Child Care Subsidy Rates

In general, States pay subsidies for child care equal to actual cost, up to some maximum. This maximum should be set in a way that reflects reasonable costs of care and should also be the same across child care programs. Additionally, payment mechanisms should reflect current market conditions and be defined in such a way that they can vary automatically over time.

There is a particular problem with the AFDC income disregard for child care, since it is based on an unreasonably low maximum monthly payment of $175 per child ($200 for infant care), and because the disregard is effective only after families incur child care expenses, resulting in a cash-flow problem for families. Simply raising the disregard inadvertently makes a number of new families eligible for AFDC. Eliminating the disregard will make many families ineligible. Therefore, to achieve equity and to give families a realistic ability to afford care, we propose requiring States either to supplement payments or to provide at least two options for payment of child care costs (the disregard and one other payment mechanism).

OTHER PROVISIONS TO MAKE WORK PAY

Allow States to Reward Work and the Payment of Child Support

The existing set of AFDC earnings disregard rules makes work an irrational option for many recipients, particularly over time. Currently, all income received by an AFDC recipient or applicant is counted against the AFDC grant except income that is explicitly excluded by definition. States are required to disregard the following:

- For each of the first four months of earnings, recipients are allowed a $90 work expense disregard, another $30 disregard, and one-third of remaining earnings are also disregarded.

- The one-third disregard ends after four months.

- The $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. The EITC is also disregarded in determining AFDC eligibility and benefits.

This proposal will eliminate the current set of disregard rules and establish a much simpler minimum disregard policy at the Federal level. We will allow considerable State flexibility in establishing policies beyond the minimum. Our proposal includes the following four components:

- Require States to disregard at least $120 in earnings. This is equivalent to the $90 and $30 income disregards that families now get after four months of earnings.

- Allow States complete flexibility in determining which types of income should be considered in developing a "fill-the-gap"[1] policy (i.e., income from earnings, child support or all forms of income). Currently, if States fill the gap, they must apply all forms of income.

- Give States the flexibility to establish their own earned income disregard policies on income above these amounts.

- The AFDC $50 pass-through of child support payments will be indexed for inflation; States will have the option to pass through additional payments above this amount.

This proposal will yield a simpler system for recipients and caseworkers, alike. It maximizes State flexibility and makes work a more attractive, rational option. By allowing workers in low-benefit States to keep more of their earnings, it will increase the economic well-being of those workers. The requirement for States to supplement AFDC payments in fill-the-gap States, if they have less disposable income because child support is paid to the child support agency (instead of directly to the family), will be eliminated.

Permit States to Provide Advance Payments of the EITC through State Agencies

Under current law, low-income workers with children can elect to obtain up to 60 percent of the credit in advance payments through their employers, and claim the balance of the credit upon filing their income tax returns. An employee choosing to receive a portion of the EITC in advance files a W-5 form with his or her employer, and the employer calculates the advanced EITC payment based on the employee's wages and filing status and adds the appropriate amount to the employee's paycheck.

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. Recent data indicates that fewer than one percent of EITC claimants have received the credit through advance payments through their employers. While the reasons for the current low utilization rate are not fully known, a recent GAO study found that many low-income taxpayers were unaware they could claim the credit 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 EITC.

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1. Each State establishes an AFDC need standard (the income the State decides is the amount essential for basic consumption items) and an AFDC payment standard (100 percent or less of the need standard). Benefits are generally computed by subtracting income from the payment standard. Under a "fill-the-gap" policy, benefits are computed by subtracting income from the higher need standard.

This proposal will allow up to four States to conduct demonstrations to promote the use of the advance payment option of the EITC by shifting the outreach and administrative burden from employers to selected public agencies. Such agencies may include public assistance offices (AFDC and/or Food Stamps), Employment Service Offices, and State finance and revenue agencies. Where appropriate, States may coordinate advance payments of the EITC with payments of other Federal benefits (such as food stamps) through electronic benefit technology. Technical assistance will be provided by the Federal government, and each demonstration will be rigorously evaluated.

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

Perhaps the most critical and difficult goal of welfare reform is to reshape the very mission of the current support system from one focused on writing checks to one focused on work, opportunity, and responsibility. The Family Support Act of 1988 recognized, through creation of the JOBS program, the need for investment in education, training and employment services for welfare recipients. Most importantly, it introduced the expectation that welfare recipiency is a transitional period of preparation for self-sufficiency. Most able-bodied recipients were mandated to participate in the JOBS program as a means towards self-sufficiency.

However, the welfare system has not changed as much as was intended by the Family Support Act. Only a small portion of the AFDC caseload is required to participate in the JOBS program, while a majority of AFDC recipients are not required to participate and do not volunteer. An even smaller fraction of recipients are working. This sends a mixed message to both recipients and caseworkers regarding the true terms and validity of the social compact that the Family Support Act represented. As a result, most long-term recipients are not on a track to obtain employment that will enable them to leave AFDC.

This proposal calls for replacing the AFDC program with a transitional assistance program, to be followed by work. The new program includes four key elements: a new social contract; training, education and placement assistance to move people from welfare to work; a two-year time limit; and work requirements. Phasing in the plan starting first with the youngest recipients will send a strong message of responsibility and opportunity to the next generation.

SUMMARY OF PROPOSAL

- **A New Social Contract.** Everyone who receives cash support will be expected to do something to help themselves and their community. Recipients will sign a personal responsibility agreement indicating what is expected of them and of the government and to prepare them for self-sustaining employment. Persons who are not yet in a position to work or train (because of disability or the need to care for an infant or disabled child) will be assigned to pre-JOBS until they are ready for the time-limited JOBS program. Everyone will have a responsibility to contribute something and move toward work and independence.

- **Training, Education, and Placement linked to work (the JOBS program).** The core of the transitional support program will be an expanded and improved JOBS program that focuses on moving people into work. JOBS is the program which was established by the Family Support Act of 1988 to provide training, education and job placement services to AFDC recipients. Every aspect of the augmented JOBS program will be designed to help recipients find and keep jobs. The enhanced program will include a personal responsibility agreement (described above) and an employability plan designed to move persons from welfare to work as rapidly as possible. For most applicants, supervised job search will be required from the date the application is approved. JOBS participants will be required to accept a job if offered. The new effort, rather than creating an employment training system for welfare recipients alone, will seek close coordination with Job Training Partnership Act (JTPA) programs and other mainstream training programs and educational resources.

- **A Two-Year Time Limit.** Young recipients will be limited to two years of cash assistance, after which they will be expected to work. While two years will be the maximum period for the receipt of cash aid by people able to work, the goal will be to help persons find jobs long before the end of the two-year period. Mothers with infants, persons with disabilities which limit work and those caring for a disabled child will be placed in a pre-JOBS status and will not be subject to the time limit while such conditions exist. In a very limited number of cases, extensions of the time limit will be granted for completion of an education or training program or in unusual circumstances.

- **Work (the WORK program).** The new effort will be designed to help as many people as possible to find employment before reaching the two-year time limit. Those persons who are not able to find employment within two years will be required to take a job in the WORK program. WORK program jobs will be paid employment, rather than "workfare," and will include subsidized private sector jobs, as well as positions with local not-for-profit organizations and in the public sector. The positions are intended to be short-term, last-resort jobs, designed neither to displace existing workers, nor to serve as substitutes for unsubsidized employment. Provisions will be put in place to discourage lengthy stays in the WORK program. Among these will be limits on the duration of any one WORK assignment, frequent periods of job search, denying the EITC to persons in WORK assignments and a comprehensive reassessment after a second WORK assignment. People will be required to make a good-faith effort to find unsubsidized work, and anyone who turns down a job offer will be removed from the rolls. The primary emphasis of the WORK program will be on securing unsubsidized employment. States will be given considerable flexibility in the operation of the WORK program in order to achieve this goal.

Each of these elements is discussed below.

PHASE-IN

It is very unlikely that States could proceed to full-scale implementation of the changes described above immediately after passage of the legislation. Even if resources were plentiful, attempting to instantly place the entire caseload in the new transitional assistance program would almost guarantee enormous administrative difficulties at the State level. Facing the need to serve hundreds of thousands more persons in the JOBS program and to create hundreds of thousands of WORK assignments, many States would be unable to succeed at either.

An attractive alternative to the chaos of immediate full-scale implementation is to begin by focusing on younger parents. The younger generation of actual and potential welfare recipients represents the source of greatest concern. Younger recipients are likely to have the longest stays on welfare, in part because they are at the beginning of their spells. They are also the group for which there is probably the greatest hope of making a profound difference. Under this approach, we will devote energy and new resources to ending welfare for the next generation, rather than spreading efforts so thin that little real help is provided to anyone.

The phase-in of the new requirements will begin with all recipients (including new applicants) born after December 31, 1971. All persons of the same age and circumstances will then face the same rules, regardless of when they entered the system. This is roughly one third of the caseload in 1996. Over time, as the percentage of the caseload born after 1971 rises, the new transitional assistance program will encompass a greater and greater proportion of welfare recipients. States will have the option of phasing in faster. By 2000, half of all adult recipients are included. By 2004, two-thirds of the adult caseload will be included.

Targeting younger parents does not imply limiting access to education and training services for older recipients. They will still be eligible for JOBS services. The *new* resources, however, will be focused on younger recipients.

A NEW SOCIAL CONTRACT

The goal of these proposals is to make the welfare system a much different world. The intake process will be changed to clearly communicate to recipients the expectation of achieving self-sufficiency through work. Just as important, the agency will also face a different set of expectations. In addition to determining eligibility, its role will be to help recipients achieve self-sufficiency. The underlying philosophy is one of mutual responsibility. The welfare agency will help recipients achieve self-sufficiency and will provide transitional cash assistance; in return, recipients will take responsibility for their lives and the economic well-being of their children.

<u>Personal Responsibility Agreement</u>. Each adult applicant for assistance will be required to enter into a written agreement in which he or she agrees to take responsibility for moving quickly toward independence in return for that assistance. The applicant and the State will develop an employability plan leading to self-sufficiency, and the State will agree to provide the services called for in the employability plan.

<u>Orientation</u>. Each applicant will receive orientation services to explain how the new system will work. A full understanding of how a time-limited assistance program operates will ensure that participants maximize their opportunities to obtain services.

<u>Employability Plan</u>. Within a short time frame, each adult will undergo a thorough needs assessment. Based on this assessment, and in conjunction with his or her caseworker, each person will design an individualized employability plan which specifies the services to be provided by the State and the time frame for achieving self-sufficiency.

<u>Pre-JOBS</u>. Under the current system, only a small portion of the AFDC caseload is required to do anything, and the rest are exempt. Our plan will reduce the number of exemptions, and ensure that even those who are not able to participate in education, training or work still have to meet certain expectations. People with a disability or caring for a disabled child, mothers with infants under one, and people living in remote areas will be eligible for pre-JOBS. States will be allowed to place a capped number of people in pre-JOBS for other good-cause reasons. All recipients will be required to take steps, even if they are small ones, toward self-sufficiency. Just as in the JOBS program, participants in pre-JOBS, when possible, will be expected to complete employability plans and undertake activities intended to prepare them for employment and/or the JOBS program.

<u>Increased Participation</u>. With increased Federal resources available, it is reasonable to require increased participation in the JOBS program. Current law requires that States enroll 20 percent of the non-exempt AFDC caseload in the JOBS program during fiscal year 1995. States will be expected to meet much higher participation rates for persons who are enrolled in the new program. Through the phase-in strategy described above, a higher and higher percentage of the caseload will be subject to

these rules and requirements, and the transitional assistance program will move toward a full-participation model.

TRAINING, EDUCATION, JOB SEARCH AND JOB PLACEMENT – THE JOBS PROGRAM

The JOBS program originated with the Family Support Act. It represented a new vision for welfare, but it remains mostly an afterthought to a system principally focused on eligibility determination and check writing. We propose to make the JOBS program the centerpiece of the public assistance system. Doing so will require a series of key improvements.

There have been many impediments to the success of the JOBS program, such as a lengthy recession, the surge in AFDC caseloads and State budget shortfalls that hampered States' ability to draw down available JOBS and other Federal matching funds. For these reasons, States have been unable to effectively implement the changes envisioned in the Family Support Act.

In order to fully transform the welfare system into a structure which helps families attain self-sufficiency, the entire culture of the welfare system must be changed. This must start by making the welfare system one which focuses on helping participants achieve self-sufficiency through the provision of education, training and employment services rather than one which concentrates on determining eligibility and writing checks. To accomplish this, a major restructuring effort which implements real changes for all participants is needed. Strong Federal leadership in steering the welfare system in this new direction will be critical. To this end, we propose:

(1) A clear focus on work. From the moment they enter the system, applicants are focused on moving from welfare to work through participation in programs and services designed to enhance employability; and

(2) Much greater integration with mainstream education and training programs.

A Clear Focus on Work

Under the provisions of the new transitional assistance program, JOBS participation will be greatly expanded, and increased participation rates will be phased in. We recognize that welfare recipients are a very diverse population. Participants in the JOBS program have very different levels of work experience, education and skills. Accordingly, their needs will be met through a variety of activities: job search, classroom learning, on-the-job training and work experience. States and localities will, therefore, have great flexibility in designing the exact mix of JOBS program services. Employability plans will be adjusted in response to changes in a family's situation. Finally, the Federal government will make much-needed additional resources available to the States to accomplish the objectives.

Up-Front Job Search. All new adult recipients in the phased-in group (and minor parents who have competed high school) who are judged job-ready will be required to perform job search, as soon as the application is approved. States will have the option to require all job-ready new recipients (including those in the not-phased-in group) to engage in up-front job search.

The job search activities will lead to immediate employment for some recipients. For those who subsequently enter the JOBS program, they will have a realistic grasp of the job market. This will aid in completing the needs assessment and in developing the employability plan, and may also help participants focus their energies.

Teen Parents. In order to meet the special needs of teen parents, any custodial parent under age 20 will be provided case management services. Teen parents will be required to finish high school and participate in the JOBS program. (For further provisions regarding teen parents, see section on Promoting Parental Responsibility).

Semiannual Assessment. In addition to the expectation that client progress will be monitored on a regular basis, States will be required to conduct an assessment of all adult recipients and minor parents, including both those in the pre-JOBS phase and those in JOBS, on at least a semiannual basis to evaluate progress toward achieving the goals in the employability plan. Both the individual's and the State's efforts will be examined, and corrective action will be taken as needed.

Sanctions. In order for the system to work, participants must see that the requirements are real. There must be a direct connection between a participant's behavior and the rewards and sanctions as a consequence. The sanction for refusing a job offer without good cause will be strengthened. The current penalty removes the adult from the grant; in the new system, the family's entire AFDC benefit will be terminated for 6 months or until the adult accepts the job offer, whichever is shorter. The State cannot sanction an individual for refusing to accept an offer of employment if that employment would result in a net loss of income for the family. Sanctions for failure to follow the employability plan will be the same as under current law.

Increased Funding and Enhanced Federal Match. It is important to ensure that all welfare recipients who are required to participate in the JOBS program have access to the appropriate services. The increase in Federal resources available to the States and simplified and enhanced match rates will enable States to undertake the necessary expansion in the JOBS program.

Similar to current law, the capped entitlement for JOBS will be allocated according to the average monthly number of adult recipients (which will include WORK participants) in the State relative to the number in all States. The JOBS capped entitlement will be increased from $1 billion under current law to ___ for 1996, ___ billion for 1997 and ___ billion for each of the next three years. The capped entitlement for JOBS (as well as for WORK) would be increased if the national unemployment rate equalled or exceeded 7 percent.

Fiscal constraints have proven particularly troublesome in effecting welfare system changes. States are required to share the cost of the JOBS program with the Federal Government. Many States have, however, been experiencing budgetary difficulties which were not anticipated at the time the Family Support Act was enacted. Consequently, most States have been unable to draw down their full allocation of Federal JOBS funds because they have not been able provide the required State match. In 1992, States drew down only two-thirds of the $1 billion in available Federal funds, and only 10 States drew down their full allocation. Fiscal problems have limited the number of individuals served under JOBS and, in many cases, limited the services States offer their JOBS participants.

To address the scarcity of State JOBS dollars, the Federal match rate will be increased by five to ten percentage points over the current JOBS match rate, with a minimum Federal match between 65 and 70 percent. Spending for direct program costs, for administrative costs and for the costs of transportation and work-related supportive services would all be matched at the single rate. During periods of high State unemployment, the State match rate for JOBS, WORK and At-Risk Child Care would be reduced by ten percent.

Federal Leadership. The Federal role in the JOBS program will be providing training and technical assistance to help States make the program changes called for in this plan. The Federal Government will encourage evaluations of State JOBS programs, help promote state-of-the-art practices, and assist States in redesigning their intake processes to emphasize employment rather than eligibility. These activities will be funded by setting aside a portion of Federal JOBS funds specifically for this purpose--two percent in fiscal years 1996-98, and one percent thereafter,

Integrating JOBS and Mainstream Education and Training Initiatives

The Federal government currently operates a myriad of education, training, and employment services programs. Many of these programs serve the AFDC population. JOBS programs must continue to link clients to the available services in the community. Coordination, integration and implementation of common strategies among the major programs which serve the AFDC population will help States accomplish the mission of the JOBS program by expanding access to other available services. This proposal prescribes greater coordination, but it grants broad flexibility to States to achieve this objective. To this end, the proposal implements several mechanisms that promote ongoing coordination and integration and which lessen the administrative burdens States face. This will allow for program simplification, innovation, and ongoing program improvement.

The role of the JOBS program should not be to create a separate education and training system for welfare recipients, but rather to ensure that recipients have access to and information about the broad array of existing training and education programs. Under the Family Support Act, the governor of each State is required to ensure that program activities under JOBS are coordinated with JTPA and other relevant employment, training, and educational programs available in the State. Appropriate components of the State's plan which relate to job training and work preparation must be consistent with the Governor's coordination plan. The State plan must be reviewed by a coordinating council. While these measures have served to move the welfare system in the direction of program coordination and integration, further steps can and should be taken. Federal and State efforts for promoting integration and coordination, and general program improvement, will be an ongoing process in the new system.

Program Coordination. This proposal includes provisions which will greatly enhance integration and coordination among the JOBS program and related programs of the Departments of Labor and Education, such as Job Training Partnership Act programs and programs falling under the Adult Education Act and the Carl D. Perkins Vocational Educational Act. For example, the State council on vocational education and the State advisory council on adult education will review the State JOBS plan and submit comments to the Governor to ensure the objectives of these programs are adequately addressed by the State's JOBS program.

Expanded State Flexibility. In order to enable States to take the steps necessary to achieve full integration among education, training, and employment service programs, Governors will have the option to operate the JOBS and WORK programs through an agency other than the agency designated to administer welfare programs. For example, a Governor may choose to operate a combined JOBS/JTPA program. This option will expand State flexibility and will promote innovation and program improvement.

Expanding Opportunities. Among the many Administration initiatives which will be coordinated with the JOBS program are:

- National Service. HHS will work with the Corporation for National and Community Service to ensure that JOBS participants are able to take full advantage of national service as a road to independence.

- School-to-Work. HHS will work with the Department of Education to make participation requirements for the School-to-Work and JOBS programs compatible, in order to give JOBS participants the opportunity to access this new initiative.

- One-Stop Shopping. States which move toward one-stop shopping under the Reemployment Assistance Act will be required to include the JOBS program.

- Pell Grants. The program will ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans and Job Corps.

TWO-YEAR TIME LIMIT

Most people who enter the welfare system do not stay on AFDC continuously for many years. It is much more common for recipients to move in and out of the welfare system, staying for a relatively brief period each time. Two out of every three persons who enter the welfare system leave within two years, and fewer than one in five spends five consecutive years on AFDC. Half of all those who leave welfare, however, return within two years, and three of every four return at some point in the future. Most recipients use the AFDC program not as a permanent alternative to work, but as temporary assistance during times of economic difficulty.

While persons who remain on AFDC for long periods at a time represent only a modest percentage of all people who ever enter the system, they represent a high proportion of those on welfare at any given time. Although many face very serious barriers to employment, including physical disabilities, others are able to work but are not making progress toward self-sufficiency. Most long-term recipients are not on a track toward obtaining employment that will enable them to leave AFDC.

Placing a time limit on cash assistance is part of the overall effort to shift the focus of the welfare system from providing cash assistance to promoting work and self-sufficiency. The time limit will give both recipients and JOBS staff a structure that necessitates continuous movement toward fulfilling the objectives of the employability plan and, ultimately, finding a job.

Two-Year Limit on Cash Benefits. The proposal establishes, for adult recipients not placed in pre-JOBS status, a cumulative limit of 24 months of AFDC benefits, followed by a work requirement. Special provisions for teen parents are discussed below.

Time limits will, in general, be linked to JOBS participation. Recipients required to participate in JOBS will be subject to the time limit. Months in which an individual receives assistance while assigned to pre-JOBS status (rather than participating in JOBS) will not count against the 24-month time limit.

In a two-parent family, both parents will be subject to the time limit if the principal earner is in the phased-in group (see below). If one parent reaches the time limit when the other has not, the parent who reaches the time limit will be required to enter the WORK program. The family will continue to be eligible for benefits as long as at least one of the two parents has not reached the time limit for transitional assistance.

Recipients unable to find employment by the end of two years of cash benefits could receive further government support only through participation in the WORK program, as described below.

Most people will be expected to enter employment well before the two years are up; States that wish to set shorter time frames and require work sooner will be able to do so.

Minimum Work Standard. Months in which an individual meets the minimum work standard will not be counted against the time limit. In an AFDC-UP family, if one parent meets the minimum work standard, neither parent is subject to the time limit. The minimum work standard will be set at 20 hours per week, with a State option to require up to 30 hours per week.

Teen Parents. As mentioned elsewhere, virtually all parents under age 20 will be required to participate in JOBS. The 24-month time clock, however, will not begin to run until the parent turns age 18. In other words, any period of receiving benefits as a custodial parent prior to the age of 18 will not be counted against the two-year time limit.

Pre-WORK Job Search. Persons who are within 45 days of reaching the time limit (up to 90 days at State option) will be required to engage in supervised job search for those final 45-90 days, before taking a WORK assignment.

Extensions. States will be permitted to grant a limited number of extensions to the time limit in the following circumstances:

- For completion of a GED or other education or training program, including a school-to-work program or post-secondary education program, expected to lead directly to employment. These extensions will be contingent on satisfactory progress toward completing the program and will be limited to 12-24 months in duration, and must be combined with part-time employment.

- For those who are learning disabled, illiterate or face language barriers or other serious obstacles to employment.

States will, in addition, be required to grant extensions to persons who have reached the time limit but who have not had access to the services specified in the employability plan. The total number of extensions will be limited to 10 percent of recipients required to participate in JOBS. In other words, a State could have no more than 10 percent of its JOBS-mandatory recipients in extended status at any given time.

Limited Additional Assistance to Persons Who Stay off Welfare for Extended Periods. Persons who exhaust or nearly exhaust their 24 months of time-limited assistance and who leave welfare for an extended period of time will be able to qualify for a few additional months of assistance. This will serve as a cushion, should they lose their job and need temporary help again. Persons with less than 6 months left on their time limit when they leave welfare can qualify for up to 3 months of additional support for each year they are off welfare. However, in no case will they be able to raise their remaining time of benefits available above 6 months.

WORK

The focus of the transitional assistance program will be helping people move from welfare to self-sufficiency through work. An integral part of this effort is making assistance truly transitional for those able to work by placing a two-year time limit on cash benefits. Some welfare recipients will, however, reach the two-year time limit without having found a job, despite having participated in the JOBS program and followed their employability plans in good faith. We are committed to providing these persons with the opportunity to support their families through paid work.

Each State will be required to operate a WORK program which will make paid work assignments available to recipients who have reached the time limit for cash assistance.

The overriding goal of the WORK program will be to help participants find lasting unsubsidized employment. States will have wide discretion in the operation of the WORK program in order to achieve this end. For example, a State could provide short-term subsidized private sector jobs (with the expectation that many of these positions will become permanent), or positions in not-for-profit organizations and/or public sector agencies.

The WORK program as structured is designed to provide an opportunity for individuals who have reached the time limit to support their families through paid work while developing the skills and receiving the job search assistance needed to obtain unsubsidized private sector jobs. The structure ensures that work "pays" by assuring that a family with an adult in a WORK assignment will be no worse off than a family of the same size in which no one is working.

"Workfare" programs are generally not consistent with placements in the private sector. By contrast, the WORK program requires a strong private-sector focus. This is work--not workfare. Persons will be paid for performance--not paid a welfare check and sent out to a work site. WORK provides far greater dignity and responsibility than workfare. Moreover, the purpose of the WORK program is to help persons move into, rather than serve as a substitute for, private sector employment.

Administrative Structure of the WORK Program

Eligibility. A recipient who has reached the time limit for transitional assistance will be permitted to enroll in the WORK program, provided he or she has not refused an offer of an unsubsidized job without good cause (see below).

WORK Funding. Federal funds for the cost of operating the WORK program will be capped and distributed to States according to the number of persons required to participate in JOBS (and subject to the time limit) and the number in the WORK program in a State, relative to the total number in all States. These Federal monies must be matched by State funds at the same rate as in JOBS--the current JOBS match rate plus five to ten percentage points. The WORK capped entitlement will be set at ___ billion for 1998, ___ billion for 1999, ___ for 2000, ___ billion for 2001 and ___ billion for 2002. As discussed under JOBS funding, the capped entitlements for JOBS and WORK would be increased if the national unemployment rate equalled or exceeded 7 percent. Also as discussed under

JOBS funding, during periods of high State unemployment, the State match rate for JOBS, WORK and At-Risk Child Care would be reduced by ten percent.

In addition, States will be reimbursed for wages paid to WORK program participants, including wage subsidies to private employers, at a specified match rate.

If States were unable to claim the total available Federal JOBS and WORK funding for a fiscal year, a State which had reached its cap could draw down Federal funds for operational costs in excess of its allotment from the capped entitlement. All States will be allowed to reallocate up to 10 percent of the combined total of their JOBS and WORK allotments from JOBS to WORK, or vice versa.

Flexibility. States will have considerable flexibility in operating the WORK program. A State can pursue any of a wide range of strategies to provide work to those who have reached the two-year limit, including:

- Subsidize private sector jobs;
- Create positions in the not-for-profit sector (which could entail payments to cover the cost of training and supervising WORK participants);
- Offer employers other financial incentives to hire JOBS graduates;
- Execute performance-based contracts with private firms or not-for-profit organizations to place WORK participants in unsubsidized jobs;
- Create positions in public sector agencies (which might include employing adult welfare recipients as mentors for teen parents on assistance);
- Employ WORK participants as child care workers, child support caseworkers, or home health aides; and
- Support microenterprise and self-employment efforts.

Participation Rates. Each State will be required to meet a participation standard for the WORK program, defined as the lower number of the following such that: 1) Eighty percent of those who reach the time limit and are in the WORK program are assigned to a WORK slot (or in another defined status); 2) The number of WORK assignments the State is required to create (based on the funding allocation) are filled by individuals assigned to the WORK program.

Allocation of WORK Assignments. If the number of people needing WORK positions exceeds the supply, persons new to the WORK program will be given priority, over persons who have previously held a WORK position, in the allocation of WORK assignments. With respect to the remaining WORK participants, States will be permitted to allocate WORK assignments so as to maximize the chance of successful placements.

Interim Activities. States will have the option of requiring persons awaiting WORK assignments (e.g., those who have just concluded a WORK assignment) to participate in other WORK program activities, such as individual or group job search. Child care and other supportive services will be provided as needed for participation in interim WORK program activities. Persons in the WORK program but not in a WORK assignment will be eligible for cash benefits in the interim.

Required Acceptance of Any Job Offer. Both JOBS and WORK program participants will be required to accept any offer of an unsubsidized job, provided the job meets certain health and safety standards and does not result in a net loss of cash income. An individual who refuses such an offer will not be eligible for a WORK position, and the entire family will be ineligible for AFDC benefits for a period of six months. Such an individual will be eligible for services, such as job search assistance, during this period. States will also be able to remove individuals from the rolls for failing to make a good faith effort to find unsubsidized work where jobs are available to match their skills.

Oversight. There will be a WORK advisory panel for each locality with union and private, not-for-profit (including community-based organizations) and public (including local government) sector representation to provide oversight and guidance to the WORK program.

Length of Participation in the WORK Program. Individuals will be limited to a maximum stay of 12 months in any single WORK assignment, after which they will be required to perform job search. States will be required to conduct a comprehensive assessment of any person who has completed two WORK assignments or who has spent at least two years in the WORK program. Following the assessment, persons could be assigned to another WORK position, placed in pre-JOBS status, referred back to the JOBS program, or, at State option, be removed from the rolls for refusing a job offer or failing to take appropriate steps (such as intensive job search) to find unsubsidized work where jobs are available to match their skills.

Retention. States will be required to maintain records on the performance of employers (public, private and not-for-profit) in retaining WORK program participants (after the subsidies end). Similarly, States will be mandated to monitor the effectiveness of placement firms in placing WORK participants in unsubsidized employment.

Nondisplacement. The assignment of a participant to a subsidized job under the WORK program will not result in the displacement of or infringe upon the promotional opportunities of any currently employed worker. In addition, WORK participants could not be placed in vacancies created by a layoff, strike or lockout.

Supportive Services. States will be required to guarantee child care, if needed, for any person in a WORK assignment. States will also be mandated to provide other work-related supportive services as needed for participation in the WORK program.

Characteristics of the WORK Assignments

Wages. Participants will typically be paid the minimum wage. Persons in WORK assignments who are performing work equivalent to that done by others working for the same employer will be similarly compensated.

Hours. Each WORK assignment will be for a minimum of 15 hours per week and for no more than 35 hours per week. The number of hours for each position will be determined by the State.

Treatment of Wages with Respect to Benefits and Taxes. Wages from WORK positions will be treated as earned income with respect to Federal and Federal-State assistance programs other than AFDC. Participants in the WORK program and their families will be treated as AFDC recipients with respect to Medicaid eligibility.
Persons in WORK assignments will be subject to FICA taxes but will not be subject to the provisions of any Federal or State unemployment compensation law. Workers' Compensation coverage will be provided at levels consistent with the relevant State Workers' Compensation statute.

Earnings from WORK positions will not be treated as earned income for purposes of calculating the Earned Income Tax Credit (EITC), in order to encourage movement into jobs outside the WORK program.

Earnings Supplementation. A family with an adult in a WORK position, whose income, net of work expenses, is less than the AFDC benefit for a family of the same size (in which no one is working) will be eligible for supplemental cash benefits to make up the difference. In other words, an earnings supplement will be provided such that a family with an individual who is working in either a WORK assignment or an unsubsidized private sector job, will never be worse off than a family of the same size on assistance in which no one is working.

The work expense disregard used for the purpose of calculating the earnings supplement will be $120 per month (the standard AFDC work expense disregard). States which opt for more generous AFDC earnings disregard policies will be permitted but not required to apply these policies to WORK wages.

Sanctions. Wages will be paid for hours worked, and those who do not show up for work will not get paid. Failure to work the set number of hours for the position will result in a corresponding reduction in wages.

Individuals in the WORK program who without good cause voluntarily quit an unsubsidized job that meets the minimum work standard would lose eligibility for the WORK program for a period of months.

Type of Work. States will be encouraged to place as many WORK participants as possible in subsidized private sector positions. Many of the WORK positions may also be in the not-for-profit sector, with, for example, voluntary agencies, Head Start centers and other community-based organizations.

Work Place Rules. Participants in the WORK program will enjoy the same working conditions and rights as comparable employees of the same employer.

IMPROVING GOVERNMENT ASSISTANCE

The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity obscures the mission, frustrates people seeking aid, confuses caseworkers, increases administrative costs, leads to program errors and inefficiencies, and abets the perception of widespread waste and abuse.

SUMMARY OF PROPOSAL

Clearer Federal goals which allow greater State and local flexibility are critical. A central Federal role in information systems and interstate coordination will prevent waste, fraud and abuse and will also improve service delivery at State and local levels. The proposal to reinvent government assistance contains three major components:

Coordination, Simplification and Improved Incentives in Income Support Programs

- Allow States to eliminate special requirements for two-parent families
- Allow families to own a reliable automobile
- Allow families to accumulate savings
- Other coordination and simplification proposals
- Essential persons

Accountability, Efficiency and Reducing Fraud

- A nationwide public assistance clearinghouse
- State tracking systems
- Expansion of EBT systems

A Performance-Based System

- New performance measures and service delivery standards
- Improved quality assurance system
- Technical assistance

COORDINATION, SIMPLIFICATION AND IMPROVED INCENTIVES IN INCOME SUPPORT PROGRAMS

Everyone from advocates to administrators is calling for simplification of the welfare system, for good reason. The rationalization and simplification of income assistance programs can be achieved by making disparate Food Stamp and AFDC policy rules uniform or complementary for related policy provisions. Standardization among programs will enable caseworkers to spend less time on determining eligibility for various programs and more time on developing and implementing strategies to move clients from welfare to work.

Many have criticized the welfare system because it imposes a "marriage penalty" to recipients who choose to wed by potentially making the married-couple family ineligible for assistance. Eliminating the current bias in the welfare system against two-parent families will encourage parents to remain together and prevent one parent from leaving the home in order that the other parent can receive welfare for the children.

Restrictive asset rules often frustrate the efforts of recipients to save money and subsequently hamper their ability to attain self-sufficiency. Economic security is a vital step towards leaving welfare permanently. Changing the asset rules to allow recipients attain savings, own a reliable car, or even start a business is an important step in the right direction.

Allow States to Eliminate Special Requirements for Two-parent Families

AFDC eligibility for two-parent families is currently limited to those in which the principal wage earner is unemployed, and has worked six of the last 13 quarters. "Unemployed" is defined as working less than 100 hours in a month. This proposal will allow States, at their option, to eliminate any of the special eligibility requirements for two-parent families, including the 100 hour rule, the 30 day unemployment requirement, and the employment test. For States that elect to maintain a 100 hour (or modified) rule, WORK program participation will not count toward the rule. In addition, this proposal removes the sunset provision that allows for the termination of the AFDC-UP program in 1998, and makes it a permanent program.

Allow Families to Own a Reliable Automobile

Reliable transportation will be essential to achieving self-sufficiency for many recipients in a time-limited program -- if we are expecting them to work, we should allow them to have a reliable car that will get them to work. A dependable vehicle is important to individuals in finding and keeping a job, particularly for those in areas without adequate public transportation. Both the AFDC and Food Stamp programs need a consistent resource policy that supports acquiring reliable vehicles.

For AFDC, the permitted equity value for one car is set at $1,500 or a lower value set by the State. In the Food Stamp Program, a car valued at up to $4,500 fair market value is allowed, although a car of any value can be excluded in certain limited circumstances. In both programs the automobile limitations can be a substantial barrier to independence. Current AFDC policy would prevent total exclusion of most cars less than eight to ten years old. The Secretary of Health and Human Services will exercise existing regulatory authority to increase the AFDC automobile limit to an equity value of $3,500, which is more compatible with the current Food Stamp fair market value limit.

Allow Families to Accumulate Savings

As part of the welfare reform effort, we will explore a range of strategies, above and beyond education and job training, to help recipients achieve self-sufficiency. Such strategies could include empowering welfare recipients to start their own businesses and encouraging them to save their earnings to build for the future. Recipients will be permitted to accumulate savings in Individual Development Accounts (IDAs) up to $10,000 for specific purposes such as post-secondary education expenses, first-home purchases, or business capitalization. Subsidized IDAs, in which savings by recipients would be matched by Federal government dollars, will be established on a demonstration basis; unsubsidized IDAs will be permitted for individuals nationwide. Non-recurring lump sum income will not be counted as a resource with respect to continuing eligibility to receive benefits in either AFDC or Food Stamps if put into an IDA.

Other Coordination and Simplification Proposals

Additional changes will be made to the administrative and regulatory program structures of AFDC and Food Stamps to simplify and coordinate rules to encourage work, family formation, and asset accumulation. These include:

Optional Retrospective Budgeting. The proposal will conform AFDC to the Food Stamp Program's more flexible requirements for reporting and budgeting. Under Food Stamp Program rules, States are given the option to use prospective or retrospective budgeting with or without monthly reporting. This proposal will foster consistency between the AFDC and Food Stamp programs and give States greater flexibility to administer their programs.

Resources and assets. The policies proposed under this category generally conform the way in which assets and resources are treated for the purpose of determining eligibility for both AFDC and Food Stamps for the purpose of encouraging work and promoting self-sufficiency. Currently, asset and resource rules are not consistent across programs, creating confusion and administrative complexity. In addition, the very restrictive asset rules across Federal assistance programs are perceived as significant barriers to families saving and investing in their futures.

We propose to develop uniform resource exclusion policies in AFDC and Food Stamps. This proposal will increase the AFDC resource limit (currently $1,000) to $2,000 (or $3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit. We will generally conform AFDC to Food Stamp policy regarding burial plots, funeral agreements, real property, cash surrender value of life insurance policies and transfer of resources.

The administrative complexities that exist in applying resource requirements in the AFDC and Food Stamp programs will be greatly reduced under these 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.

The proposal also includes a self-employment/microenterprise demonstration program. This program will attempt to promote self-employment among welfare recipients by providing access to both microloan funds and to technical assistance in the areas of obtaining loans and starting businesses. The demonstration will explore the extent to which self-employment can serve as a route to self-sufficiency for recipients of cash assistance by encouraging persons on assistance to start microenterprises (small businesses). In addition, resources necessary for self-employment, including business loans, will be excluded from the general resource limits.

Treatment of income. 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. A number of changes are proposed to bring greater conformity between the AFDC and Food Stamp programs, to streamline both programs and/or to reintroduce positive incentives for recipients to work. Several provisions will meet these objectives.

This proposal will exclude non-recurring lump sum payments from income for AFDC, and disregard reimbursements and EITC as resources for both programs. Lump sum payments, such as EITC or reimbursements, will be disregarded as resources for one year from the date of receipt allowing families to conserve the payments to meet future living expenses. In addition, we will disregard all education assistance and earnings of students up to age 19, exclude inconsequential income up to $30 per individual per quarter, disregard JTPA stipends and allowances, disregard both earned and unearned in-kind income and count OJT and other earned income. Allowances, stipends and educational awards received by volunteers participating in a National Service Program will be disregarded for AFDC to conform to Food Stamp policy.

Together these proposals will make the treatment of income simpler for both recipients and welfare officials to understand. They will make work and education a more attractive, rational option for those who would continue to receive assistance and they will improve the economic well-being of those who need to combine work and welfare.

Other Conformities. We propose conforming and streamlining AFDC and Food Stamp policies regarding underpayments and verifications. Underpayments will be restored to both current and former recipients for a period not to exceed 12 months. While verification of information needed for eligibility and benefit determinations will continue to be critical to delivering assistance, States will be given flexibility to simplify verification systems, methods, and timeframes for income, identity, alien status and Social Security Numbers. AFDC requirements concerning declaration of citizenship and alien status will be amended to conform to Food Stamp policy. States will be permitted to implement Federal income tax intercept programs to collect outstanding AFDC overpayments, as currently available for Food Stamps.

Territories. The territories operate AFDC, AABD, JOBS, child care and Foster Care programs under the same eligibility and payment requirements as the States. However, funding for these programs is capped for the territories, with the Federal government matching up to 75 percent of costs. Benefit payments above the cap are financed 100 percent by the territories. The caps are $82 million for Puerto Rico, $3.8 million for Guam, and $2.8 million for the Virgin Islands. Between 1979 and the present, the caps were increased once, by roughly 13 percent. The number of public assistance programs funded under the current caps, coupled with only one adjustment to these caps in 15 years, has seriously limited the territories' abilities to provide, let alone increase, benefits. Further, beginning October, 1994, Puerto Rico will be required to extend eligibility to two-parent families.

We will increase the current caps by an additional 25 percent to create realistic funding levels for the territories that are reflective of the current economy and caseload. We will also create a mechanism for indexing the caps to provide for occasional adjustments in funding levels in lieu of the current burdensome method of petitioning Congress for adjustments. Requirements to operate AFDC-UP programs in the territories will be eliminated. This proposal will continue to give territories the authority to operate public assistance programs and adequate means to do so.

Essential Persons

Under current law, States are permitted, at their option, to include in the AFDC grant benefits for persons who are considered essential to the well-being of an AFDC recipient in the family. Currently, 22 States have selected the option of including essential persons as part of the AFDC unit. Such individuals are not eligible for AFDC in their own right, but their needs are taken into account in determining the benefits payable to the AFDC family because of the benefits or services they provide to the family. This proposal will limit the kinds of individuals that a State may identify as "essential" to eliminate the loophole that allows States to bring relatives like adult siblings into the AFDC unit. We propose defining essential persons as only those who: 1) provide child care that allows the caretaker relative to pursue work and education, or 2) provide care for an incapacitated AFDC family member in the home.

ACCOUNTABILITY, EFFICIENCY AND REDUCING FRAUD

Improvements in administration of welfare programs through the use of computerized information systems began in the late 1970s, but efforts have been sporadic, fragmented and have resulted in varying degrees of sophistication, often depending on available funding incentives. Many of these systems have serious limitations, including limited flexibility, lack of interactive access and limited ability to electronically exchange data. Multiple and uncoordinated programs and complex regulations invite waste, fraudulent behavior and simple error.

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 permit the development of an information infrastructure and system that is able to: eliminate the need for clients to access different entry points before receiving services, eliminate the need for agency workers (and clients) to encounter and understand a wide variety of complex rules and procedures, fully share 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.

We are proposing to make use of new technology and automation to develop an information infrastructure which allows State-level integration and interfacing of multiple systems (including AFDC, food stamps, work programs, child care, child support enforcement, and others) and offers the chance to implement transitional programs which ensure quality service, fiscal accountability and program integrity. States will be able to use the location and receipt of AFDC and the names and Social Security Numbers of members of AFDC families to detect and prevent fraud and abuse. Such information, either alone or by matching it with other data sources, will allow States to prevent, for example, clients from receiving benefits in multiple locations, from claiming non-existent children, and from claiming children by more than one family.

Partly as a result of increasing the detection of fraud and abuse and partly as a result of changing the culture of the welfare system, much fraud and abuse will be prevented or deterred before it occurs. For instance, people who currently have unreported jobs, but are fraudulently getting cash assistance, will be "smoked-out" because the JOBS plus WORK requirements will prevent them from working at their unreported employment. In the face of increased likelihood of detection of fraud and abuse, others may decide not to come onto the rolls at all or, once on, to actively pursue self-sufficiency.

Program integrity activities will focus on ensuring overall payment accuracy, and detection and prevention of recipient, worker and vendor fraud. The new systems at the local, State, and Federal levels will dramatically increase the ability to detect many kinds of fraud and abuse. To support the broader information needs, the new information infrastructure needs to include both a national data clearinghouse to coordinate data exchange, as well as enhanced State and local information processing.

<u>A nationwide public assistance clearinghouse</u> will be created which will be a collection of abbreviated case and other data. The clearinghouse will maintain at least the following data registries: the National New Hire Registry of employment data including new hires; the National Locate Registry that subsumes the current Federal Parent Locator Service; the National Child Support Registry of data on noncustodial parents who have support orders; and the National Transitional Assistance Registry to assist in operating a national time-limited assistance "clock" by tracking people whenever and wherever they use welfare. Such a system is essential for keeping the clock in a time-limited welfare system. Persons will not be able to escape their responsibilities by moving or by trying to collect benefits in two jurisdictions simultaneously.

<u>State tracking systems</u> which follow people in the JOBS and WORK programs. These systems will ensure that people are getting access to what they deserve and that they are being held accountable if they are failing to meet their obligations. Each State will be expected to develop a tracking system which indicates whether people are receiving and participating in the training and placement services they are expected to.

In sum, the new welfare system, on the one hand, will provide government agencies enhanced tools to detect fraud and abuse and, on the other, will prevent and deter clients from engaging in such activities or will encourage clients to participate more actively in their own self-improvement.

<u>Expansion of EBT systems</u>. As part of the National Performance Review, Vice President Al Gore charged a Federal Task Force representing the Departments of Health and Human Services, Agriculture, Education, Treasury, the Office of Personnel Management, and the Office of Management and Budget to develop a strategic plan for a nationwide system to deliver government benefits, including welfare assistance, electronically. In its recent report, the Task Force sets forth a vision for implementation of a uniform, integrated national system for Electronic Benefits Transfer (EBT) by 1999.

This system will replace today's multiple paper systems and provide better service to unbanked benefit recipients at a lower cost to the taxpayer. Under EBT, recipients will receive a single EBT card which they could use at ATM or point-of-sale (POS) machines in stores and other locations to electronically access one or many types of benefits, from welfare to Social Security. The card helps to eliminate the stigma associated with cashing a welfare check or using food stamps at a grocery store, and restores the dignity and control associated with work and independence. EBT also eliminates much of the high risk of theft associated with getting a benefit check in the mail and with cashing it for its full value. Recipients can access their benefits at their convenience (compatible with their work or training schedule), and without incurring check cashing fees. And, since using an EBT card is like using a bank card, recipients will be better prepared to participate in the economic mainstream of the community as they begin to work.

An EBT system has strong long-term potential for better coordination of Federal benefit programs. At least 12 Federal and State assistance programs could use EBT to replace their paper benefit delivery methods. Once the full range of programs is included, a nationwide EBT system could deliver at least $111 billion in benefits annually, with annual Federal savings in the range of $195 million.

A PERFORMANCE-BASED SYSTEM

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 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 Secretary of Health and Human Services will develop a system of performance standards which measures States' success in moving clients toward self-sufficiency and reducing their tenure on welfare. The system will be developed and implemented over time; 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 into place, State performance will be measured against service delivery standards. These standards will be used to monitor program implementation and operations, provide incentives for timely implementation, and ensure that States are providing services needed to convert welfare into a transitional support system. The new service delivery measures for JOBS are designed to see that a substantial portion of such cases are being served on an ongoing basis. As soon as WORK program requirements begin to take effect, States also will be subject to performance standards under the WORK program to ensure that recipients are provided with jobs when they reach the time limit. Until automated systems are operational and reliable, State performance vis-s-vis these service delivery measures will be based on information gathered through a modified Quality Control system.

New Performance Measures and Service Delivery Standards

Consistent with the theme of "reinventing government," State performance in accomplishing the goals of this reform initiative will ultimately be judged on the basis of outcomes rather than inputs or effort -- by the results they achieve rather than the way they achieve those results. An outcome-based performance standards system will keep the focus of welfare reform on the goals of moving recipients toward self-sufficiency and independence while ensuring the overall well-being of children and their families.

In order to change the focus of the welfare system, the outcome-based performance standards system 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. Recognizing the complexity of this task, this proposal adopts a prudent strategy that moves forcefully, yet with reasonable caution, in the direction of developing an outcome-based performance system. Performance measures will be developed first, and then standards of performance with respect to those measures will be set. Relevant parties will be consulted during this process to ensure that consideration is given to important measurement issues such as what would be an appropriate set of measures, what kind of realistic standards should set with respect to those measures, and what the consequences should be for failing to meet established standards.

For the purposes of accountability and compliance, service delivery measures will be implemented first to ensure that welfare systems are operating the program for the phased-in mandatory population as intended. The new performance system will provide rewards and penalties for State performance through adjustments to the State's claims for Federal matching funds on AFDC payments and bonus payments to States. The 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 will be subject to service delivery standards and financial incentives in the following areas: the cap in pre-JOBS assignments, a monthly participation rate in JOBS, the cap on JOBS extensions, State accuracy in keeping the two-year clock, and a participation rate in WORK.

Improved Quality Assurance System

As part of the effort to refocus the welfare system, the Quality Control (QC) system will be revised to include outcome and service delivery standards in addition to ensuring that income support if provided competently. The existing QC system focuses on how well the welfare system's income support function is performed to the exclusion of other system goals. This emphasis shapes the atmosphere and feel (the "culture") within welfare agencies, how personnel are selected and trained, how administrative processes are organized, and how organizational rewards are allocated. Moving to the new system envisioned by this proposal will present implementation and operational challenges that make the current system of judging performance inadequate.

The new, broader, QC system will give equal priority to payment accuracy and the other designated performance standards, and will include improving the accuracy of benefit and wage payments in the AFDC and WORK programs, assessing the quality and accuracy of State-reported JOBS/WORK data, and measuring the extent to which performance standards are met.

Technical Assistance

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 issuing checks for the past two decades. Now we will be expecting States to change individual behavior and their own institutions themselves so that welfare recipients will be moved into mainstream society. This will not be done easily. We envision 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 proposal. 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 will reserve two percent of the total annual capped entitlement funding for the Secretary of Health and Human Services to be spent on JOBS, WORK and child care for research, demonstrations, evaluation and technical assistance. In addition, the level of Federal technical assistance provided to State child support agencies will be expanded to prevent deficiencies before they occur.

TABLE 5

[DETAILED YEAR-BY-YEAR COST TABLE WITH TEXT TO BE ADDED HERE]

FINANCING

The financing for welfare reform comes from three areas: (1) reductions in entitlement programs; (2) extensions of various savings provisions set to expire in the future; and (3) better enforcement of revenue-raising measures. Total estimated savings for all proposals are roughly $9.3 billion over five years.

Entitlement Reforms

Cap the Emergency Assistance Program. The little known AFDC-Emergency Assistance (EA) Program is an uncapped entitlement program which has skyrocketed in recent years. In fiscal year 1990, expenditures totalled $189 million; in fiscal year 1995, it is estimated that expenditures will be $644 million and by fiscal year 1999 almost $1 billion. While the intent of the EA program is to meet short-term emergency needs and help keep people off welfare, States currently have wide latitude to determine the scope of their EA programs. Recently, States have realized that the definition of the program is so broad that it can fund almost any critical services to low-income persons. States have rapidly begun shifting costs from programs which the States fund primarily on their own such as foster care, family preservation, and homeless services into the matched EA program. States appear to be funding services that address long-term problems as well as true emergency issues.

We propose to modify the current Emergency Assistance program by establishing a Federal cap for each State's EA expenditures. The basic allocation formula balances the need to protect States that have been spending heavily on EA in and before 1994 with the potential claims of States which have not yet begun claiming for services under EA.

The basic allocation formula is a combination of two components:

(1) Allocation among States proportional to their requested expenditures in 1994; and

(2) Allocation among States proportional to their total AFDC spending in the previous year.

There will be ten-year transition period, and the weighting of the components will shift over time, with increasingly more weight being given to the second component. Beginning in 1995, the weighting will be 90 percent by component 1 and 10 percent by component 2. The weighting will be altered gradually each year such that by 2004, the weighting will be 100 percent by component 2.

The allocation formula established a hold-harmless level at actual 1991 levels. Choosing 1991 prevents gaming, since the window in which 1991 claims can be submitted is closed.

The Federal match will continue at 50 percent up to the cap. Under the new capped program, States will also be given the flexibility to determine their own definition of emergency services. This will give the States flexibility to address various special emergency problems. This proposal raises $1.60 billion over five years.

Tighten Sponsorship and Eligibility Rules for Non-Citizens. In recent years, the number of non-citizens lawfully residing in the U.S. who collect SSI has risen dramatically. The chart below shows that immigrants rose from 5 percent of the SSI aged caseload in 1982 to over 25 percent of the caseload in 1992. Since 1982, applications for SSI from immigrants have tripled, while immigration rose by only about 50 percent over the period.

Most of the legal permanent resident applicants enter the country sponsored by their relatives. Until this year, current law required that for 3 years, a portion of the sponsor's income in excess of 110 percent of poverty be "deemed" as available to help support the legal permanent resident (LPR) immigrant should they need public assistance. Currently, about one-third of the LPR immigrants on SSI subject to the deeming rules apply in their 4th year of residency. Last fall, to pay for extended unemployment benefits, Congress extended the time of deeming under SSI from 3 years to 5 years until 1996 when it reverts to 3 years again.

The Administration proposal related to non-citizens contains two parts--extending the deeming period for sponsor income and coordinating eligibility criteria under four Federal assistance programs.

Deeming. Our proposal makes permanent the five-year sponsor-to-alien deeming under the SSI program and extends from three years to five years sponsor-to-alien deeming under the AFDC and Food Stamp programs. For the period beginning with six years after being lawfully admitted for permanent residence in the U.S. and until a sponsored immigrant attains citizenship status, no sponsored immigrant shall be eligible for benefits under the AFDC, SSI, and Food Stamp programs, unless the annual income of the immigrant's sponsor is below U.S. median income. In other words, beyond the five years, an LPR immigrant will be ineligible for welfare if his or her sponsor's income is in the top half of the income distribution. Once immigrants with relatively wealthy sponsors attain citizenship, they will be potentially eligible for benefits. Any immigrant whose sponsor is receiving SSI or AFDC benefits would be exempt from sponsor-to-alien deeming under SSI, AFDC and food stamps. INS proposals to speed and simplify the citizenship process will help improve the current naturalization system. The proposal affects applications after the date of enactment (i.e., it would grandfather current recipients as long as they remained continuously eligible for benefits). This part of the proposal saves $3.06 billion over 5 years.

The proposal sets consistent deeming rules for LPR immigrants across three Federal programs (SSI, AFDC, and Food Stamps). Extended deeming is based on longstanding immigration policy that LPR immigrants should not become public charges. Sponsored LPR immigrants most often apply for SSI benefits on the basis of being aged, and are different from most citizens in that the latter typically spent their life working and paying taxes in the U.S. At the same time, this proposal ensures that truly needy sponsored immigrants will not be denied welfare benefits if they can establish that their sponsors are no longer able to support them, if their sponsors die, or if the immigrant becomes blind or disabled after entry into the U.S. The policy would not affect refugees or asylees.

Eligibility criteria. The second element of this proposal establishes similar eligibility criteria under four Federal programs (SSI, AFDC, Medicaid, and Food Stamps) for all categories of immigrants who are <u>not</u> legal permanent residents. This element establishes in statute a consistent definition of which non-LPR immigrants are eligible for welfare benefits. Currently, due to different eligibility criteria in statute, and litigation over how to interpret statutory language, the four Federal programs do not cover the same categories of non-LPR immigrants. The Food Stamp program has the most restrictive definition of which categories of non-LPR immigrants are eligible for benefits (i.e., the eligibility criteria encompass a fewer number of INS statuses). SSI and Medicaid have the most expansive definition of which categories of non-LPR immigrants are eligible for benefits, and the AFDC program falls between these extremes.

This proposal creates eligibility criteria in the SSI, Medicaid, and AFDC programs that are similar to the criteria that currently exists in the Food Stamp program. The new list of INS statuses required for potential eligibility to the SSI, Medicaid, and AFDC programs is also virtually identical to those listed in the Health Security Act providing eligibility for the Health Security Card. Like the extended deeming provisions, this part of the proposal affects applications after date of enactment (i.e., it would grandfather current recipients as long as they remained continuously eligible for benefits). This part of the proposal saves $890 million over 5 years.

Time Limit SSI Benefits for Drug and Alcohol Addicted Recipients.
Current law requires that all SSI disability recipients for whom substance abuse is material to the finding of disability must be in available treatment and must have their payments made through a representative payee (a third party who receives and manages the funds). Payments to these SSI drug addict and alcoholic (DA&A) beneficiaries are suspended if the individual fails to participate in appropriate alcohol or drug treatment, if such treatment is available. No similar requirements are made of Title II disability beneficiaries who receive benefits on the basis of addictions. The representative payee and treatment requirements have been part of the SSI program since its inception over 20 years ago. However, the provisions have not been implemented effectively.

Under the proposal, strengthened sanctions and new time limits will be applied to benefits paid to individuals receiving Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) benefits who have substance abuse problems that are material to their disability finding. These requirements will be applied to new Title II beneficiaries and to current and future SSI beneficiaries who are classified as DA&As.

The Congress is reaching decisions on these proposals currently in conference on H.R. 4277, a bill which the Administration supports. We anticipate savings of $600 million over five years.

Income Test Meal Reimbursements to Family Day Care Homes. The Child Care Food Program provides food subsidies for children in two types of settings: child care centers and family day care homes. They are administered quite differently. The subsidies in centers are well targeted because they are means-tested; USDA believes that over 90 percent of Federal dollars support meals served to low-income (below 185 percent of poverty) children. The family day care part of the program is not well targeted because it has no means test (due to the lack of administrative ability of the providers). A USDA-commissioned study estimates that 71 percent of Federal dollars support meals for children above 185 percent of the poverty line. While the child care center funding levels have been growing at a modest rate, the family day care funding levels are growing rapidly--16.5 percent between 1991 and 1992.

The following approach better targets the family day care funding to low-income children and creates minimal administrative requirements for providers.

- Family day care homes located in low-income areas (e.g., census tracts where half of the children are below 185 percent of the poverty line) would receive $.84 and $1.67 in breakfast and lunch reimbursements, respectively, during school year 1995. This is roughly equivalent to the "free meal" rate paid on behalf of low-income children in day care centers, whose families have incomes under 130 percent of poverty.

- All other homes would have a choice. They could elect not to use a means-test; if they elect this option, they would receive reimbursements at the reduced levels of $.54 and $1.27, respectively. Alternatively, a family day care home could administer a simplified, two-part means-test. Meals served to children below 185 percent of the poverty line would be reimbursed at the "free meal" rate. Meals served to children above 185 percent of the poverty line would be reimbursed at the reduced-price rate.

- Intermediaries that serve family day care homes in low-income areas would be reimbursed an extra $10 per month for ongoing administrative costs, and a $5 million set-aside would help such day care homes to become licensed (or registered).

This provision yields savings of $520 million over five years.

Extend Expiring Provisions

Hold Constant the Portion of Food Stamp Overpayment Recoveries that States May Retain. States are permitted to keep some portion of the 100-percent Federal Food Stamp recoveries as an incentive payment for pursuing fraud cases. This proposal would extend the 1990 Farm Bill provision which reduced the percentage of recovered Food Stamp overissuances retainable by State agencies for fiscal years 1991-95. Under this provision, which would be extended to fiscal years 1996-2004, States could retain 25 percent of recoveries from fraud/intentional program violations (previously 50 percent) and 10 percent of other recoveries (previously 25 percent). This proposal raises $50 million over five years.

Extend Fees for Passenger Processing and Other Custom Services. A flat-rate merchandise processing fee (MPF) is charged by U.S. customs for processing of commercial and non-commercial merchandise that enters or leaves U.S. warehouses. The fee, adopted by OBRA 1986, generally is set at 0.19 percent of the value of the good. Other variable customs fees are charged for: passenger processing; commercial truck arrivals; railroad car arrivals; private vessel or private aircraft entries; dutiable mail; broker permits; and barge/bulk carriers. NAFTA extended the MPF and other fees through September, 2003. The proposal extends the fees charged permanently.

Extend Railroad Safety User Fees. Railroad safety inspection fees were enacted in the Omnibus Budget Reconciliation Act of 1990 to pay for the costs of the Federal rail safety inspection program. The railroads are assessed fees according to a formula based on three criteria: road miles, as a measure of system size; train miles as a measure of volume; and employee hours as a measure of employee activity. The formula is applied across the board to all railroads to cover the full costs of the Federal railroad safety inspection program. The fees are set to expire in 1996. The 1995 President's Budget proposed to extend the fees through 1999 and expand them, effective in 1995, to cover other railroad safety costs. The proposal extends the fees permanently. This proposal raises $160 million over five years.

Extend Corporate Environmental Income (Superfund) Tax. An environmental tax based on corporate alternative minimum taxable income (0.12 percent) was first enacted in 1986 and is set to expire at the end of 1995. This tax will be extended. The outlays from Superfund are already accounted for under the discretionary caps and are in no way affected by the extension of this tax. Extending this tax ensures that funding for environmental clean-up is not shifted to the general fund. This proposal would raise $1.6 billion over five years.

Tax Compliance Measures

Deny EITC to Non-Resident Aliens. Under current law, non-resident aliens may receive the Earned Income Tax Credit (EITC). Because non-resident taxpayers are not required to report their worldwide income, it is currently impossible for the IRS to determine whether ineligible individuals (such as high-income nonresident aliens) are claiming the EITC. The proposal will deny the EITC to non-resident aliens completely. We estimate that about 50,000 taxpayers will be affected, mainly visiting foreign students and professors. The proposal raises $130 million over five years.

Require Income Reporting for EITC Purposes for Department of Defense (DoD) Personnel. Under current law, families living overseas are ineligible for the EITC. The first part of this proposal would extend the EITC to active military families living overseas. To pay for this proposal, and to raise net revenues, the DoD would be required to report the nontaxable earned income paid to military personnel (both overseas and States-side) on Form W-2. Such nontaxable earned income includes basic allowances for subsistence and quarters. Because current law provides that in determining earned income for EITC purposes such nontaxable earned income must be taken into account, the additional information reporting would enhance compliance with the EITC rules. This proposal is supported by DoD. The combination of these two proposals raises $160 million over five years.

TABLE 6

[DETAILED YEAR-BY-YEAR FINANCING TABLE TO BE ADDED HERE]

CONCLUSION

If welfare reform is to truly succeed, it must accomplish multiple and varied objectives. The current welfare initiative will focus on work, responsibility, family and opportunity, all important principles which are difficult to quantify. However, we are confident that enactment of the Administration welfare reform proposal will result in positive and tangible impacts. By sending a strong signal that young people should delay childbearing until they are prepared to accept the ensuing responsibilities, we will reduce teen pregnancies and the number of children born out of wedlock. By streamlining the paternity establishment process, ___ more children will have the benefit of knowing who their father is. By significantly strengthening our child support enforcement system and by providing incentives and opportunities for noncustodial parents, we will dramatically increase the amount of support paid--by $___ billion--to children in this country. By expanding child care provided to working families, by allowing States to disregard additional earnings and child support and by making the EITC available on a regular basis, we will make work a rational and desirable choice for welfare recipients and those at-risk of going on welfare. By expanding the JOBS program and imposing time limits and work requirements, we will engender the values of work and responsibility among those who need public assistance. This will increase the number of custodial parents who enter the labor force and increase earnings for their families. And finally, by streamlining and simplifying government assistance programs, we will eliminate outdated and inefficient bureaucratic rules within the current system and improve incentives for recipients and welfare officials alike.

In summary, this proposal does "end welfare as we know it" by dramatically changing the values, expectations and incentives within our current welfare system. Ultimately, this plan is about improving the lives of children and families by encouraging the values of work, responsibility, family and opportunity. Through the provisions described above, and particularly through increased earnings from work and increased child support payments, the well-being of children in this country will be significantly improved.

WORK AND RESPONSIBILITY ACT

OF 1994

LEGISLATIVE SPECIFICATIONS

WORK AND RESPONSIBILITY ACT

OF 1994

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WORK AND RESPONSIBILITY ACT

OF 1994

INTRODUCTION

It is time to end welfare as we know it and replace it with a system that is based on work and responsibility–a system that will help people help themselves. This legislation reinforces the fundamental values of work, responsibility, family, and community. It rewards work over welfare. It signals that people should not have children until they are ready to support them, and that parents–both parents–who bring children into the world must take responsibility for supporting them. It gives people access to the skills they need and expects work in return. Most important, it will give people back the dignity that comes from work and independence. The cost of the proposal to the Federal Government is estimated at $9.3 billion over five years and is fully offset, primarily through reductions in entitlements and without new tax increases.

The "Work and Responsibility Act of 1994" will replace welfare with work. Under this legislation, welfare will be about a paycheck, not a welfare check. Our approach is based on a simple compact designed to reinforce and reward work. Each recipient will be required to develop a personal employability plan designed to move that individual into the workforce as quickly as possible. Support, job training, and child care will be provided to help people move from dependence to independence. Time limits will ensure that anyone who can work, must work–in the private sector if possible, in a temporary subsidized job if necessary.

This legislation includes several provisions aimed at creating a new culture of mutual responsibility. It includes provisions to promote parental responsibility and ensure that both parents contribute to their children's well-being. This legislation establishes the toughest child support enforcement program ever. It recognizes that preventing teen pregnancy and out-of-wedlock births is critical part of welfare reform. To prevent welfare dependency, teenagers must get the message that staying in school, postponing pregnancy, and preparing to work are the right things to do. The legislation also includes: incentives directly tied to the performance of the welfare office; extensive efforts to detect and prevent welfare fraud; sanctions to prevent gaming of the welfare system; and a broad array of incentives that States can use to encourage responsible behavior.

The "Work and Responsibility Act of 1994" proposes dramatic changes in our welfare system, changes so bold that they cannot be accomplished overnight. We phase in these changes by focusing on young people, to send a clear message to the next generation that we are ending welfare as we know it.

JOBS, TIME LIMITS AND WORK [Title I, Title II]

Definition: A "subsidized job" is defined as a position subsidized under either the JOBS or the WORK program.

JOBS AND TIME LIMITS

1. EFFECTIVE DATE AND DEFINITION OF PHASED-IN GROUP

Specifications

(a) The effective date for the legislation would be October 1, 1995. States could petition to delay implementation for up to one year after the effective date (i.e., until, at the latest, October 1, 1996) for circumstances beyond the control of the State IV-A agency (e.g., no meeting of State legislature that year). States would be required to have the program implemented statewide (in each political subdivision of the State where it is feasible to do so) within two years of initial implementation.

(b) The phased-in group would be defined as custodial parents, including minor custodial parents, who were born after 1971 (in 1972 or later).

(c) States would have the option to define the phased-in group more broadly (e.g., custodial parents born after 1969; born after 1971 and all first-time applicants), provided the phased-in group included at least the population described in (b).

(d) States would be required to apply the new rules, including the time limit, to all applicants in the phased-in group as of the effective date of the legislation. Recipients (parents) in the phased-in group who were on AFDC prior to the effective date would be subject to the new rules, including the time limit, as of their first redetermination following the effective date.

2. PROGRAM INTAKE

Current Law

The Family Support Act requires a State agency to make an initial assessment of JOBS participants with respect to employability, skills, prior work experience and educational, child care and supportive service needs.

Vision

At the point of intake, applicants would learn of their specific responsibilities and expectations regarding the JOBS program, the two-year time limit and its relationship to JOBS participation and AFDC benefits not conditioned upon work. Each applicant would now be required to enter into a personal responsibility agreement with the State agency broadly outlining the obligations of each party. While the personal responsibility agreement would serve as a general accord, the employability plan would be focused on the specific employment-related needs of each applicant.

Rationale

States must change the culture of the welfare system by changing the expectations of both the recipient and the State agency. This calls for modifying the mission of the welfare system beginning at the point of intake to stress employment and access to needed services rather than eligibility and benefit determination. The mutual obligations of the State agency and the participant must be spelled out and enforced. JOBS programs must continue to link clients to services in the community.

Specifications

(a) All parents and other caretaker relatives would be required as part of the application/redetermination process to sign a Personal Responsibility Agreement with the State IV-A agency. The Agreement would state the overall goal of achieving maximum self-sufficiency and would describe the general responsibilities of both the applicant and the State agency (for the applicant, following the employability plan; for the State, making available the services in the plan). Current recipients (parents), if they had not previously signed the Agreement, would be required to sign the Agreement as part of the redetermination process. The Personal Responsibility Agreement for persons in the not-phased-in group would make no reference to the time limit.

(b) The Personal Responsibility Agreement would not be a legal contract.

(c) The State IV-A agency would be required to orient each applicant to the AFDC program by providing information about the AFDC program, which would include (among other items) the nature and applicability of the two-year time limit, the JOBS participation requirement, the services provided under JOBS and the availability of such services to persons not in the phased-in group. Each applicant in the phased-in group would be informed of the number of months of cash assistance/JOBS participation for which he or she was eligible (e.g., 24 for first-time applicants). The orientation information could be provided as part of the eligibility determination process or in a subsequent one-on-one or group orientation session. States would be required to provide the orientation information prior to or as part of the development of the employability plan. The information would be imparted in the recipient's primary language pursuant to Federal law and regulation. Child care would be available as needed to enable an individual to receive the orientation information (as under 45 CFR 255.2).

(d) The State would have to obtain confirmation in writing from each applicant in the phased-in group that he or she had received and understood the requisite orientation information.

(e) Recipients who were already on assistance as of the effective date of the legislation would be provided with the requisite orientation information at the earliest possible date but in no event later than at the development or revision of the employability plan (see below) or as part of the redetermination process, whichever came first.

3. EMPLOYABILITY PLAN

Current Law

On the basis of the assessment described above, the State agency must develop an employability plan for the participant. The State agency may require participants to enter into a formal agreement which specifies the participant's obligations under the program and the activities and services to be provided by the State agency. The employability plan is not considered a contract.

Vision

The employability plan would be designed so as to help individuals secure lasting employment as soon as possible. Employability plans could be for less than 24 months and may include assignment, through JOBS, to work programs such as On-the-Job Training, Work Supplementation and CWEP.

Specifications

(a) The State agency would be required to complete the assessment and employability plan (for new recipients) within 90 days from the earliest date for which payment was made. For recipients on assistance as of the effective date, the employability plan would have to be developed (or revised, if such a plan were already in place) within 90 days of the date the recipient became subject to the time limit (i.e., within 90 days of the redetermination; see above).

(b) The employability plan would be developed jointly by the State agency and the recipient. In designing the employability plan, the agency and the recipient would consider, among other elements, the months of eligibility (for JOBS participation/AFDC benefits not contingent upon work; see DEFINITION OF THE TIME LIMIT below) remaining for that recipient (if that recipient were subject to the time limit).

(c) An employability plan would be required for all JOBS participants, including those not in the phased-in group (e.g., volunteers). Employability plans would also be developed, when appropriate, for persons who were deferred from JOBS participation.

(d) The employability plan for persons required to participate in JOBS would include an expected time frame for achieving self-sufficiency and the activities intended to assist the participant in obtaining employment within that time period. The time frame would, in the case of many JOBS participants, be shorter than 24 months. For persons who were deferred, an employability plan could detail the activities needed to remove the obstacles to JOBS participation (see below).

(e) Amend section 482(b)(1)(A) by adding "literacy" after the word "skills."

(f) The State agency would provide that if the recipient and the State agency staff member or members responsible for developing the employability plan could not reach agreement on the plan, a supervisory level staff member or other State agency employee trained to mediate these disputes would intervene to provide further advocacy, counseling or negotiation support.

(g) To resolve disputes (regarding the employability plan) not settled by the intervention in (f), a State could elect one or more of the following processes:

i. Permit the agency to establish an internal review board to arbitrate disputes. This board would have the final say. The Secretary would establish regulations for such boards.

ii. Permit agencies to employ mediation using trained personnel, rather than arbitration, to resolve the dispute. HHS would be responsible for providing technical assistance to States that wished to use mediation.

iii. Allow the recipient a fair hearing contesting whether the State agency had followed the established process for developing the employability plan. A fair hearing could be the exclusive remedy or could be allowed in addition to the procedure in (i) or (ii).

(h) Persons who refused to sign or otherwise agree to the employability plan after the completion of the process described above would be subject to sanction, curable by agreeing to the plan. In the event of an adverse ruling at a fair hearing concerning the employability plan, the individual would not have the right to a second fair hearing prior to imposition of the sanction for continued refusal to agree to such plan.

4. DEFERRALS

Current Law

States must require non-exempt AFDC recipients to participate in the JOBS program to the extent that resources are available. Exemptions under the current JOBS program are for those recipients who are ill, incapacitated, or of advanced age; needed in the home because of the illness or incapacity of another family member; the caretaker of a child under age 3 (or, at State option, under age 1); employed 30 or more hours per week; a dependent child under age 16 or attending an educational program full time; women in the second and third trimester of pregnancy; and residing in an area where the program is not available. The parent of a child under age 6 (but older than the age for an exemption) who is personally providing care for the child may be required to participate only if participation does not exceed 20 hours per week and necessary child care is guaranteed. For AFDC-UP families, the exemption due to the age of a child may be applied to only one parent, or to neither parent if child care is guaranteed.

Vision

Under the new provisions, a much greater percentage of AFDC recipients would be required to participate in JOBS. Single-parent and two-parent families would be treated similarly under the new JOBS system. Persons not yet ready for participation in JOBS would be deferred, temporarily in many cases, from such participation. The State agency would, when appropriate, assist such individuals in filing for Supplemental Security Income (SSI) or Disability Insurance (DI). Some of the criteria for deferral are based on current regulations concerning exemptions, but in a number of instances the definition is tightened significantly.

Rationale

In order to change the culture of welfare, it is necessary to maximize participation in the JOBS program. It is also critical to ensure that all welfare recipients who are able to participate in JOBS have such services made available to them by the States. The deferral policy does, however, give

States the flexibility to consider differences in the ability to work and to participate in education and training activities in determining whether to require an individual to enter the JOBS program.

Specifications

(a) Adult recipients (see Teen Parents below for treatment of minor custodial parents) who were not able to work or participate in education or training activities (e.g., due to care of a disabled child) could be deferred either prior to or after entry into the JOBS program (or after entry into the WORK program; see *WORK* specifications below). For example, if an individual became seriously ill after entering the JOBS program, he or she would then be deferred.

(b) The State agency would be required to make an initial determination with respect to deferral prior to or as part of the development of the employability plan, since the determination would in turn affect the content of the employability plan. A recipient who was required to participate in JOBS rather than deferred could request a fair hearing focusing on whether the individual meets one of the deferral criteria (see below). The time frame for completion of the employability plan (see above) would be waived in instances of a dispute concerning deferral from JOBS.

(c) Persons who were deferred from JOBS would be expected when possible to engage in activities intended to prepare them for employment and/or the JOBS program. An employability plan for a deferred recipient could detail the steps, such as referral to a vocational rehabilitation program or arranging for an appropriate day care or school setting for a child with a disability, needed to enable the adult to enter the JOBS program and/or find employment.

Recipients not likely to ever participate in the JOBS program (e.g., those of advanced age) would not be expected to engage in activities to prepare for JOBS participation. An employability plan for such a person might include steps intended to, for example, improve the family's health status or housing situation. For individuals who were expected to enter the JOBS program shortly (e.g., mothers of young children), services could be provided to address any outstanding barriers to successful participation in JOBS (e.g., arranging for child care).

(d) States could provide program services to deferred individuals, using JOBS funds, but would not be required to do so. Likewise, States could provide child care or other supportive services to persons who were deferred, but would not be required to do so--there would be no child care guarantee for individuals in the deferred status. Persons who were deferred would not be subject to sanction for failure to participate in activities. In other words, in order to actually require an individual to participate in an activity, a State would have to classify the individual as JOBS-mandatory (except with respect to participation in substance abuse treatment; see SUBSTANCE ABUSE AND DEFERRAL FROM JOBS OR WORK below).

(e) Persons who were deferred would not be subject to the time limit, i.e., months in which a recipient was in deferred status would not count against the two-year limit.

(f) The criteria for deferral from JOBS would be the following:

(1) Is a parent of a child under age one, provided the child were not conceived while the parent was on assistance. A parent of a child conceived while on assistance would be deferred for a twelve-week period following the birth of the child (consistent with the Family and Medical Leave Act).

(Under current law, a parent of a child under age three, under age one at State option, is exempted from JOBS participation, and no distinction is made according to whether or not the parent was on assistance when the child was conceived)

(2) Is ill or incapacitated, when it is certified by a licensed physician, psychologist or mental health professional (from a list of such professionals approved by the State) that the illness or incapacitating condition is serious enough to prevent, at least temporarily, entry into employment or training;

(3) Is 60 years of age or older;

(4) Is needed in the home because another member of the household requires the individual's presence due to illness or incapacity as determined by a licensed physician, psychologist or mental health professional (from a list of such professionals approved by the State), and no other appropriate member of the household is available to provide the needed care;

(5) Is in the third trimester of pregnancy; or

(Under current law and regulations, pregnant women are exempted from JOBS participation for both the second and third trimesters)

(6) Lives in a remote area. An individual would be considered remote if a round trip of more than two hours by reasonably available public or private transportation would be required for a normal work or training day. If the normal round-trip commuting time in the area is more than 2 hours, the round-trip commuting time could not exceed generally accepted standards for the area.

(Same as current regulations, CFR 250.30))

(g) Only one parent in an AFDC-UP family could be deferred under f(1).

(h) Each State would be permitted to defer from JOBS for good cause, as determined by the State, a number of persons up to a fixed percentage of the total number of persons in the phased-in group, which would include adult recipients (parents), minor custodial parents and persons in the WORK program. These good cause deferrals would be in addition to those meeting the deferral criteria defined in (f). Good cause could include substantial barriers to employment--for example, a severe learning disability or serious emotional instability. The percentage cap on such deferrals would be set, in statute, at 5% through FY 99 and 10% thereafter. A State would be able, in the event of extraordinary circumstances, to apply to the Secretary to increase the percentage cap on good cause placements. The Secretary would be required to respond to such requests in a timely manner (time frame to be established by regulation).

(i) The Secretary would develop and transmit to Congress, by a specified date, recommendations regarding the level of the cap on good cause deferrals; the Secretary could recommend that the cap be raised, lowered or maintained at ten percent.

(j) The State agency would be required to reevaluate the status of persons in deferred status at such time as the condition is expected to terminate (if the condition is expected to be temporary) but no less frequently than at each semiannual assessment (see SEMIANNUAL ASSESSMENT below) to determine if the individual should remain in deferred status or should enter (or re-enter) the JOBS or WORK programs.

(k) Recipients who met one (or more) of the deferral criteria would be permitted to volunteer for the JOBS program, subject to available Federal resources (see JOBS PARTICIPATION below). Such a volunteer JOBS participant would in general be treated as other JOBS participants except that he or she would not be subject to sanction or to the time limit. These volunteers would be distinct from volunteers from the not-phased-in group (see JOBS PARTICIPATION below), who could at State option be subjected to the time limit.

(l) A State agency would be required to promptly inform a recipient of any change in his or her status with respect to JOBS participation and/or the time limit (e.g., movement from the deferred status into the JOBS program).

(m) The criteria for deferring persons from WORK participation (see *WORK* below) would be identical to the deferral criteria for persons who had not yet reached the two-year time limit. Persons who were deferred from the WORK program after reaching the time limit would be eligible for AFDC benefits. Such individuals would be treated exactly the same as persons deferred from the JOBS program before reaching the time limit, except that if the condition necessitating deferral ended, they would enter or re-enter the WORK program, rather than the JOBS program. Adult recipients deferred from the WORK program for good cause would count against the cap on the number of deferrals for good cause.

5. SUBSTANCE ABUSE AND DEFERRAL FROM JOBS OR WORK

Current Law

Current law does not specifically mention substance abuse. Under JOBS regulations, a recipient whose only activity is alcohol or drug treatment would not be counted toward a State's participation rate. Alcohol or drug treatment may, however, be provided as a supportive service using JOBS funds should a State choose to do so. Oregon currently has a waiver that permits the JOBS program to require participation in substance abuse diagnostic, counseling, and treatment programs if they are determined to be necessary for self-sufficiency.

Vision

States would be given flexibility to require recipients they determine to be unable to engage in employment or training because of a substance abuse problem to participate in substance abuse treatment while in the deferred status. Sanctions may be imposed for non-participation in substance abuse treatment provided that both treatment and supportive services, including child care, are made available.

Rationale

States report (on an anecdotal basis) substance abuse as a problem they encounter in their JOBS populations. It is a barrier to self-sufficiency for a number of AFDC recipients who will require treatment if they are to successfully participate in employment or training activities. It is estimated that approximately 4.5% of AFDC recipients have substance abuse problems sufficiently debilitating to preclude immediate participation in employment or training activities. Nearly one-third of these have participated in some form of alcohol or drug treatment in the past year.

Specifications

(a) States may require persons found unable to engage in employment or training due to substance abuse to participate in appropriate substance abuse treatment while in deferred status.

(b) Sanctions, equivalent to JOBS sanctions, may be levied for non-participation in treatment, provided such treatment is available at no cost to the recipient.

(c) Child care and/or other supportive services must be made available to an individual required to participate in substance abuse treatment.

(d) Provisions concerning the semiannual reassessment apply to deferred persons participating in substance abuse treatment as described in this section.

(e) States may also require individuals in JOBS to participate in substance abuse treatment (in conjunction with another JOBS activity or activities) as part of the employability plan.

6. DEFINITION OF THE TIME LIMIT

Current Law

Some States (those which did not have an AFDC-UP program in place as of September 26, 1988) are permitted to place a type of time limit on participation in the AFDC-UP program, restricting eligibility for AFDC-UP to as few as 6 months in any 13-month period (Section 4O7(b)). Thirteen states presently impose time limits on AFDC-UP eligibility. Under current law, however, no other type of time limits may be placed on participation in the AFDC program.

Vision

Most of the people who enter the welfare system do not stay on AFDC for many consecutive years. It is much more common for recipients to move in and out of the welfare system, staying a relatively brief period each time. Two out of every three persons who enter the welfare system leave within two years and fewer than one in ten spends five consecutive years on AFDC. Half of those who leave welfare return within two years, and three of every four return at some point in the future. Most recipients use the AFDC program not as a permanent alternative to work, but as temporary assistance during times of economic difficulty.

While persons who remain on AFDC for long periods at a time represent only a modest percentage of all people who ever enter the system, however, they represent a high proportion of those on welfare at any given time. Although many face very serious barriers to employment, including physical disabilities, others are able to work but are not moving in the direction of self-sufficiency. Most long-

term recipients are not on a track toward obtaining employment that would enable them to leave AFDC.

The proposal would establish, for adult recipients who were not deferred, a cumulative time limit of two years on the receipt of AFDC benefits not contingent upon work, with extensions to the time limit to be granted under certain circumstances. Months in which an individual was deferred would not count against the time limit. Individuals who have left welfare for extended periods of time would be eligible for a cushion of a few months of AFDC benefits.

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 through work. This time limit gives both the recipient and the welfare agency a structure that necessitates steady progress in the direction of employment and economic independence. As discussed in the WORK specifications below, recipients who reach the two-year time limit without finding an unsubsidized job would be offered publicly subsidized jobs to enable them to support their families.

Specifications

(a) The time limit would be a limit of 24 on the cumulative number of months of AFDC benefits an adult (parent) could receive before being required to participate in the WORK program (see Teen Parents for treatment of young custodial parents). In other words, the 24 months would begin with the initial AFDC payment (or with the first payment following redetermination, in the case of persons on AFDC prior to the effective date of the legislation). Months in which an individual was receiving assistance but was deferred rather than in JOBS would not count against the 24-month time limit (see DEFERRAL above).

(b) The 24-month time clock would not begin to run until a custodial parent's 18th birthday. In other words, months of receipt as a custodial parent before the age of 18 would not be counted against the time limit.

(c) A record of the number of months of eligibility remaining would be kept for each individual subject to the time limit. Non-parent caretaker relatives would not be subject to the time limit.

(d) The State agency would be required to advise each recipient subject to the time limit as to the number of months of eligibility remaining for him or her no less frequently than once every six months (see SEMIANNUAL ASSESSMENT below). In addition, the State agency would be required to contact and schedule a meeting with any recipient who was approaching the 24-month time limit at least 90 days prior to the end of the 24 months (see TRANSITION TO WORK/WORK below).

7. AFDC-UP FAMILIES AND THE TIME LIMIT

Specifications

(a) In an AFDC-UP family, both parents would be subject to the time limit if either parent were in the phased-in group (see below). A separate record of months of eligibility remaining would be kept for each parent. If one parent in an AFDC-UP family were deferred, that parent would not be subject to the time limit--months in deferred status would not count against that individual's 24-month limit. The other parent, however, would still be subject to the time limit. A deferral of one parent in an AFDC-UP family would not count against the cap on deferral for good cause.

(b) If one parent had reached the time limit and the other had not, the parent who had reached the time limit would be required to enter the WORK program. If the parent who had reached the limit declined to participate in the WORK program, that parent's needs would no longer be considered in calculating the family's grant. His or her income and resources would still be taken into account. The family would still be eligible for the remainder of the benefit (essentially, the other parent and the children's portion) until the other parent reached the two-year limit.

(c) If a parent in an AFDC-UP family reached the time limit but declined to enter the WORK program, the needs of that individual would (as above) not be taken into account in calculating the AFDC benefit. If such a parent subsequently reversed course and entered the WORK program, he or she would be considered part of the assistance unit for the purpose of determining any supplemental AFDC benefit and would also be eligible for a WORK assignment. As discussed in the *WORK* specifications below, a State would not be required to provide WORK assignments to both parents in an AFDC-UP family.

(d) Months in which a parent in an AFDC-UP family met the minimum work standard would not count against that parent's time limit. If the combined hours of work for both parents were equal to an average of 30 or more per week (up to 40 at State option), neither parent would be subject to the time limit (see MINIMUM WORK STANDARD).

(e) If one of the two parents in an AFDC-UP family were sanctioned under the WORK program or under JOBS for refusing to accept an unsubsidized job, the sanctions described below (see SANCTIONS/PENALTIES) apply, regardless of the status of the second parent.

(f) With respect to the phase-in, both parents in an AFDC-UP family would be considered subject to the new rules if either parent were in the phased-in group. If the parents in an AFDC-UP family subject to the new rules subsequently separated, both would still be subject to the new rules.

(g) States which placed separate limits on AFDC-UP eligibility (e.g., 6 months in any 13-month period) would not be permitted to apply the two-year time limit or any related provisions to AFDC-UP families. In these States, all AFDC-UP families would be treated as part of the not-phased-in group.

8. TEEN PARENTS

Vision

Persons under 18 are not ready to be independent and should generally be in school. Under the proposed law, minor parents would not be allowed to set up independent households. They would receive case management and be expected to remain in school. A teen parent's time clock would not begin to run until he or she turned 18 (and could establish an independent household).

Specifications

(a) States would be required to provide case management services to all custodial parents under 20.

(b) All custodial parents under 20 who had not completed high school or the equivalent would be required to participate in the JOBS program, with education as the presumed activity. The 24-month time clock, however, would not begin to run until a custodial parent turned 18. In other words, months of receipt as a custodial parent before the age of 18 would not be counted against the time limit.

(c) Custodial parents under 20 who had not completed high school or the equivalent and who had a child under one would be required to participate in JOBS as soon as the child reached twelve weeks of age. States would be permitted to defer custodial parents under 20 in the event of a serious illness or other condition which precluded school attendance.

(d) Custodial parents who were eligible for and receiving services under the Individuals with Disabilities Education Act would receive an automatic extension up to age 22 if needed to complete high school. These extensions would not be counted against the cap on extensions.

9. JOBS SERVICES

Current Law

A range of services and activities must be offered by States under the current JOBS program, but States are not required to implement JOBS uniformly in all parts of the State and JOBS programs vary widely among States. The services which must be provided as part of a State's JOBS program are the following: educational activities, including high school and equivalent education, basic and remedial education, and education for persons with limited English proficiency; job skills training; job readiness activities; job development and job placement; and supportive services to the extent that these services are necessary for participation in JOBS. Supportive services include child care, transportation and other work-related supportive services. States must also offer, in addition to the aforementioned services, at least 2 of the following services: group and individual job search, on-the-job training (OJT), work supplementation programs and community work experience programs.

Vision

The definition of satisfactory participation in the JOBS program would be broadened to include additional activities that are necessary for individuals to achieve self-sufficiency. States would continue to have broad latitude in determining which services were provided under JOBS. Greater emphasis, however, would be placed on job search activities, to promote work and employment.

Specifications

Up-Front Job Search

(a) All adult new recipients in the phased-in group (and minor parents who had completed high school) who were judged job-ready would be required to perform job search from the date assistance began. Job ready would be in general defined as having either non-negligible work experience, or a high school diploma or the equivalent. States would include a more detailed definition of job-ready in the State plan. The definition would have to exclude persons who met or appeared likely to meet one of the deferral criteria. A formal determination as to deferral, however, would not be required at this point.

(b) States would have the option of requiring all job-ready new recipients, including those in the not-phased-in group, to perform up-front job search. States would also be permitted to require job search from the date of application (as under current law, this requirement could not be used as a reason for a delay in making the eligibility determination or issuing the payment).

(c) The permissible period of initial job search would be extended from 8 weeks to 12.

Other Provisions Concerning JOBS Services

(d) States would be required to include job search among the JOBS services offered.

(e) Clarify the rules so as to limit job search (as the exclusive activity, i.e., not in conjunction with other services) to 4 months in any 12-month period. The up-front job search (described above) and the 45-90 days of job search required immediately before the end of the two-year time limit (see TRANSITION TO WORK/WORK below) would both be counted against the 4-month limit.

(f) Amend section 482(d)(1)(A)(i)(I) by replacing "basic and remedial education to achieve a basic literacy level" with "employment-oriented education to achieve literacy levels needed for economic self-sufficiency."

(g) Self-employment programs, including microenterprise training and activities, would be added to the list of optional JOBS activities.

(h) Increase the limit on Federal reimbursement for work supplementation program expenditures from the current ceiling, which is essentially based on a maximum length of participation in a work supplementation program of 9 months, to a level based on a maximum length of participation of 12 months.

(i) Change the nondisplacement language to permit work supplementation participants to be assigned to unfilled vacancies in the private sector, provided such placements did not violate the other nondisplacement provisions in current law.

(j) Alternative Work Experience would be limited to 90 days within any 12-month period.

(k) The State plan would be required to include a description of efforts to be undertaken to encourage the training and placement of women and girls in nontraditional employment, including steps to increase the awareness of such training and placement opportunities.

(l) States would be required to indicate in the State plan whether and how they will make training as child care providers available to participants.

(m) The State plan would include procedures to ensure that, to the extent possible, (external) service providers promptly notify the State agency in the event of noncompliance by a JOBS participant, e.g., failure to attend a JOBS activity.

(n) Amend the language in Social Security Act section 483(a)(1) which requires that there be coordination between JTPA, JOBS and education programs available in the State to specifically require coordination with the Adult Education Act and Carl D. Perkins Vocational Educational Act.

(o) Where no appropriate review were made (e.g., by an interagency board), the State council on vocational education and the State advisory council on adult education would review the State JOBS plan and submit comments to the Governor.

(p) The agency administering the JOBS and WORK program would be prohibited by regulation from referring participants to, contracting with or otherwise making IV-F or IV-G funds available to a provider of education and training services if such institution were disqualified from participation in a program under Title IV of the Higher Education Act or under the Reemployment Act. A State would be provided, by regulation, the option of applying the alternative eligibility procedure established under the Reemployment Act to potential providers of JOBS or WORK services.

10. MINIMUM WORK STANDARD

Specifications

(a) The minimum work standard would be an average of 20 hours of (unsubsidized) work per week during the month, with a State option to increase to up to an average of 30 hours per week. States would also have the option to set different minimum work standards for different subgroups (e.g., mothers of children under 6), provided that the standard for each subgroup were at least 20 and no more than 30 hours per week.

(b) Months in which an individual met the minimum work standard would not count against the time limit. In an AFDC-UP family, if one parent met the minimum work standard, he or she would not be subject to the time limit. Months in which the combined hours of both parents equaled or exceeded 30 (up to 40 at State option) would not count against the time limit for either parent.

(c) An individual who had not reached the time limit and was meeting the minimum work standard would be counted as a JOBS participant (see JOBS PARTICIPATION below).

(d) A person who had reached the time limit but was meeting the minimum work standard would be eligible for supplemental AFDC benefits, if otherwise eligible for AFDC (see EARNINGS SUPPLEMENTATION below).

(e) A State would be required to offer a WORK assignment to an individual working in an unsubsidized job for a number of hours less than the minimum work standard (provided the person were otherwise eligible for the WORK program; e.g., met income and resource tests).

The WORK assignment would be structured, to the extent possible, not to interfere with the unsubsidized employment.

(f) Persons meeting the minimum work standard would be required to accept additional hours of unsubsidized work if offered, provided such work met the relevant standards (e.g., health and safety) for unsubsidized employment and the total number of hours did not exceed an average of 35 per week. Such individuals would also be prohibited from reducing the number of hours worked with the intent of receiving additional benefits.

11. JOBS PARTICIPATION

Current Law

Under the Family Support Act of 1988, which created the JOBS program, minimum JOBS participation standards (the percentage of the non-exempt AFDC caseload participating in JOBS at a point in time) were established for fiscal years 1990 through 1995. States face a reduced Federal match rate if those standards are not met. In FY 1993 States were required to ensure that at least 11% of the non-exempt caseload in the State was participating in JOBS (in an average month). The standard increased to 15% for FY 1994 and will rise to 20% for FY 1995. There are no standards specified for the fiscal years after FY 1995. Individuals who are scheduled for an average of 20 hours of JOBS activities per week and attend for at least 75% of the scheduled hours are countable for participation rate purposes. States are required to meet separate, higher participation standards for principal earners in AFDC-UP families. For FY 1994, a number of AFDC-UP parents equal to 40 percent of all AFDC-UP principal earners are required to participate in work activities for at least 16 hours per week. The standard rises to 50 percent for FY 1995, 60 percent for FY 1996 and 75 percent for each of the fiscal years 1997 and 1998.

Vision

To transform the welfare system from an income support system into a work support system, the JOBS program must be expanded significantly. This substantial increase in the number of JOBS participants would be phased in over time.

Specifications

(a) The JOBS program targeting requirements would be eliminated. The separate AFDC-UP participation standards in current law would remain in place.

(b) Individuals in self-initiated education and training activities (including, but not limited to, post-secondary education) would receive child care benefits if and only if such activities were approved through the JOBS program. Costs of such education and training would not be reimbursable under JOBS. Child care and supportive services expenditures, however, would be matchable through IV-A and JOBS, respectively.

(c) The definition of participation would be altered by regulation such that an individual enrolled half-time in a degree-granting post-secondary educational institution who was making satisfactory academic progress (as defined by the Higher Education Act) and whose enrollment was consistent with an approved employability plan would be considered to be participating satisfactorily in JOBS, even if such a person were scheduled for fewer than 20 hours of class per week.

(d) The definition of JOBS participation would be broadened to include working in jobs that met the minimum work standard (see above).

(e) The broadened definition of participation would include participation in a structured microenterprise program. As above, satisfactory participation in such a microenterprise program would meet the JOBS participation requirement, even if the scheduled hours per week were fewer than 20.

JOBS Participation for the Not-Phased-In Group

Specifications

(f) A State would be required to continue providing services to a person already participating in JOBS as of the effective date, consistent with the employability plan in place as of that date.

(g) States would be given substantial flexibility regarding JOBS services for persons not in the Federally-defined phased-in group (custodial parents born after 1971), as discussed below:

i. A State would be required to serve volunteers from the not-phased-in group to the extent that Federal JOBS funding was available (i.e., the State had not drawn down its full JOBS allotment). States would have the option of subjecting such JOBS volunteers to the time limit. A State would be required to describe in the State plan its policy with respect to volunteers.

ii. States could define the phased-in group more broadly, e.g., parents born after 1971 and all new applicants (see EFFECTIVE DATE AND DEFINITION OF THE PHASED-IN GROUP above). In addition, a State could *require* recipients who were not in its phased-in group to participate in JOBS, but could not apply the time limit to such JOBS-mandatory persons (as opposed to volunteers above). In other words, a State that defined the phased-in group as parents born after 1969 could require a person born in 1968 to participate in JOBS, and sanction such an individual for failure to comply, but that person would not be subject to the time limit. An individual in either the phased-in or the not-phased-in groups who met one of the deferral criteria could not be required to participate in JOBS.

12. JOBS FUNDING

Current Law

Under current law, the capped entitlement for JOBS is distributed according to the number of adult recipients in a State, relative to the number in all States. State expenditures on JOBS are currently matched at three different rates. States receive Federal matching funds, up to the State's 1987 WIN allocation, at a 90 percent Federal match rate. Expenditures above the amount reimbursable at 90 percent are reimbursed at 50 percent, in the case of spending on administrative and work-related supportive service costs, and at the higher of 60 percent or FMAP in the case of the cost of full-time JOBS program staff and other program expenditures (apart from spending on child care, which does not count against the JOBS capped allotment and is matched at FMAP). The JOBS entitlement (Federal funding) is capped at $1.1 billion for FY 94, $1.3 billion for FY 95, and $1 billion for FY 96 and each subsequent fiscal year.

Specifications

(a) The capped entitlement for JOBS would be allocated according to the average monthly number of adult recipients (which would include WORK participants) in the State relative to the number in all States (similar to current law).

(b) The JOBS capped entitlement (Federal) would be set at $1.75 billion for FY 1996 ($300 million of which would be designated for the Secretary's Fund; see below), $1.7 billion for FY 1997, $1.8 billion for FY 1998 and $1.9 billion for fiscal years 1999 through 2004. For fiscal year 2005 and each fiscal year thereafter, the level of the cap would be set at $1.9 billion adjusted for inflation using the Consumer Price Index.

(c) The Federal match rate (for each State) for all JOBS expenditures under the proposed law would be set at the following levels: FMAP plus five percentage points, with a floor of 65 percent, for fiscal years 1996 and 1997; at FMAP plus seven percentage points, with a floor of 67 percent, for FY 1998; at FMAP plus nine percentage points, with a floor of 69 percent, for FY 1999; and at FMAP plus ten percentage points, with a floor of 70 percent, for FY 2000 and each fiscal year thereafter. Spending for direct program costs, for administrative costs and for the costs of transportation and other work-related supportive services (apart from child care) would all be matched at this single rate. The current law hold harmless provision, under which expenditures up to a certain level are matched at 90 percent, would be eliminated. The enhanced match rate would become effective upon statewide implementation of the new legislation. Statewide for this purpose would be defined as a number of persons subject to the time limit that equaled or exceeded 90% of the Federally-defined phased-in group. The numerator for this calculation would be individuals in the State's phased-in group who were subject to the time limit; the denominator would be custodial parents born after 1971. A State would be eligible for the enhanced match rate prior to reaching the 90 percent level if it had in place an approved plan for achieving, within two years of initial implementation, that target.

(d) To qualify for the enhanced match rate, a State's total spending (State share) for JOBS, WORK (matchable from the WORK capped entitlement) and for IV-A, Transitional and At-Risk Child Care for a fiscal year would have to equal or exceed the State's total spending for JOBS and for IV-A, Transitional and At-Risk Child Care for Fiscal Year 1994 but could in no event be less than the total of such spending for Fiscal Year 1993.

(e) If a State did not qualify for the enhanced match rate by meeting the requirements in (c) and (d) above, its Federal match rate for JOBS and WORK (WORK operational costs) for the fiscal year in question would be reduced to a rate equal to the higher of FMAP and 60 percent (for all JOBS spending) and its Federal match rate for spending on the child care programs for that fiscal year would be reduced to FMAP.

(f) A State would be permitted, beginning in FY 97, to reallocate an amount up to 10% of its combined JOBS and WORK allotments (WORK allotment from the capped entitlement) from its JOBS program to its WORK program and vice versa. The amount transferred could not exceed the allotment for the program from which the transfer was made.

EXAMPLE:
A State with a $5 million JOBS allotment and a $6 million allotment from the WORK capped entitlement (see WORK FUNDING below) can allocate $1.1 million from JOBS to WORK or vice versa. The State finds that spending on the JOBS program is running higher than expected and so it opts to reallocate $600,000 from WORK to JOBS. The State can now draw down up to $5.6 million, rather than $5 million, in Federal funding for JOBS expenditures. On the other hand, the State can now receive only $5.4 million in Federal matching funds, at WORK match rate (capped entitlement), for spending on WORK costs.

(g) If the States did not claim all available Federal JOBS and WORK funding (WORK capped entitlement) for a fiscal year, a State could draw down Federal funds for JOBS and/or WORK in excess of its allotments. The additional Federal funding would be drawn from the unobligated balance (JOBS and WORK money not spent by other States). A State would have to draw down its full allocations for both JOBS and WORK to be able to draw down unspent funds beyond these allotments (for spending on either program). This would require legislative authority to distribute unobligated funds from one fiscal year during the subsequent fiscal year and to distribute unliquidated obligations from a fiscal year during, not the succeeding fiscal year, but the one after that (two years afterward).

EXAMPLE:
During FY 99, seven States spend on JOBS and WORK at a level that would draw down Federal funding in excess of their allotments. The FY 99 JOBS and WORK allotments for the seven States total $100 million, but the level of State match contributed for the two programs would enable the seven to draw down $110 million in Federal funds, absent the limitations on State allocations, for a difference of $10 million. The total amount of unobligated JOBS and WORK funding for FY 99 (based on States' drawing down JOBS and WORK funding only up to the level of their allotments) is $7 million. Each of the seven States would receive 70 cents for each dollar of Federal funding it could potentially have drawn down beyond the level of its JOBS and WORK allotments. State A, which would have drawn down an additional $1 million in Federal funding above its allocations, in the absence of any limitations, would receive $700,000 in additional Federal funding. If the amount of unobligated JOBS and WORK funding exceeded $10 million, the seven States would receive the full $10 million in additional Federal funding.

(h) If the rate of total unemployment in a State for a fiscal year equaled or exceeded the (total unemployment rate) trigger for extended unemployment compensation (currently 6.5 percent), and the State's total unemployment rate for that fiscal year equaled or exceeded 110 percent of that rate for either (or both) of the two preceding fiscal years, the State match rate for JOBS, WORK and At-Risk Child Care for that fiscal year would be reduced by ten percent (not by ten percentage points; e.g., from 30 percent to 27 percent, not from 30 percent to 20 percent). The adjustment to the match rate would become effective only if the State obligated sufficient funding to draw down its full allotments for JOBS, WORK and At-Risk Child Care at the pre-adjustment match rate. The State could then, as described above, draw down unspent JOBS and WORK funds at the higher match rate.

EXAMPLE:
State A obligates sufficient funding to draw down its full allocations for JOBS, WORK and At-Risk Child Care at the pre-adjustment match rates. The State match rate for JOBS and WORK is 25%, the total State contribution to both programs is $1 million and its total Federal allotment for both programs is $3 million. If the unemployment rate in State A for the fiscal year exceeded the trigger level (described above), the State match rate would be reduced from 25 to 22.5 percent. State A could then potentially draw down an additional $450,000 ($3.45 million minus $3 million) in Federal funds. Referring to the example above, the $450,000 would be placed in the pool with the $10 million the seven aforementioned States could potentially draw down beyond the level of their allotments. If the unobligated balance for the fiscal year were sufficient, State A would receive the full $450,000 and the seven other States would receive the full $10 million. If not, each of the eight States would receive a pro-rated amount (e.g., 65 cents on the dollar).

(i) The capped entitlement for JOBS for a fiscal year would rise by 2.5 percent if the average national total unemployment rate for the last two quarters of the previous fiscal year or the first two quarters of that fiscal year equaled 7 percent. For each tenth of a percentage point by which the national unemployment rate for either of those two-quarter periods exceeded 7 percent, the cap would be increased by an additional .25 percent. For example, if the unemployment rate for the last two quarters of the preceding fiscal year were 8.1 percent, the JOBS cap for the fiscal year would be increased by a total of 5.25 percent (2.5 percent for reaching 7 percent plus an additional 2.75 percent for the 1.1 percentage points over 7). Each State's allotment would increase accordingly.

In other words, a determination would be made at the beginning and in the middle of the Federal fiscal year as to whether the JOBS cap should be increased (i.e., whether the unemployment trigger level had been reached). If the cap were increased at the beginning of the year, an adjustment would not also be made at the middle of the year.

The same provision would apply to the capped entitlement for WORK (as described below) and to At-Risk Child Care.

(j) Funding for teen case management (see TEEN PARENTS above) would be provided not as a set-aside, but as additional dollars within the JOBS capped entitlement.

13. SEMIANNUAL ASSESSMENT

Specifications

(a) The State agency would be required, on at least a semiannual basis, to conduct a review of the employability plan for both JOBS participants and for deferred persons who had an employability plan in place, to evaluate progress toward achieving the goals in the plan. This assessment, which would be done in person, could be integrated with the annual AFDC eligibility redetermination. Persons in deferred status found to be ready for participation in employment and training could be assigned to the JOBS program following the assessment. Conversely, persons in the JOBS program discovered to be facing very serious obstacles to participation could be deferred. Other revisions to the employability plan would be made as needed.

(b) The assessment would entail an evaluation of the extent to which the State was providing the services called for in the employability plan. In instances in which the State was found not to be delivering the specified education, training and/or supportive services, the agency would be required to take steps to ensure that the services would be delivered from that point forward.

14. TRANSITION TO WORK/WORK

Specifications

(a) Persons would be required to engage in job search during a period of not less than 45 days (up to 90 days, at State option) before taking a WORK assignment. The employability plan would be modified accordingly. In most cases, the job search would be performed during the 45-90 days immediately preceding the end of the time limit.

(b) The State agency would be required to schedule a meeting with any recipient approaching the end of the 24-month time limit at least 90 days in advance of that individual's reaching the limit. The State agency would, as part of the 90-day assessment, evaluate the recipient's progress and employability to determine if an extension were appropriate to, for example, complete a training program in which the recipient was currently enrolled (see EXTENSIONS below). The State agency would be required to inform the recipient, both in writing and at the face-to-face meeting, of the consequences of reaching the time limit--the need to register for the WORK program in order to be eligible for further support, in the form of a WORK assignment. Recipients would also be apprised of the requirement to engage in job search for the final 45-90 days and of the State's extension policy.

(c) States would have the option of providing an additional month of AFDC benefits to individuals who found employment just as their eligibility for AFDC benefits/JOBS participation ended, if necessary to tide them over until the first paycheck.

(d) The State agency would notify the recipient, either by phone or in writing, of the purpose and need for the 90-day meeting, and the State agency would be required to make additional attempts at notification if the recipient failed to appear.

(e) For persons re-entering the JOBS program (including those previously assigned deferred) with fewer than six months of eligibility remaining, the development/revision of the employability plan could be considered the 90-day meeting, if the requisite information were provided at that point. In the case of an individual re-entering with fewer than 90 days of eligibility, the meeting would be held at the earliest possible date.

(f) The semiannual assessment could be treated as the 90-day meeting, provided it fell within the final six months of eligibility. Conversely, the 90-day assessment would meet the requirement for an semiannual assessment.

Worker Support

(g) States would be encouraged to use JOBS or WORK funds (from the capped WORK allocation; see below), to provide services designed to help persons who had left the JOBS or WORK programs for employment keep those jobs.

Services could include case management, work-related supportive services, and job search and job placement assistance for former recipients who had lost their jobs. Case management could entail assistance with money management, mediation between employer and employee and aid in applying for advance payments of the EITC. Work-related supportive services could include payments for licensing or certification fees, clothing or uniforms, auto repair or other transportation expenses and emergency child care expenses.

15. EXTENSIONS

Specifications

(a) States would be required to grant extensions to persons who reached the time limit without having had adequate access to the services specified in the employability plan. In instances in which a State failed to substantially provide the services, including child care, called for in the employability plan, the State would be required to grant an extension equal to the number of months needed to complete the activities in the employability plan (up to a limit of 24 months). States would be mandated to take the results of the semiannual assessment(s) into account in determining if services were delivered satisfactorily. If an extension were granted on the grounds of inadequate service delivery, the employability plan could be revised, as appropriate, at that point. Disagreements about revisions to the plan would be subject to the same dispute resolution and sanctioning procedures as was the initial development of the plan.

(b) If the State agency and the recipient disagreed with respect to whether services were substantially provided and hence as to whether the recipient was entitled to an extension, the State agency would be mandated to inform the recipient of her or his right to a fair hearing on the issue. All hearings would be held prior to the end of the individual's 24 months of eligibility.

(c) In a fair hearing regarding a recipient's claim that he or she was entitled to an extension due to State failure to make available the services in the employability plan, the State would have to show what services were provided. A recipient would be entitled to an extension if the hearing officer found that the recipient was unable to complete the elements of the employability plan because services, including necessary supportive services, were not available for a significant period of time. If it were determined that adequate services were not provided, an extension would be granted and the recipient and State agency would revise the employability plan, as appropriate (see above).

(d) Persons enrolled in a structured learning program (including, but not limited to, those created under the School-to-Work Opportunities Act) would be granted an extension up to age 22 for completion of such a program. A structured learning program would be defined as a program that begins at the secondary school level and continues into a post-secondary program and is designed to lead to a degree and/or recognized skills certificate. Such extensions would not count against the cap on extensions (see below).

(e) States would also be permitted, but not required, to grant extensions of the time limit under the circumstances listed below, up to 10% of all adults and minor parents required to participate in JOBS and subject to the time limit. Extensions due to State failure to deliver services, as discussed above, would be counted against the cap. A State would, however, be required to grant an extension if services were not provided, regardless of whether the State was above or below the 10% cap.

   (1) For completion of a GED program (extension limited to 12 months).

   (2) For completion of a certificate-granting training program or educational activity, including post-secondary education or a structured microenterprise program expected to enhance employability or income. Extensions to complete a two or four-year college degree would be conditioned on simultaneous participation in a work-study program, or other part-time work (for at least an average of 15 hours per week).

   The extension is contingent on the individual's making satisfactory academic progress, as defined by the Higher Education Act (extension limited to 24 months).

   (3) In cases of persons who are learning disabled, illiterate or who face language barriers or other substantial obstacles to employment. This would include a person with a serious learning disability whose employability plan to date has been designed to address that impediment and who consequently has not yet obtained the job skills training needed to secure employment (extension not limited in duration).

The State agency would be required to set a duration for each extension granted, sufficient to, for example, finish a training program already underway or, in the event of a State failure to provide services, to complete the activities in the employability plan.

(f) States would be required to continue providing supportive services as needed to persons who had received extensions of the time limit.

(g) A State would be permitted, in the event of extraordinary circumstances, to apply to the Secretary to have its cap on extensions raised. The Secretary would be required to make a timely response to such requests (see DEFERRAL above).

(h) The Secretary would develop and transmit to Congress (see DEFERRAL above), by a specified date, recommendations regarding the level of the cap on extensions; the Secretary could, as mentioned above, recommend that the cap be raised, lowered or maintained at ten percent.

16. QUALIFYING FOR ADDITIONAL MONTHS OF ELIGIBILITY

Specifications

(a) Persons who had left AFDC with fewer than six months of eligibility for AFDC benefits/JOBS participation remaining would qualify for a limited number of additional months of eligibility, to serve as a cushion. An individual in this category (fewer than 6 months of eligibility remaining) would qualify for one additional month of eligibility for every four months during which the individual did not receive AFDC and was not in the WORK program, up to a limit of six months of eligibility at any time.

(b) Persons who left the WORK program would also be able to qualify for up to 6 months of eligibility for AFDC benefits/JOBS participation, just as described in (a).

(c) Individuals re-entering the AFDC program would be subject to the up-front job search requirement, as described above under JOBS SERVICES.

ADMINISTRATION OF JOBS/WORK

Current law

By statute JOBS must be administered by the IV-A agency. State IV-A agencies may delegate to or contract (either through financial or non-financial agreements) with other entities such as JTPA to provide a broad range of JOBS services. The IV-A agency must retain overall responsibility for the program (including program design, policy-making, establishing program participation requirements) and any actions that involve individuals (including determination of exemption status, determination of good cause, application of sanctions, and fair hearings).

HHS/ACF makes grants to the IV-A agency based on the allocation formula outlined in the statute and holds the IV-A agency accountable for meeting participation and target group expenditure requirements as well as submitting all necessary program and financial reports.

Vision

JOBS and WORK would be administered by the IV-A agency unless the Governor designates another entity to administer the programs. If the Governor designates an agency other than the IV-A agency to administer JOBS/WORK, then any plan or other document submitted to HHS to operate the programs would be jointly submitted by the administering entity and the IV-A agency.

Based on the Governor's designation, HHS/ACF would make grants to the administering entity and hold that entity responsible for submitting program and financial reports and meeting appropriate performance standards.

In a State that elects to operate one-stop career centers, JOBS/WORK would be required components of the one-stop career centers.

17. OVERALL ADMINISTRATION

Specifications

(a) JOBS and WORK must be administered by the same State entity.

(b) The Governor may designate the agency to administer JOBS/WORK. In the absence of the designation of another agency, the IV-A agency would administer JOBS/WORK.

(c) The Governor would determine whether the State had a State-wide one-stop career center system. That determination would be made at least every two years. If the Governor determined that the State had such a system, the JOBS/WORK program would participate in the operation of the one-stop career centers. The Governor would make one-stop career center services available to the participants in the JOBS/WORK components.

(d) If the Governor designated an entity other than the IV-A agency, then that agency and the IV-A agency would have to enter into a written agreement outlining their respective roles in carrying out JOBS/WORK.

(e) If the IV-A agency retained administration of JOBS, it would have the option of contracting with another entity or entities to carry out any and all functions related to JOBS/WORK. All contracts and agreements with such entities would be written.

(f) If the Governor designated an entity other than the IV-A agency, then that agency and the IV-A agency would be required to jointly submit any plan required to operate JOBS/WORK to the Secretary of HHS.

(g) Upon notification by the Governor of the designation of an entity other than the IV-A agency to administer JOBS/WORK, the Department of Health and Human Services would make all grant awards and hold accountable for all financial and reporting requirements the designated entity.

18. SPECIFIC RESPONSIBILITIES OF THE IV-A AGENCY

Specifications

(a) No matter which entity has responsibility for JOBS/WORK, the IV-A agency must retain responsibility for:

    (1) Determining eligibility for AFDC;

    (2) Tracking and notifying families subject to the time limit of months left of eligibility;

    (3) Applying sanctions;

    (4) Making supplemental payments to eligible WORK participants and determining continuing eligibility for WORK and for AFDC payments;

    (5) Notifying the JOBS/WORK agency at least 120 days before an individual's two-year time limit was up so that appropriate steps (e.g., job search) could be taken; and

    (6) Holding fair hearings regarding time limits and cash benefits.

19. OTHER AREAS OF RESPONSIBILITY

Specifications

(a) In States where an entity other than the IV-A agency is responsible for JOBS/WORK, we propose to give States the flexibility to determine how the following functions are carried out. The State plan would have to contain specific information detailing how the State intended to carry out the following functions:

    (1) Determining deferral status;

    (2) Granting extensions to the time limits; and

    (3) Providing secondary reviews and hearings on issues specifically related to JOBS or WORK participation.

WORK

Current Law

There is at present under Title IV no work program of the type envisioned here. States are presently permitted to operate on-the-job training, work supplementation and community work experience programs as part of the JOBS program (Section 482(e) and 482(f), Social Security Act, 45 CFR 250.61, 250.62, 250.63). Regulations, however, explicitly prohibit States from operating a program of public service employment under the JOBS umbrella (45 CFR 250.47).

Vision

The focus of the transitional assistance program would be helping people move from welfare to unsubsidized employment. The two-year time limit for cash assistance not contingent on work is part of this effort. Some recipients will, however, reach the two-year time limit without having found a job, despite having participated satisfactorily in the JOBS program. We are committed to providing them with the opportunity to work to help support their families. The design of the WORK program will be guided by a principle central to the reform effort, that persons who work should be no worse off than those who are not working.

The WORK program would make work assignments (hereafter WORK assignments) in the public, private and non-profit sectors available to persons who had reached the time limit. States would be required to create a minimum number of WORK assignments, but would otherwise be given considerable flexibility in the expenditure of WORK program funds. For example, States would be permitted to contract with private firms and not-for-profits to place persons in subsidized or unsubsidized private sector jobs.

The WORK program would take the form of a work-for-wages structure. Participants in WORK assignments would be paid for hours worked; individuals who missed work would not be paid for those hours.

Definition: The terms "WORK assignment" and "WORK position" are defined as a job in the public, private or not-for-profit sectors to which an individual is currently assigned under the WORK program.

20. ESTABLISHMENT OF A WORK PROGRAM

Specifications

(a) Each State would be required to operate a WORK program making WORK assignments available to persons who had reached the 24-month time limit for AFDC benefits not conditioned upon work.

21. WORK FUNDING

Specifications

(a) There would be two WORK program funding streams:

1) A capped entitlement which would be distributed to States according to the sum of the average monthly number of persons required to participate in JOBS (and subject to the time limit) and the average monthly number of persons in the WORK program in a State relative to the number in all States.

2) An uncapped entitlement to reimburse States for wages paid to WORK program participants, which would include wage subsidies to private, for-profit employers.

The capped entitlement would be for WORK operational costs, which would include expenditures to develop WORK assignments, placement bonuses to contractors and spending on other WORK program services such as supervised job search.

(b) A State would receive matching funds, up to the amount of the capped allocation, for expenditures for WORK operational costs at the WORK match rate, which would be set at the same level as the JOBS match rate (as described in JOBS FUNDING above). For expenditures on wages to WORK participants, including wage subsidies to private employers, a State would be reimbursed at its FMAP.

EXAMPLE: State A's allocation (annual) from the capped WORK entitlement for FY 99 is \$1.5 million. The State's WORK (and JOBS) match rate is 75 percent and its FMAP is 50 percent. The State spends a total of \$5.2 million on the WORK program--\$1.6 million to develop the WORK assignments, make performance-based payments to placement contractors, and provide job search services and \$3.6 million on wage subsidies to private employers and wages for WORK participants in the public and not-for-profit sectors. State A would be reimbursed for the \$1.6 million in spending on operational costs at the 75 percent capped allocation match rate, for a total of \$1.2 million in reimbursement at that rate. For the \$3.6 million in expenditures on WORK wages, the State would be reimbursed at the FMAP, for \$1.8 million in Federal dollars from the uncapped stream and a total of \$3 million in Federal matching funds.

As discussed in JOBS FUNDING above, the enhanced match rate would become effective upon statewide implementation of the new legislation, provided the State met the maintenance of effort requirement concerning its total spending for JOBS, WORK and for IV-A, Transitional and At-Risk Child Care. Prior to statewide implementation, the WORK match rate would be set at the higher of FMAP and 60 percent.

(c) The WORK capped entitlement would be set at \$200 million for FY 1998, \$700 million for FY 1999, \$1.1 billion for FY 2000, \$1.3 billion for FY 2001, \$1.4 billion for FY 2002, \$1.6 billion for FY 2003 and \$1.7 billion for FY 2004. For fiscal year 2005 and each fiscal year thereafter, the level of the WORK capped entitlement would be set at \$1.7 billion adjusted for inflation by the Consumer Price Index (CPI) and for the increase over time in the relative size of the phased-in group.