allocation, are filled by individuals assigned to a WORK slot. Under this option, the number of WORK slots the State is required to create will be determined by dividing the annual capped WORK allocation by a figure representing the cost per work slot, with the latter to be determined by the Secretary.
- (h) For the proportion of caseload below the applicable standard, a 25 percent *reduction* in the FFP for their AFDC benefits will be levied for the annual period covered by the rate, using the average AFDC benefit level paid in the State to determine the amount of the penalty. Penalties will not be assessed in the first year of program operation. (This penalty is not a 25 percentage point reduction. Rather, the penalty will reduce the FFP from 50 percent to 37.5 percent, not from 50 percent to 25 percent.)

- (i) States will be required to place individuals who have most recently hit the time-limit into WORK slots prior to other WORK participants (e.g., those who have already completed a slot and are awaiting re-assignment).
- (j) Caps on deferrals and JOBS extensions: For any cases above the cap for deferrals and/or above the cap for JOBS extensions, a 25 percent *reduction* in the FFP for their AFDC benefits will be levied, using the average AFDC benefit level paid in the State to determine the amount of the penalty. Penalties will not be assessed in the first year of program operation. The penalties do not apply if the State has submitted a proposal to the Secretary to raise the cap or the Secretary has already granted such a waiver. (This penalty is not a 25 percentage point reduction. Rather, the penalty will reduce the FFP from 50 percent to 37.5 percent, not from 50 percent to 25 percent.) (*see also JOBS, TIME LIMITS, AND WORK section*)
- (k) As appropriate, the Secretary may require States to report other data elements related to the provision of JOBS and WORK services, such as the provision on teen case management services. Such additional reporting requirements will be specified in regulation no later than 6 months following the enactment of this act.
- (l) States are not eligible for additional payments for exceeding the JOBS monthly participation rate if the Secretary determines:
 - (i) the accuracy of a State's time-clock fails the threshold standards for time-clock accuracy, as defined subsequently in regulations; and/or,
 - (ii) other required data on the JOBS and WORK program reported by a State that fails the threshold standards for data quality, as defined subsequently in regulations.

5. Client Feedback

Vision

Part 5: This provision requires that States establish a process for collecting client feedback on their experience in the program as a method for improving program operations.

There has been little study in the past of client perceptions of the services provided through the welfare department. However, similar to the way customers' reactions are important to the business community, understanding and managing client feedback on the services they receive provide important information on areas where program performance could improved. Additionally, it will be important to establish mechanisms to ensure feedback on the quality of services provided by public, nonprofit, and private agencies.

Rationale

One aspect of reinventing government is to make public systems client- or market-driven. In a time-limited cash assistance program, providing participants with quality services and opportunities through which to enhance their human capital and improve their chances in the labor market seems

essential. Obtaining feedback directly from the "customers" is one way of helping program managers ensure that they provide participants what is needed.

Specifications

- (a) Each State shall establish methods for obtaining, on a regular basis, information from individuals and employers who have received services through the JOBS and/or WORK program regarding the effectiveness and quality of such services. Such methods may include the use of surveys, interviews, and focus groups.
- (b) Each State agency shall analyze the customer service information on a regular basis and provide a summary of such information for use in improving the administration of the programs.

6. Expanded Mission for Quality Control System

Vision

Part 6: This provision provides the Secretary with the authority to review and modify the Quality Control system as needed and sets up some procedural guidelines for identifying the needed changes and making those changes.

The following language allows the Secretary to build on the current payment accuracy Quality Control system to incorporate a broader system focused on the performance standards established in statute or by regulation and to ensure the efficient and effective operation of the JOBS/WORK/Time Limited Assistance program. Payment accuracy will be retained but as one element in a broader performance measurement role for the QC system.

Rationale

Operating a performance driven accountability system requires resources. Until the new system is fully developed, it will be difficult to estimate what those resource requirements will be. Some of those resources must come from the existing QC system, necessitating changes in that system. The Secretary must have authority to make those changes in a way that does not sacrifice the ability to ensure the integrity and accuracy of income maintenance payments.

Specifications

- (a) The Secretary shall build on the current QC system to establish procedures for determining, with respect to each State, the extent to which any and all performance standards established by statute or regulation are being met. The Secretary shall modify the scope of the current QC system as deemed necessary to accommodate the review of the additional data elements and new performance measures and standards and shall report the modifications to Congress.
- (b) To this end, the Social Security Act will be amended to expand the purpose of the QC system

to include: improving the accuracy of benefit and wage payments in the AFDC and WORK program, assessing the quality of State-reported data, ensuring the accuracy of State reporting of JOBS/WORK data required under this act, ensuring that other performance standards are met, and fulfilling other appropriate functions of a performance measurement system.

- (c) The Secretary shall designate additional data elements to be collected in a QC review sample to fulfill the needs of a performance measures system (pursuant to section 487 as amended under this part), shall amend case sampling plans and data collection procedures as deemed necessary to make statistically valid estimates of program performance identified elsewhere in this section, and may redefine what is counted as an erroneous payment in the QC system.
- (d) States shall conduct periodic, internal audits of their JOBS and WORK processes to ensure the accuracy of reported data and annual audits to establish accuracy rates. The Federal government would specify the minimum sample sizes to achieve 90 or 95 percent confidence at the lower limit (the method generally used by OIG). States would also be permitted to use current QC resources to conduct special studies to test and improve the current system.
- (e) The Secretary shall, after consulting with the States and securing input from knowledgeable sources, publish regulations regarding changes in the design and administration of existing QC functions as well as enhancements to that system. These proposed changes will be published no later than 12 months after enactment of this Bill.

INFORMATION SYSTEMS AND INFRASTRUCTURE [Title IV]

Current Law and Background

In the late 1970s, the Federal government decided to improve the administration of welfare programs through the use of computerized information systems. The Congress enacted PL 96-265 and subsequent legislation to grant incentive funding to encourage the development of automated systems.

In 1981, the AFDC program released the Family Assistance Management Information System (FAMIS) specifications and updated them in 1983. In 1988, the Food Stamp Program (FSP) released similar guidelines in regulations and updated them in 1992. Incentive funding is also available for statewide, Child Support Enforcement (CSE) systems.

A recent GAO report indicated that, in the previous 10 years the Federal government had spent nearly \$900 million in the development and operation of AFDC and FSP automated systems alone. In the Omnibus Budget Reconciliation Act of 1993, the Congress repealed enhanced funding for AFDC and FSP effective April 1, 1994.

An emerging priority of Federal funding agencies has been to encourage States to implement more cost-effective systems which integrate service delivery at the local level. This has enabled many States to begin using combined application forms for multiple programs (including AFDC, FSP, and Medicaid) and a combined interview to determine eligibility for the various programs. Consequently, with systems support, a single eligibility worker can process an application for several programs at the same time.

Another priority is the development of electronic transfer of funds or Electronic Benefit Transfer (EBT) technology to deliver benefits. This technology allows recipients to use a debit card, similar to a bank card, at retail food stores and automated teller machines (ATMs) to access their benefit accounts. Plans to expand the use of EBT systems are mentioned in the Vice President's National Performance Review.

Under current law and regulations, States and the Federal government have developed elaborate computer management information systems for financial management and benefit delivery, program operations, and quality control. Some programs, such as Child Support Enforcement, are in the midst of large-scale (and long-term) computer system change, while others, such as AFDC (with its FAMIS systems), are nearing completion of a development cycle.

Both FAMIS and Child Support Enforcement Systems (CSES) have been funded under an enhanced funding (90 percent) match. Partly as a result of this incentive funding, many States have integrated, automated, income maintenance systems which assist caseworkers in determining eligibility, maintaining and tracking case status, and reporting management information to the State and Federal governments.

Other essential welfare programs, namely JOBS and child care, have limited and fragmented automated systems. For the most part, States could fund parts of these systems at the 50 percent match rate. States report that administrative funds have not been available to fully automate and interface JOBS and Child Care with other programs within the State.

Many of these systems have serious limitations: limited flexibility, lack of interactive access, limited ability to exchange data electronically, etc. Even the most sophisticated systems fall short of the goal of allowing State agencies to use technology to:

- Eliminate the need for clients to access different entry points before they receive services;
- Eliminate the need for agency workers (and clients) to encounter and understand a wide variety of complex rules and procedures;
- Share fully computer data with programs within the State and among States; and
- Provide the kind of case tracking and management that will be needed for a time-limited welfare system.

Vision and Rationale

Computer and information technology solutions will support welfare reform by providing new automated screening and intake processes, eligibility decision-making tools, and benefit delivery techniques. Application of modern technologies such as expert systems, relational databases, voice recognition units, and high performance computer networks, will help empower families and individuals seeking assistance. At the same time, these technologies will assist in reducing fraud and abuse so that Federal and State benefits are available to those who are in need.

State-Level Systems and National Clearinghouse

To achieve this vision, we are proposing an information infrastructure which allows, at the State level, the integration and interfacing of multiple systems, for example, AFDC, food stamps, work programs, child care, Child Support Enforcement (CSE), and others. The Federal Government, in partnership with the States, or groups of States in partnership with the Federal Government, may develop model systems that perform these functions or subsets of these functions.

To support the broader information needs, the new information infrastructure needs to include, on the one hand, a national data "clearinghouse" to coordinate data exchange and for other purposes and, on the other, enhanced State and local information processing systems to improve management and delivery of services.

Enhanced State Systems. At the State and local level, the systems infrastructure would include automated subsystems for intake, eligibility determination, assessment, and referral; case management and service delivery; and benefit, payment, and reporting. The infrastructure would consist of new systems components integrated with existing systems or with somewhat enhanced existing systems. Variations in existing automated systems would make it unreasonable to try to standardize these systems. Rather, we need linkages that allow for the accurate exchange of data between systems.

By linking the various programs and systems, States would be able to provide integrated services and/or benefits to families and individuals "at-risk" of needing financial assistance, those receiving assistance, and those transitioning from public assistance program to self-sufficiency. As part of this automation effort, enhanced funding will be offered as an incentive for States to develop and

implement statewide, automated systems for JOBS/WORK management and monitoring, and to enable seamless services for child care. Such an automated system infrastructure would enable States to provide greater support to families who might otherwise dissolve, as well as to parents who may, because of unmet needs, be forced to terminate employment or training opportunities.

In addition, as Electronic Benefit Transfer (EBT) and Electronic Funds Transfer (EFT) become more widespread, they would be used for other programs, such as child care reporting and payments, and reporting of JOBS participation. As an example, a JOBS participant could be required to self-report either through a touch-tone phone that connects to a Voice Recognition Unit (VRU) or through the use of plastic card technology.

Enhanced Detection of Fraud and Abuse. For detection and analysis of fraud and abuse, computer matching of records and sharing of data among State programs and at a national level would be increased. For example, the child support information needs for establishing an order or in review and modification would be extremely valuable for access by the AFDC agency, after the agency has performed prospective eligibility determinations, but before benefits are granted. In addition, the National Clearinghouse would be extremely helpful in ensuring that an individual does not obtain AFDC beyond the time limit, does not receive benefits in more than one location or for children claimed by another family, or fails to report employment.

Data and Reporting on Program Operations and Clients. Current methods for data gathering and reporting requirements on program operations and clients could be reduced. Many of the current data and reporting requirements will be superseded by new ones, but in any case, many current items are of low data quality or of little interest. Current requirements will be re-examined.

National Clearinghouse. The National Clearinghouse will be a collection of abbreviated case and other data that "points" to where detailed case data resides and provides the minimum information for implementing key program features. Described in detail under the Child Support Enforcement section, this Clearinghouse will not be a Federal data system that performs individual case activities. While information will be coming to and from the Clearinghouse, it will contain limited data – States will retain overall processing responsibility.

The Clearinghouse will maintain at least the following data registries:

- The National New Hire Registry will maintain employment data for individuals, including new hire information.
- The National Locate Registry will enhance and subsume the current Federal Parent Locator Service (FPLS) functions.
- The National Child Support Registry will contain data on all non-custodial parents who have support orders.

- The National Welfare Receipt Registry will contain data to operate a time-limited assistance program, such as the beginning and ending dates of welfare receipt, participation in various work programs, and the name of the State providing benefits.

A. NATIONAL WELFARE RECEIPT REGISTRY

- (a) As part of the National Clearinghouse, the Secretary of DHHS will establish and operate a National Welfare Receipt Registry to assist in operating a national time-limited assistance "clock".
- (b) The Clearinghouse, described more fully in the section on Information Systems for the Child Support Enforcement Program, will contain four Registries including the National Welfare Receipt Registry. At a minimum, the Welfare Receipt Registry will assist States in calculating the remaining months an individual may be eligible to receive benefits and reduce fraud and abuse.
- (c) The National Welfare Receipt Registry will be maintained by obtaining electronically from each State IV-A agency information on individuals receiving benefits. Upon request, the Clearinghouse will send electronically information to the State agency.
- (d) The information to be exchanged is as follows:
 - (i) Information to be sent to the Clearinghouse includes identification information, such as the names and Social Security Numbers of members of the family; the dates an individual went on and off assistance; participation information for AFDC, JOBS and WORK programs; information on extensions of time-limits and sanctions for non-compliance for these and other programs; as well as other information as determined necessary by the Secretary.
 - (ii) Information to be received from the Clearinghouse includes whether the applicant has been reported to have received assistance and, if so, when and in which State(s); whether the Social Security Numbers supplied are valid; whether the applicant is contained in the New Hire Registry as being recently employed; and other information as determined by the Secretary.
- (e) Information Discrepancies: If an information discrepancy exists between the information the client presents to the State agency and the information in the Clearinghouse, the Secretary will assist in the resolution by verifying that the data contained in the Registry reflects the information contained in the State agency records where the individual had previous assistance, correcting the Clearinghouse information if necessary, and reporting the updated information to the requesting State.
- (f) The States involved must take appropriate actions to resolve the discrepancy in accordance with normal due process requirements and must submit corrected information to the Clearinghouse when the discrepancy is resolved.

B. STATE TRANSITIONAL ASSISTANCE SUPPORT INFORMATION SYSTEM

- (a) The State agency, in order to assist in the administration of time-limited welfare, will establish and operate a statewide, automated, Transitional Assistance Support Information System. This system will serve to significantly improve the effectiveness and efficiency of State systems information infrastructures for the management, monitoring, and reporting on clients as they work towards independence and self sufficiency. The State may receive enhanced funding for these changes under specific approaches approved by DHHS and described below.
- (b) The minimum capabilities of the State system include:
 - (i) Exchanging information as described above in A(d) in a standard, electronic format with the National Clearinghouse;
 - (ii) Querying electronically the National Welfare Receipt Registry in the National Clearinghouse before granting assistance;
 - (iii) Using the information received from the Clearinghouse in the determination of eligibility and time period for which assistance may be granted;
 - (iv) Reporting corrected or updated information to the Registry; and
 - (v) Meeting current statutory requirements for security and privacy.
- (c) Alternative Interim Method: The Secretary may approve an alternative interim method if the State demonstrates that the alternative will be effective in reporting, receiving, and using transitional assistance information and the State has an approved Advanced Planning Document for the Automated Data Processing System that meets requirements in the proposed statute.
- (d) The State may also augment the minimum system described above in specific ways and receive enhanced match for development costs under certain conditions. (The specific conditions are described in a later section.) Under this augmented system, clients will receive considerably enhanced service responsiveness through prescreening to match available services to individuals and determine the required qualifying and verification information needed for each service.

C. STATE AUTOMATED SYSTEMS

- (a) As part of building better automated systems, States will be offered enhanced funding if they take one of two strategies to automation projects. That is, to economically and efficiently develop and implement automated systems in support of AFDC, child care, and JOBS/WORK programs, the Secretary will, as a condition of enhanced funding, require States to develop and use model systems developed in partnership with the Federal Government and other States under one of two approaches.

1. Federally Led and Sponsored Model Systems, in Partnership with State Agencies

Under this approach, the Department in partnership with the States will design and develop model automated support and case management information systems that assist the States in managing, controlling, accounting for, and monitoring the factors of the State plans for AFDC, child care, and JOBS/WORK programs as well as providing security safeguards. These model systems are described below:

- (a) Transitional Assistance Support Information System: This model system will provide statewide, automated, procedures and processes to meet both the minimum requirements described above plus additional functions. The additional functions include at least: performing intake and referral; monitoring and reporting against some performance measures; exchanging information on-line with the Clearinghouse; and exchanging data with other automated case management and information systems.
- (b) Child Care Case Management Information System: This model system will provide statewide, automated, procedures and processes to achieve seamless child care delivery, including all child care programs of the State. This system will assist the State in administration of child care program(s) and to manage the non-service related CCDBG funds. The functions will meet both the minimum requirements described above plus additional functions which will include, at least, the ability to: identify families and children in need of child care, establish eligibility for child care, and determine funding source(s); plan and monitor services, determine payments, and update and maintain the family and child care eligibility status for child care; maintain and monitor necessary provider information; process payments and meet other fiscal needs for the management of child care program(s); produce reports required by Federal and State directives; monitor and report performance against performance standards; and electronically exchange information with other automated case management systems and with the statewide automated transitional assistance support system.
- (c) JOBS/WORK Case Management Information System: This model system will provide statewide, automated, procedures and processes to control, account for, and monitor all factors of the JOBS and WORK programs and support both management and administrative activities of the programs. These functions will meet both the minimum requirements described above plus additional functions including the capability to: assess a participant's service needs; develop an employability plan; arrange, coordinate, and manage the services or resources needed for the plan; track and monitor ongoing program participation and attendance; exchange information electronically with other programs; and provide performance and assessment information to the Secretary.

2. Multi-State Collaborative Projects, State Lead with Federal Partnership

Under this approach, the Department will assist and support State IV-A agencies, or the State's designated contracted agency (for child care or JOBS), in multi-state collaborative projects for purposes of designing and developing automated system models and in developing enhancements to existing systems as follows:

- (a) Transitional Assistance Support System: In addition to meeting the Federally-sponsored model system functional specifications described above, States may, in collaborative efforts, augment their systems to include automation of additional functions as follows: determining eligibility; improving government assistance standards; performing case maintenance and management functions; calculating, managing, and reconciling payments to eligible recipients; providing for processes and procedures to detect and prevent fraud and abuse; and producing reports.
- (b) Child Care and JOBS/WORK Case Management Information Systems: States may, in collaborative efforts, design, develop, and implement automated information systems that meet the model functional specifications of Child Care and JOBS/WORK described in the Federally-sponsored model approach.

D. FEDERAL FUNDING FOR NATIONAL WELFARE RECEIPT REGISTRY, MODEL STATE SYSTEMS TO SUPPORT STATE ACTIVITIES, AND TECHNICAL ASSISTANCE AND TRAINING

- (a) \$6 million will be need to establish the National Welfare Receipt Registry in Fiscal Year 1995 and \$4 million to operate the Registry for each of fiscal years 1996 through 1999; \$7.5 million will be needed to develop the model systems for each of fiscal years 1995 and 1996; and \$1 million will be needed to provide technical assistance and training to States for each of fiscal years 1995 through 1999.

E. FEDERAL FUNDING OF STATE SYSTEMS

- (a) Under certain conditions, States may claim Federal Financial Participation (FFP) for the costs to establish and operate automated systems described above. Two match rates will be available.
- (b) Enhanced Match. States are eligible for enhanced match (80 percent FFP) for up to 5 years after enactment for costs incurred in developing and implementing automated systems described above, including the costs of computer hardware, on the condition that the approach to system design, development, and implementation meets one of the two approaches:
 - 1. Federally Sponsored Model: The State adapts and implements a model/prototype system developed by the Secretary in accordance with the functional specification described in that section, or
 - 2. Multi-State Collaborative Project: The State, through a collaborative multi-state consortium, jointly designs, develops, and/or implements, a system or subsystems in accordance with the functional conditions and specifications described in that section.
- (c) The Federal portion of the enhanced match will be limited to \$800 million and will be available over a five, year period State-by-State in accordance with a formula that takes into consideration State program caseload, existing level of automation and performance and progress against an approved advance planning document. The Secretary will develop regulations for the definition and implementation of these funding provisions.

- (d) Exception for Adaptation of Existing System to Meet Minimum Requirements: If a State demonstrates to the Secretary that modifications to an existing system meet the minimum requirements of a Transitional Assistance Support System as described in that section and meet certain additional conditions, the Secretary may grant an exception to the enhanced funding requirements. The additional conditions are that the State requires limited enhancements to an existing system and the State demonstrates that it would be more cost-effective to proceed independently or with custom modifications.
- (e) Regular Match: States will receive 50 percent FFP for operational costs and for costs they incur if they do not follow the enhanced match provisions described above and for systems features beyond those provided above.

TECHNICAL ASSISTANCE, RESEARCH, DEMONSTRATIONS, AND EVALUATION [Title IV]

A. TECHNICAL ASSISTANCE, RESEARCH, AND EVALUATION

1. Authority to Tap JOBS/WORK and Child Care Funds For Research, Demonstrations, Evaluation and Technical Assistance Purposes

Current Law

There are a variety of ways that funds are set aside for evaluation oversight and technical assistance support to programs. The Family Support Act, for example, authorizes specific amounts for implementation and effectiveness studies of the JOBS Program. Under the Head Start Act, 13 percent of annual appropriations are reserved by the Secretary for a broad range of uses including training, technical assistance and evaluation. The Secretary of HHS, at her discretion, sets aside 1% of Public Health program funding for evaluation of its programs.

Vision

Welfare reform seeks nothing less than a change in the "culture" of the welfare system. This necessitates making major changes in a system that has primarily been focused on issuing checks. Now we will be expecting States to change individual behavior and their own institutions so that welfare recipients will be moved into mainstream society. This will not be done easily. We see a major role for evaluation, technical assistance and information sharing. Initially, States will require considerable assistance as they design and implement the changes required under this legislation. Then, as one State or locality finds strategies that work, those lessons ought to be widely shared with others. One of the elements critical to this reform effort has been the lessons learned from the careful evaluations done of earlier programs. Those lessons and the feedback secured during the implementation of these reforms will be used in a formative sense and will guide continuing innovation into the future. We propose reserving 2% of the total annual capped entitlement funding for JOBS and At-Risk Child Care in FY 1996, FY 1997, and FY 1998 and 1% of the JOBS, At-Risk Child Care and WORK annual capped entitlement in fiscal years thereafter for research, demonstrations, evaluation, and technical assistance, with a significant amount reserved for child care. We seek to evaluate demonstrations in a number of different areas. Please see the sections on MAKE WORK PAY, CHILD SUPPORT ENFORCEMENT, and PREVENT PREGNANCY AND PROMOTE PARENTAL RESPONSIBILITY.

Rationale

Sufficient funds should be available to ensure that the Department(s) can provide adequate levels of technical assistance to States, oversee State implementation of welfare reform, and carry out other supportive research and training activities. Tying funds to a percentage of the overall program dollars ensures that as the program grows, funds for research, evaluation and technical assistance also grow.

Specifications

- (a) Reserve for the Secretary from amounts authorized for the capped JOBS, WORK and At-Risk Child Care funding, two percent of JOBS and child care funds in Fiscal Years 1996 through 1998, and one percent of JOBS, At-Risk Child Care, and WORK for each fiscal year thereafter for expenditures for research, evaluation, the provision of technical assistance to the States and to carry out research, evaluations, and demonstrations as described below. Technical assistance is defined broadly to include training, "hands-on" consultation to States requesting assistance, the transferring of "best practices" from one State to another, etc.
- (b) To the extent that these issues can be researched in a methodologically sound way, the Secretary of HHS, in consultation with the Secretary of Labor and the Secretary of Education, shall conduct the following evaluation studies of time-limited JOBS followed by WORK:
 - (i) A two-phase implementation study that describes:
 - How States and localities initially responded to new policies, implemented the new program, the obstacles and barriers encountered, institutional arrangements entered into, and recommendations;
 - How States and localities subsequently performed as their programs matured including program design, services provided, operating procedures, funding levels, participation rates and recommendations. The study will also consider the effects on State and local administration of welfare programs including management systems, staffing structure, and "culture."
 - (ii) A study of the effectiveness of a time-limited assistance program followed by work in helping participants achieve self-sufficiency and the corresponding effect on unemployment rates, reduction of welfare dependency and teen pregnancy, and the effects on income levels, family structure, and children's well-being.
 - (iii) A comprehensive national study of the WORK program after it has been in effect for two years to measure success its success in assisting participants to obtain unsubsidized employment and to evaluate the skill levels and barriers to participants who were unable to obtain unsubsidized jobs.

B. DEMONSTRATIONS

1. Authority to Initiate Major Demonstrations and Pilot Programs to Improve the Effectiveness and Efficiency of the Reformed Welfare System

Current Law

The Social Security Act authorizes the Secretary to conduct demonstrations. Many States operate demonstration programs with strong evaluation components that have helped shape public policy.

Vision

We propose key demonstrations in areas where additional feedback is required about the cost, feasibility, and/or effectiveness is necessary before national policy is determined. In each area, we propose both a set of policies for immediate implementation and a set of demonstrations designed to explore ideas for still bolder innovation in the future. In addition, we would encourage States, Indian tribes, and Alaskan Native organizations to develop their own demonstrations. In some cases we would provide additional Federal resources. Lessons from past demonstrations have been central to both the development of the Family Support Act and to this plan.

Specifications

- (a) The Secretary of HHS shall have the authority to approve and conduct the following demonstrations, which will be funded out of the funds allocated to technical assistance, research, demonstrations, and evaluation (as discussed in detail below):

2. Demonstrations to Encourage Placement During Participation in the JOBS Program

Current Law

There are no provisions in current law similar to what is proposed under this section.

Vision

One of the explicit goals of welfare reform is to transform the welfare system (and the JOBS program) into one which focuses from the very first day on helping people to get and hold jobs. To achieve this, we will fund demonstration programs that focus on enhancing job placements. We envision two strategies, as specified below.

Rationale

A good JOBS program balances the need to communicate to those entering the welfare system that AFDC is a temporary support system by moving recipients quickly into the labor market while remaining sensitive to the fact that all recipients are not competitive in that market. We are changing the culture of welfare to get out of the business of writing checks and into the business of helping people find and keep jobs. We are changing the incentives in the welfare system to emphasize long-term placement in the workforce. We want to experiment with a number of new approaches that will spur caseworkers, clients, and service providers to help people get off welfare for good. We need more information about how to set up rewards that will reflect the new "mission" of the welfare system.

Specifications

- (a) Placement Bonuses: No more than five demonstration grants would be available for programs that use placement bonuses to reward agencies or caseworkers who are particularly good at placing JOBS participants in private sector jobs. The emphasis will be on securing long-term placements in the labor market and on finding ways to place medium and long-term recipients.

- (b) **Placement Firms:** No more than five demonstration grants would be available to States to work with private not-for-profit and for-profit organizations. Services that the organization will deliver, such as work preparation, placement services, and follow-up services will be specified. Performance standards will specify the basis on which the organizations will be paid. These performance standards would be based on placement and retention measures.
 - (c) The Secretary shall evaluate the effectiveness of such programs, preferably using random assignment of individuals to treatment and control groups or, where that is inappropriate for scientific reasons, the most rigorous appropriate method.
3. **Demonstrations to Develop Work-for-Wages Programs Outside the AFDC System**

Vision

States are encouraged to experiment with approaches to designing and administering the WORK program outside of the AFDC system. The Secretary may authorize up to 5 demonstration projects to assess the feasibility and effectiveness of WORK programs that are administered outside of the AFDC system. These demonstrations will be rigorously evaluated.

Rationale

It is not clear that the welfare system will be the most appropriate agency to run an employment based system like the WORK program in all States. In some cases, state-level Labor Department entities, non-profit, or proprietary agencies may have a comparative advantage. Even if a comparative advantage does lie with an organization independent of the welfare system, questions remain. For example, it is not apparent that the required ongoing communication between the agencies running the WORK program and the agency issuing supplemental income support checks (and retaining responsibility for other residual welfare functions) can be maintained. This, and other management uncertainties, must be resolved through demonstration programs.

Specifications

- (a) Up to 5 local demonstration projects to test the development and implementation of WORK programs administratively located outside of the AFDC system will be conducted.
- (b) The Secretary shall conduct a rigorous evaluation, preferably using a random assignment to treatment and control groups or, where that is inappropriate for scientific reasons, the most rigorous appropriate method.
- (c) All individuals who exhaust their transitional assistance must be eligible to apply to the WORK program either after their initial spell on welfare or if they leave JOBS or WORK and subsequently reapply for assistance and have no time left. States may not deny admission into WORK for any reasons other than those discussed under the section on sanction policy.
- (d) States must close AFDC cases when recipients reach the time limit. WORK programs under this subsection may only pay participants for performance of some activity.

- (e) States may develop a system of compensation that mixes wages and WORK stipends. States must develop a system that ensures that WORK participants who comply fully with the program's rules are receiving income at least equal to what they would have received on AFDC plus the work disregard. States shall have flexibility on this criteria in the interest of administrative simplicity but the income from full compliance in WORK must exceed income on AFDC for a similarly situated family.
- (f) States will be allowed to pay participants WORK stipends when they are not in a WORK assignment as compensation for a range of activities to be designated by the state, including job search, job clubs, and interim community service assignments. States will have flexibility in designing the stipend system, but it will have to be a pay-for-activity system.
- (g) States would be allowed to develop a system of wage supplementation. WORK stipends could be provided to part-time workers either in unsubsidized jobs or in the WORK program. States would be encouraged to develop a simple system of supplements.
- (h) Eligibility for the supplement would be contingent on satisfactory participation in WORK.

4. WORK Support Agency Demonstrations

Current Law

At State option, Federal financial participation is available for JOBS activities and services provided for certain periods to an individual who has been a JOBS participant but who loses eligibility for AFDC. These activities and periods are: 1) case management activities and supportive services for up to 90 days from the date the individual loses eligibility for AFDC; and 2) JOBS component activities for the duration of the activity if funds for the activity are obligated or expended before the individual loses eligibility for AFDC. (45 CFR 250.73) In addition, the State agency may provide, pay for, or reimburse one-time work-related expenses which it determines are necessary for an applicant or recipient to accept or maintain employment. (45 CFR 255.2)

Vision

In order to learn about the effects of work support strategies, we propose demonstration programs to test different approaches. The goal is to increase employment retention and reduce welfare recidivism by helping those individuals who become employed keep their jobs and those who lose their jobs to regain employment quickly. Case managers will maintain contact with and offer assistance to current or former AFDC recipients who obtain employment and provide direct assistance to aid them in employment retention or to help find a subsequent job. Payments to help meet the costs of certain employment-related needs may also be provided if determined necessary for job acceptance or retention, or reemployment.

States might establish work support agencies with distinctly different responsibilities than IV-A agencies and possibly housed separately from the local IV-A agencies to provide centralized services specifically to working families. The Work Support agencies could be administered, for example, by the State employment or labor departments; by Community Action Agencies, or a One-Stop Shopping Center.

The work support offices might provide food stamps, child care, advance EITC payments, and possibly health insurance subsidies to eligible low-income working families, or (at local discretion) families suffering a temporary labor market disruption. Employment-related services such as career counseling, assistance with updating resumes and filling out job applications would also be made available specifically to individuals who had left AFDC for work through the work support office. Services which might also be included are time and money management, family issues, workplace rules, establishing ongoing relationships with employers, providing mediation between employer and employee, assisting with application for the EITC, making referrals to other community services, providing or arranging for supportive services needed for employment retention or re-employment, and providing for job referral or placement assistance if initial jobs are lost. The supportive services which can be provided to aid job retention may include: occupational license, certification, or test fees, tool/equipment expenses, clothing, uniforms, or safety equipment costs, driver's license fees, motor vehicle maintenance, repair, insurance or license costs, other transportation expenses, moving expenses (related to accepting employment), emergency child care expenses, health-related expenses not covered by Medicaid, short-term mental health expenses, and family counseling.

Rationale

A significant proportion of new entrants will move between States of dependency and non-dependency. Some 70 percent of new entrants exit in two years, about one-half of these for work. But within five years, some 70 percent of those will return. A similar picture is found for those in the secondary labor market. Job transitions and disruptions are very common, even within brief time periods. Many of these people do not have sufficient work histories to qualify for benefits under the Unemployment Insurance system. The primary recourse available upon a job loss is the welfare system.

Our welfare and JOBS systems are geared toward graduations; treating people and moving them on. We now assume that even those with high levels of human capital may have to make seven or eight reinvestments in training and new skill/technology acquisitions over the course of a lifetime. We must begin to work on developing a similar perspective and supportive systems for low-wage workers and those who must, on occasion, receive income assistance for their families.

The participating State would be responsible for the design of the work support agency, including the administrative structure and the menu of services, but would have to receive approval from the appropriate departments (in most cases Agriculture, Health and Human Services and Treasury).

Specifications

- (a) A separate authority under Title IV of the Social Security Act would be established whereby a designated number of entities chosen by the Secretary, in consultation with the Secretary of Labor, Agriculture, and Treasury, would be entitled to demonstration grants to operate a Work Support Agency to support individuals who have left AFDC for work.
- (b) Up to five demonstration projects will be funded.

- (c) The activities under the demonstration would be focused on providing coordinated employment-related services. Grantees would be given great flexibility to design programs to help former AFDC recipients retain employment.

5. Demonstration Grants for Innovative Paternity and Parenting Initiatives

Vision

This proposal would focus on helping fathers (primarily poor, young, non-marital fathers) understand and accept their responsibilities to nurture and support their children. Building on programs which seek to enhance the well-being of children, this proposal would facilitate the development of parenting components aimed specifically at fathers whose participation in the lives of their children is often ignored or even unintentionally discouraged.

Rationale

There is considerable evidence that increased poverty is not the only adverse affect on children of fatherless families. Fathers have an important role to play in fostering self-esteem and self-control in children as well as increasing and promoting the career aspirations of both sons and daughters. Some clinical researchers and social commentators believe that much of the increase in violent behavior among teenage boys is at least in part due to the lack of positive male role-models and supportive fathering in many communities. But good fathering is especially difficult for the many men who themselves belong to a second and third generation of "fatherless" families or whose own role models for parenting were abusive or neglectful.

Specifications

- (a) Demonstration grants will be made available to States, Indian tribes, and/or community based organizations to develop and implement non-custodial parent (fathers) components for existing programs for high risk families (e.g. Head Start, Even Start, Healthy Start, Family Preservation, Teen Pregnancy and Prevention) to promote responsible parenting, including the importance of paternity establishment and economic security for children, and the development of parenting skills.
- (b) Grants must last three years, have an evaluation component, preferably using a random assignment of individuals to treatment and control groups or, where that is inappropriate for scientific reasons, the most rigorous appropriate method.

6. Section 1115 Waivers

Current Law

Section 1115(c)(3) of the Social Security Act restricts State waivers which can be granted under the child support program to those that would not increase the Federal cost of the AFDC program. In all other cases, States can offset increased costs in one program (such as increased expenditures for JOBS) with savings in other areas (such as AFDC and Medicaid). In child support, however, savings generated from non-IV-A programs cannot be used to cover IV-A costs resulting from IV-D waivers.

The within-AFDC cost neutrality provisions for the child support program discourages States from looking at IV-D as part of their total welfare reform strategy and greatly restricts their abilities to design and implement child support demonstrations of interest and significance.

Specification

- (a) Increase States' ability to test innovative IV-D and non-custodial parent programs. Give them the same degree of flexibility to offset AFDC costs resulting from demonstrations involving child support that now exists in the other programs. In addition, give States the authority to value the worth of work activities that non-custodial fathers do to reduce their AFDC debts and child support arrearages.

PREVENT TEEN PREGNANCY AND PROMOTE PARENTAL RESPONSIBILITY [Title V]

A. NATIONAL TEEN PREGNANCY PREVENTION INITIATIVE

1. Teen Pregnancy Prevention Mobilization Grants and Establishment of a National Clearinghouse on Teen Pregnancy

Current Law

There are numerous Federal programs that address the issue of teen pregnancy prevention, including repeat pregnancies. Some of these programs focus specifically on teen pregnancy, but given that the multiple problems adolescents face are often interrelated, the specific problems that other programs emphasize (e.g., alcohol and drug abuse, school drop-out) are also related to adolescent pregnancy prevention. Current federal efforts include HHS's family planning grants, maternal and child health programs, adolescent health programs, runaway and homeless youth programs, and alcohol and drug abuse prevention programs. Department of Education efforts include drug-free schools and communities programs, and postsecondary education outreach and student support services programs; and the Department of Labor efforts include New Chance, Youth Fair Chance, JTPA programs, and the Young Unwed Fathers Project. There are also programs in the Departments of Housing and Urban Development, Agriculture, Justice, Interior and Defense.

Vision

We must address the issue of births among unmarried teens. There will be a national campaign to help reduce the number of unmarried teenagers who become pregnant. This campaign will also take into account the myriad of risky behaviors that can be related to teenage pregnancy. It will strive to develop, enhance and promote youth competence, as well as foster ties to families, communities, and society.

The rise in births to unmarried teens over the past generation has raised the issue of teen pregnancy to enormous national significance. The number of births to unwed teen mothers increased from 92,000 in 1960 to 368,000 in 1991. Adolescents who bring children into the world face a very difficult time getting themselves out of poverty, while young people who graduate from high school and defer childbearing until they are mature, married and able to support their offspring are far more likely to get ahead. Both parents bear responsibility for providing emotional and material support for their child. The overwhelming majority of teenagers who bring children into the world are not yet equipped to fulfill this fundamental obligation. They are often unable to handle peer pressures and the risk of other activities leading to negative consequences, such as alcohol and drug abuse, delinquency and violence.

The non-legislative aspects of this campaign are a national mobilization of business, national and community voluntary organizations, religious institutions, schools, and the media behind a shared and urgent challenge directed by the President; the announcement of national goals to define the mission and to guide the work of the national campaign; and the establishment of a privately funded non-

profit, non-partisan entity committed to the goals and mission of the national campaign. These are the essential building-blocks of a comprehensive campaign for youth balancing opportunity and responsibility across the full range of Administration youth initiatives, including Goals 2000, School-to-Work, National Service, the preventive health provisions under the Health Security Act, the after-school and jobs programs included in the prevention package in the Crime Bill, as well as the prevention strategies proposed below as part of welfare reform.

There are two legislative aspects of this initiative. The first, addressed below, is a Teen Pregnancy Prevention Grant Program where about 1,000 schools and community-based entities would be provided flexible grants to implement promising teen pregnancy prevention strategies. Funding would be targeted to schools with the highest concentration of middle and high school age youth at-risk. The goal would be to work with youth as early as age 10 and establish continuous contact and involvement through graduation from high school. To ensure quality and establish a visible and effective presence, these programs will be supervised by professional staff and, where feasible, be supported by a team of national service participants provided by the Corporation for National and Community Service. The second, described in number 2 below, is a comprehensive services demonstration approach to enhance our learning from prevention strategies.

Specifications

- (a) A separate authority under the Title XX of the Social Security Act would be established for grants to promote the development, operation, expansion, and improvement of school-based and -linked adolescent pregnancy prevention programs in areas where there are high poverty rates or high rates of unmarried adolescent births.
- (b) The approved applicant shall be entitled to payment of at least \$50,000 and not more than \$400,000 each fiscal year for five years. The grant amount will be based on an assessment of the scope and quality of the proposed program and the number of children to be served by the program. The grant must be expended in the fiscal year it is awarded or in the succeeding fiscal year. At least a 20 percent non-Federal, cash or in-kind match, is required. Priority will be given to those with a higher match or an increasing ratio of non-Federal resources over the length of the grant.
- (c) The grants will be jointly awarded by HHS, Education, and the Corporation for National and Community Service, in consultation with other Federal departments and agencies. The administration of the program could be delegated to another Federal entity, such as the proposed Ounce of Prevention Council or the Community Empowerment Board.
- (d) Eligible grantees are a partnership that includes a local education agency, acting on behalf of one or more schools, and one or more community-based organizations, institutions of higher education, or public or private for-profit or non-profit agencies or organizations. Existing successful programs—including those now operated by national voluntary organizations—would be encouraged to apply for funds to expand and upgrade their services. Grantees would have to be located in a school attendance area where either (1) at least 75 percent of the children are from low-income families as defined under part A of title 1 of the Elementary and Secondary Education Act of 1965, (2) there are a significant number of children receiving

AFDC, or (3) there is a high unmarried adolescent birth rate. Geographic distribution, including urban and rural distribution, would be taken into account in selection of grantees.

- (e) Grantees would, based on local needs, design and implement promising programs to prevent teen pregnancy through a variety of approaches. Grantees would be given a great deal of flexibility in designing their program. However, core components at each site must include:
- Curriculum and counseling designed to reach young people that address the full range of consequences of premature sexual behavior and teen pregnancy. Existing models of best practices suggest that these educational activities should focus on developing the psychology and character required for responsible behavior as well as on expanding cognitive knowledge.
 - Activities designed to develop sustained relationships with caring adults. Group coaching, individual mentoring, and a range of activities after-school, on weekends, and in the summer could be included. Such activities could also include community service by the youth themselves.

To ensure quality, programs would be coordinated by one or more professional staff. The programs, where feasible, would also utilize national service participants to engage students, parents, families, and the community in organized efforts to reduce risk-taking behaviors that may lead to adolescent pregnancy, including the delivery of services and in the coordination of during- or after-school activities. Grantees will be asked to describe the role that any National Service participants will play in the program, consistent with the National and Community Service Act of 1990.

Grantees are allowed to expand on these core components, including conducting activities as part of another youth development program.

- (f) Grantees would be asked to submit an application. The primary aspect of the application would be a plan which addresses local needs and describes (a) the measurable goals the applicant wants to achieve and how it intends to measure progress in achieving the goals; (b) curriculum and counseling and sustained adult relationships components of the program, as well as any additional components, and how they intend to implement them; and (c) how national service participants will be an integral part of the program, where feasible.

They would also be asked to provide other assurances, including--

- How the services provided are based on research of effective approaches to reducing teen pregnancy. Other risk-taking behaviors correlated with teen pregnancy should also be included.
- How both male and female teens and, where possible, out-of-school teens will be served.

- How each program would work with middle and/or high school age youth (ages 10 through 19) to establish continuous contact and involvement through graduation from high school.
 - How school staff, parents, community organizations, and the teens to be served have been and will be included in the development of the application as well as the planning and implementation of the program.
 - Evidence of ongoing commitment with other community institutions, such as churches, youth groups, universities, businesses, or other community, civic, and fraternal organizations.
 - Coordination of their program with other Federal or federally assisted programs, state and local programs, and private activities, and how the applicants resources and services are linked and coordinated. For example, with the State education agency.
 - How the program plans to continue operation following completion of the grant period.
 - How funds will not supplant Federal, State, or local funds.
- (g) A grantee would be given priority if their non-Federal resources are significantly in excess of the 20 percent required or there is an increasing ratio of non-Federal resources over the length of the grant, and if they participate in other Federal and non-Federal programs.
- (h) The Secretary may terminate a grant before the end of the 5-year period if the Secretary determines that the grantee conducting the project has failed substantially to carry out the project as described in the approved application.
- (i) Total funding for the program is \$300 million over five years. \$20 million in FY 1995, \$40 million in FY 1996, \$60 million in FY 1997, \$80 million in FY 1998 and \$100 million in FY 1999 and each subsequent fiscal year thereafter. Up to ten percent of the funding will be set-aside for the evaluation, training, and technical assistance as well as for establishment of a National Clearinghouse on Teen Pregnancy (see j. and k. below). Since this program and the Clearinghouse is authorized through Title XX of the Social Security Act, any funds not expended in a fiscal year shall be redirected to the Title XX Social Services Block Grant Program.
- (j) A rigorous Federal evaluation of some sites would be conducted. Grantees would be asked to provide information requested for the evaluation. Training and technical assistance would also be provided to the grantees.
- (k) A National Clearinghouse on Teen Pregnancy Prevention would be established to provide communities and schools with teen pregnancy prevention programs with curricula, models, materials, training and technical assistance. This could be an existing clearinghouse or technical assistance center. It will establish an information exchange and network on promising models and rigorous evaluations.

The Clearinghouse would be a national center for the collection and dissemination of programmatic information and technical assistance that relates to teen pregnancy prevention programs. It will also look at the state of teen pregnancy prevention program development, including information on the most effective models. It would develop and sponsor training institutes and curricula for teen pregnancy prevention program staff, and develop networks of for sharing and disseminating information. The Clearinghouse could also conduct evaluations of teen pregnancy prevention programs (not limited to the grants provided in this bill).

2. Learning from Prevention Approaches through Comprehensive Services Demonstrations to Prevent Teen Pregnancy in High Risk Communities

Current Law

There are demonstration authorities that exist to serve youth in particular areas, but most are not as comprehensive as the demonstrations described below in the scope of services for all youth and are not a saturation model.

Vision

Early unwed child-bearing and other problem behaviors are interrelated and strongly influenced by the general life-experiences associated with poverty. Changing the circumstances in which people live and consequently how they view themselves is needed to change the decisions young people make in regard to their lives.

For any effort which hopes to have results that are large enough to be meaningful, attention must be made to circumstances in which youth grow up. It should address a wide spectrum of areas associated with youth living in a healthy community: economic opportunity, safety, health, and education.

Particular emphasis must be paid to the delay of sexual activity and prevention of adolescent pregnancy before marriage. Programs that combine these elements have shown the most promise, especially for adolescents who are motivated to avoid pregnancy until they are married. However, for those populations where adolescent pregnancy is a symptom of deeper problems, education and contraceptive services alone will be inadequate; they must be part of a much wider spectrum of services.

Interventions need to enhance education, prevent drug use, link education to health and other services, and help stabilize communities and families in trouble. This would provide a sense of rationality and order in which youth can develop, make decisions, place trust in individuals and institutions serving them, and have a reasonable expectation of a long, safe, and productive life.

Comprehensive Demonstration Grants for Youth in High-Risk Communities of sufficient size or "critical mass" to significantly improve the day to day experiences, decisions and behaviors of youth are proposed. Services would be non-categorical, integrated and delivered with a personal dimension. They would follow a "youth development" model and would seek to assist communities as well as directly support youth and families. These demonstrations would be coordinated with other

Administration activities, such as the prevention components of the Crime bill and empowerment zones, and would be part of an overall community strategy for youth.

Specifications

- (a) A separate authority under the Title XX of the Social Security Act would be established whereby a designated number of neighborhood sites chosen by the Secretary, in consultation with the Secretaries of Education, HUD, Justice, Labor, and the Director of the Office of National Drug Control Policy, would be entitled to a demonstration grant to educate and support school-age youth (youth ages 10 through 21) in high risk situations and their family members through comprehensive social and health services, with an emphasis on pregnancy prevention.
- (b) Funding and services provided under this program do not have to achieve this goal of comprehensiveness in and of themselves. Rather, this funding can be used to provide "glue money," fill gaps in services, ensure coordination of services, and other similar activities which will help achieve the overall goal of comprehensive integrated services to youth.
- (c) Starting in FY 1995, up to seven community sites would be entitled to \$90 million over 5 years (up to \$3.6 million per site). Grantees would be required to provide a 10 percent, in cash or in-kind, match of the Federal funding. Priority would be given to those with a higher match or an increasing ratio of non-Federal resources over the length of the grant. Since this program is authorized through Title XX of the Social Security Act, any funds not expended in a fiscal year shall be redirected to the Title XX Social Services Block Grant Program.
- (d) The demonstration grantee would develop a community-wide strategy to address the causes and factors of risk-taking tendencies among youth, to positively affect community norms, to increase community health and safety, and to generally improve the social environment to enhance the life choices of community youth. The strategy would be used to provide a comprehensive set of coordinated services designed to saturate the community and would include, but not be limited to, the following areas:
 - (i) Health education and access services designed to promote physical and mental well-being, delay sexual activity, and personal responsibility. These include school health services, health education, family planning services, alcohol and drug use prevention services and referral for treatment, life skills training, and decision-making skills training.
 - (ii) Educational and employability development services designed to promote educational advancement that lead to a high school diploma or its equivalent and opportunities for high skill, high wage job attainment and productive employment, to establish a lifelong commitment to learning and achievement, and to increase self-confidence. Activities could include, but are not limited to, academic tutoring, literacy training, drop-out prevention programs, career and college counseling, mentoring programs, job skills training, apprenticeships, and part-time paid work opportunities.

- (iii) **Social support services designed to provide youth with a stable environment, continuous contact with adults, and encouragement to participate in safe and productive activities. Services could include, but are not limited to, cultural, recreational and sports activities, leadership development, peer counseling and crisis intervention, mentoring programs, parenting skills training, and family counseling.**
 - (iv) **Community activities designed to improve community stability, and to encourage youth to participate in community service and establish a stake in the community. Activities could include, but are not limited to, community policing, community service programs, community activities in partnership with less distressed communities, local media campaigns, and establishment of community advisory councils with youth representation.**
 - (v) **Employment opportunity development activities designed to be coordinated with educational and employability development services, social support services, and community activities described in (ii) through (iv). Emphasis would be on the development of linkages with employers within and outside the community to help create employment opportunities and foster an understanding by community youth of the relationship between productive employment, healthy development, and sound life choices.**
- (e) **Sites would have to meet the following characteristics, and any others determined by the Secretary of Health and Human Services, in consultation with the other Federal agencies.**
- (i) **Geographic – Communities must identify the community or communities they will target. Smaller, more focused boundaries than those required in Empowerment Zones or Youth Fair Chance will be used in order to develop a "critical mass" of services to meet the above goals. Each community must have an identifiable boundary and must be considered a community by its residents.**
 - (ii) **Population – Each community or group of communities have populations of approximately 20,000 to 35,000 people.**
 - (iii) **Poverty – The entire area must have a poverty rate of at least 20%.**
- (f) **Local governments (or units of local governments) and local public and private non-profit organizations could apply. Applicants would be required to supply evidence of comprehensive commitment to the project and collaboration between the community and the city and State (such as local school to work partnerships). The applicant must involve multiple elements (e.g., government, schools, churches, businesses) of the community and the State in the planning and implementation of the demonstration program. Applicants must demonstrate (1) ability to manage this major effort, (2) resources for obtaining data and maintaining accurate records, (3) how they will coordinate with other programs serving the same population, and (4) assurances that the funding provided through this program will not be used to supplant Federal funds for services and activities which promote the purposes of this program.**

- (g) Applicants must define the goals intended to be accomplished under the project. They must also describe the methods to be used in measuring progress toward accomplishment of the goals and outcomes to be measured. Outcomes to be measured would include, but are not limited to, unmarried birth rates, high school graduation rates, college attendance rates, rates of alcohol and other drug use and violence reduction.
- (h) The Department will support rigorous evaluations of all demonstrations. The Federal government will also provide technical assistance to applicants throughout the life of the demonstration. These activities will be coordinated with the National Clearinghouse on Teen Pregnancy Prevention. \$10 million would be provided for these activities.
- (i) The Secretary may terminate a grant before the end of the 5-year period if the Secretary determines that the grantee conducting the project has failed substantially to carry out the project as described in the approved application.

B. RESPONSIBILITIES OF SCHOOL-AGE PARENTS RECEIVING CASH ASSISTANCE

1. Minor Parents Live at Home

Current Law

Under Section 402(a)(43) of the Social Security Act, States have the option of requiring minor parents (those under the age of 18) to reside in their parents' household, a legal guardian or other adult relative, or reside in a foster home, maternity home or other adult supervised supportive living arrangement (with certain exceptions). Delaware, Maine, Michigan, Virgin Islands, and Puerto Rico have included this in their State plans.

Vision

By definition, minor parents are children. We believe that children should be subject to adult supervision. This proposal would require minor parents to live in an environment where they can receive the support and guidance they need. At the same time, the circumstances of each individual minor will be taken into account in making decisions about living arrangements.

Specifications

- (a) All States would require minor parents to reside in their parents' household or with a legal guardian, with certain exceptions as described below. This is the same as the allowed State option under current law, except that now the provision would be a requirement in all States.
- (b) As in current law, when a minor parent lives with her parent(s), the parent(s)' income is taken into account in determining the benefit. If the minor parent lives with another responsible adult, the responsible adult's income is not taken into account. Child support would be sought in all cases.
- (c) A minor parent is an individual who (i) is under the age of 18, (ii) has never been married, and (iii) is either the natural parent of a dependent child living in the same household or

eligible for assistance paid under the State plan to a pregnant woman. This is the same definition as current law.

- (d) The following exceptions (now in current law) to living with a parent or legal guardian will be maintained:
 - (i) individual has no parent or legal guardian of his or her own who is living and whose whereabouts are known;
 - (ii) no living parent or legal guardian of such individual allows the individual to live in the home of such parent or guardian;
 - (iii) the State agency determines that the physical or emotional health or safety of the individual or dependent child would be jeopardized if the individual and dependent child lived in the same residence with the individual's own parent or legal guardian;
 - (iv) individual lived apart from his or her own parent or legal guardian for a period of at least one year before either the birth of any dependent child or the individual having made application for aid to families with dependent children under the plan; or
 - (v) the State agency otherwise determines (in accordance with regulations issued by the Secretary) that there is good cause for waiving the requirement. (In those States that have this policy, the following are examples of what they determine to be good cause exceptions: the home is the scene of illegal activity; returning home would result in overcrowding, violation of the terms of the lease, or violation of local health and safety standards; the minor parent is actively participating in a substance abuse program which would no longer be available if she returned home; no parent or legal guardian lives in the State.)
- (e) Current law and regulation requiring that the determination of a minor parent's residency status must be made within the 45 days that all eligibility determinations are made would be maintained.
- (f) If the State determines the minor should not live with a parent or legal guardian (or the current arrangement ceases to be appropriate because circumstances change), the minor must be assisted in obtaining an appropriate supportive alternative to living independently. (The types of living arrangements that States now use or are considering include living with an adult relative, a licensed foster home, in a group home for pregnant teens or teen parents, and in an approved congregate housing facility.) If no appropriate setting is found the State must grant eligibility, but must utilize case managers to provide support for the minor.
- (g) The State would use the case management for teen parent provision (see #2 below) to make the determinations required under this provision. As described in the next proposal, these case managers would be trained appropriately and have reasonable caseloads. Determinations would be made after a full assessment of the situation, including taking into account the needs and concerns expressed by the minor.

(h) This provision would go into effect in FY 1996.

2. Limiting AFDC Benefits To Additional Children Conceived While on AFDC

Current Law

Currently, families on welfare receive additional support whenever they have an additional child.

Vision

States should be allowed to seek to reinforce parental responsibility by not increasing AFDC benefits when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by providing the family an opportunity to earn what would have been paid in benefits.

Specifications

- (a) Allow States the option of limiting the increase, in full or in part, in the AFDC benefit amount when an additional child is conceived while the parent is on welfare. In order to exercise this option, the State must demonstrate that family planning services under 402(a)(15) are available and provided to all recipients who request them.
- (b) Under this option, if a parent has an additional child, the State must disregard an amount of income equal to any increase in aid that would have been paid as a result of the additional child. Types of income to be disregarded include:
 - (i) child support;
 - (ii) earned income; or
 - (iii) any other source that the State develops and is approved by the Secretary.
- (c) The provision would not be applied in the case of rape or in any other cases that the State agency finds would violate the standards of fairness and good conscience (such as where there is clear evidence that contraceptive failure occurred in a unemployed parent AFDC family).
- (d) This provision would go into effect in FY 1996.

3. Case Management for All Custodial Teen Parents

Current Law

Section 482(b)(3) of the Social Security Act allows States to provide case management to all those participating in the JOBS program.

Vision

Frequently, it is multiple problems that lead youth to the welfare system. Their complex needs often stand in the way of their meeting educational requirements and other responsibilities. Removing these barriers to self-sufficiency can involve the confusing and difficult process of accessing multiple service systems. This proposal would provide every teen with a case manager who would help them navigate these systems and hold them accountable for their responsibilities and requirements.

Specifications

- (a) Require States to provide case management services to all custodial teen parents under age 20 who are receiving AFDC.
- (b) Case management services to teen parents will include, but is not limited to:
 - (i) assisting recipients in gaining access to services, including, at a minimum, family planning, parenting education, and educational or vocational training services;
 - (ii) determining the best living situation for a minor parent, taking into account the needs and concerns expressed by the minor (see #1 above);
 - (iii) monitoring and enforcing program participation requirements (including sanctions and incentives where appropriate); and
 - (iv) providing ongoing general guidance, encouragement and support.

States must describe in their plans how they will meet these requirements.

- (c) Case managers must receive adequate training in the social service and youth development field, and States should take into account recommendations by appropriate professional organizations to carry this out. Also, the case managers must be assigned a caseload of a size that permits effective case management (adequately serves and protects teen parents and their children).
- (d) This provision would go into effect in FY 1996.

4. Teen Parent Education and Parenting Activities State Option

Current Law

Under Section 402(a)(19) of the Social Security Act, teen custodial parents are required to participate in the JOBS program unless they are under 16 years of age, attending school full-time, or are in the last seven months of pregnancy. Participation in the JOBS program involves an assessment of the individual, and an agreement specifying what support services the State will provide and what obligations the recipient has. For those who have not obtained a high school diploma or a GED, attendance at school can serve as their JOBS assignment. Participation in the JOBS program is contingent on the existence of such a program in the geographic vicinity of the recipients' residence.

In addition, under a Section 1115 waiver, States can implement programs which utilize incentives or sanctions to encourage or require teen parents on AFDC to continue their education. Two examples of States having done or planning to do this are the Learning, Earning, and Parenting Program (LEAP) in Ohio and Cal Learn in California, which is in the process of being implemented. LEAP and Cal Learn are mandatory for all pregnant and custodial teen parents who are receiving AFDC and who do not have a high school diploma or GED. Under both LEAP and Cal Learn program rules, all eligible teens are required to enroll (or remain enrolled) in and regularly attend a school or education program leading to a high school diploma or GED. These two initiatives apply only to teens who are case heads. Other States have obtained waivers to implement programs using sanctions to influence dependents to continue their education.

Vision

Teenage mothers face substantial obstacles to achieving self-sufficiency. Eighty percent of teen mothers drop out of high school and only 56 percent ever graduate. Their earning abilities are limited by lack of education and job skills. Teen parents are often not well prepared in the area of parenting. This proposal provides States with a mechanism to utilize creative approaches for encouraging and supporting youth in both their educational and parenting endeavors.

Specifications

- (a) Provide States the option to use monetary incentives (which must be combined with sanctions) as inducement for pregnant teens and teen custodial parents who are receiving AFDC and who do not have a high school diploma or GED to enroll (or remain enrolled) in and regularly attend a school or education program leading to a high school diploma or GED, or a program leading to a recognized degree or skills certificate if the State determines this is most appropriate for a recipient. States may also choose to provide incentives for participation in parenting education activities. This option will operate as part of the new JOBS program, and the rules pertaining to JOBS will apply unless it is specifically stated otherwise.

- (b) Each State plan must clearly define the following --

Incentives: States must define by how much benefits will be increased and what kinds of achievements will be rewarded.

Examples of incentives chosen by Ohio and California are as follows:

In Ohio's LEAP, teens who provide evidence of school enrollment receive a bonus payment of \$62. They then receive an additional \$62 in their welfare check for each month in which they meet the program's attendance requirements. For teens in a regular high school in Ohio, this means being absent no more than four times in the month, with two or fewer unexcused absences. Different attendance standards apply to part-time programs, such as Adult Basic Education (ABE) programs providing GED preparation assistance, but the same financial incentives apply.

Participants of Cal Learn will be required to present their report cards four times a year. The grant will be increased by \$100 for the month after the Cal Learn participant receives a report

card with a "C" average or better. For graduating high school (or its equivalent), these teens will have their grants increased on a one time basis by \$500.

Sanctions: Sanctions under the revised JOBS program would apply unless the State proposes alternative sanctions, to be approved by the Secretary, which the State believes better achieves their objectives.

Examples of sanctions chosen by Ohio and California are as follows:

In LEAP, teens who do not attend an initial assessment interview (which commences participation in LEAP) or fail to enroll in school have \$62 deducted from their grant (i.e., the teens are "sanctioned") each month until they comply with program rules. Similarly, enrolled teens are sanctioned by \$62 for each month that they exceed the allowed number of unexcused absences. Teens who exceed the allowed number of total absences, but do not exceed the allowed number of unexcused absences receive neither a bonus nor a sanction.

In the Cal Learn program, teens who do not receive at least a "D" average or who do not submit his/her report card will have the assistance unit grant reduced over a two month period by the lesser of \$50 or the amount of the grant. This will result in a sanction of not more than \$100. Included in the sanctions will be teens that do not present their report cards because they have dropped out of school or were expelled.

Coordination: A case manager (as described in A.2) will assess each recipient's needs and arrange for appropriate services. States must describe the mechanism case managers and other service providers will use to coordinate with schools.

Eligibility: States must include custodial teen parents under 20 years of age and pregnant women under the age of 20 who have not received a high school diploma (or equivalent). States may choose to include custodial pregnant teens and teen parents up to their 21st birthday.

Exemptions: Exemptions from participation will be based on the same new guidelines governing participation in JOBS and WORK, with two exceptions. First, teens will only be able to defer participation for 3 months after giving birth. Also, a disability will not allow a recipient to defer participation in high school, as schools districts are required to provide students with disabilities appropriate services. (See JOBS and WORK section of proposal for more specific details.)

State-wideness: States can limit the geographic scope of this option.

Information and Evaluation: States would be required to provide information at the Secretary's request and to cooperate in any evaluation.

- (c) Monetary incentives provided under this program would be considered AFDC.
- (d) Monetary incentives provided under this option would not be considered income in determining a family's eligibility for any other Federal or Federally-assisted program, and any

other Federal or Federally-assisted program would treat any penalty imposed as if no such penalty had been applied.

- (e) This provision would go into effect in FY 1996.

IMPROVING GOVERNMENT ASSISTANCE [Title VII, Title VII]

A. RATIONALIZATION AND SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The rationalization and simplification of assistance programs is something of the holy grail of welfare reform—always sought, never realized. The reasons are many: different goals of different programs, varied constituencies, Departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators, and taxpayers are all losers from the current complexity. Below are several proposals for reform. The proposals do not make substantial changes in program structures. Rather, the proposals achieve simplification by streamlining administrative processes and by conforming program rules between the AFDC and Food Stamp programs. The proposals modify existing rules that create unnecessary complexity and confusion for program administrators and recipients. The proposal also supports the expansion of Electronic Benefits Transfer (EBT) programs for delivering Federal and State government benefits. Nationwide expansion was recommended by the Vice President's National Performance Review as a means of reducing fraud, streamlining benefit delivery, and saving taxpayers money. No legislative or regulatory provisions are included in the welfare reform proposal specific to the EBT expansion, although the two initiatives are complementary in their commitment to improve government assistance.

1. RESOURCES

(A) General

Current Law

The Social Security Act and implementing regulations set a \$1,000 limit (or a lower limit at State option) on the equity value of resources that a family may have and be eligible for AFDC. Excluded from consideration as countable resources are the home owned and occupied by the family; an automobile with a maximum equity value of \$1,500 (or a lower limit at State option); bona fide funeral agreements with a maximum equity value of \$1,500 for each family member (or lower limit set by the State); one burial plot for each family member; and real property for a period of 6 consecutive months (or 9 consecutive months at State option) which the family is making a good faith effort to sell. Under certain conditions, States may establish rules regarding transfer of resources in order to obtain or retain eligibility.

The Food Stamp Act and implementing regulations set a \$2,000 limit (or \$3,000 for a household with a member age 60 or over) on the value of resources a household may have and participate in the program. The Act does not specify how the value of resources is to be determined, but provides for uniform national eligibility standards for income and resources. State agencies are prohibited from imposing any other standards of eligibility. Households in which each member receives AFDC, SSI, or general assistance from certain programs do not have to pass the food stamp resource eligibility test. Regulations exclude from resources the value of one burial plot per family member and the cash value of life insurance policies. Also excluded is real property which the household is making a good faith effort to sell at a reasonable price and which has not been sold. There is no specific exclusion

for burial plans (funeral agreements). Any amount that can be withdrawn from a funeral contract without an obligation to repay is counted as a resource.

Food Stamp law prohibits the transfer of resources within the 3-month period prior to application. A household that knowingly transfers resources for the purposes of qualifying or attempting to qualify for food stamps shall be ineligible to participate in the program for a period of up to one year from the date of discovery of the transfer.

Vision

Both the AFDC and Food Stamps programs serve similar needy populations. Yet, because the rules for treatment of both the amounts and categories of resources are different in each program, resources that meet one program's requirement can result in ineligibility under the other.

Both programs have substantially different rules for evaluating the resources of that needy group, forcing welfare administrators to apply different program rules to the same resources in the same family. The following legislative proposal would reduce the current administrative complexity and confusion for welfare administrators and recipients by providing uniform treatment of assets where appropriate.

Specifications

Require the Secretaries in both Departments to develop uniform resource exclusion policies in the following areas, by October 1, 1996:

- (a) Resource Limits: Increase the AFDC resource limit to \$2,000 (or \$3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit.
- (b) The Secretary of HHS shall specify in regulations the valuation and method for determining valuation of an automobile.
- (c) Resource Exclusions:
 - (i) Real Property: Propose legislation to amend the Social Security Act to exclude real property which the AFDC family is making a good faith effort to sell at a reasonable price and which has not been sold, to conform to the Food Stamp policy.
 - (ii) Cash Surrender Value of Life Insurance Policies: Propose legislation to amend the Social Security Act to totally exclude the cash surrender value of life insurance policies under the AFDC program to conform to the Food Stamp policy.
 - (iii) Transfer of Resources: Propose legislation to provide that a household that knowingly transfers resources for the purposes of qualifying or attempting to qualify for AFDC shall be ineligible for benefits for a period of up to one year from the date of discovery of the transfer. This proposal conforms to the Food Stamp policy.

Rationale

The administrative complexity that exists in applying certain resource requirements in the AFDC and Food Stamp programs will be greatly reduced under the proposed changes. Welfare administrators will be able to apply the same rules to the same resources for the same family. These conforming changes achieve simplification by streamlining the administrative processes in both programs.

(B) Asset Accumulation - Individual Development Accounts

Current Law

The Social Security Act and implementing regulations set a \$1,000 limit (or a lower limit at State option) on the equity value of resources that a family may have and be eligible for AFDC, with only limited exclusions.

The Food Stamp Act and implementing regulations set a \$2,000 limit (or \$3,000 for a household with a member age 60 or over) on the value of resources a household may have and participate in the Program. Section 13925 of Pub. L. 103-66 of the Omnibus Budget Reconciliation Act provides that the Secretary of Agriculture shall conduct, for a period not to exceed 4 years, projects to test allowing not more than 11,000 households nationwide to accumulate up to \$10,000 each in excluded resources. These assets are for later expenditures for a purpose directly related to improving the education, training or employability (including self-employment) of household members, for the purchase of a home for the household, for a change in the household's residence, or for making major repairs to the household's home.

Vision

Welfare reform should include strategies to test the notion that one way out of welfare for some people is through empowering them to start their own businesses and encouraging them to save their earnings to build for the future. During the campaign, the President endorsed the idea of helping welfare recipients help themselves by proposing to increase the number of microenterprises and establish Individual Development Accounts (IDAs). These legislative proposals would promote self-sufficiency by encouraging recipients to accumulate savings, assets and start their own businesses.

An IDA is an optional earnings-bearing, tax-benefitted trust account in the name of one person. An IDA would be held in a licensed, federally-insured financial institution. Withdrawals can be made from the account only for qualified purposes, which include: first home purchase, post-secondary education (college/long-term training), or business development (microenterprises). There would be penalties for non-designated use of the account. Participant eligibility would be determined by the State agency using Federal guidelines. Monies placed into an IDA account by an AFDC and Food Stamp recipient would be disregarded for purposes of determining resource limits, up to \$10,000. All income placed into an IDA would be tax deferred. An individual would retain the IDA after leaving welfare, but would still be required to use the resources for specified purposes or would face penalties.

The tax laws will be amended to allow for the establishment of IDAs; DHHS and USDA regulations will set the limit at \$10,000; subsidized IDAs will be established on a demonstration basis;