DEPARTMENT OF HEALTH & HUMAN SERVICES

republican plan

A fax message from:

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Comments:

Q: <u>As you know, the Republican plan would combine all nutrition assistance programs into one block grant program. Do you intend to consider this proposal?</u>

We have reservations about the block grant proposal. In addition to concerns about funding reductions, we are concerned that a block grant would replace the national network of coordinated, well-targeted nutrition assistance programs we now have with programs that vary greatly from State-to-State in terms of benefit levels and treatment of certain vulnerable populations. We need to be careful that we don't retreat from the Nation's commitment to feed hungry Americans.

A: Because no final decisions have been made, it is too early to say. We want to take a particularly close look at the extent to which the Republican claims of cost saving may be illusory because they simply shift costs from the federal government to the states. We are also concerned that across-the-board cuts in cost-effective food and nutrition programs may actually cost money in the long run.

Q: Why hasn't the Working Group come forward with its plan yet?

We are continuing our work according to our original timetable, and will have proposals ready for the President's consideration later this year. President Clinton has been a leader in welfare reform for almost a decade, and we want to present a bold, comprehensive plan that will truly end welfare as we know it. Already, we have taken two important steps with the expansion of the EITC and the introduction of health reform legislation.

We also believe it is important to consult with governors, members of Congress from both parties, people within the welfare system, and others before we make any final decisions. We have just completed a series of five regional hearings in Chicago; Washington, D.C.; Cranford, New Jersey; Sacramento; and Memphis.

Q: As you know, the Republican plan includes a 5 percent reduction in Food Stamps, WIC, and other nutrition programs serving children and the elderly. It also caps spending on the EITC, AFDC, SSI, and public housing programs. Do you really intend to consider these proposals?

Some elements of the plan do concern us, and there will clearly need to be further discussion about aspects of their proposal. For example, across-the-board cuts of that magnitude may be counterproductive and could simply shift burdens to the states. We are also concerned that cuts in cost-effective food and nutrition programs may actually cost money in the long run.

The following questions and answers are provided as guidance to Working Group members and their representatives in answering questions from the media about the Republican plan. As a general rule, we are recommending that the Working Croup provide no comment on the plan to the press, other than referring them to the statement issued by the chairs and to Avis LaVelle, the group's spokesperson at 690-7850 You may also talk to Avis' deputy, Melissa Skolfield.

However, if further comment is required the following are some additional questions and answers which should be used as guidance when responding:

Q: Do you think this plan bears any resemblance to what you will be proposing?

A: **The President has made no decisions on the nature of his welfare reform plan. We appreciate the Republicans' interest in helping the President carry out his campaign pledge.**

Our approach will be based on the four values of work, family, opportunity and responsibility, and we're encouraged by the degree to which the Republican plan mirrors those goals. However, we seek a plan which emphasizes, rather than limits, efforts to make work pay such as the Earned Income Tax Credit. We believe much more can be done to crack down on parents who do not pay child support. Most importantly, we want a plan which does more to help people become self-sufficient.

Q: Do you think you will be able to work with the Republicans to create a bipartisan consensus in light of this plan?

A: We are optimistic that we will be able to gather support from members on both sides of the aisle for a plan that promotes the basic values the President has put forward: work, family, opportunity and responsibility.

Q: How do you react to such suggestions as family caps, an end to benefits for immigrants, or mandatory paternity establishment?

A: The Working Group has not reached any conclusions or presented any options to the President on any specific aspects of the plan. It will be a while before we will be able to comment specifically on any such proposals.

Q: The Republican plan estimates that welfare reform will save $30 billion over five years. Will the Clinton plan save money?

DRAFT #5 final

DRAFT STATEMENT RESPONDING TO REPUBLICAN PLAN

Mary Jo Bane, David Ellwood and Bruce Reed, co-chairs of President Clinton's Working Group on Welfare Reform, issued the following statement today in response to the release of the welfare reform legislation by House Republicans:

"We are pleased that the Republicans in the House of Representatives have entered the debate on welfare reform. We will certainly be looking closely at their legislation in the weeks ahead as we work with Congress and the states and localities to continue the development of the Administration's plan. Many of their proposals address the President's vision for reform, which stresses work, family, opportunity and responsibility.

Clearly there is broad consensus throughout the country and across party lines for fundamental change in the welfare system. The emphasis in the Republican plan on work and parental responsibility is very much in keeping with the President's goals.

While we applaud their emphasis on work, some elements of the plan concern us, such as the cap on the EITC - a powerful work incentive which has bipartisan support - and the across-the-board cuts in cost-effective nutrition programs which are likely to shift costs to the state. Much more can and should also be done to crack down on parents who fail to pay child support. Most importantly, we want a plan that focuses both on opportunity and responsibility, to ensure that Americans can and do work and become self-sufficient in the work force. As the President said in his January 17 address to Congress, "in the end, we want people not to need us any more."

We look forward to working with Congress on a bipartisan basis to develop a plan which fulfills the President's vision of a welfare system which truly helps people to work and become self-sufficient."

11/8/93

NOTE TO ALL WELFARE WORKING GROUP MEMBERS:

Attached is the final statement and Q&A, which I believe have now been cleared by all involved. If you have additional comments, please call me immediately. We understand that the bill's introduction has been set for Wednesday, November 10.

Also attached is a draft Q&A from USDA, which has not yet been cleared. Could I get comments please? Thanks.

Melissa

Republican plan

Outline of Tentative Senate Republican Welfare Reform Bill September 13, 1993

Outline of Bill

Title I:	AFDC Applicant Job Search, Transition-to-Work, and Work Program
Title II:	Paternity Establishment
Title III:	Expanded Statutory Flexibility for States
Title IV:	Expedited State Waiver Authority
Title V:	Child Support Enforcement
Title VI:	Welfare Restrictions for Aliens
Title VII:	Miscellaneous Provisions

TITLE I: AFDC TRANSITION-TO-WORK AND WORK PROGRAM

A. AFDC Transition-to-Work Program (first 2 years on AFDC)

1. Initial AFDC Applicant Job Search.

States must require AFDC applicants to participate in job search while their welfare application is being processed. Applicants must be reimbursed for transportation and child care expenses. States can provide emergency aid when payment cannot be delayed. States retain considerable flexibility in defining such emergencies, although they must include in their state plan the general guidelines they will follow. States can decide not to follow this provision by passing a state law specifically exempting themselves. At the time of AFDC enrollment, families are referred to the AFDC Transition-to-Work Program in which they are expected to work or prepare for work:

a) at state option, participation in the AFDC Transition Program can begin after 1 year for some or all recipient families defined as job ready by states;

b) recipients and the welfare agency create a written plan describing what each must do so the parent can prepare for work; the written plan must include the statement that after 2 years (or less at state option) parents who have not secured paid employment must work in exchange for their AFDC benefit;

c) at the end of the first year in the transition program, an assessment is made by the state to determine whether the recipient has made "clear and substantial progress" toward preparing for work (this requirement is waived if the state has elected to hold the recipient out of the transition program for 1 year); and,

d) states, in consultation with the Secretary, establish the guidelines by which "clear and substantial effort" is defined; states can set their own guidelines within the following framework:

1) the general rule, to which education is an exception (see below), is that families must participate at least 520 hours per year, although states have flexibility in how the 520 hours is achieved (e.g., 100% time for 3 months, 50% time for 6 months, or 25% time for 12 months fulfills the requirement);

2) within 12 months of enactment, the Secretary must publish rules about how education hours are counted; the guiding

principle should be whatever a given educational institution (including certified professional training schools and certified degree-granting programs) considers full-time enrollment, and maintaining at least minimum passing evaluations, counts as participation;

3) in two-parent families, at least one parent must meet participation requirements; states have the option of requiring participation by both parents;

4) parents can use the 6-month birth exemption only one time; if a subsequent child is born while the parents are on AFDC, only the 4-month exemption is in effect;

5) all the programs authorized in section 482(d) of the Social Security Act (education, job skills, job readiness, job development and placement, group and individual job search, on-the-job training, work supplementation, community work experience) count as participation under the AFDC Transition Program.

2. Sanctions.

Participants who fail to meet the criteria for participation are sanctioned as follows:

a. for the first offense, the combined value of the adult's AFDC benefit and Food Stamp benefit is reduced by 50% for three months; if the 3 months elapse and the recipient has not complied with the criteria, then the recipient is deemed to have started the second offense period;

b. the sanction for the second offense is similar to the first except that in addition to complying with the criteria, at least 6 months must elapse before benefits are restored; if the recipient still does not comply, then the recipient is deemed to have entered the third offense period;

c. for the third offense, the parent is dropped from AFDC for at least one year and payments on behalf of the child may be made in the form of vendor payments to pay for housing costs or to a representative payee; and,

d. when families are dropped from AFDC, they retain Medicaid, Food Stamps, housing, and any other benefit for which they are otherwise eligible.

3. Exemptions.

   a. incapacitated, as currently defined in regulations (not including drug and alcohol offenders);
   b. at state option, those enrolled in drug and alcohol abuse programs (with a 12-month limitation);
   c. during a 6-month period in which a recipient gives birth to the first child born after the recipient participates in AFDC (divided as the recipient selects between the pre-natal and post-natal periods);
   d. during a 4-month period in which a recipient gives birth to the second or subsequent child born after the recipient participates in AFDC (divided as the recipient selects between the pre-natal and post-natal periods);
   e. during a 3-month period following the return home of a child who had been removed from the home;
   f. providing full-time care of a disabled dependent.

4. Participation Requirements.

   a. participation standards are computed separately for the Transition-to-Work Program and the Work Program;
   b. new participation standards apply to applicants beginning in 1996; the standard for 1996 is 30 percent; the standard for 1997 is 40 percent;
   c. beginning in 1998, participation standards apply to the entire caseload (not just applicants); the standard in the Transition Program is 50 percent in 1998, 60 percent in 1999, 70 percent in 2000, 80 percent in 2001, and 90 percent in 2002;
   d. to the extent possible, states are encouraged to fulfill their participation standards by focusing their efforts on mothers with older children.

B. AFDC Work Program

If parents have not found a job after two years, they will be given a voucher equivalent to the combined value of their AFDC and Food Stamp benefit. This voucher may be given to an employer to serve as a wage replacement. In order to hire an AFDC recipient with a voucher, the employer must certify to the welfare agency that the individual is being hired at a wage at least twice the value of the voucher. The employer is eligible to receive the wage replacement payment for one year. After one year, the reimbursement level of the wage replacement is reduced by one half. At the end of the second year, the wage replacement is eliminated entirely. During the time of employment covered by the wage replacement, employers may also participate in the Targeted Job Tax Credit (TJTC).

At the end of two years receipt of AFDC, the recipients will be given three months to seek employment with the voucher. If, at the end of three months, they are unable to secure employment with the voucher, they must participate in a work program established by the state. However, if at any time, subsequent to beginning participation in a work program, they secure employment, they may use the wage replacement voucher according to the conditions specified above.

1. Program Outline.
   a. most states now conduct a Community Work Experience Program (CWEP) in which parents work, usually in a public sector job, for the number of hours equal to their AFDC benefit divided by the minimum wage; the current CWEP hours requirement is rewritten to mandate that recipients work for 35 hours per week;
   b. states can also require participation in the Work Supplementation program in which the AFDC benefit is used to subsidize a private sector job;
   c. reforms to the Work Supplementation program include:
      1) elimination of the requirement that all jobs must be new jobs;
      2) creation of new financial incentives for states to use the program;
         --recipients participating in the Work Supplementation program must be paid a salary at least equal to their AFDC plus food stamp benefits;
         --states can negotiate arrangements with employers to pay enough of the salary that some part of the value of the AFDC benefit will not be required to reach the AFDC plus Food Stamp minimum; in these cases, and in cases where the wage replacement voucher is used, states can continue to request the federal share of the AFDC benefit as if the entire benefit were still being paid by state funds (this provision has the effect of allowing states to keep the entire amount by which the employer-provided salary "buys out" the AFDC benefit);
   d. states can create a new work program, subject to approval by the Secretary, that combines features of CWEP and Work Supplementation or uses entirely new approaches developed by the state;

e. after 3 years of participation in the work program (and a total of 5 years on AFDC), states have the option of dropping recipients from the AFDC rolls; they would continue to be eligible for Medicaid, food stamps, and other benefits.

2. Sanctions.

Same as above.

3. Exemptions.

Same as above.

4. Participation requirements.

a. in 1996 when the work program for applicants phases in, states must include at least 30 percent of the nonexempt caseload in their Work Programs;

b. the participation standard for new applicants then increases to 40 percent in 1997, 50 percent in 1998, and 60 percent in 1999;

c. beginning in 2000, participation standards apply to the entire caseload (rather than just applicants); the standards are 70 percent in 2000, 80 percent in 2001, and 90 percent in 2002;

d. the denominator for this calculation for each fiscal year is the number of nonexempt participants who have been on AFDC for at least 2 years on the first day of the fiscal year.

C. <u>Work Program for Two-Parent Families</u>.

At least one parent in two-parent families on AFDC must be required to work 32 hours per week and engage in job search for 8 hours per week. States are required to pay the combined AFDC-Food Stamp benefit in cash only after the completion of the work requirement for any given period. If the work requirement has been only partially met, states must proportionately adjust the AFDC-Food Stamp payment level. All states can exercise the 6-month option in designing their AFDC two-parent program (current law prohibits about half the states from using the 6-month option).

D. <u>Work Program for Fathers</u>.

Fathers of children on AFDC must either pay child support or participate in a work program.

1. Fathers who are the equivalent of 2 months in arrears on their child support, unless they have a court-

approved plan for repayment, must participate in this program.

2. States can design their own programs, but their program must include at least the following three elements:
   a. initial contact with the father must include a letter that informs him he must pay child support, that he should contact the child support office, and that he is subject to fines and penalties if he does not cooperate;
   b. if the father does not pay child support within 30 days, then he must enroll in a job search program for 2 to 4 weeks;
   c. if the father still does not pay child support within another 30 days, he must enroll in a work program for at least 35 hours per week (30 hours if the program also requires job search).

3. The work program participation standards outlined above apply to the work program for fathers; the denominator for calculations is the number of fathers with children on AFDC who do not pay child support.

4. Only incapacitated fathers are exempt.

TITLE XI. PATERNITY ESTABLISHMENT

A. If the paternity of any dependent named on an AFDC application has not been legally established, the mother must provide the name of the father or possible fathers to AFDC officials as part of the application process;

1. The existing eligibility requirement requiring the custodial parent to cooperate with and assign support rights to the state agency shall remain in effect.

2. If the mother is not certain who the father is, she must name all the men she thinks could be the father.

3. In the case of families with one child, once the mother has provided the father's name, the family is eligible for an AFDC cash benefit for the child.

4. In the case of families that have at least one child for whom paternity has been established and at least one child for whom paternity has not been established, the family will receive an AFDC benefit for the children.

B. After giving the father's name, the mother must cooperate with the state child support enforcement agency to establish paternity;

1. Once paternity is legally established, the family is eligible for the full AFDC benefit for a family of that size.

2. If the child support agency finds that the man named by the mother is not the father, the mother is dropped from the rolls until paternity is established, and payments for the child(ren) may be made as vendor payments to provide for housing or to a representative payee.

3. In the case of a family with more than one child at least one of which has paternity established, a false name will still result in the custodial parent being dropped from the rolls, and payments for the child(ren) being made as vendor payments for housing or to a representative payee.

C. Upon application for Medicaid prior to eligibility for AFDC, as well as upon participation in any state or federal program, state and federal officers and employees upon first recognizing that she is pregnant, shall inform her that:

1. she will not be able to receive AFDC benefits until she identifies the father, and

2. she should do whatever is necessary to get the father to acknowledge paternity as soon as possible.

D. States must develop procedures in public hospitals, Federally Qualified Health Centers, and clinics that facilitate the acknowledgment of paternity.

E. States must develop procedures, in consultation with the Secretary, to handle cases in which mothers claim the father is dead or missing. State procedures should be based on the principle that the burden of proof is on the mother.

F. The mother is exempt from these requirements if her pregnancy was caused by rape or incest or if the state concludes that pursuing paternity will result in physical harm to the parent or child.

G. The States, in consultation with the Secretary, shall develop procedures for determining undue hardship when, despite full cooperation by the custodial parent, the State is unable to establish paternity.

H. States are required to follow the provisions outlined above unless the state passes a law specifically declaring that the state wants to exempt itself.

I. The state paternity establishment requirement of 75 percent in current law (assuming the reconciliation bill passes) is increased to 90 percent. As under current law, states under 90 percent must increase by 3 percent each year if their percentage is over 50 percent and 6 percent each year if their percentage is under 50 percent.

TITLE III: EXPANDED STATUTORY FLEXIBILITY FOR STATES

A. Rewards and sanctions for immunization and/or health checkup.

Allow states to increase the total monthly AFDC benefit by up to $50 per month for 6 months (not necessarily consecutive) for complying with immunization, EPSDT screening, or other health requirements. Families could be sanctioned by up to $50 per child per month until the requirements are met. States can decide not to follow this provision by passing a state law specifically exempting themselves.

B. Rewards and sanctions for school attendance.

Allow states to increase the total monthly AFDC benefits by up to $75.00 if they meet or exceed attendance standards as established by the state. Families with school-age children who attend school less than the state-established minimum without good cause will be subject to a sanction of up to $75.00 per child per month. Good cause is defined by states in consultation with the Secretary.

C. No additional money for more children.

States have the option of not paying any additional benefits for children born 10 months after the date of application for AFDC. States can, but are not required to, allow exceptions for families:

1. that leave AFDC due to earnings for at least 90 days if employment is terminated for good cause, and/or
2. that remain off AFDC for 12 consecutive months.

D. Change work disregards within limits.

States would be permitted to replace the current Federal rules for disregarding income in setting AFDC benefit levels. The current 4-month $30 and 1/3 rule could be changed as a state wishes but the changes can be no greater than the equivalent of permanently disregarding the first $200 of family earnings plus 1/2 of the remainder.

E. Married couple transition benefit option.

States would be permitted to allow AFDC recipients who marry someone who is not the father of their child, and who would become ineligible for AFDC, to keep up to 1/2 of their current benefit for up to one year as long as their combined family income is below 150% of the poverty level. Couples who marry and would be eligible for AFDC-UP in the state may be treated by the state as eligible for either AFDC-UP or the state's new "married couple" transition benefit, but not both.

F. AFDC benefit levels for new state residents.

States have the option of providing new residents of their state with the same level of AFDC benefits as provided by the state from which the residents moved. This level of benefits can be provided for no more than 1 year.

G. Parenting classes, money management, and moving residence.

States have the option of requiring AFDC parents to participate in parenting classes and classes on money management during the Transition Program. Such participation counts toward fulfillment of state participation requirements.

TITLE XV. EXPEDITED STATE WAIVER AUTHORITY

A. Office of Waiver Coordination.

All waivers submitted under title I, X, XIV, XIX or part A or D of title IV will be submitted to and considered by the Office of Waiver Coordination in the Department of Health & Human Services. This Office shall provide States assistance and technical advice in applying for waivers under the various titles and shall provide States assistance in obtaining technical information necessary to conduct or renew demonstration projects. To the extent that any waiver is affected by or related to the Food Stamp Act of 1977, the Director of the Office, appointed by the Secretary, shall consult and coordinate with the Secretary of Agriculture on such waiver. The Director shall also develop and implement a standardized 5-year waiver form process to apply with respect to all waivers as well as provide for development and implementation of a uniform reporting form to be filled out and filed with the Secretary every 3 years by States participating under a waiver. Within 45 days, the affected programs must provide the Director with views on whether the proposal will move families toward independence from welfare. Within 120 days, the Director must reach a decision and notify the State. If the waiver request has not been acted upon within 120 days, the request is deemed to be approved.

TITLE V: CHILD SUPPORT ENFORCEMENT

A. Improved Tracking of Absent Parents to Enforce Support.

1. New employees would be required to report support obligations subject to wage withholding to employers via new W-4 forms. Withholding would begin immediately and employment information would be maintained for interstate searches.

2. States would maintain updated registries of support orders to verify new hire withholding information and assist other states with interstate searches.

3. The Federal Parent Locator service would be expanded to improve access to information nationwide and the Federal Office of Child Support Enforcement would coordinate an information network between states to provide for speedy interstate searches.

4. States shall be required to recognize and enforce child support orders established in other states, thus placing jurisdiction for child support disputes in the state where the child resides.

B. Streamlined Wage Withholding.

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

TITLE VI: WELFARE RESTRICTIONS FOR ALIENS

A. All welfare benefits (other than emergency Medicaid) are eliminated for non-citizens, except for refugees and certain permanent residents as defined below.

B. Exceptions for refugees and permanent resident aliens:

1. refugees who have been adjusted to permanent resident status can receive welfare for only 1 year beyond the

time limit required for them to apply for citizenship (unless they are over age 70);

2. permanent resident aliens over age 70 who have been legal residents for at least 5 years are eligible for welfare benefits.

C. State AFDC agencies must provide the name, address, and other identifying information (including fingerprints) to the Immigration and Naturalization Service for all illegal immigrant parents with citizen children.

D. Any noncitizen who is currently residing in the U.S. and is affected by any of the above provisions is exempt from that provision for 1 year following passage of the bill; any federal department that administers welfare programs that currently serve resident aliens must directly notify, or ensure that states notify, all resident aliens affected by provisions outlined above.

TITLE VII: MISCELLANEOUS PROVISIONS

A. AFDC Recipients and Drug Addiction

1. AFDC applicants and recipients determined by states to be addicted to alcohol or drugs must participate in addiction treatment.

2. Failure of addicts to participate on a satisfactory basis as defined by the state will result in expulsion from AFDC for 2 years.

3. States may waive participation requirements during the transition program for up to 1 year if AFDC recipients are participating in addiction treatment programs; however, states must continue to include all addicted recipients in the denominator for calculation of participation standards.

4. States are authorized to use random and unannounced drug tests with recipients who have participated in drug rehabilitation programs or have a history of addiction; refusal by the recipient to submit to drug testing will result in termination of the entire family's cash AFDC benefit.

B. Eligibility for Food Stamps

1. In order to qualify for Food Stamps, adults must be:
   a. receiving unemployment insurance, AFDC, SSI, disability insurance, workers compensation, or

social security,

b. pregnant women in the last month of pregnancy or within two months of giving birth,

c. participating satisfactorily in the Food Stamp work program, or

d. able to show proof of incapacitation or current employment.

2. Clarifying rule.

If an adult in a Food Stamp household that includes children fails to meet the requirements and is disqualified from participation, the children will still qualify for benefits (but their household size will be reduced by 1 person).

C. Evaluation of Education and Training Programs.

The Department of Health and Human Services is required to fund research that examines the impacts of education and training programs on exits from AFDC, welfare expenditures, wage rates, employment histories, and repeat spells on AFDC. At least one of the studies must involve three groups to which AFDC adults are randomly assigned; a control group not required to participate in any special activity, a group required to participate in education or job training programs, and a group required to participate in job search or job search and work experience. Participants must be followed for at least 5 years.

D. Demonstrations on Fraud and Administrative Efficiency.

1. HHS is authorized to conduct demonstrations in several states to determine whether providing welfare benefits (including AFDC, Food Stamps, Medicaid, housing, etc.) by use of electronic cards and automatic teller machines will reduce administrative costs and fraud; within 5 years HHS must write a report to Congress summarizing the results of the studies and making recommendations about whether, and how, more states might be required to use electronic funds transfer programs. The following standards and restrictions shall apply:

a. All Electronic Benefit Transfer (EBT) projects shall be treated as demonstrations with requisite evaluations until data is available establishing the cost-effectiveness for the federal government.

b. Federal funding for hardware is prohibited.

c. Regardless of conditions agreed to for cost neutrality purposes, when the demonstration is ended the federal match shall continue to be capped at 50%.

d. Federal Approval of EBT demonstrations shall be conditioned on the following:
   1) Cost neutrality for the federal government;
   2) Reasonable time frames for development and implementation including consideration for conversion and potential disruption to benefit disbursement to recipients;
   3) Reasonable limits establishing numbers of transactions and service fees for recipients;
   4) Stipulation of anti-fraud procedures to prevent misuse of EBT cards;
   5) Stipulation of procedures to insure privacy;
   6) Description of an equitable cost accounting system for expansion of EBT availability to state and federal programs in addition to the original developing programs.

2. HHS is required to appoint a commission composed of cabinet officials, outside experts, and state administrators to determine the cost and feasibility of creating an inter-state system of Social Security numbers of all welfare participants for the purpose of ensuring that no adults or children are participating in welfare programs in more than one state.

republican plan file

Outline of Republican Welfare Reform Bill
November, 1993

<u>Outline of Bill</u>

<u>Title I: AFDC Transition and Work Program</u>

A. <u>AFDC Transition Program</u> (first 2 years on AFDC)

1. <u>Program outline</u>. At the time of AFDC enrollment, families are referred to the AFDC Transition Program in which they are expected to work or prepare for work:
   a. at state option, participation in the AFDC Transition Program can begin after 1 year for some or all recipient families defined as job ready by states;
   b. recipients and the welfare agency create a written plan describing what each must do so the parent can prepare for work; the written plan must include the statement that after 2 years (or less at state option) parents who have not secured paid employment must work in exchange for their AFDC benefit;
   c. states, in consultation with the Secretary, establish the guidelines by which participation is defined; states can set their own guidelines within the following framework:
      1) the general rule, to which education is an exception (see below), is that families must participate at least 520 hours per year, although states have flexibility in how the 520 hours is achieved (e.g., 100% time for 3 months, 50% time for 6 months, or 25% time for 12 months fulfills the requirement);
      2) within 12 months of enactment, the Secretary must publish rules about how education hours are counted; the guiding principle should be that meeting whatever a given educational institution (including certified professional training schools and certified degree-granting programs) considers full-time enrollment, and maintaining at least minimum passing evaluations, counts as participation;
      3) in two-parent families, at least one parent

must meet participation requirements; states have the option of requiring participation by both parents;

4) parents can use the 6-month birth exemption (see below) only one time; if a subsequent child is born while the parents are on AFDC, only the 4-month exemption is in effect;

d. all the programs authorized in section 482(d) of the Social Security Act (education, job skills, job readiness, job development and placement, group and individual job search, on-the-job training, work supplementation, community work experience) count as participation under the AFDC Transition program.

2. Sanctions. Participants who fail to meet the criteria for participation are sanctioned as follows:
   a. for the first offense, the combined value of the family's AFDC benefit and Food Stamp benefit is reduced by 25% until the parent complies and at least 3 months have elapsed; if 3 months elapse and the recipient has not complied, then the recipient is deemed to have started the second offense period;
   b. the sanction for the second offense is similar to the first except that in addition to complying with the criteria, at least 6 months must elapse before benefits are restored; if the recipient has not complied within 3 months, then the recipient is deemed to have entered the third offense period;
   c. for the third offense, the family is dropped from AFDC altogether;
   d. when families are dropped from AFDC, they retain Medicaid, Food Stamps, and any other benefit for which they are otherwise eligible.

3. Exemptions.
   a. incapacitated, as currently defined in regulations (not including drug and alcohol offenders);
   b. at state option, those enrolled in drug and alcohol abuse programs (with a 12-month limitation);
   c. during a 6-month period in which a recipient gives birth to the first child born after the recipient participates in AFDC (divided as the recipient selects between the pre-natal and post-natal periods);
   d. during a 4-month period in which a recipient gives birth to the second or subsequent child born after the recipient participates in AFDC (divided as the recipient selects between the pre-natal and post-natal periods);
   e. during a 2-month period following the return home of a child who had been removed from the home;

f. during the period in which full-time care is provided for a disabled dependent.

4. Participation Requirements.
   a. participation standards are computed separately for the Transition Program and the Work Program;
   b. new participation standards apply to applicants for FY 1996 and 1997; the standard for 1996 is 30 percent; the standard for 1997 is 40 percent;
   c. beginning in 1998, participation standards apply to the entire caseload (not just applicants); the standard in the Transition Program is 50 percent in 1998, 60 percent in 1999, 70 percent in 2000, 80 percent in 2001, and 90 percent in 2002;
   d. to the extent possible, states are encouraged to fulfill their participation standards by focusing their efforts on mothers with school-age children.

B. AFDC Work Program. If parents have not found a job after two years, they must participate in a work program established by the state

1. Program Outline.
   a. most states now conduct a Community Work Experience Program (CWEP) in which parents work, usually in a public sector job, for the number of hours equal to their AFDC benefit divided by the minimum wage; the current CWEP hours requirement is rewritten to mandate that recipients work for 35 hours per week;
   b. states can also require participation in the Work Supplementation program in which the AFDC benefit is used to subsidize a private sector job;
   c. reforms to the Work Supplementation program include:
      1) elimination of the requirement that all jobs must be new jobs;
      2) creation of new financial incentives for states to use the program:
         --recipients participating in the Work Supplementation program must be paid a salary at least equal to their AFDC plus food stamp benefits;
         --states can negotiate arrangements with employers to pay enough of the salary that some part of the value of the AFDC benefit will not be required to reach the AFDC plus Food Stamp minimum; in these cases, states can continue to request the federal share of the AFDC benefit as if the entire benefit were still being paid by state funds (this provision has the effect of allowing states to keep the entire amount by which the

employer-provided salary "buys out" the AFDC benefit);

d. states can create a new work program, subject to approval by the Secretary, that combines features of CWEP and Work Supplementation or uses entirely new approaches developed by the state;

e. after 3 years of participation in the work program (and a total of 5 years on AFDC), states have the option of dropping recipients from the AFDC rolls; recipients would continue to be eligible for Medicaid, food stamps, and other benefits.

2. Sanctions. Same as above

3. Exemptions. Same as above

4. Participation requirements.
   a. the Work Program begins for applicants in 1996; states must include at least 30 percent of their nonexempt caseload in their Work Programs in 1996;
   b. the participation standard for applicants then increases to 40 percent in 1997, 50 percent in 1998, and 60 percent in 1999;
   c. beginning in 2000, participation standards apply to the entire caseload (rather than just applicants); the standards are 70 percent in 2000, 80 percent in 2001, and 90 percent in 2002;
   d. the denominator for this calculation for each fiscal year is the number of nonexempt participants who have been on AFDC for at least 2 years on the first day of the fiscal year.

C. Work Program for Two-Parent Families. At least one parent in two-parent families on AFDC must be required to work 32 hours per week and engage in job search for 8 hours per week. States are required to pay the combined AFDC-Food Stamp benefit in cash and only after the completion of the work requirement for any given period. If the work requirement has been only partially met, states must proportionately adjust the AFDC-Food Stamp payment level.

D. State Option to Limit AFDC Two-Parent Program. Some states currently have the option of providing the AFDC Two-Parent program to qualified families for only 6 months in a given 12-month period; this option is extended to all states. (Current law prohibits about half the states from using the 6-month option).

E. <u>Work Program for Fathers</u>. Fathers of children on AFDC must either pay child support or participate in a work program:

1. Fathers who are the equivalent of 2 months in arrears on their child support, unless they are following a court-approved plan for repayment, must participate in this program.

2. States can design their own programs, but their program must include at least the following three elements:
   a. initial contact with the father must include a letter that informs him he must pay child support, that he should contact the child support office, and that he is subject to fines and penalties if he does not cooperate;
   b. if the father does not pay child support within 30 days he must be enrolled in a job search program for between 2 and 4 weeks;
   c. if the father still does not pay child support within another 30 days, he must be enrolled in a work program for at least 35 hours per week (30 hours if the program also requires job search).

3. The work program participation standards outlined above for the Transition and Work Programs apply to the work program for fathers; the denominator for calculations is the number of fathers with children on AFDC who do not pay child support.

4. Only incapacitated fathers are exempt.

<u>Title II: Paternity Establishment</u>

A. If the paternity of any dependent named on an AFDC application has not been legally established, the mother must provide the name of the father or fathers to AFDC officials as part of the application process:

1. if the mother does not provide a name, her family is not eligible for AFDC benefits for that child; if there is only one child, then the family will be denied all AFDC benefits;

2. if the mother is not certain who the father is, she must name all the men (but not more than 3) she thinks could be the father;

3. in the case of families with one child, once the mother has provided the father's name, the family is eligible for an AFDC cash benefit for a 1-person family;

4. in the case of families that have at least one child for whom paternity has been established and at least one child for whom paternity has not been established, the family will receive an AFDC benefit equal to the size of family that includes only the child or children for whom paternity has been established.

B. After giving the father's name, the mother must cooperate with the state child support enforcement agency to establish paternity:

   1. once paternity is legally established, the family is eligible for the full AFDC benefit for a family of that size;

   2. if the child support agency finds that the man named by the mother is not the father, the mother and children are dropped from the rolls until paternity is established;

   3. in the case of a family with more than one child at least one of which has paternity established, a false name will still result in the entire family being dropped from the rolls.

C. States must require all officers and employees of the state, upon first recognizing that an unwed woman is pregnant, to inform her that:

   1. she will not be able to receive AFDC benefits until she identifies the father, and

   2. she should do whatever is necessary to get the father to acknowledge paternity as soon as possible.

   States are encouraged to develop procedures in public hospitals and clinics that facilitate the acknowledgment of paternity.

D. States must develop procedures, in consultation with the Secretary, to handle cases in which mothers claim the father is dead. State procedures should be based on the principle that the burden of proof is on the mother.

E. The mother is exempt from these requirements if her pregnancy was caused by rape or incest or if the state concludes that pursuing paternity will result in physical harm to the parent or child.

F. States are required to follow the provisions outlined above unless the state passes a law specifically declaring that the state wants to exempt itself.

G. The state paternity establishment requirement of 75 percent in current law is increased to 90 percent. States under 90 percent must increase by 6 percent each year if their percentage is over 50 percent and 10 percent each year if their percentage is under 50 percent.

<u>Title III: Expansion of Statutory Flexibility for States</u>

A. <u>States can convert AFDC to block grant</u>. States have the option of taking the amount of federal reimbursement they received under Title IV-A in 1992, plus a one-time inflation adjustment of 3 percent, as a fixed annual cash payment rather than continuing in the current AFDC program. States electing this option must present an annual report to the Department of Health and Human Services showing that all the money from the block grant was spent to help poor and low-income families.

B. <u>No AFDC for minor parents under age 18</u>. States may refuse AFDC benefits if the mother or father of the dependent child is a minor as defined by state law. If minor parents are married, they can qualify for the state AFDC program for 2-parent families. States can decide not to follow this provision by passing a state law specifically exempting themselves.

C. <u>AFDC benefit levels for new state residents</u>. States have the option of providing new residents of their state with the same level of AFDC benefits as provided by the state from which the residents moved. This level of benefits can be provided for no more than 1 year.

D. <u>Sanctions for school attendance</u>. Families with school-age children who attend school less than some state-established minimum without good cause can be subject to a sanction of up to $75.00 per child per month. Good cause is defined by states in consultation with the Secretary. Minor parents receiving AFDC who have not graduated from high school are also subject to this provision.

E. <u>No additional money for more children</u>. States are not required to pay any additional benefits for children born 10 months after the date of application for AFDC. States can, but are not required to, allow exceptions for families: a) that leave AFDC due to earnings for at least 90 days if employment is terminated for good cause, and/or b) that remain off AFDC for 12 consecutive months. States can decide not to follow this provision by passing a law specifically exempting themselves.

F. Change work disregards within limits. States are permitted to replace the current Federal rules for disregarding income in setting AFDC benefit levels. The current 4-month $30 and 1/3 rule can be changed as a state wishes but the changes can be no more generous than the equivalent of permanently disregarding the first $200 of family earnings plus 1/2 of the remainder.

G. Married couple transition benefit option. States are permitted to allow AFDC recipients who marry someone who is not the parent of their child, and who would become ineligible for AFDC, to keep up to 1/2 of their current benefit for up to one year as long as their combined family income is below 150% of the poverty level. Couples who marry and are eligible for the AFDC two-parent program in the state may receive either two-parent AFDC or the state's new "married couple" transition benefit, but not both.

H. Increase asset limit up to $10,000. States can disregard, for a maximum period of 2 years, up to $10,000 of assets associated with a microenterprise owned by a family for purposes of determining AFDC eligibility and calculating AFDC benefits; states may also disregard up to $10,000 of savings placed in a special account to be used for purchase of a home or for education or training. The disregard for business-related costs, income, and resources associated with a business of five or fewer employees will be increased from $1,000 to $10,000 per family.

I. Parenting classes, money management, and moving residence. States have the option of requiring AFDC parents to participate in parenting classes and classes on money management during the Transition Program. Such participation counts toward fulfillment of state participation requirements. States can also require parents receiving AFDC benefits to receive agency permission before changing a dependent child's residence during the school year.

Title IV. Expansion of State and Local Flexibility

A. Interagency Waiver Request Board. Waiver requests from states, localities, and other program operators are considered by an interagency board composed of the Secretaries of Agriculture, Health and Human Services, Housing and Urban Development, Labor, Interior, Justice, and the Office of Management and Budget. The Board is headed by a chairperson appointed by the President.

B. Goals of Reform Waivers. The Chairman and Board must insure that all waivers meet one or more of the following goals:

1. helping elderly and disabled individuals who need long-term assistance meet basic human needs or improve their living conditions,
2. helping able-bodied individuals and their families, on a temporary basis, meet basic human needs and improve their living conditions while--
3. acquiring the experience and skills necessary to improve their living conditions, maintain and strengthen family relationships, and attain or retain the capability for self-support and independence,
4. promoting individual initiative and personal behavior consistent with progress toward self-sufficiency and a strong family life.

The Chairman and Board must also insure that granting the requested waiver would not unnecessarily affect individuals or families adversely.

C. Application for Waivers. Any entity eligible to receive Federal funds may submit a waiver application to the Board specifying, explaining, and justifying the particular provisions of statute or regulation the entity wants to change. All applications must aim to help long-term welfare recipients improve their living conditions, help recipients strengthen their families and achieve self-sufficiency, or promote individual initiative and personal behavior consistent with progress toward self-sufficiency. Applications must contain written assurances that implementing the proposal will not result in additional costs to the federal government.

1. Any entity has the option to submit a streamlined express application to implement an assistance plan reforming three or fewer programs. The entity may request that the chairperson authorize the applicant to implement the plan and waive the application of any Federal statutory or regulatory requirement to the extent necessary to enable such implementation.

2. Entities wishing to reform such programs may submit an application for an integrated assistance plan. Applicants must include in their applications the geographic area and recipients to be affected; objectives and performance criteria; federal programs that will be improved by implementation; fiscal control policies for plan; consent of qualified organizations; and approval of state and local agencies (affected by the proposal).

D. Agency Approval. The Chairman, after considering the proposal and making any written comments she thinks appropriate, forwards the proposal to the agency or agencies with jurisdiction over the programs. Within 45 days the agency must provide the Chairman with views on whether the proposal meets the goals of reform waivers outlined above. If more than one federal agency is involved in the waiver request, the chairman must take steps to assure that all agencies are informed of the others' involvement. The Chairman must reach a decision on the waiver request and notify the state within 90 days; if the state waiver request has not been approved or disapproved within 90 days from the date of receipt, the request is deemed to be approved.

E. Eligible Federal Programs. Programs are deemed eligible for waivers if, directly or indirectly, they provide cash assistance, education, employment training, health, housing, nutrition, or social services to individuals or families.

Title V: Child Support Enforcement

A. Improved Tracking of Absent Parents to Enforce Support. Establish a nationwide system for reporting and tracking newly hired workers to improve the nation's ability to locate parents and enforce support orders. The system would include a current address, source of earnings, and record of support obligations. This proposal is based on three specific reforms:

1. New employees would be required to report support obligations subject to wage withholding to employers via new W-4 tax forms. Withholding would begin immediately and employment information would be maintained for interstate searches.

2. States would maintain updated registries of support orders to verify new hire withholding information and assist other states with interstate searches.

3. The Federal Parent Locator service would be expanded to improve access to information nationwide; the Federal Office of Child Support Enforcement would coordinate an information network between states to provide for speedy interstate searches.

B. Streamlined Wage Withholding. Streamline the interstate system of wage withholding by establishing uniform withholding notices and by requiring employers to honor withholding notices from out-of-state courts.

C. Improved Paternity Establishment. States would establish hospital-based programs to encourage voluntary paternity establishment at the time of birth and provide for administrative processes for establishing parentage.

Title VI: Welfare Restrictions for Aliens

A. All welfare benefits (other than emergency Medicaid) are eliminated for non-citizens, except for refugees and certain permanent residents as defined below.

B. Exceptions for refugees and permanent resident aliens:

   1. Refugees who have been adjusted to permanent resident status can receive welfare for only 1 year beyond the time limit required for them to apply for citizenship (unless they are over age 75);

   2. Permanent resident aliens over age 75 who have been legal residents for at least 5 years are eligible for welfare benefits.

C. State AFDC agencies must provide the name, address, and other identifying information (including fingerprints) to the Immigration and Naturalization Service for all illegal immigrant parents with citizen children.

D. Any noncitizen who is currently residing in the U.S. and is affected by any of the above provisions is exempt from that provision for 1 year following passage of the bill; any federal department that administers welfare programs that currently serve resident aliens must directly notify, or ensure that states notify, all recipients affected by the provisions outlined above.

Title VII: Controlling Welfare Costs

A. Annual outlay growth in the Aid to Families with Dependent Children, Supplemental Security Income, Public housing and Section 8 housing, Food Stamps, and Earned Income Tax Credit (EITC) programs is capped at 2% plus inflation. If spending in any year exceeds the cap, each of the six programs is reduced by the percentage necessary to bring aggregate spending in line with the cap. Each program is reduced by the same percentage amount.

B. The concurrent budget resolution includes an aggregate outlay figure for all six capped programs and for each program individually; each figure equals the previous year's outlays plus inflation plus 2%. Committee allocations for Ways and Means, Banking, and Agriculture reflect the caps. The President's budget also contains the same aggregate and individual outlay figures that are found in the budget resolution.

C. Five days after Congress adjourns to end a session, OMB calculates both an estimated outlay figure for each capped program for the previous fiscal year as well as the 2% plus inflation cap.

D. Fifteen days after Congress adjourns to end a session, each of the capped programs is reduced by sequestration, if necessary, by the uniform percentage required to achieve the spending limit imposed by the cap.

Title VIII: Consolidated Block Grant to States for Nutrition Assistance

A. The consolidated block grant combines 10 food and nutrition programs into a single, discretionary block grant to states. The 10 programs are: Food Stamps, Nutrition Assistance for Puerto Rico, Special Milk Program, State Child Nutrition Program, Special Supplemental Food Program for Women, Infants, and Children (WIC), Commodity Supplemental Food Program, Food Donations Programs for Selected Groups, The Emergency Food Assistance Program, Administration on Aging/Nutrition Services, and Food Program Administration.

B. Spending on the block grant is controlled by imposing a ceiling on the spending each year. The first-year ceiling is 95% of the total spending from the individual programs; in subsequent years spending is adjusted to take into account population growth and food price inflation.

C. The block grant is apportioned among states in accord with the percent of the poverty population that resides in each state. Money from the block grant must be spent by states providing nutrition programs to families with incomes below 70% of the Lower Living Standard Income Level published by the Department of Labor.

D. Restrictions on State Spending:

1. States cannot spend more than 5% of their grant on administration.

2. States must spend at least 12% of their allocation on the Special Supplemental Food Program for Women, Infants, and Children (WIC); this amount will bring WIC benefits to all eligible children and mothers.

3. States must spend 20% of their funds on nutrition programs in child care and public school facilities; spending must be targeted on school children meeting the eligibility criteria for free and reduced price school meals.

E. The program authorization expires after 5 years. The initial authorization includes funding for the first and second years; the intent of this provision is to provide transitional assistance for programs with a funding cycle at variance with the fiscal year. Following the transition period, the block grant will be forward-funded.

F. The block grant generates savings through elimination of benefit overlap, reduction of middle class subsidies, and slashing administrative duplication. The federal government will cease direct purchase of agricultural commodities for the purpose of distribution to food programs; states can directly purchase agricultural commodities held by the federal government as part of farm surplus reduction programs.

Title IX: Miscellaneous

A. AFDC Recipients and Drug Addiction

1. AFDC applicants and recipients determined by states to be addicted to alcohol or drugs must participate in addiction treatment if it is available.

2. Failure of addicts to participate on a satisfactory basis as defined by the state will result in expulsion from AFDC for 2 years.

3. States may waive participation requirements during the transition program for up to 1 year if AFDC recipients are participating in addiction treatment programs; however, states must continue to include all addicted recipients in the denominator for calculation of participation standards.

4. States are authorized to use random and unannounced drug tests with recipients who have participated in drug rehabilitation programs or have a history of addiction; refusal by the recipient to submit to drug testing will result in termination of the entire family's cash AFDC benefit for 2 years.

B. Supplemental Security Income & Addicts. The Social Security Administration is directed to identify all SSI participants whose disability was caused by addiction to illegal drugs and to test them periodically, on a random schedule, to determine whether they are using illegal drugs. If use of illegal drugs is detected by the tests, or if recipients refuse to submit to testing, their SSI benefits are permanently terminated.

C. Evaluation of Education and Training Programs. The Department of Health and Human Services is required to fund research that examines the impacts of education and training programs on exits from AFDC, welfare expenditures, wage rates, employment histories, and repeat spells on AFDC. At least one of the studies must involve three groups to which AFDC adults are randomly assigned: a control group not required to participate in any special activity, a group required to participate in education or job training programs, and a group required to participate in job search or job search and work experience. Participants must be followed for at least 5 years.

D. Initial AFDC Applicant Job Search. States must require AFDC applicants to participate in job search while their welfare application is being processed. Applicants must be reimbursed for transportation and child care expenses. States can provide emergency aid when payment cannot be delayed. States retain considerable flexibility in defining such emergencies, although they must include in their state plan the general guidelines they will follow. States can decide not to follow this provision by passing a state law specifically exempting themselves.

E. Demonstrations on Fraud and Administrative Efficiency.

1. HHS is authorized to conduct demonstrations in several states to determine whether providing welfare benefits (including AFDC, Food Stamps, Medicaid, housing, etc.) by use of electronic cards and automatic teller machines will reduce administrative costs and fraud; within 5 years HHS must write a report to Congress summarizing the results of the studies and making recommendations about whether and how more states might be required to use electronic funds transfer programs.

2. HHS is required to appoint a commission composed of cabinet officials, outside experts, and state administrators to determine the cost and feasibility of creating an interstate system of Social Security numbers of all welfare participants for the purpose of ensuring that no adults or children are participating in welfare programs in more than one state.

F. Work Incentive in Housing Programs. Local public housing authorities must disregard FICA taxes and income taxes from earned income for purposes of calculating rent for 2 years after recipients begin employment. Public housing authorities may exclude from earned income, for a maximum of 2 years, additional earnings resulting from employment of a previously unemployed household worker over age 18. Both of these provisions are subject to funding approval by the Appropriations Committee.

G. Required Immunizations for Children.

1. Families with children under age 6 must present verification from a physician that the children are receiving regular pediatric checkups and required immunizations.

2. States must conduct education and outreach activities designed to increase public awareness of the importance of preschool health checkups and to advertise the availability of free or reduced price immunizations.

3. Children attending facilities supported by the Child Care and Development Block Grant must present evidence from a physician that they are following the recommended schedule of pediatric immunizations; providers must present parents with written information about required immunizations; parents must be given between 30 and 45 days to obtain the required immunizations or the child must be removed from the facility.

4. The Surgeon General must issue recommendations for the schedule of immunizations to be followed by children under 6 years of age.

Republican Plan — welfare reform

CHANGES TO DRAFT 1 FROM DAVID ELLWOOD, MARY JO BANE, MARY BOURDETTE, ANN ROSEWATER (HHS):

DRAFT STATEMENT RESPONDING TO REPUBLICAN PLAN

Mary Jo Bane, David Ellwood and Bruce Reed, co-chairs of President Clinton's Working Group on Welfare Reform, issued the following statement today in response to the release of the welfare reform legislation by House Republicans:

"We are pleased that the Republicans in the House of Representatives have entered the debate on welfare reform. We will certainly be looking closely at their legislation in the weeks ahead as we develop our own plan. Many of their proposals address the President's vision for reform, which stresses work, family, opportunity and responsibility.

Clearly there is broad consensus throughout the country and across political lines for fundamental change in the welfare system. The emphasis in the Republican plan on work and parental responsibility is very much in keeping with the President's goals.

While we applaud their emphasis on work, some elements of the plan concern us. Capping programs like the Earned Income Tax Credit undermines the working poor, whose efforts should instead be rewarded in any reformed system. Much more can and should be done to crack down on parents who fail to pay child support. The plan to completely block grant nutrition programs including the Food Stamp program, cut their funding, and leave the issue up to the states harms the long bipartisan effort to prevent hunger and represents a clear cost shift to the states. Most importantly, we want a plan that focuses both on opportunity and responsibility, to ensure Americans can and do work and become self-sufficient.

We look forward to working with Congress on a bipartisan basis to develop a plan which fulfills the President's vision of a welfare system which truly helps people to work and become self-sufficient."

Q: <u>The Republican plan estimates that welfare reform will save $30 billion over five years. Will the Clinton plan save money?</u>

A: Because no final decisions have been made, it is too early to say. We want to take a particularly close look at the extent to which the Republican claims of cost saving may be illusory because they simply shift costs from the federal government to the states. We are also concerned that across-the-board cuts in food and nutrition programs may actually cost money in the long run; a number of studies have found that early investments in child nutrition are very cost-effective.

Q: <u>Why hasn't the Working Group come forward with its plan yet?</u>

We are continuing our work according to our original timetable, and will have proposals ready for the President's consideration later this year. President Clinton has been a leader in welfare reform for almost a decade, and we want to present a comprehensive plan that will truly end welfare as we know it. We also believe it is important to consult with governors, members of Congress from both parties, welfare recipients themselves, and others before we make nay final decisions.

Q: <u>As you know, the Republican plan includes a 5 percent reduction in Food Stamps, WIC, and other nutrition programs serving children and the elderly. It also caps spending on the EITC, AFDC, SSI, and public housing programs. Do you really intend to consider these proposals?</u>

Some elements of the plan do concern us, and there will clearly need to be further discussion about aspects of their proposal. For example, across-the-board cuts of that magnitude may be counterproductive and could simply shift burdens to the states. We are also concerned that cuts in food and nutrition programs may actually cost money in the long run; a number of studies have found that early investments in child nutrition are very cost-effective.

DRAFT 1

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Some elements of the plan concern us, and there will clearly need to be further discussion about aspects of their proposal. Welfare reform should not simply shift burdens to the states; instead it should fundamentally change a system which encourages dependency into one which helps move people into the work force. We seek a plan which emphasizes, rather than limits, efforts to make work pay such as the Earned Income Tax Credit. We believe much more can be done to crack down on parents who do not pay child support. Most importantly, we want a plan which does more to help people become self-sufficient.

We look forward to working with Congress on a bipartisan basis to develop a plan which fulfills the President's vision of a welfare system which truly helps people to work and become self-sufficient."

The following questions and answers are provided as guidance to Working Group members and their representatives in answering questions from the media about the Republican plan. As a general rule, we are recommending that the Working Group provide no comment on the plan to the press, other than referring them to the statement issued by the chairs and to Avis LaVelle, the group's spokesperson at 690-7850 You may also talk to Avis' deputy, Melissa Skolfield.

However, if further comment is required the following are some additional questions and answers which should be used as guidance when responding:

Q: <u>Do you think this plan bears any resemblance to what you will be proposing?</u>

A: We need to take a close look at the plan before we can answer any questions like that. Bear in mind that there are a number of alternatives out there: several states and cities have demonstration programs of their own, many nonprofit organizations are helping recipients move from welfare to work, and a number of institutions have done interesting and important studies. What we are doing is reviewing all the possibilities for reform to come up with a model that is the best way to help low-income families take control of their own lives.

Our approach will be based on the four values of work, family, opportunity and responsibility, and we're encouraged by the degree to which the Republican plan mirrors those goals. However, we seek a plan which emphasizes, rather than limits, efforts to make work pay such as the Earned Income Tax Credit. We believe much more can be done to crack down on parents who do not pay child support. Most importantly, we want a plan which does more to help people become self-sufficient.

Q: <u>Do you think you will be able to work with the Republicans to create a bipartisan consensus in light of this plan?</u>

A: We are optimistic that we will be able to gather support from members on both sides of the aisle for a plan that promotes the basic values the President has put forward: work, family, opportunity and responsibility.

Q: <u>How do you react to such suggestions as family caps, an end to benefits for immigrants, or mandatory paternity establishment?</u>

A: The Working Group has not reached any conclusions or presented any options to the President on any specific aspects of the plan. It will be a while before we will be able to comment specifically on any such proposals.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

ROUTE SLIP

TO Bruce Reed	Take necessary action	☐
Kathi Way	Approval or signature	☐
	Comment	☐
	Prepare reply	☐
	Discuss with me	☐
	For your information	☐
	See remarks below	☐

FROM Belle   DATE 2-15

REMARKS

Republican bill cost estimates

*U.S. Government Printing Office: 1991 — 298-539

OMB FORM 4
Rev. Jul 91

Income Maintenance Branch
Office of Management and Budget
Executive Office of the President
Washington, DC 20503

February 15, 1994

Please route to:

Keith Fontenot
Barbara Selfridge
Belle Sawhill

Decision needed	___
Please comment	___
For your information	___
Per your request	X
Take necessary action	___

With informational copies for:

Subject: HR 3500--The House Republican Welfare Bill

Phone: 202/395-4686
Fax: 202/395-3910
Room: #7026

From: Stacy Dean and Michael Ruffner

Recently you indicated that you would like to see a table of all the major provisions in the Republican Welfare Bill. We have prepared the attached table entitled "Republican Welfare Reform Bill HR. 3500: A comparison of preliminary HHS and CBO pricing". To provide you with further information on the bill's contents, we have also attached and a copy of a November 30th memo to you entitled "Republican Welfare Reform Bill".

No pricing has developed for the Senate Republican bill, but this bill is virtually identical to the House version. We will follow-up with a list of distinctions between the two bills.

Please note ~~on~~ of the following for the pricing table:

- the pricing is not interactive.
- CBO did not price all of the provisions.
- HHS estimates do not generally include Food Stamps or Medicaid effects.
- Title VII and Title VIII could be considered internally inconsistent because Food Stamps is included in the proposal to create a block grant out of all Federal Food programs and the proposal to cap welfare expenditures. HHS pricing considers these proposals additive.

Republican Welfare Reform Bill HR. 3500
A comparison of preliminary HHS and CBO pricing
(in millions of dollars)

Title and Section		FY94	FY95	FY96	FY97	FY98	FY94-99
Title I AFDC Transition and Work Program							
AFDC Transition and WORK Program Child Care*							
CBO:	AFDC-JOBS	0	0	300	1,000	1,900	3,200
	AFDC-Child Care	0	-100	100	600	1,600	2,200
	Total	0	-100	400	1,600	3,500	5,400
HHS:	AFDC-JOBS	0	92	450	951	1,512	3,005
	AFDC-Child Care	0	-22	208	603	1,248	2,037
	Total	0	70	658	1,554	2,760	5,042
Note: HHS has indicated that they consider these Child Care estimates to be a little high.							
Title I Subtotal							
	CBO	0	-100	400	1,600	3,500	5,400
	HHS	0	70	658	1,554	2,760	5,042
Title II Paternity Establishment							
Sanction AFDC Families if Paternity is not Established							
CBO:	AFDC	-200	-400	-900	-900	-900	-3,300
	Food Stamps	100	200	500	500	500	1,800
	CSE	N/E	N/E	N/E	N/E	N/E	N/E
	Total	-100	-200	-400	-400	-400	-1,500
HHS:	AFDC	-485	-720	-1,180	-1,190	-1,200	-4,775
	Food Stamps	125	250	500	500	500	1,875
	CSE	0	9	4	0	-3	10
	Total	-360	-461	-676	-690	-703	-2,890
Title II Subtotal							
	CBO	-100	-200	-400	-400	-400	-1,500
	HHS	-360	-461	-676	-690	-703	-2,890

IMB 2/15/94 10:46 AM

Republican Welfare Reform Bill HR. 3500
A comparison of preliminary HHS and CBO pricing
(in millions of dollars)

Title and Section		FY94	FY95	FY96	FY97	FY98	FY94-99
Title III Expanded Statutory Flexibility for States							
301 State Option to Convert AFDC to a Block Grant							
CBO:		CBO believes that no State would take this option.					0
HHS:		0	0	0	0	0	0
302 Deny AFDC if either parent is a minor							
CBO:		N/E	N/E	N/E	N/E	N/E	N/E
HHS:		-260	-270	-280	-290	-300	-1,400
303 Treat Interstate immigrants under rules of former State							
CBO:	AFDC	-30	-70	-70	-70	-70	-310
	Food Stamps	20	40	40	40	40	180
		-10	-30	-30	-30	-30	-130
HHS:	AFDC	-140	-140	-150	-150	-160	-740
304 Impose penalty for failure to attend school							
CBO:	AFDC Admin	25	75	100	100	100	400
	AFDC Benefits	*	*	*	*	*	*
	Total	25	75	100	100	100	400
HHS:	AFDC	50	75	110	115	120	470

Republican Welfare Reform Bill HR. 3500
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(in millions of dollars)

Title and Section		FY94	FY95	FY96	FY97	FY98	FY94-99
305 No Additional Benefits for New Children							
CBO*	AFDC	-90	-200	-260	-320	-350	-1,220
	Food Stamps	50	100	140	160	190	640
	Total	-40	-100	-120	-160	-160	-580
HHS	AFDC	-160	-440	-620	-810	-1,020	-3,050

* CBO has indicated that these AFDC savings estimates are a little high and will be reestimated.

Title and Section		FY94	FY95	FY96	FY97	FY98	FY94-99
306 Option to modify certain AFDC income disregard rules							
CBO:	AFDC	220	220	230	240	250	1,160
	Food Stamps	-110	-120	-120	-120	-130	-600
	Medicaid	140	150	160	180	200	830
	Total	250	250	270	300	320	1,390
HHS	AFDC	260	260	270	280	290	1,360
307 Option to provide married couple transistion benefits							
CBO:	AFDC	60	120	120	130	130	560
	Food Stamps	-30	-60	-70	-70	-70	-300
	Medicaid	70	160	180	200	220	830
	Total	100	220	230	260	280	1,090
HHS:	AFDC	60	120	120	130	130	560
	Food Stamps	-30	-60	-70	-70	-70	-300
	Medicaid	N/E	N/E	N/E	N/E	N/E	N/E
	Total	30	60	50	60	60	260

Republican Welfare Reform Bill HR. 3500
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Title and Section			FY94	FY95	FY96	FY97	FY98	FY94-99
308	Disregard Income and resources designated for education training & employment, or related to self-employment							
	CBO:	AFDC	10	25	55	55	55	200
		Food Stamps	-5	-5	-10	-10	-10	-40
		Medicaid	10	10	25	35	35	115
		Total	15	30	70	80	80	275
	HHS:	AFDC	5	15	30	30	30	110
309	Option to require attendance at parenting & money management classes & prior approval of any action that would result in a change of school for a dependent child							
	CBO	AFDC	N/E	N/E	N/E	N/E	N/E	N/E
	HHS	AFDC	Indeterminate but small.					
Title III Subtotal								
		CBO	340	445	520	550	590	2,445
		HHS	-215	-440	-590	-765	-980	-2,990

Title IV Expansion of State Waiver Authority

			FY94	FY95	FY96	FY97	FY98	FY94-99
	Expansion of State and Local Flexibility							
	CBO	AFDC	N/E	N/E	N/E	N/E	N/E	N/E
	HHS	AFDC	*	*	*	*	*	*
Title IV Subtotal								
		CBO	N/E	N/E	N/E	N/E	N/E	N/E
		HHS	*	*	*	*	*	*

Republican Welfare Reform Bill HR. 3500
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Title and Section		FY94	FY95	FY96	FY97	FY98	FY94-99
Title V Child Support Enforcement							
Child Support Enforcement							
CBO	AFDC	N/E	N/E	N/E	N/E	N/E	N/E
HHS	AFDC	10	2	-2	-9	-27	-26
	CSE	8	12	27	55	24	126
	Total	18	14	25	46	-3	100
Title V Subtotal							
	CBO	N/E	N/E	N/E	N/E	N/E	N/E
	HHS	18	14	25	46	-3	100
Title VI Eliminate Benefits to Non-Citizens							
Eliminate All Benefits to Non-Citizens							
CBO:	AFDC	0	-100	-300	-300	-300	-1,000
	Food Stamps	0	-400	-800	-800	-800	-2,800
	Medicaid	0	-900	-2,100	-2,400	-2,700	-8,100
	SSI	0	-1,200	-2,500	-2,700	-3,000	-9,400
	Total	0	-2,600	-5,700	-6,200	-6,800	-21,300
HHS:	AFDC	-10	-210	-230	-250	-260	-960
	SSI	-80	-1,970	-2,140	-2,300	-2,460	-8,950
	Total	-90	-2,180	-2,370	-2,550	-2,720	-9,910
Title VI Subtotal							
	CBO	0	-2,600	-5,700	-6,200	-6,800	-21,300
	HHS	-90	-2,180	-2,370	-2,550	-2,720	-9,910

Republican Welfare Reform Bill HR. 3500
A comparison of preliminary HHS and CBO pricing
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Title and Section		FY94	FY95	FY96	FY97	FY98	FY94-99
Title VII Controlling Welfare Costs							
Controling Welfare Costs							
CBO:	NET	N/E	N/E	N/E	N/E	N/E	N/E
HHS:	NET	0	-600	0	-7,000	-8,200	-15,800
Title VII Subtotal							
	CBO	N/E	N/E	N/E	N/E	N/E	N/E
	HHS	0	-600	0	-7,000	-8,200	-15,800
Title VIII Consolidated Block Grant To States For Nutrition Assistance							
Block Grant Mandatory and Discretionary Food Programs and reduce authorization by 5%							
CBO:	NET	0	-3,000	-1,600	-1,800	-1,900	-8,300
HHS:	NET	0	-1,900	-2,600	-3,300	-3,600	-11,400
Title VIII Subtotal							
	CBO	0	-3,000	-1,600	-1,800	-1,900	-8,300
	HHS	0	-1,900	-2,600	-3,300	-3,600	-11,400
Title IX Miscellaneous							
901 **AFDC recipients required to undergo necessary substance abuse treatment as a condition of receiving AFDC**							
CBO	AFDC	N/E	N/E	N/E	N/E	N/E	N/E
HHS	AFDC	N/E	N/E	N/E	N/E	N/E	N/E

Republican Welfare Reform Bill HR. 3500
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Title and Section			FY94	FY95	FY96	FY97	FY98	FY94-99
902	Random Drug test of addicts getting SSI disability benefits							
	CBO	SSI	N/E	N/E	N/E	N/E	N/E	N/E
		Medicaid	N/E	N/E	N/E	N/E	N/E	N/E
	HHS	SSI	N/E	N/E	N/E	N/E	N/E	N/E
		Medicaid	N/E	N/E	N/E	N/E	N/E	N/E
903	Evaluation of eduation and training programs							
	CBO	AFDC	N/E	N/E	N/E	N/E	N/E	N/E
	HHS	AFDC	5	5	5	5	5	25
904	Job search required while AFDC application is pending							
	CBO	AFDC	N/E	N/E	N/E	N/E	N/E	N/E
	HHS	AFDC	N/E	N/E	N/E	N/E	N/E	N/E
905	Demos on fraud & administrative efficiency							
	CBO	AFDC	N/E	N/E	N/E	N/E	N/E	N/E
	HHS	AFDC	1	1	1	1	1	5
906	Public housing rent reform							
	CBO	Housing	N/E	N/E	N/E	N/E	N/E	N/E
	HHS	Housing	N/E	N/E	N/E	N/E	N/E	N/E

Republican Welfare Reform Bill HR. 3500
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Title and Section		FY94	FY95	FY96	FY97	FY98	FY94-99
907 Required Immunizations for children and health check-ups							
CBO	AFDC	*	5	5	10	10	30
	Medicaid	5	10	25	40	35	115
	Total	5	15	30	50	45	145
HHS	AFDC	0	5	5	5	5	20
Title IX Subtotal							
	CBO	5	15	30	50	45	145
	HHS	6	11	11	11	11	50
Total As Priced							
	CBO	245	-5,440	-6,750	-6,200	-4,965	-23,110
	HHS	-641	-5,486	-5,542	-12,694	-13,435	-37,798

NOV 30 1993

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MEMORANDUM FOR BELLE SAWHILL

FROM: Michael Ruffner MR

SUBJECT: Republican Welfare Reform Bill

The Republican Task Force on Welfare Reform, chaired by Reps. Tom Delay and Rick Santorum, released their reform proposal on November 10, 1993. This memorandum describes the proposal and preliminary analyses from HHS and CBO.

Proposal Features -- HR 3500:

AFDC Transition and Work Program

- AFDC Applicants would enroll in job search while their application is being processed.

- AFDC recipients would be required to participate in E&T and other JOBS activities during the first two years of receipt. The proposal is silent on how lifetime AFDC receipt and reapplication are treated.

- Under HR3500, the criteria for exemptions would be strict. Mothers could be exempt for up to 6 months including time before and after pregnancy. (For example, the mother could elect to be exempt 2 months before and 4 months after they give birth.) Those caring for ill relatives and those with disabilities would also be exempt. The bill specifically excludes drug and alcohol offenders from coverage under the disability provision.

- When fully phased in, 2/3rds of mothers on AFDC who have been on for at least two years are required to work 35 hours per week for their benefits. After three years of CWEP, work supplementation or any other approved State work program, States would have the option of removing the client from AFDC. Clients would continue to be eligible for Food Stamps and Medicaid after three years.

- Starting with entry to AFDC, one parent in AFDC-UP cases would be required to work 32 hours a week and attend 8 hours of job search to be eligible for benefits.

- States would receive a higher Federal matching rate (the higher of 70% or FMAP) and expanded budget authority to provide education and training, and employment services, including day care.

Paternity Establishment

- Mothers would be required to identify the father or only those children with paternity established would be eligible for AFDC. Families would receive a reduced benefit based on the number of children with paternity established.

State Options and Flexibility

- Minor mothers would be required to live with their parents. No benefits would be paid to those under eighteen, and benefits could not be increased when families on welfare have additional children. However, States would have the option of paying benefits in both the preceding cases.

- States would have the option of paying a marriage transition benefits to couples who marry and become ineligible for AFDC. Combined family income would have to be under 150% of poverty. States would also have the option of sanctioning AFDC recipients if their children do not attend school or receive recommended immunizations.

Federal Benefit and Services Restrictions for Aliens

- Almost all non-citizens (green card holders, parolees, asylees etc.), except those over 75 years old, would be ineligible for welfare[1]. Those with refugee status would be eligible for welfare for one year beyond the time limit required for them to apply for citizenship.

Child Support Enforcement

- Absent fathers with children on welfare *who do not pay child support* would be required to take a CWEP position.

- The proposal adopts several United States Commission on Interstate Child Support Enforcement recommendations including W-4 reporting of new hires, centralized registries, streamlined wage withholding, and expanded Federal Parent Locator Service (FPLS).

Controlling Welfare Costs and Other Provisions

- Spending on SSI, AFDC, Food Stamps, Public and Section 8 Housing, and

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1 The bill lists 61 different Federal services or benefits that would no longer be available to non citizens.

EITC would be capped at inflation plus 2% per year.[2]

- 10 major food programs (including Food Stamps, WIC and child nutrition) would be converted into a block grant, and total funding would be reduced by 5%.[3]

- Within the new block grants and capped programs, States would be allowed to change income disregards and asset accumulation limits.

- Recipients addicted to illegal drugs would be required to participate in treatment or lose benefits. Those testing positively for illegal drugs would be ineligible for SSI.

CBO Cost and Savings Estimates

CBO has developed a partial *and* preliminary list of cost and savings estimates for the Republican's Welfare Reform proposal. Under the CBO estimates, the bill appears to have some $22 billion in savings over the next five years. (See attached table)

In general, CBO does not attempt to project behavioral changes or incorporate interactive effects. There are several significant missing pieces in the cost estimates; notably the requirement for applicant job search, CWEP programs for absent parents that do not pay child support, welfare payments cap, and the savings and costs from AFDC sanctions, exits, transitional child care and Medicaid.

As you may recall, HHS used TRIM to model five pieces of the Republican Proposal. There are *significant differences* in comparing the HHS/TRIM micro-simulation results and the CBO estimates. For example, CBO estimates the federal cost of increasing the income disregard at $250 million annually, while HHS estimates the same provision at almost $1 billion. Similarly, there are large differences between the CBO estimates and other provisions run through TRIM.

HHS Cost and Savings Estimates

Attached is a copy of HHS' preliminary analysis and draft pricing. Under the

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2 There would be no allowance for beneficiary growth in this cap. The capped program includes both discretionary and mandatory programs, and it is not clear how this cap would interact with the discretionary caps.

3 Food Stamps appears to be included both in the welfare cap *and* block grant portion of the proposal.

HHS estimates, the bill appears to have about $37 billion in savings over the next five years. In general, HHS does not price interactions, offsets and Medicaid. HHS also does not price the welfare cap proposal.

Observation and Missing Pieces

- Most of the savings comes from eliminating benefits for nonresidents. According to CBO, over 1 million people would lose $20 billion in benefits over 5 years. Another $8 billion in savings comes from decreasing the Federal food programs by 5%.

- It is not clear how requiring delinquent absent parents to work (CWEP) would be financed. If financed at standard federal matching rates, federal costs could rise by $3-4 billion annually [(800,000 deadbeat dads x ($6200 wages + $1800 admin)) x .55 FMAP].

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

ROUTE SLIP

TO Bruce
Kutai

Take necessary action	☐
Approval or signature	☐
Comment	☐
Prepare reply	☐
Discuss with me	☐
For your information	☐
See remarks below	☐

FROM Belle

DATE 2-22

REMARKS

FYI - There are estimates we (Bruce + I) discussed on the phone. The difference between CBO and HHS, as I understand it, is due to churning assumptions not to state behavior.

*U.S. Government Printing Office: 1991 — 298-539

OMB FORM 4
Rev. Jul 91

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