

MEMORANDUM FOR MEMBERS OF THE WORKING GROUP ON WELFARE REFORM,
FAMILY SUPPORT AND INDEPENDENCE

FROM: BRUCE REED
DAVID T. ELLWOOD
MARY JO BANE
WORKING GROUP CO-CHAIRS

SUBJECT: June, 1993 Meetings of the Working Group

The Working Group on Welfare Reform, Family Support and Independence will meet on Wednesday, June 2 1993, at 4:00 p.m. in Room 324 of the Old Executive Office Building. The Working Group is also scheduled to meet on June 9, June 16, June 23, and June 30, again at 4:00 in Room 324. Background briefings on the basic elements of the welfare reform agenda will be the primary topics of discussion. A tentative schedule of the briefing topics is attached.

Please contact Cathy Mays at 456-6515 by 12:00 on the day of each meeting and advise her who will be attending from your organization.

We look forward to your continuing interest and participation as we carry out the President's welfare reform agenda.

Attachment

Working Group on Welfare Reform, Family Support and Independence

June 1993

June 2	Discussion of Principles Child Support Issues
June 9	Child Support Issues (conclusion), including Child Support Insurance/Assurance Absent Parents
June 16	Discussion of the "Time Limit" Transitional Assistance Post-Transitional Work
June 23	Education, Training and Other Services
June 30	Interagency Services: HUD presentation on housing benefits USDA presentation on food stamps DOL presentation on training and work support programs

June 3, 1993

TO: WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT
AND INDEPENDENCE

SUBJECT: Membership, Issue Groups, and Schedules

Attached please find the following items for your review:

- 1) Working Group membership list
- 2) List of Staff Contacts for member agencies
- 3) List of staff on Issue Groups
- 4) Schedule and Agendas for June Working Group meetings

Please review these materials for accuracy and to ensure that no one has been left off. If there are mistakes, please have your staff contact either Jeremy Ben-Ami at 401-6254 or Ann McCormick at 690-5880.

In addition, please be advised that we have scheduled a briefing for all staff working on welfare reform on the broad principles and overall structure of our effort. The briefing will be on Friday, June 4th at 1:00 in the Hubert H. Humphrey building, 200 Independence Avenue, S.W. Room 503A-529A. Please notify all staff who are working on issue groups and ask them to attend.

MAY 27 1993

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-3-

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-4-

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-5-

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-6-

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-7-

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WELFARE REFORM WORKING GROUP

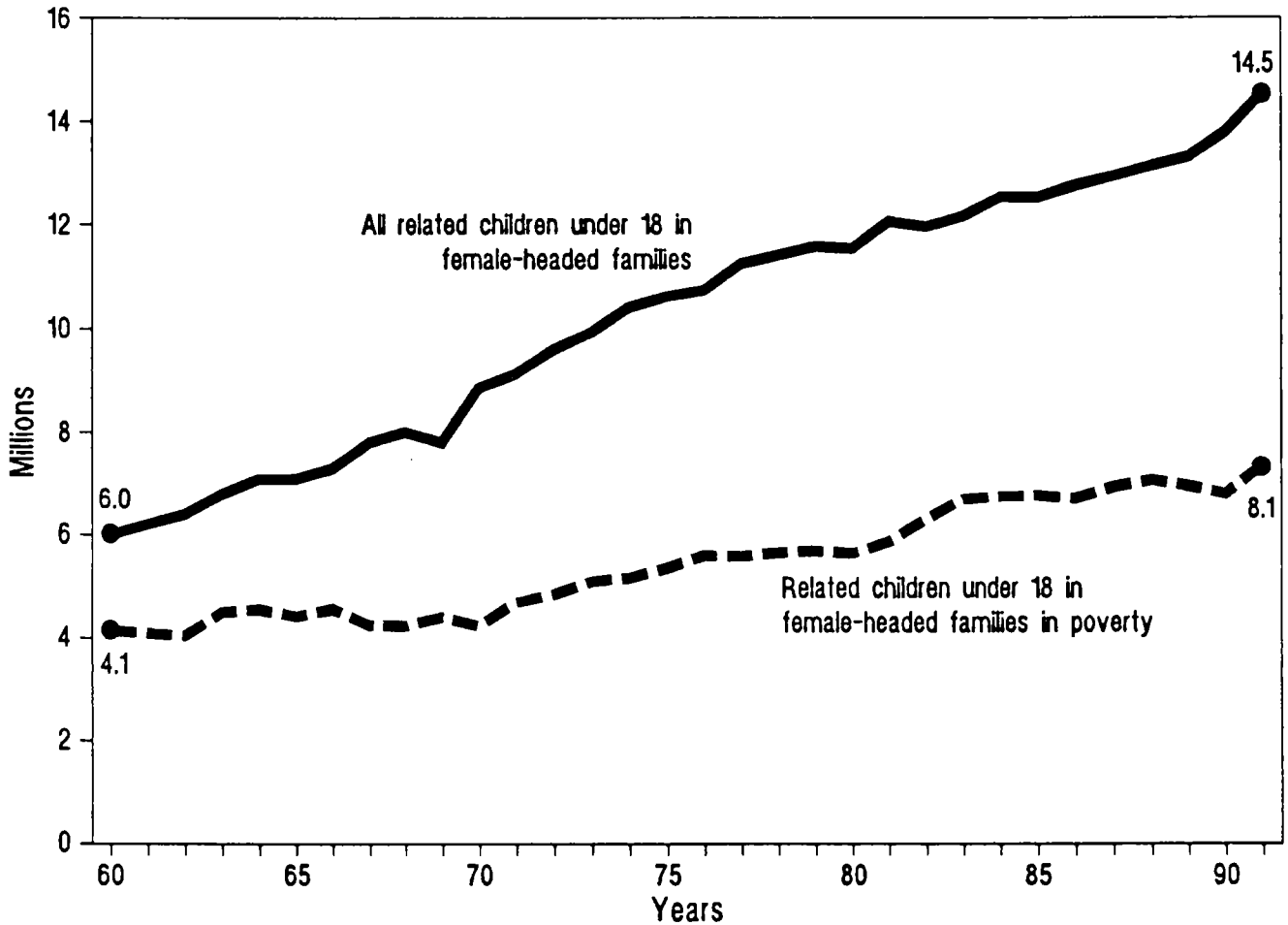
Staff Contacts (as of 6/2/93)

Agriculture	Mike Fishman 703-305-2017	
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HHS	Ann McCormick 690-5880	Planning and Evaluation
	Jeremy Ben-Ami 401-6954	Children and Families
HUD	Jill Khadduri 708-1537	
IRS	[Still needed]	
Justice	Deborah Sorkin 514-1026	
Labor	Stacey Grundman 219-6151	
Treasury	Ben Nye 622-2200	
Domestic Policy Council	Kathi Way 456-7777	
National Economic Council	Bonnie Deane 456-2801	
Council of Economic Advisors	Debbie Lucas 395-4737	
Office of Management and Budget	Sara Walters 395-4686	

Table 1

Children in Female-Headed Families

"All Related" and "In Poverty"



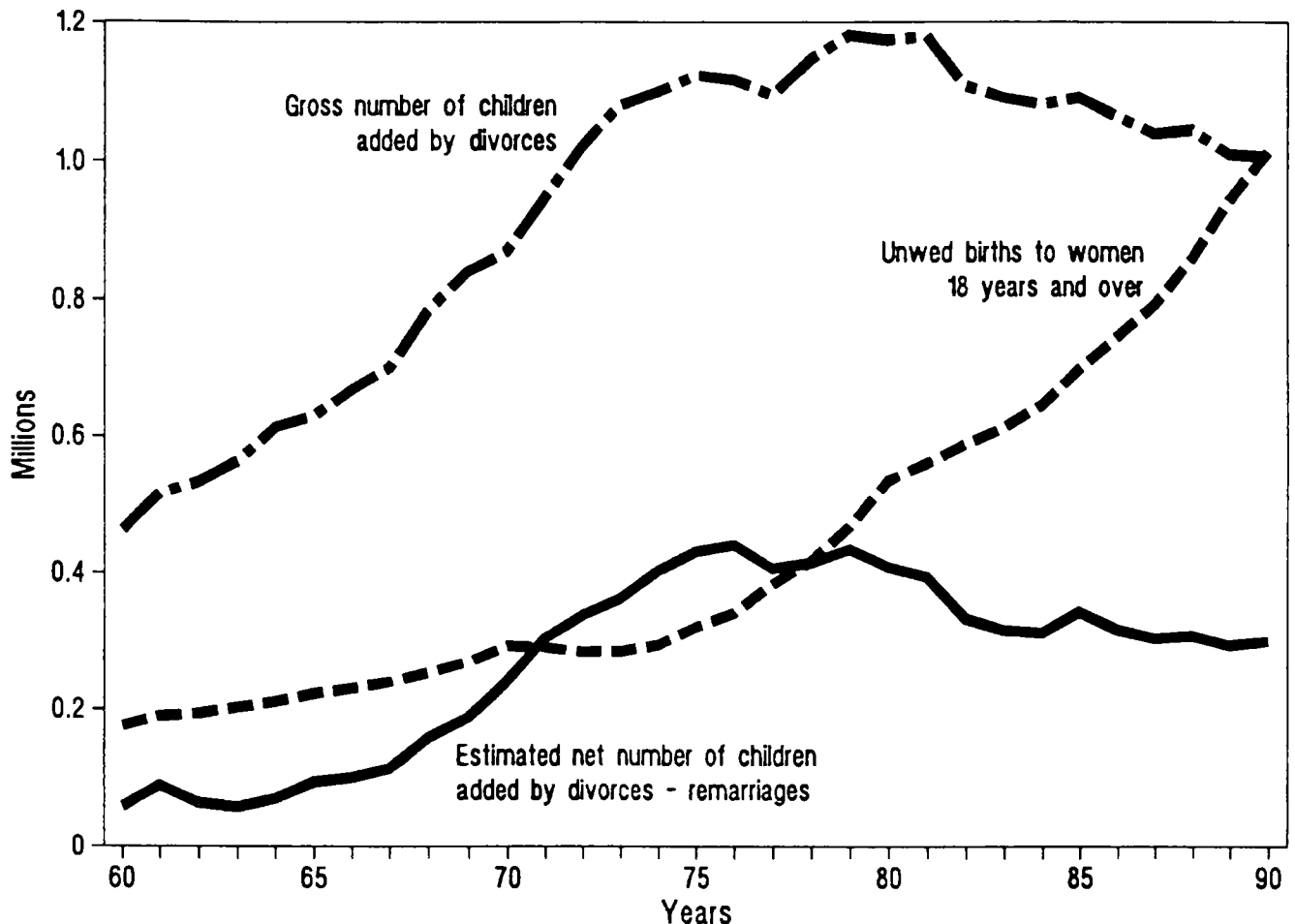
SOURCE: U.S. Bureau of the Census, Current Population Reports, series P-60, No. 181 and earlier reports.

- There is a large and increasing number of children in female-headed families
- A substantial proportion of the children in female-headed families is poor

Table II

Gross Additions to Children in Mother-Only Families

Annual Additions from Unwed Childbearing and Divorce
Net of Remarriage



SOURCE: National Center of Health Statistics, *Vital Statistics of the United States*, annual and *Monthly Vital Statistics Report*, Vol. 41, No. 9, Supplement, February 25, 1993.

- Female-headed families are formed by divorce and by birth to unmarried mothers, but in recent years births to unmarried mothers have become the major contributor to the growth of female-headed families
- The trend is even more dramatic when remarriage is taken into account

Table III a

Distribution of Financial Contributions by Fathers & Mothers in Families with Children by Type of Family

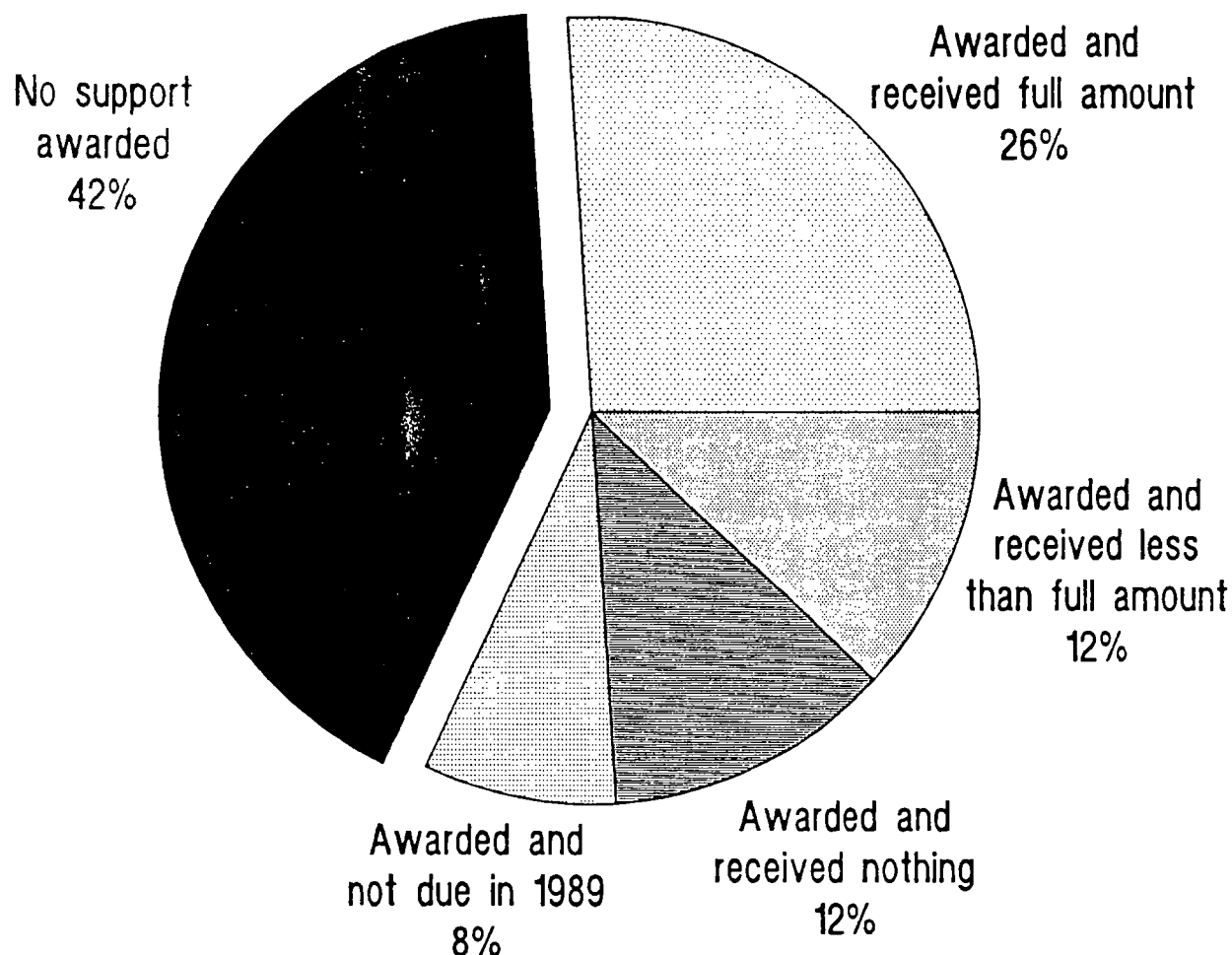
In Some Cases, The Husband, Wife, or Female-Head Will Not Be the Biological Parent of the Children

Contribution	Father's earnings in husband-wife families	Child support and alimony in female-headed families	Mother's earnings in husband-wife families	Mother's earnings in female-headed families
None	5.3%	65.4%	30.1%	31.4%
\$1 - \$2,499	1.9%	21.0%	11.2%	8.9%
\$2,500 - \$4,999	1.9%	8.0%	7.4%	5.5%
\$5,000 - \$9,999	5.8%	3.8%	14.2%	11.5%
\$10,000 - \$14,999	10.1%	1.0%	12.9%	13.1%
\$15,000 - \$19,999	11.1%	0.3%	9.7%	10.3%
\$20,000 - \$24,999	12.5%	0.2%	6.4%	7.1%
\$25,000 or over	51.6%	0.2%	8.0%	12.2%
	91.1%		5.5%	
Total	100.0%	100.0%	100.0%	100.0%
Overall average	\$27,983	\$1,070	\$8,696	\$10,462

- A primary reason for the low income status of female-headed families is that income is coming basically from only one parent

Table III b

Award and Reciprocity Rates of Women



10 million women in 1989 lived with children and the father was not present

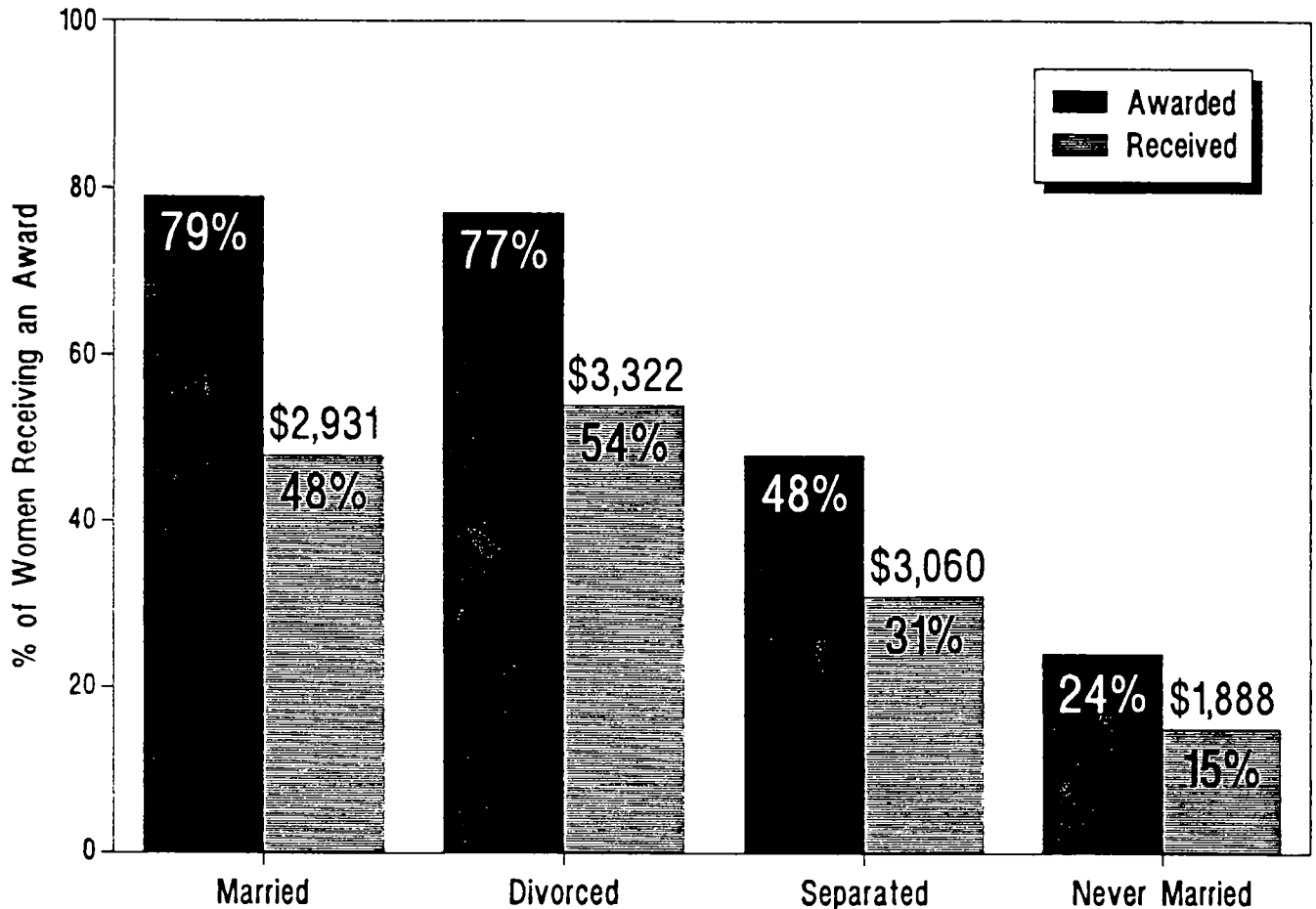
SOURCE: U.S. Bureau of the Census, Current Population Reports, series P-60, No. 173

Of the 10 million women theoretically eligible for child support

- 42% had no award
- Only 26% had an award in place and received the full amount due

Table IV

Child Support Payments Awarded and Received by Marital Status



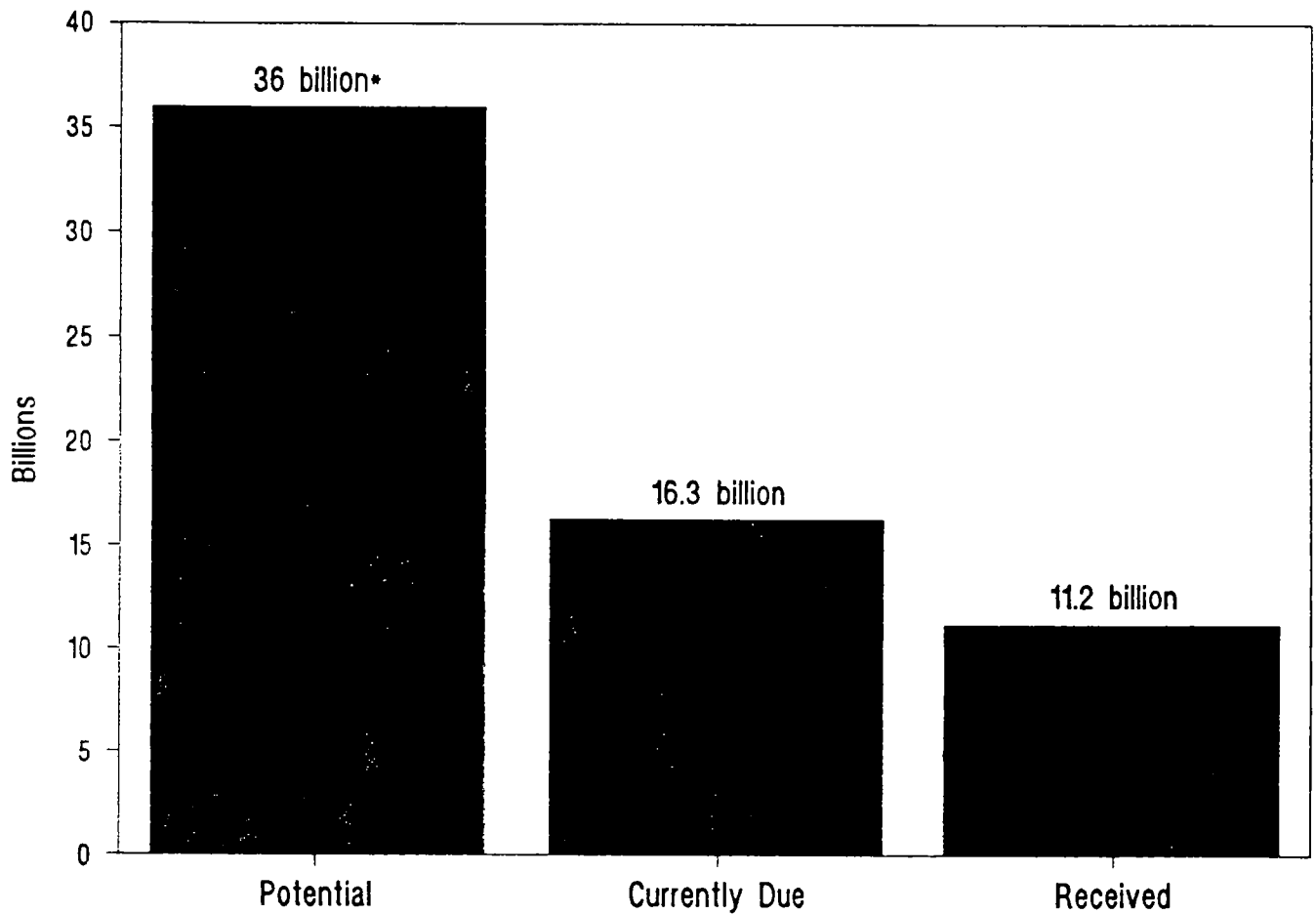
Women 15 years and older with own children under 21 years of age present from absent fathers as of spring 1990

SOURCE: U.S. Bureau of the Census, *Current Population Reports*, series P-60, No. 173

- Child support awards and amounts received vary dramatically by marital status
- Among never married mothers, the fastest growing segment of the single parent population, only 24% had awards, 15% received support and the average amount received was only \$1,888

Table V a

The Collection Gap



• 1983 estimate adjusted by CPIU

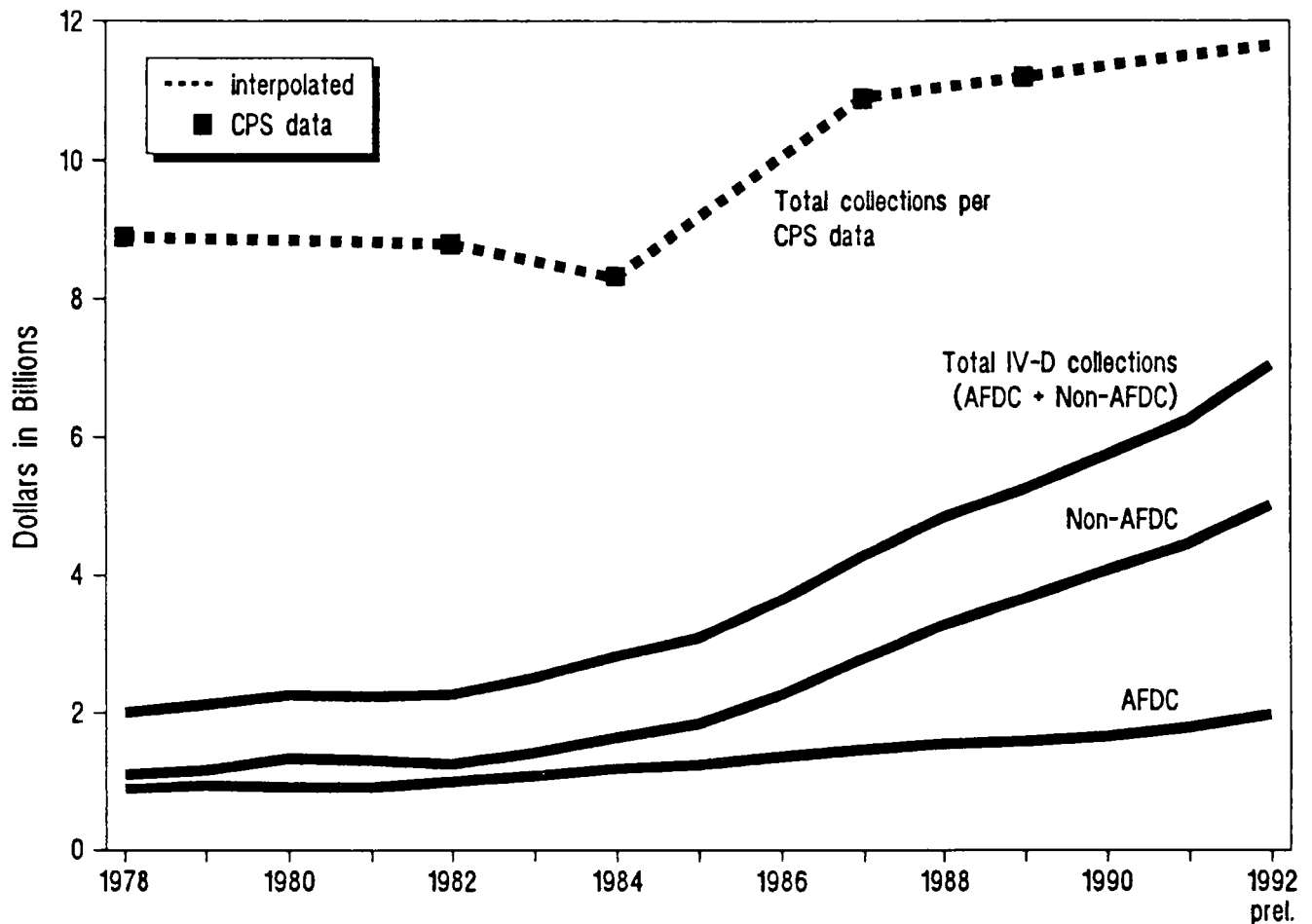
SOURCE: U.S. Bureau of the Census, Current Population Reports, series P-60, No. 173

■ The potential for increased child support is very large

Table V b

Total Distributed Collections

Total & IV-D Collections (1989 dollars)

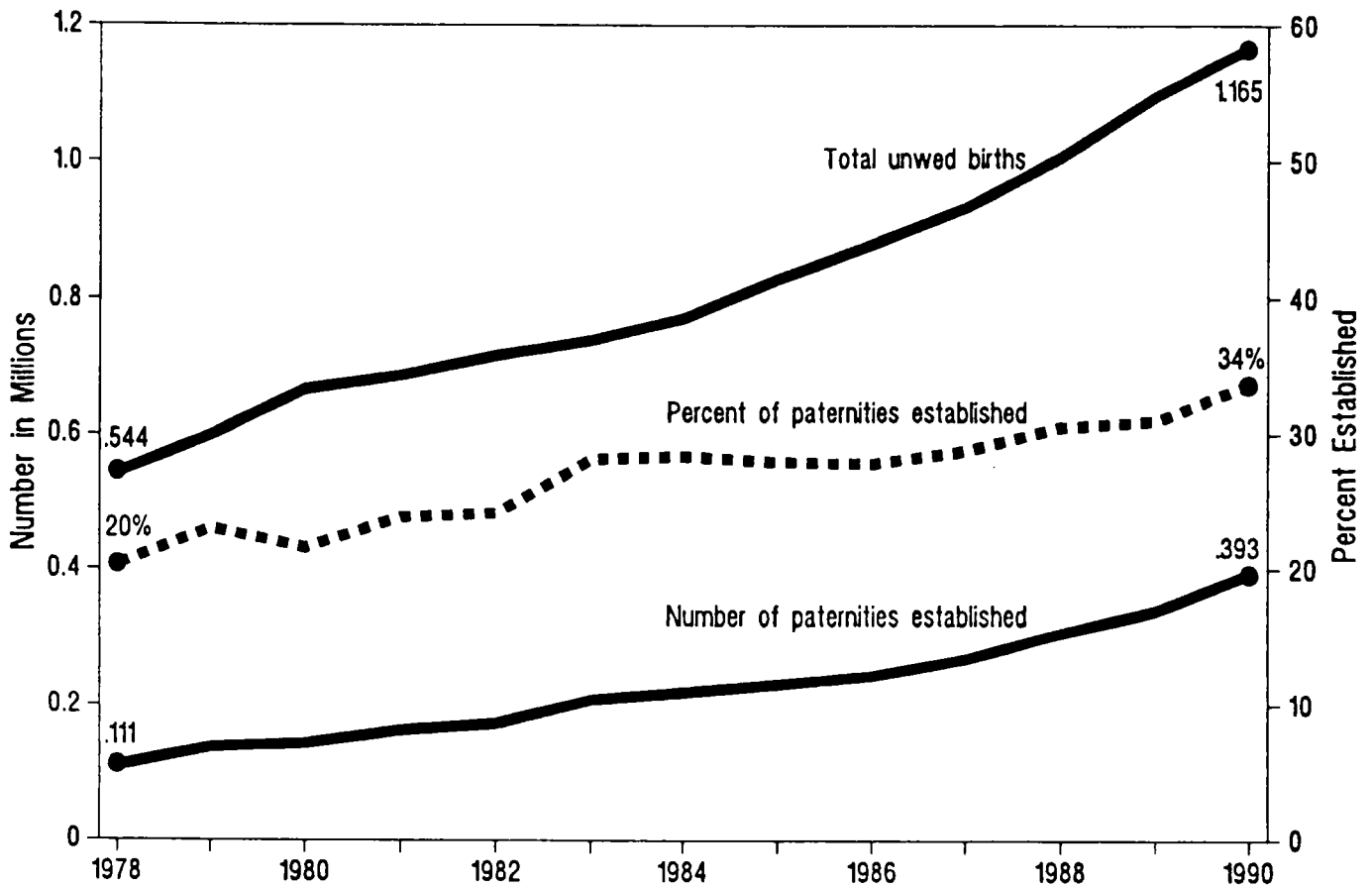


SOURCE: U.S. Bureau of the Census, Current Population Reports, series P-60, No. 173.

- Child support is collected both inside and outside the IV-D system
- Total child support collections have risen, but only modestly in the last few years
- Child support collections through the IV-D system have risen dramatically, but that appears to result mostly from a movement of non-AFDC cases into the system

Table VI

Unwed Births & Paternities Established

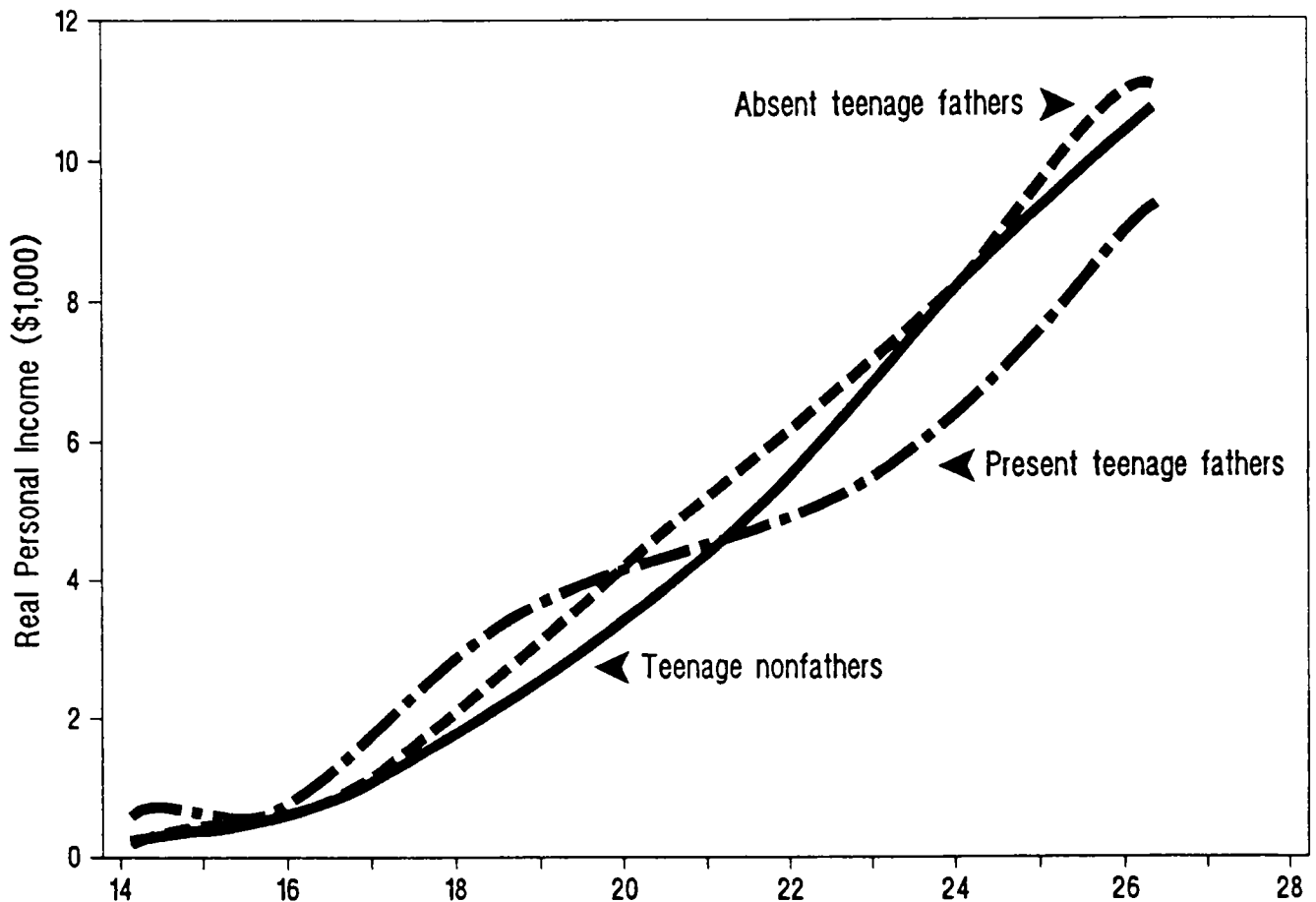


SOURCE: National Center for Health Statistics, Vital Statistics of the United States, annual and Monthly Vital Statistics Report, Vol. 40, No. 8, Supplement, December 12, 1991; Committee on Ways and Means, Overview of Entitlement Programs, 1992 Green Book.

- A major problem in child support is the establishment of paternity in cases of births to unmarried mothers
- Currently, paternity is established for only about a third of unmarried births; the percentage has risen only modestly in the last few years

Table VII

Age-Earnings Profile for Teen Fathers



SOURCE: Maureen A. Pirog-Good, "Teen Fathers and the Child Support Enforcement System" (1992)

- The child support system has historically paid little attention to unmarried fathers, especially teen fathers, because current earnings are so low
- Over time, however, even teen fathers develop the earning capacity to make contributions

Establish Support Order

Paternity

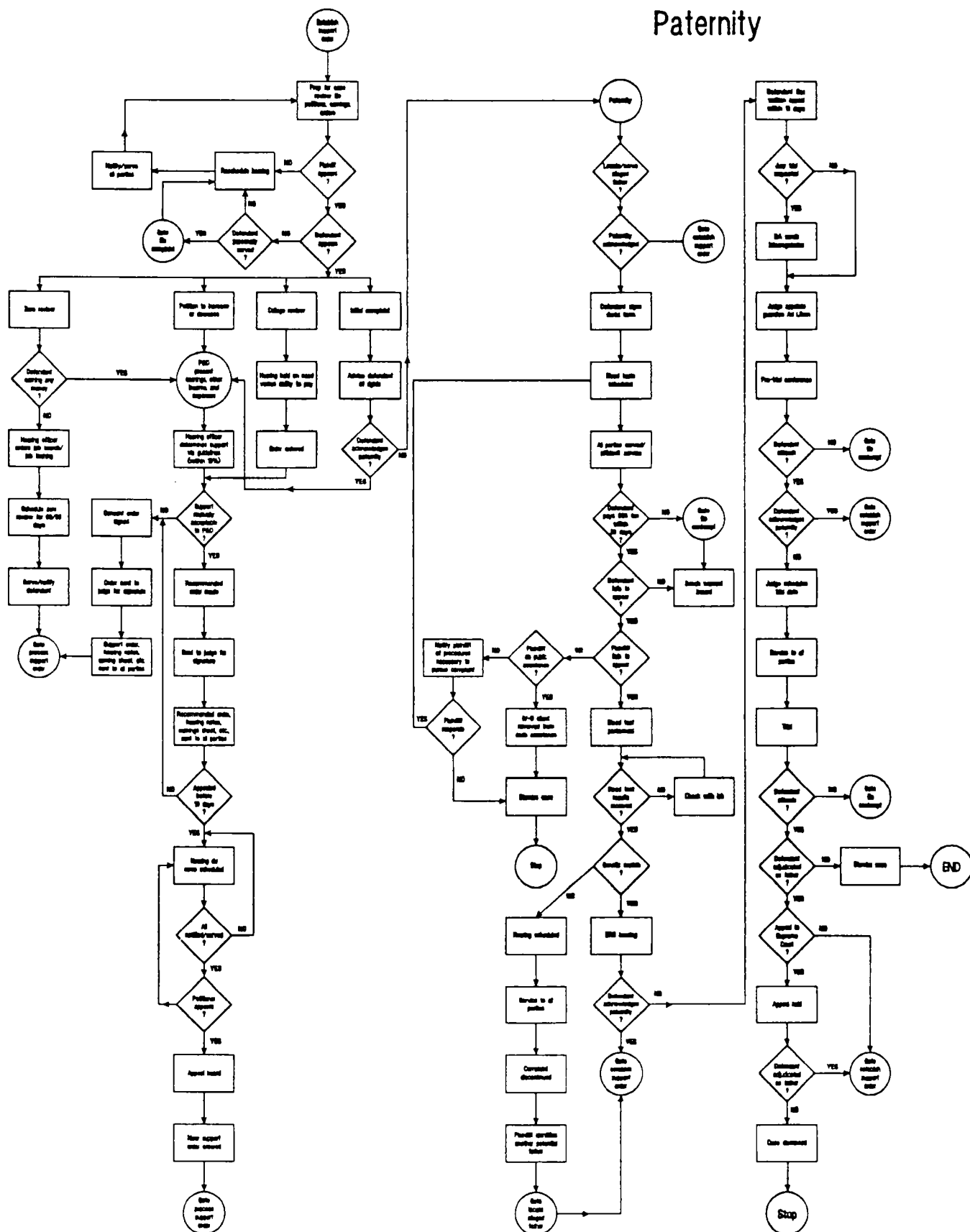


Table VIII b

Hypothetical Paternity Establishment and Child Support Case

Potential Problems and Delays

Action/Event	Problem
■ Unwed mother gives birth to a child at a hospital	■ No attempt is made to establish paternity at time of birth
■ Mother applies at IV-A office for assistance and enters the welfare system case load	■ No attempt is made to establish paternity until mother goes on welfare
■ Case file reaches top of pile in the IV-D office	■ IV-D office is separate agency from IV-A and often understaffed
■ Papers served, blood test given, trial held, and support set	■ Court system is overburdened and slow
■ Father is summoned to court after failure to pay	■ Enforcement actions are slow from lack of staff and resources; states often lack administrative process
■ Father moves to another state; case is transferred	■ Interstate processing causes significant delay
■ Mother takes a job and moves off welfare	■ Agency makes little effort when not pushed by mother
■ Mother pushes agency; father is brought to court	■ Lack of system for monitoring payments and court system delays
■ Father moves up into higher paying job; wages garnished	■ Support payment not adjusted unless mother pushes for review
■ Father quits current job and finds a new job	■ It takes months to locate father after a job change
■ Father moves to another state; case is transferred	■ Delays continue . . .

Table IX

Key Issues To Be Decided

- How far to push paternity establishment
- Universal child support enforcement
- Centralizing and unifying the system
- Federal enforcement vs. state-based enforcement
- Funding and incentives
- Child support enforcement and insurance/
assurance *maximum benefits*

Mrs. Tues 9:30
Jann

STATUS REPORT
Welfare Reform Issue Groups

GROUP	Temp Leader	Deadlines/ Schedules
I. Making Work Pay	Prosser	o Review: done o One pager: due ASAP o Deadline: 5/10 o Meeting #2: 5/13
II. Child Care and Other Supports	Ragan	o Reviews: CC - 5/6; OS - done (4/27) o One pager: OS - due 4/28 o Deadline: OS - 5/11 o Meeting #2: OS - 5/14
III. Child Support Enforcement and Insurance	Legler	o Initial Review needed
IV. Absent Parents	Fucello	o Initial Review needed
V. Prevention and Family Preservation		o Work not yet started; no leader named
VI. Transitional Assistance	Burek	o Review: done (4/23) o One pager: done; <u>Review w/ SC</u> o Deadline: 5/7 o Meeting #2: 5/12
VII. Education/ Training	Higgins	o Review: done (4/26) o One pager: due 4/30 o Deadline: 5/14 o Meeting #2: 5/19
VIII. Post- Transitional Plan Work		o Review: 5/4 o One pager: due 5/5 o Deadline: 5/18 o Meeting #2: 5/21
IX. Disability		o Work not started; leader not named
X. Modelling		o Review: Possibly 5/7 -- the review would be to run through with each group leader what data is to be collected and analyzed and who is responsible for what work
? AFDC Simplif- ication [Separate group?]	Dawson	o Review: 4/30 o One pager: 5/3 o Deadline: 5/17 o Meeting #2: 5/20

Elders-

WELFARE REFORM STEERING COMMITTEE

Agenda: 4/29

- I. Make Work Pay presentation to Working Group**
- II. Modelling Data Needs from Outside Consultants**
- III. Hearing Structure**
- IV. Other Process Items (see attachment)**
- V. Other**

WELFARE REFORM TASK FORCE
Process Update

1. Work Plan/Schedule

- o More detailed work plan (Jeremy) -- not done

2. Initial Feedback Sessions

- o Most are scheduled -- see attached schedule
- o Next step: comments and a meeting by 3rd week of May
- o Half day review for entire group once other agencies designate participants

3. Next Steps for Issue Groups

- o FOIA/FACA opinions from OGC (Paul)
- o Outside analysis needs/TRIM: discuss at SC mtg 4/29

4. Working Group

- o Finalize membership list (Kathi - Agriculture, Office of the Vice President; Mary Jo - Labor, Education; Ann - Treasury; add Ken Apfel)
- o Need staff contacts at each agency to get issue group participants designated

5. Working Group Meetings

- o Prepare draft of presentation on Make Work Pay for 4/2 (Howard/Canta)
- o Schedule next meeting(s) (Kathi)
- o Distribute meeting materials and assist in follow-up as necessary (Ann)

6. Communications Group

- o Designate WH point contact (Kathi)
- o Set up inter-agency group (JBA)

7. Announcement

- o List of groups to be contacted being circulated and ranked (phone calls/letters)
- o Draft letters (Ann)
- o Review press strategy (Kathi/JBA)
- o Prepare some options for press release (Jeremy)

8. Hearings

- o On agenda for next meeting

9. Mail Developing intake/response process (Jeremy)

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IX. Disability		o Work not started; leader not named
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? . AFDC Simplif- ication [Separate group?]	Dawson	o Review: 4/30 o One pager: 5/3 o Deadline: 5/17 o Meeting #2: 5/20

Presentation

General Assumptions

1. Assume a single-parent family with 2 children, ages 3 and 13.
2. "Current law" is fully-implemented current law, i.e., 1994 EITC, imposed on 1993 data.
3. "President's Budget" is fully - implemented President's Budget proposals, i.e., \$4.50 minimum wage and 1998 EITC, imposed on 1993 data, plus health care reform.
4. Assume child care costs for 3-year old, none for 13-year old.

NOTE: Numbers still need to be revised in California, but basic relationships should obtain.

Comparison # 1

1. How a family will do if they try to move from AFDC to full time, minimum wage work with no means-tested support.
2. Only better off with cash/near cash in Alabama.

Comparison #2

1. How family would fare working full-time, and continuing to collect means-tested support for which they are probably eligible.
2. Child care would be covered for one-year, and possibly thereafter (use what #'s are available).
3. Medicaid would be available for family for one year, but afterward would only be available for parent and 13 year old under limited circumstances. Three-year old would be covered.
4. Except in Alabama, unless they are lucky and get ongoing subsidized child care, the return to work will be less than \$1/hour, and all cases will have disposable income less than the poverty line.

Comparison #3

1. Same comparison, but with higher minimum wage and bigger EITC.
2. Universal health care coverage through reform effort.
3. Clearly, there's a big improvement here, but only in California where AFDC benefits continue is family's income above the poverty line.
4. Note that advanced payment of EITC becomes very significant here.
5. Note also that we are talking about full-time work, 50 weeks a year.
6. Is that what we expect single parents to do, especially with young children? Make David's comparison to wives.

Comparison #4

1. Look at what one-half time work does.
2. Return to work is minimal in Alabama (\$200/year); no continuing medicaid coverage for any except 3-year old. Income less than one-half of poverty.

3. Only in California is the family at the poverty line.

Alternatives

1. Minimum wage.
2. Child support assurance.
3. Child care.
4. Others.

Comparison # 1 - Work Without Welfare vs. Non-work

<u>Income</u>	<u>Work</u>	<u>Non-work</u>		
		<u>Al</u>	<u>PA</u>	<u>CA</u>
Earnings	8,500	0	0	0
EITC	1,998	0	0	0
AFDC	0	1,788	4,836	8,328
FS	<u>0</u>	<u>3,407</u>	<u>2,492</u>	<u>1,445</u>
	10,498	5,195	7,328	9,773
 <u>Expenses</u>				
FICA	-650	0	0	0
General	-1,080	0	0	0
Child Care	<u>-1,895</u>	<u>0</u>	<u>0</u>	<u>0</u>
	6,873	5,195	7,328	9,773

Comparison # 2 - Work With Welfare vs. Non-work

<u>Income</u>	<u>Work</u>			<u>Non-work</u>		
	<u>Al</u>	<u>PA</u>	<u>CA</u>	<u>Al</u>	<u>PA</u>	<u>CA</u>
Earnings	8,500	8,500	8,500	0	0	0
EITC	1,998	1,998	1,998	0	0	0
AFDC	0	0	3,163	1,788	4,836	8,328
FS	<u>2,472</u>	<u>2,472</u>	<u>1,523</u>	<u>3,407</u>	<u>2,492</u>	<u>1,445</u>
	12,970	12,970	15,184	5,195	7,328	9,773
<u>Expenses</u>						
FICA	-650	-650	-650	0	0	0
General	-1,080	-1,080	-1,080	0	0	0
Child Care	<u>-1,895</u>	<u>-1,895</u>	<u>-1,895</u>	<u>0</u>	<u>0</u>	<u>0</u>
	9,345	9,345	11,559	5,195	7,328	9,773

Comparison # 3 - Work With Welfare vs. Non-work (President's Budget)

<u>Income</u>	<u>Work</u>			<u>Non-work</u>		
	<u>Al</u>	<u>PA</u>	<u>CA</u>	<u>Al</u>	<u>PA</u>	<u>CA</u>
Earnings	9,000	9,000	9,000	0	0	0
EITC	3,371	3,371	3,371	0	0	0
AFDC	0	0	2,663	1,788	4,836	8,328
FS	<u>2,352</u>	<u>2,352</u>	<u>1,553</u>	<u>3,407</u>	<u>2,492</u>	<u>1,445</u>
	14,723	14,723	16,587	5,195	7,328	9,773

Expenses

FICA	-650	-650	-650	0	0	0
General	-1,080	-1,080	-1,080	0	0	0
Child Care	<u>-1,895</u>	<u>-1,895</u>	<u>-1,895</u>	<u>0</u>	<u>0</u>	<u>0</u>
	11,059	11,059	12,923	5,195	7,328	9,773

Comparison #4- Half-time Work with Welfare vs. Non-work
(President's Budget)

<u>Income</u>	<u>Work</u>			<u>Non-work</u>		
	<u>Al</u>	<u>PA</u>	<u>CA</u>	<u>Al</u>	<u>PA</u>	<u>CA</u>
Earnings	4,500	4,500	4,500	0	0	0
EITC	1,785	1,785	1,785	0	0	0
AFDC	0	2,724	6,216	1,788	4,836	9,773
FS	<u>3,147</u>	<u>2,330</u>	<u>1,283</u>	<u>3,407</u>	<u>2,492</u>	<u>1,445</u>
	9,432	11,339	13,784	5,195	7,328	9,773
 <u>Expenses</u>						
FICA	-344	-344	-344	0	0	0
General	-540	-540	-540	0	0	0
Child Care	<u>-948</u>	<u>-948</u>	<u>-948</u>	<u>0</u>	<u>0</u>	<u>0</u>
	5,400	9,507	11,951	5,195	7,328	9,773

MODELING: QUESTIONS FOR THE STEERING GROUP

Attached is a preliminary discussion of current ASPE staff thinking about modeling--Make Work Pay (Bill Prosser), Child Support Assurance (Don Oellerich), and Transitional Welfare and Services (Reuben Snipper.) It has had little or no input from the ACF staff involved in modeling. This shortcoming will be corrected in future drafts.

Below are the most pressing questions on which staff need Steering Committee guidance.

- o No one on staff has the right combination of experience and time to lead the overall modeling effort and provide daily supervision. Should we try to (1) bring on staff a person to act as leader? (2) Fill the staff leadership gap with a small group of outside advisors? (3) Reassign someone on staff to spend full time guiding staff in their modeling efforts? (4) Rely on Urban Institute (U.I.)? (5) Rely on the DAS and ASPE to provide the day to day modeling leadership?
- o We need to have impact estimates from employment and training, JTPA, and other evaluations of 1980's demonstrations to develop program effectiveness estimates. While we may have to go to Abt, Westat, U.I., and MDRC among others; MDRC has maybe the most important data from SWIM and GAIN. We need to allocate funds to get the work done. Do we have funds and can we proceed to negotiate with these companies to provide the data needed?
- o More generally what funds are available for purchasing outside assistance? For example, we also may need outside assistance to develop welfare dynamics data, models, and analyses.
- o Furthermore, what in-house resources are going to be made available for modeling? Can we get some support/research assistant staff to help support the estimating and modeling efforts?
- o Do you feel comfortable with using a combination of TRIM and spreadsheet models to do estimating over the summer? Do you feel comfortable with a relatively crude labor supply module for TRIM to make estimates this summer? Where should we be headed in the intermediate term; that is having something more refined available early next year, for example?
- o Should we invest in developing a non-custodial parents module for TRIM? This will be expensive and take a good deal of time to develop; although U.I. has completed some preliminary work for CBO and us. Currently, we only estimate the amount of child support they pay.

Purpose

The purpose of this document is to present an overview of our modeling strategy. This version is preliminary in nature and meant to stimulate discussion and refinement. The document may eventually be rewritten as a plan.

Introduction

The three themes that drive the welfare reform proposal are good structures around which to organize the modeling activities:

- o Make work pay for families playing by the rules. (Make Work Pay)
- o Both parents should be financially responsible for their children. (Child Support Enforcement and Assurance)
- o Once the prior two reforms are in place, welfare can be made a time-limited program. (Transitional Welfare and Services)

Related to the third theme is the idea that welfare recipients who are truly unable to work will have an income support program which provides an appropriate level of benefits.

Three separate groups can focus on proposals for their individual theme, while at the same time accounting for interactions with proposals from the other themes. The output of the modeling effort will include estimates of (1) the costs to the Federal government of the proposals, including interaction effects, (2) the resulting caseloads of transfer programs, and (3) the distributional effects on various population groups indicating whether the proposals achieve their goals (i.e. who the winners and losers are).

The first modeling group can focus on the employment, minimum wage, income supplements, and other financial approaches to raise all families with full-time equivalent workers above the poverty line.¹ Currently, TRIM can handle steady-state, static effects

1. Full-time worker equivalent (ftwe) would be equal to 1750 hours (50 weeks times 35 hours per week) for two-parent families. The ftwe for single parent families would be some fraction of 1750, probably two-thirds or maybe one-half. It would be less for one parent families because the single parent would not be expected to spend as much time in the labor market as two parents; that is, their child care and other homemaker responsibilities would serve as a partial work credit.

of policy options for this theme. We plan to do some "sensitivity" analyses to explore whether the second order labor and family effects are worth including or are relatively minor. If they appear significant, we will develop modules to connect to TRIM or to be part of spreadsheet models. (More about this point later.)

The second group focuses on child support enforcement and assurance and will estimate the effects of proposals on both custodial and non-custodial parents. In general, we expect to model the flow of income from the non-custodial to the custodial parent and the effect of this income, an implicit tax, on AFDC and other transfers, as well as, on labor force participation. The big issue here is whether to develop a module that estimates non-custodial parent behavior.

The final group will focus on proposals that provide services and other assistance to welfare populations to make welfare more transitional as well as proposals to provide public or private sector jobs to those who do not find employment on their own. The modeling effort will build in the results of studies of welfare dynamics, work-welfare programs (e.g., SWIM, Gain, and JTPA; including their use of support services), and employment generation efforts. These results can either be incorporated into TRIM or built into spreadsheet-type models to estimate the impacts on costs and caseloads and winners and losers.

The modeling also will have to consider how to model the number of recipients of child care, transportation, and other support services and the costs of these services. We are leaning toward recommending that we use spreadsheet models for this.

FYI--Current Activities:

TRIM: There are a number of TRIM refinement projects in progress; see discussion below. Priorities for UI staff assignments need to be made.

Labor Force Dynamics: U.I. is currently developing a design issue paper which will analyze several dynamic labor force modeling options and their respective costs. We expect a first draft this week. Making decisions about how to proceed with this modeling component may be a perfect opportunity to bring in some of the outside advisors that we discuss elsewhere in this piece.

Welfare Dynamics: We have a number of tables and graphs being produced which show the expected lengths of welfare participation by different sub-groups. Greg Duncan, U. Michigan, and Peter Gottschalk, Boston College and IRP Affiliate, are producing estimates using the PSID. They are mainly using the annual data; although Duncan has a file that he is constructing that will allow one to look at the monthly AFDC use since 1983. MPR staff are analyzing the 1990 SIPP monthly data; it has 24 months on

each recipient and will eventually have 32 months. They will compare their results with data from the 1987-88 SIPP published by the Census Bureau. For the most part, these are bivariate hazard/survival curve analyses. MPR also will look into the utility of producing multi-variate analyses. We expect to have much of the preliminary results by the end of April. We also may examine the NLSY data as well. After we review it and discuss it with the Steering Group, we will decide what additional analyses will be productive.

Employment and Training Participation and Effects: We have begun bringing together impact and other estimates from various employment and training efforts. As indicated in the overview section, we need approval to go to outside sources and to allocate funds to get the work done.

Child Support: The modeling effort for child support has been underway for the past two years. ASPE, working closely with CBO, has been developing two child support modules as part of the Urban Institute's TRIM model. The first module focuses on 'private child support' and the second module focuses on publicly funded child support benefits (assurance/insurance).

Further enhancements are still needed and await decisions regarding priorities and resource allocation. These enhancements include: child support guidelines, improved participation function, custodial parents' labor supply response, inclusion of variability in imputed award amounts, participation in IV-D, and inclusion of custodial fathers.

Non-custodial Parents: Currently the TRIM model does not incorporate data (either real or synthetic) on the non-custodial parents (fathers and mothers). Ideally, data would be available on the non-custodial parents' income, sources of income, labor supply, work history, and current family circumstances (remarried, new dependents).

Until recently the Urban Institute has been working on incorporating the updated Oellerich method for imputing non-custodial fathers' income based on the custodial mothers' characteristics and exploring the 1990 SIPP data for non-custodial fathers under a contract with CBO. This work is currently on hold and is awaiting decisions on methodological issues, priorities and resource allocation at CBO. We may have to consider picking up this work if CBO decides it can not continue and it is a priority

Minimum Wage: The current March CPS data on wage rates only has information on one-quarter of the sample. Wage rates for the full sample requires linking the March, April, May, and June surveys. U.I. is currently doing that and hopes to have TRIM updated with full wage rate data early in May.

Program Interaction and Cumulative Tax Rates: We are developing the capability to analyze and display how earned and unearned income, transfer programs, and taxes interact to give some people with some combinations of programs and tax benefits very high marginal tax (program benefit reduction) rates. The module we are working on will allow us to take various demographic groups and see what happens to their net income when their circumstances are changed by adding another dollar or other amount of income, changing their wage rates or hours worked, or changing (adding or subtracting) the number of individuals in the household unit. Income and taxes incorporated will include earned and unearned income, social insurance, means-tested welfare, in-kind transfers (Food Stamps, Housing subsidies, and Medicaid), income taxes (both Federal and state), and FICA. First preliminary results will be available early in May.

Child Care: TRIM currently has a module, which is part of the Federal Income Tax module, that estimates whether a working family pays for child care and, if so, how much it pays. It then uses that estimate to calculate that family's child care tax credit and income taxes. TRIM does not estimate any child care costs associated with AFDC and JOBS child care program subsidies.

Since some child care assistance will probably be delivered to individuals through appropriated grant programs like JOBS Child Care, we need the capability to estimate numbers of recipients and total costs. As we did in our analyses of JOBS implementation costs, this works well if it is done outside of TRIM in a spreadsheet model.

State Behavior: We have little direct evidence for developing parameters to model state behavior. Therefore, we will have to use "expert judgment" to model the effect of different match rates, phase-in patterns, performance standards, and quality control systems on state behavior.

Coordination with the CBO: Coordination with the Congressional Budget Office (CBO) has a long tradition and we propose to continue and even expand it. In the past, we have jointly developed assumptions, methods, and estimates, as well as financed improvements to models. Preliminary conversations with CBO have indicated their eagerness to continue this practice.

One option worth considering is to let CBO take the lead in preparing estimates in cooperation with the Department. HHS would provide background research on parameters, unit costs for services, a mechanism for bringing in outside experts, and other consulting and review support.

To: Issue Group Leaders
[Burek, Dawson, Fucello, Higgins, Legler,
Pian, Primus, Prosser, Ragan]

From: Jeremy Ben-Ami
Ann McCormick

Subject: Steering Committee Update

Date: April 28, 1993

Several items in advance of the steering committee meeting on Thursday at 9:00:

- 1) Please bring a list of the current members of your issue including phone numbers.
- 2) Please be prepared to designate a liaison from your issue group to the modelling group and discuss with the modelling group who their liaison is to you.
- 3) Attached is a status report on the work of the various issue groups. Under "Deadlines/Schedules," you will find the following notes: Review refers to the initial review sessions which are in progress now; One pager refers to the one page outline of next steps for the group; Deadline refers to the due date for the next issue paper from the group; and Meeting #2 refers to a possible date for a group review of that paper. At the Steering Committee meeting, we will discuss the review process for the next stage of the work.

On another topic, there has been some concern about the difficulty of coordinating all the meetings of the issue groups. To ensure that there are no overlapping meetings, please call Jeanette Davidson at ASPE at 690-5880 to let her know as soon as you schedule a meeting. She can also reserve the conference space at ASPE. This is a first-come-first-served system; i.e., whichever group calls Jeanette first gets the timeslot.

cc: Mary Jo Bane
David Ellwood
Howard Rolston
Ann Segal

cc: Kathi Way

OMB document

Preliminary

MAJOR INITIATIVES

Inventory

April 8, 1993

ATTENTION: CLOSE HOLD

TITLE	LEAD RESPONSIBILITY		APPROXIMATE TIMING
	OVERALL	OMB	
National Service/ Direct Loans	NS/ED	Sawhill	April 18 legislation
Systemic Reform - Goals 2000: Education America Act	ED	Sawhill	Late March legislation
Elementary & Secondary Act Reauthorization	ED	Sawhill	Proposal this spring; enactment by April 1994
Dislocated Worker Assistance	DOL/NEC	Sawhill	Legislative specs May 1
School-to-Work Transition	DOL/ED	Sawhill	June 1 legislation
One-stop Career Shopping	DOL	Sawhill	May 1 legislation (?)
Head Start Summer & Program Growth	HHS	Sawhill	Reauthorization 1994
Welfare Reform	HHS/ Task Force	Sawhill	Proposal by 9/3
Family Support & Preservation	HHS	Sawhill	May 1 legislation (?)
Food Stamps	USDA	Sawhill	May 1 legislation(?)
EITC/Minimum Wage	Treasury (EITC) / NEC/Labor	Sawhill	May 1 legislation (?)
PBGC Reform	DOL	Sawhill/ Minarik	Proposal by April-- May 10
WIC Program Growth (Growth policy for 94 appropriations or 95 budget)	USDA	Sawhill	
DI Trust Fund Solvency (95 budget proposal)	HHS	Sawhill	
Community Development Banks	NEC	Edley	End of April
Enterprise Zones	NEC	Edley Sawhill	Mid-End of April
Infrastructure	NEC	Edley	Not determined

<u>TITLE</u>	<u>LEAD RESPONSIBILITY</u>		<u>APPROXIMATE TIMING</u>
	<u>OVERALL</u>	<u>OMB</u>	
Small Business Asst/ Secondary Markets	NEC	Edley	Not determined
Information Highway	NEC/ OSTP/VP	Edley	Legislation enacted by October 1
Health Care Reform	HRC	Panetta/ Rivlin/ Min	May legislation (?)
Immunization Bill	HHS	Min	Transmittal 4/2/93
NAFTA + Uruguay Round + GSP	USTR	Adams	Summer 1993 Reconciliation Legislation
Interntnl Broadcasting Consolidation	NSC/ OMB	Adams	-----
International Environment	NEC/ WH	Adams	Review Mid-April
International Assistance Programs	NEC/ NSC	Adams	Review under discussion April-May
Defense Conversion	NEC	Adams	Under way
"Bottom-up" Strategic Review	DOD	Adams	Due June 1993
Acquisition Reform	DOD	Adams	June 1993
Odeen Task Force	DOI	Adams	Due perhaps late May
Russian Assistance	NSC	Adams	Summit Proposal 4/3
Non-Proliferation	NSC	Adams	Will hopefully sign when return from Vancouver - end of next week
Peacekeeping (Somalia; Bosnia; Others)	NSC	Adams	Budget acct in DOD 4/93 Restore Hope Reprogram 4/93 DOS account in budget
Democratization	Defense/ State	Adams	\$50M in DOD budget 4/93
Economic Intelligence	CIA	Adams	Unclear

<u>TITLE</u>	<u>LEAD RESPONSIBILITY</u>		<u>APPROXIMATE TIMING</u>
	<u>OVERALL</u>	<u>OMB</u>	
Counter-narcotics	NSC	Adams	April-May
Encryption	NSC	Adams	Mid-April
Forest Conference Follow-up	OEP/ USDA/ DOI	Cogswell/ Selfridge	Early June
Clean Water State Revolving Funds (and "Needy Cities" Program)	EPA	Cogswell	Submit legislation in May
Drinking Water State Revolving Funds	EPA	Cogswell	Submit legislation in May
Public Land Subsidies	DOI/ USDA	Cogswell	Ongoing; House Subcommittee markup of Mining Bill may be late April
Biodiversity/National Biological Survey	DOI	Cogswell	Ongoing; sent forward NBS memo to Director
Geographic Information Systems	DOI/USDA/ Other Agencies	Cogswell	Ongoing
Columbia Snake River Salmon Restoration (WA/ID)	Army Corps/ Commerce/ NMFS	Cogswell/ Schwartz Peroff	Continues until recovery plan chosen (late 1993)
Food Safety	USDA/ HHS	Cogswell	Summer legislation possible or 1995 budget issue
USDA Streamlining	USDA	Cogswell/ Reeder	Legislation/Appropriation action for FY 94; Reinvent Gov. issue
Bureau of Indian Affairs Trust Fund Mgmt	DOI	Cogswell/ Reeder	Ongoing
Space Station Redesign	OSTP/NEC/ VP/OMB	Peroff	Interim Report Mid-May
R&D Review	OSTP/NEC/ OMB	Peroff	Spring-early Summer
Establish United States Enrichment Corporation	OMB	Peroff	Summer
Implementation of Energy Policy Act	OMB	Peroff	Ongoing

TITLE	LEAD RESPONSIBILITY		APPROXIMATE TIMING
	OVERALL	OMB	
"Clean Car" Initiative	OSTP/OMB	Peroff	Summer
Review of Department of Energy National Laboratories Missions	NEC/OSTP/OMB	Peroff	Summer
Use of Russian and U.S. Highly Enriched Uranium	OMB	Peroff	Ongoing
Review of Yucca Mountain Nuclear Waste Repository	OMB	Peroff	Summer
Waste Management and Clean-up	Energy	Adams	Ongoing/Indefinite
Labs-Expansion of CRADAs	Energy/OSTP/NEC/OMB	Peroff	Summer

04/13/93 09:08 202 395 3972 WHITE HOUSE 1001

THE WHITE HOUSE

WASHINGTON

April 13, 1993

MEMORANDUM FOR MEMBERS OF THE WORKING GROUP ON WELFARE REFORM,
FAMILY SUPPORT AND INDEPENDENCE

FROM: BRUCE REED *BR*
DAVID T. ELLWOOD *DTE*
MARY JO BANE *MJB*
WORKING GROUP CO-CHAIRS

SUBJECT: April 14, 1993, Meeting of the Working Group

We are happy to report that we are ready to begin work on President Clinton's welfare reform agenda. As you know, the President has called for an end to welfare as we know it by giving people a real alternative to welfare and a genuine opportunity to regain control of their lives.

We are writing to confirm your invitation to participate on the Working Group on Welfare Reform, Family Support and Independence. The first meeting of the Working Group is scheduled to be held Wednesday, April 14, 1993, at 4:00 p.m. in Room 324 of the Old Executive Office Building.

Attached is an agenda for the meeting and a notebook that includes information on the charge to the Working Group, an initial administrative plan, and a possible schedule for Working Group activities. Also included are some reference materials on welfare reform.

We look forward to working with you to carry out the President's agenda.

Attachments

Working Group on Welfare Reform, Family Support and Independence

April 14, 1993

- o Introductory Remarks
- o Welfare Reform Agenda - Vision
- o Working Group Plan
- o Schedule
- o Next Steps

AGENDA ITEMS

Welfare Reform Steering Committee

4/22/93

I. Process Issues

A. Work Plan/Schedule

B. Initial Feedback Sessions

- structure/timing of future sessions in light of Make Work Pay session Wednesday p.m.

C. Next Steps for Issue Teams

- clarified charges
- timeline for next products

D. Communication

- inclusion of one rep per issue team in steering comm
- agreed process for regular feedback between teams and steering committee, *wide circulation of drafts*

E. Working Group Meetings

- How to use and make effective *block meeting times.*

Subjects can be added later.

II. Outreach/Communications

A. Communications Work Group

- Need for coordination among legislative, media, outreach strategies and among agencies and the White House

B. Announcement

- Calls: who gets them; who makes them
- Letters: who drafts
- List: circulate and review
- Press: provide early exclusive? Background briefing?

C. Hearings: purpose and structure

- D. Communication inside administration: how to keep all those who "want to be involved" informed

- E. Other: mail, speakers bureau, outreach (meetings/ mailings) to important groups and individuals

F. Ditzel - Making Welfare

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F. Future - Making Welfare



DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES

370 L'Enfant Promenade, S.W.

Washington, D.C. 20447

NOTE TO: Mary Jo Bane
Wendell Primus

FROM: Howard Rolston

SUBJECT: Presentation to Task Force

After Friday's meeting I tried to develop a more specific outline for you to consider concerning how the presentation at the upcoming task force meeting might be structured. Each part would be supported by appropriate visuals.

1. Welfare vs. non-welfare

Compare a family on welfare to a low-income working family trying to get by without any direct income support except the EITC (since such a large percentage of eligibles receive it). Do two welfare variants, one with and one without housing subsidies.

2. Where we are now

Next include for the working family other forms of income support, including Food Stamps, transitional Medicaid and child care (noting their brief duration), and other Medically-needy categories (especially the expanding coverage of children below poverty). Discuss the Family Support Act, how it improved the comparisons and how it got the principle of mutual obligation between society and the individual right. But show how by not providing enough on society's side of the obligation, we can't expect much on the individual side; to overcome the moral dilemma that welfare parents face regarding working or risking their childrens' well-being, society has to provide more to raise expectations on the individual.

3. Where (hopefully) we will soon be

Next make comparisons including what is in the President's Budget, e.g., the EITC and a down payment on the child support side (don't include any dollars in the example for the latter) and universal health care coverage. Show how this really improves the comparison, especially if the EITC is available more frequently than annually. Also point out that shortfalls still occur. Raise issues regarding single and two parent households.

4. Why we need welfare restructuring

Finally, make comparisons showing different options for closing the gap including: increasing the minimum wage, child support for single parent families and child care. Articulate the reasons why an assured child support benefit would work better than simply strengthening enforcement, and give an example for those with low award levels. Discuss the need for guaranteed jobs. Adopting some combination of these options can really raise the obligation on individuals to work and welfare can become transitional for almost all individuals.



FACSIMILE TRANSMISSION COVER SHEET
ADMINISTRATION FOR CHILDREN AND FAMILIES
OFFICE OF THE ASSISTANT SECRETARY
370 L'ENFANT PROMENADE, S.W.
WASHINGTON, D.C. 20447

FAX: (202) 401-⁴⁶²⁸~~5336~~ CONFIRM: (202) 401-³³³⁷~~5206~~

DATE: 4/27

TO
NAME: KATHY WAY
OFFICE: _____
PHONE: _____
FAX NO: 456-7739

FROM
NAME: Jeremy Ben Ami
PHONE: 401-6954
COVER + 2 PAGES

MESSAGE:

Call me when you have A moment to
discuss.

OFFICE
USE
ONLY

TIME SENT: _____
OPERATOR: _____

DATE: _____

WELFARE REFORM TASK FORCE**Steering Committee Follow-up****1. Work Plan/Schedule**

- o Draft more detailed schedule by 4/29 (Jeremy)

2. Initial Feedback Sessions

- o Schedule first meetings for each work group; invite team leaders from all other groups to attend - complete within next 2 weeks (Ann/JBA/Mark)
- o Schedule half-day review for larger group - tentatively 2nd or 3rd week of May (Ann/JBA/Mark)

3. Next Steps for Issue Groups

- o Assign interim group leader for each cluster -completed
- o Invite cluster group leaders to weekly Steering Committee meetings (Ann)
- o Get opinion from GC about FOIA status of draft and pre-decisional materials and how to appropriately designate (Paul)
- o Prepare discussion of what outside analysis is needed for the Modeling group, who we want to do it, and what we should be talking about to Urban Institute about re: TRIM (Bill Prosser)
- o Prepare clarified charges/expected work products for each issue group following review meetings (Howard/JBA)

4. Working Group

- o Finalize membership list (Kathi - Agriculture, Office of the Vice President; Mary Jo - Labor, Education; Ann - Treasury; add Ken Apfel)
- o Inform cluster group leaders of outside agency staff representatives to be included on groups (Ann)

5. Working Group Meetings

- o Prepare draft of presentation on Make Work Pay for 4/29 (Howard/Canta)
- o Schedule next meeting(s) (Kathi)
- o Distribute meeting materials and assist in follow-up as necessary (Ann)

6. Communications Group

- o Designate WH point contact (Kathi)
- o Set up inter-agency group (JBA)

7. Announcement

- o Circulate list of groups to be contacted after announcement (Ann)
- o Rank groups requiring (A) personal calls from Bruce/Mary Jo/David; (B) detailed letter requesting input and participation; (C) form letter inviting input (Ann)
- o Draft letters (Ann)
- o Review press strategy (Kathi/JBA)
- o Prepare some options for press release (Jeremy)

8. Hearings

- o On agenda for next meeting

9. Mail

- o Develop intake/response process (Jeremy)

Welfare Reform Meeting
May 25, 1993
AGENDA

I. OVERVIEW

- A. Structure of Welfare Reform Working Group
 - 1. Differences from HCTF (POTUS involvement throughout process)
- B. Where we are on policy
- C. Timeline of report to POTUS and legislation

II. EVENTS/ACTIVITY

- A. POTUS event in the near future
 - 1. Should this happen before health care launch?
- B. Announcement of the Working Group
 - 1. If there is a POTUS event, should this happen simultaneously?
 - 2. If there is not a POTUS event, is there anything preventing the announcement of the Working Group through a press release ASAP?
- C. How active, if at all, should the President be on this issue prior to the completion of the report?
- D. How much press should the Working Group try to generate through its fact finding missions and hearings that will take place this summer?

III. MESSAGE

- A. Does the message need a more narrow focus?
- B. Are there a few central themes that should be emphasized at all times?
- C. At what point should more information be added?

IV. COORDINATION WITH HEALTH CARE

Mary Jo Bane
June 1, 1993

OUTLINE OF WELFARE REFORM PROPOSAL

I. Making Work Pay

Earned Income Tax Credit: IRS to develop procedures for employers to use in advancing credit when requested, including advance payments to employers if necessary.

HHS to develop comprehensive informational and educational campaign and materials to ensure that knowledge about the EITC is widely available. HHS to develop and make available materials that explain benefits of working relative to welfare under new EITC.

States required to make available information on benefits of working.

States are required to count EITC dollar for dollar against AFDC grants. Limited exceptions to this for state demonstrations.

Work Support Agencies: States may elect to establish Work Support Agencies separate from welfare agencies to provide services to low income working families. Services provided must include information on the EITC and on the benefits of working. Services may include case management etc. States may limit jurisdiction of WSAs to folks working a certain amount, folks working at all or folks engaged in serious preparation for work at state option.

HHS and/or DOL to issue guidance on good models for work support agencies. Feds will reimburse for costs of WSAs at the matching rate. Enhanced matching rate for states following certain models. HHS/DOL to conduct study of the operation, costs and benefits of Work Support Agencies.

Work incentives within welfare: States may elect to provide work incentives within the welfare system. HHS to develop several alternative models of disregards, fill-the-gap etc. that states may incorporate at their option, with full financial participation. Options may include differential treatment of EITC.

II. Child Support Enforcement and Insurance

Paternity establishment. States required to have established paternity for 50 percent of out-of-wedlock births by 1995 etc. HHS to provide program models and

technical assistance to states in achieving the goals. HHS to collect and publish data on performance. Financial penalties of some sort at some point.

HHS to contract with ABA or somebody to develop model legislation and to provide education to state legislatures and judiciaries.

Child support awards. States required to have established child support awards for x percent of AFDC caseload by y. HHS role as above.

Child support insurance. HHS authorized to fund up to 10 state-wide demonstrations of child support insurance. Financial incentives for demonstrations that meet certain criteria.

Three year review of demonstrations. If warranted, authorization for up to 15 more of more-or-less standard model. Nation-wide at some point.

III. Improvements in JOBS

States encouraged to develop plans for no exemptions/ 100 percent participation JOBS programs. Enhanced federal match for states with reasonable plans. Continued federal match for states that are making decent progress.

States encouraged to develop JOBS programs that focus on early employment rather than placement in education or training. States may develop "voucher" type programs to encourage education or training after initial employment.

HHS to develop tracking systems for JOBS programs and make available to states at no cost.

IV. Transitional Welfare

By 199x, states must have chosen one of three models for replacing their current welfare system.

One model is a 100 percent participation JOBS model, which limits non participation to a set number of months and also limits participation in educational and training activities to a set number of months.

A second model is work-for-welfare after a set number of months or sequence of activities.

The third model is work instead of welfare after a set

number of months.

Feds provide financial incentives for states who choose one of these early and have good plans.

For discussion purposes only

WELFARE REFORM PROPOSAL

Child Support Enforcement and Assurance

Paternity Establishment

The paternity establishment component is very similar to the design of the Downey/Hyde proposal, with the goal of developing a system which facilitates universal compliance. Under the proposal, Federal funding would be made available to each State to implement a paternity establishment program that meets certain Federal requirements and guidelines. The goal of the Federal requirements is to ensure that paternity is established for as many children born out of wedlock as possible, regardless of the parents' welfare or income status and as soon as possible following birth.

Under its paternity establishment program, each State would establish simple, nonadversarial procedures for the voluntary acknowledgement of paternity shortly after birth, preferably in the hospital through an administrative process. Each State would be required to establish a civil procedure to adjudicate contested paternity cases through a judicial or administrative process. In addition, each State would be required to improve efforts to locate absent parents by ensuring that the parent locate service has access to requisite State and private records, and that other State have direct access to the State data bases in order to process interstate cases.

The Federal government would reimburse States for seventy percent of the cost of establishing and operating the paternity establishment program. An increase in the reimbursement rate would be based on performance, relative to other States.

For children born after January 1, 1996, custodial parents who had not established paternity or who had not been granted a good cause exception would be unable to claim the personal tax exemption for each child for whom paternity had not been established.

Establishment of Child Support Orders

Under the proposal, States would establish all initial orders through an administrative procedure according to uniform, national guidelines indexed annually for inflation. Orders would be established on all noncustodial parents regarding of current ability to pay, by assuming they would work full time at minimum wage. The Federal government would establish and maintain a national, universal database of all existing orders with current information from the Federal income tax returns of all custodial

and noncustodial parents including addresses, and States would be required to use this information to update orders every two years.

Collection and Enforcement of Child Support Orders

This section includes many recommendations from the report of the Interstate Commission on Child Support and existing papers. Under the proposal, States would assume primary responsibility for the collection, disbursement and enforcement of child support payments. Employers would withhold support from wages based on information from the revised W-4 form and would forward all withholdings to the State office. The State office would forward child support payments to custodial parents on a monthly basis, and would include separately any child support assurance amounts.

In addition, all new employees would be required to notify their employer of their child support obligations by filing the Federal W-4 form, which would be revised to collect information regarding the employee's name, address, Social Security number, earnings per period, child support order and health insurance benefits. Employers would forward this information to the Federal government to be verified against the national database of orders.

Under the proposal, any child support owed by a noncustodial parent at the end of the year in excess of that withheld during the year would be due to the State office and collected via the annual income tax form. Child support payments would have precedent over Federal tax liabilities.

The State office, through its administrative law judges, would have the discretion to reduce child support arrearages on a case-by-case basis, but only if the office determines that such reduction will promote the payment of current child support obligations by the noncustodial parent. An ALJ could also reduce arrearages by reducing the present value of Social Security retirement benefits based upon changes in the earnings records of noncustodial parents.

The rules for distribution of arrearages would be simplified. The Federal government would retain any arrearages which resulted in the payment of the assured benefit. No monies would be distributed to States as a result of any change in welfare benefits. Arrearages would be cancelled working backwards from the date of the arrearage payment on an annual basis.

Assured Child Support Benefit

Under the proposal, the Federal government would provide (finance) an annual assured child support benefit on behalf of any child who has been awarded support, but whose noncustodial parent fails to pay. The benefit would be administered by the

State and would be determined according to either of the following two options and indexed to inflation:

- a) The amount shown in the schedule below, less any private child support collected:

<u>Number of Children</u>	<u>Benefit</u>
1	\$2,000
2	3,000
3	3,500
4 or more	4,000

- b) Fifty percent of the child support order, plus a bonus payment of 40 cents per dollar paid by the noncustodial parent up to a maximum of \$100 per month.

States must disregard up to \$1,000 of child support and assured benefit payments before calculating the AFDC payment if the State's AFDC payment level was less than or equal to 40 percent of the Federal poverty level. Child support payments and the assured benefit would be treated as income to the custodial parent for tax purposes.

Advance Payment of the Earned Income Tax Credit

Certain low-income custodial parents who are eligible for the earned income tax credit (EITC) could request to receive payment of the credit on a regular basis along with their child support payment. The EITC would be administered by the State child support agency.

Amendments to the AFDC Program

Under the proposal, changes would be made to the AFDC program as follows:

- a) Rules for determining eligibility and benefit levels would be simplified and standardized to facilitate coordination among other assistance programs such as food stamps and housing;
- b) The 100-hour rule (which specifies that a parent must work fewer than 100 hours in a month to be classified as unemployed) would be eliminated;
- c) The quarters of work rule (which specifies that to be eligible for AFDC-UP the principal earner must have worked 6 or more quarters prior to one year before application) would be eliminated;
- d) In place of the current \$50 per month passthrough of child support, States would be required to increase AFDC benefit levels by \$50 per month for families with a child support order. This would not be counted in the food stamp or housing programs;
- e) The standard disregard would be raised from \$90 to \$100 per month, the child care disregard would remain the

f) add education or
housing subsidy

same (20 percent of earnings to a maximum of \$175 per month per child), and an additional disregard of 20 percent of earnings would be added.

Time Limit

Under the proposal, welfare receipt (including AFDC, food stamps, and housing) would be limited to 12, 18 or 24 months, based on the unemployment rate in each urban and rural area. For regions with an unemployment rate less than 6 percent, the time limit would be 12 months, for 6-9 percent, 18 months, and for greater than 9 percent, 24 months. Exemption from the time limit would apply to a caretaker of an AFDC child who meets one or more of the following conditions. He or she:

- a) is not a natural or adoptive parent;
- b) is working more than 20 hours per week (40 hours for both parents);
- c) has care of a child under age 2; *one time exemption*
- d) has care of a disabled child or relative;
- e) is making satisfactory progress in secondary school or GED program;
- f) is participating and making satisfactory progress in a rehabilitation, training or parenting program (including Head Start); *time limited*
- g) has a functional disability or impairment that significantly reduces employability; or
- h) has insufficient child care arrangements.

Education and Training

Under the proposal, Federal funding for the JOBS program would increase by \$3 billion. The Federal matching rate would be raised from the current level to 80 percent. Countercyclical assistance would be provided through an enhanced Federal match of 90 percent if the unemployment rate in a State rises above 7 percent.

Transitional Assistance

All other individuals not exempt from the time limit would be required after one year to 'work off' their welfare benefit in a CWEP-type program. CWEP programs must be designed to improve the employability of participants through actual work experience and training in order to enable individuals to move into regular employment after one year. Caseworkers would approve participation with the goal of moving individuals toward self-sufficiency within one year. States would be required to offer a CWEP job within 90 days of when an individual exhausts the one-year limit. Individuals would be required to work the number of hours derived by dividing the total amount of their welfare benefit (including AFDC, food stamps and housing) by the Federal minimum wage, up to a maximum of 40 hours per week. Participants would be paid an

hourly wage equal to the minimum wage, and for purposes of benefit calculation, the welfare department would assume that the participant is being paid for the hours specified. Wages under CWEP would be counted as earnings. For any required hours that the participant fails to work, wages would be reduced accordingly.

Earnings would not be counted as income for purposes of calculating the earned income tax credit, and no unemployment benefits would be paid. Child care would be guaranteed. Current law rules for the workmen's compensation program and the Social Security program (including payment of the FICA tax) would apply. All benefits would be calculated according to existing rules. This implies that individuals would leave the AFDC program first, the housing program second, and the food stamp program third.

Participation in CWEP would be limited to two years, after which all assistance would be terminated. For every year off of AFDC, housing benefits, and CWEP, individuals would be able to earn two months of 'credit' in the welfare system for future use.

Teenage Pregnancy and Out-of-Wedlock Births

It is necessary to develop a proposal to address the issue of teenage pregnancy and out-of-wedlock childbearing. The author would recommend a program which would encourage the voluntary use of Norplant for birth control purposes. The teen parent demonstration project has shown that mothers often desire to prevent the birth of additional children, but they do not often have the means or the knowledge.

Work and Training Requirements for Noncustodial Parents

Under the proposal, the JOBS program would be modified and expanded to accommodate participation by noncustodial parents who have failed to, or are unable to, pay child support. A State administrative law judge (ALJ) could require mandatory participation in job search activities under the JOBS program for noncustodial parents who willingly fail to pay child support. Noncustodial parents who are unable to pay child support but are not more than two months delinquent would have an opportunity to volunteer for participation in the JOBS program or other specified activities, during which time the current child support order would be waived. Certain noncustodial parents would be eligible for public service employment (PSE) jobs administered by the State. States would be entitled to receive additional Federal funds to administer the JOBS program and to provide 50,000 public service employment jobs. Intact families would be given priority over separated families for the PSE slots.

Under the expanded JOBS program, States would face a reduced Federal match unless 30 percent of JOBS funds was spent on services to assist noncustodial parents. The current law

requirement that 55 percent of JOBS funds must be spent on certain target populations would be reduced to 35 percent.

Child support payments would be deductible from gross income for Federal tax purposes if the custodial parent receive the personal exemption.

Demonstrations, Research and Evaluation

A thorough evaluation of all aspects of the program would be conducted after the CWEP program and the time limit had been fully implemented. If it was determined that harm was being done to children, the President would have the authority to eliminate the time limit. Demonstrations and research projects will be determined at a later date.

Financing

The proposal would be financed through the following:

- a) Welfare savings from implementation of the time limit;
- b) Taxation of AFDC, food stamps, SSI, housing, child support payments and assured benefit;
- c) Subject student earnings above \$1,000 annually to FICA taxes;
- d) Elimination of Social Security benefits for children of retirees;
- e) Increased taxation of alcoholic beverages;
- f) Increased taxation of handguns and semi-automatic weapons; and
- g) Elimination of the Low-Income Energy Assistance Program (LIHEAP).

workers -

- salary
- assured child support
- EITC

non-workers:

- reduced AFDC
- reduced FS
- child support

MAJOR COMPONENTS OF WELFARE REFORM PROPOSAL
(Fiscal year 1999, in billions of dollars)

Additional child support enforcement	1.0
Paternity establishment	0.5
Increased funding for JOBS	3.0
CWEP (above welfare savings) 1/	0.5
Child care	1.0
Welfare savings (time limit)	(3.0)
Child support assurance (net)	3.0
Taxation of AFDC, food stamps, SSI, housing, child support payment, child support assurance to custodial parent; deduction of child support for noncustodial parent	(1.0)
Program simplification and improvement	1.0
Elimination of LIHEAP	(1.5)
Taxation of student earnings	(0.7)
Elimination of Social Security benefits for children of retirees	(0.6)
Taxation of alcoholic beverages	(2.7)
Increased excise tax on handguns and semi-automatic weapons	(0.5)
Total cost	0.0

1/ Most of the cost of CWEP (including the bonus) would be offset by reduced participation. The cost shown includes some CWEP for noncustodial parents.

Note: Bracketed numbers indicate revenues. These numbers are guesstimates and in many cases a hoped-for result. They should not be taken seriously, except as a guideline on what a given policy will cost or save.

IMPACTS

- o Reduced child poverty
- o Paternities established on 400,000 additional children each year
- o Increased parental responsibility
- o Transfer of an additional \$10 billion in child support
- o Reduction in AFDC caseload
- o Increased ability for parents to support their children
- o Improved child outcomes

Kathi Way

Welfare Reform Steering Committee

6/8/93 Agenda

- I. Update on Structure/Work of Issue Groups - Ellwood needs information on what data is needed for modeling module. by Friday at 5:pm will need state by state data.
- II. Announcement Update
- III. Roll-out Plan
- IV. ●other
- Update on Ford hearing
 - Site visits

Labor WORK GROUP -
DOUG ROSS, TOM GYNN

working GROUP Wednesday:
Child Support Assurance.