

THE WHITE HOUSE
WASHINGTON

November 13, 1996

MEMORANDUM FOR DISTRIBUTION

FROM: Laura Tyson
Carol Rasco

SUBJECT: Welfare Reform Preparatory Meeting on December 2

The NEC and the DPC will hold a joint White House staff meeting on Monday, December 2 at 5:00 p.m. in the Roosevelt Room to discuss the status of and next steps for the Administration's plan for welfare reform. This meeting will serve as a prelude to the December 5 NEC/DPC Principals meeting on welfare reform (see attached memo). The Principals meeting will focus on the Administration's work to date on welfare reform as well as discuss the work that needs to be done as we move forward.

We feel it is critical to have an internal planning meeting prior to December 5th to ensure that we have a coordinated agenda and plan for that meeting and the ongoing work in this area.

Please call Thomas O'Donnell or Elizabeth Drye if you have questions or concerns.

Thank you.

Erskine Bowles
Frank Raines
General McCaffery
Ron Klain
Bruce Reed
Gene Sperling
Ken Apfel
Jeremy Ben-Ami
Elaine Kamarck

✓ cc: Elizabeth Drye
Thomas O'Donnell

November 14, 1996

MEMORANDUM TO:

SECRETARY ROBERT E. RUBIN
ATTORNEY GENERAL JANET RENO
SECRETARY DANIEL R. GLICKMAN
SECRETARY MICHAEL KANTOR
SECRETARY ROBERT B. REICH
SECRETARY DONNA E. SHALALA
SECRETARY HENRY G. CISNEROS
SECRETARY RICHARD W. RILEY
ADMINISTRATOR CAROL M. BROWNER
DIRECTOR FRANKLIN RAINES
CHAIRMAN JOSEPH STIGLITZ
DIRECTOR BARRY R. McCAFFREY
ADMINISTRATOR PHILIP LADER

FROM: Carol H. Rasco
Assistant to the President for Domestic Policy

Laura D'Andrea Tyson
Assistant to the President for Economic Policy

SUBJECT: Interagency Welfare Reform Meeting

The successful implementation of the welfare reform bill is one of the President's highest priorities for the second term. As you all know, its success will require the cooperation and engagement of all of your agencies, not just those with direct programmatic responsibility for administering benefit programs.

Over the past two months, there have been regular biweekly meetings at the White House that have brought all of your agencies together. These meetings have allowed us to keep up to date on the early implementation issues that have arisen and to get a better sense of the scope of responsibilities of each agency under the bill.

In December, we would like to meet with Cabinet members to discuss possible interagency initiatives in this important area. We would be interested in your agency's bold and proactive ideas and hope to use the time for productive brainstorming about interagency cooperation.

The meeting is scheduled for **Thursday, December 5th at 4:00 p.m.** in the Roosevelt Room at the White House and will run approximately one hour.

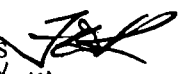
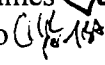
We would appreciate a response regarding your attendance by November 22th. Please have your schedulers RSVP to Jill Pizzuto or Claudia Rayford-Williams at (202) 456-5565.

cc: Leon Panetta
Erskine Bowles
Ron Klain

THE WHITE HOUSE
WASHINGTON

November 15, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Franklin D. Raines 
Carol H. Rasco 

SUBJECT: Welfare Reform Administrative Issues in Food Stamps, Supplemental Security Income (SSI) and Medicaid with Significant Budgetary Impact

One of the most difficult resource decisions you will make in the 1998 budget is how to correct the problems you identified in the enacted welfare reform bill within an aggregate spending path that leads to a balanced budget in 2002. The overarching decision is whether to spend more or less for welfare reform fixes than the \$13 billion over 5 years now in our 1998 budget planning. This reserve roughly corresponds to the savings from the bill above and beyond the Administration's proposal.

Potential Legislative Fixes. In the near future, we will discuss with you a number of legislative proposals that address the concerns you articulated when you signed the bill. While it is possible to address, in part, all the issues you raised within the \$13 billion, more expansive proposals could easily cost much more. For example, bridging the differences on immigrants and Food Stamps could cost as much as \$22 billion over five years and \$5 billion in 2002.

Additional Near-Term Administrative Issues. In addition to the broader question of aggregate welfare spending, we are raising to your attention three potential -- and time-sensitive -- administrative fixes for Food Stamps, SSI children, and Medicaid. All three decisions are on a faster track because they have an immediate impact on benefits to individuals, are subject to statutory deadlines, and/or are important to the state planning process. However, a decision to implement all three at this time would require substantial budgetary resources (ranging from \$1 to \$10 billion over 1998-2002) and reduce funding available for later legislative changes. In addition to cost, there are political implications to softening the impact of the welfare bill administratively in the near-term. These decisions -- in particular a decision on SSI children -- may raise advocates' expectations for the welfare fixes the Administration will later propose through legislation, and, at the same time, jeopardize the Administration's ability to sell our future legislative proposals to Congress -- such as fixes to the immigrants provisions and welfare-to-work proposals. This memo seeks your decisions on the three near-term administrative issues in the context of overall funding for welfare reform fixes in your 1998 balanced budget.

A. NEAR TERM ADMINISTRATIVE DECISIONS

1. Food Stamp Time Limits for Childless Adults

Current Law. The welfare reform bill limited Food Stamps for childless adults to 3 months in 3 years. Individuals are exempt from the time limit if they are: under 18 or over 50 years of age; responsible for the care of a child or incapacitated household member; medically certified as physically or mentally unfit for employment; pregnant; or exempt from the Food Stamp work requirements. This provision is estimated to save approximately \$3 billion over 1998-2002. When States fully implement this provision in 1997, almost 800,000 individuals will be ineligible to receive Food Stamps each month. These individuals may only stay on the program if they are working over 20 hours per week or participating in an intensive workfare program. We do not expect States to establish costly workfare slots for this group, given limited State resources and pressures to create jobs for the welfare population. About half of these individuals have no other income other than Food Stamps, putting their average monthly income at \$171 or 28% of the poverty level. Over 40% of this group is made up of women.

The law provides an exemption for cities, counties, or states with unemployment rates above 10%, at State request, and allows States to request waivers for any group of individuals residing in an area that "does not have a sufficient number of jobs to provide employment for the individuals." The Administration assumed a very strict interpretation of "insufficient jobs" when the bill passed, but we have the ability to define the criteria for areas with insufficient jobs more broadly as a part of implementation. Since there is substantial latitude in the law for how the Administration interprets exemptions and waivers, the Administration can substantially reduce the numbers of individuals actually denied benefits. You indicated that you would work to fix this provision when you signed the legislation.

The Food Stamp issue is very time-sensitive because the time limit goes into effect on November 22, 1996, at which time people subject to the time limit will receive notices stating that they are subject to a 3-month clock. If we do not have a final decision very soon on areas to be exempted from the time limit, several hundred thousand people will be threatened with a loss of benefits unnecessarily. States are already preparing their internal guidance and formulating waiver requests. Oregon, Louisiana, West Virginia, and Washington have already submitted requests.

Option #1 -- Provide waivers only for areas with serious impediments to employment, such as a rural town with only one major employer. While employment may be below 10%, no jobs may be available if the major employer is not hiring. This option would provide relief to few areas. The baseline assumes *de minimis* use of the waiver authority, and this option roughly corresponds to the baseline (i.e., it would not have any costs over 1998-2002). Options #2 and #3 below propose waiver policies that would exempt more people and therefore add costs over 1998-2002.

Option #2 -- Limit waivers to broader geographic-based criteria, such as areas defined as “labor surplus areas” by the Department of Labor (DOL). These are areas with at least two years experience of unemployment 20% higher than the national average. This interpretation could exempt up to 30% of those subject to the time limit who are living in areas with historically high unemployment, albeit under the threshold in the bill. Geographic-based exemptions are arguably an appropriate exercise of the discretion Congress granted. This option would cost \$1 billion over 1998-2002 and \$0.18 billion in 2002.

Option #3 -- Establish broad waiver criteria in addition to geography. The Department of Agriculture (USDA) and some outside groups have proposed guidance that ranges from exempting areas heavily dependent on declining industries, such as coal mining, to providing waivers to groups of individuals who face fewer employment opportunities due to insufficient job skills, for example, persons without a high school education. The proposed guidance would exempt an individual without a high school diploma from the time limit if she lives in an area where the unemployment rate for people without a high school diploma exceeds 10% -- effectively exempting an individual without a high school diploma from the time limit even though she lives in an area with only 4.3% overall unemployment. Another way of formulating the option would be to exempt anyone without a high school diploma who has actively tried to find employment but who has been unsuccessful. The theory would be that if they are unable to find a job appropriate to their skill level, then there must be insufficient jobs available.

Exempting entire classes of individuals goes beyond what Congress contemplated in providing exemptions to the provisions. While individuals without a complete high school education do face a tougher labor market than others, it is not reasonable to assume that they cannot find employment without regard to local economic circumstances. In addition, some might perceive an exemption for this group to be an education disincentive. Highly preliminary estimates show that exempting persons without a high school diploma could exclude 45% of those subject to the time limit. In total, USDA’s proposed guidance could exempt between 65 to 75% of those subject to the time limit and therefore cost as much as \$2 billion over 1998-2002 and \$0.33 billion in 2002. It is unlikely that all States will take full advantage of such broad exemption criteria; however, the Administration would have to defend the position that lack of a high school diploma is a qualification for Food Stamps.

[Recommendation.] We recommend Option #2, which would allow States to exempt areas with historically high unemployment relative to the national average, even though it is below the threshold in the bill.

Advocates will argue that Option #2 is not broad enough because it fails to address the particular difficulty individuals with limited skills face in finding employment. Many will lose their food stamps even though they are looking for but cannot find work. Rather than administratively exempting a specific group of individuals from this policy, we could consider

exploring a legislative solution -- similar to the Administration's proposal last year -- for those who are looking for work but cannot find jobs.]

2. Extension of Waivers Granting Transitional Medicaid Benefits

At the time you signed the welfare reform bill, 20 States had waivers that included authority to extend transitional Medicaid benefits beyond the normal 12 months (in some cases up to 36 months). Six more requests are pending. Before welfare reform, the Administration's policy was to establish budget neutrality across the AFDC, Medicaid and Food Stamps programs over the lifetime of the waiver. Typically, costs from additional Medicaid and Food Stamps benefits were offset by expenditure reductions projected to result from decreases in the AFDC caseload.

Since welfare reform replaced AFDC with a block grant, we can no longer project Federal savings resulting from lower AFDC caseloads. OMB and HHS agree that past Medicaid expenditures related to welfare waivers should be forgiven. OMB and USDA also agree that all past and future Food Stamps waivers should continue to be budget neutral. At issue is whether the future costs of extended transitional Medicaid benefits for current and pending Medicaid waivers should continue to be held to a budget neutrality standard. This issue is a priority because pressure is growing from 26 States on waivers given enactment of welfare reform. Absent a timely decision, some States could opt to suspend their expanded transitional benefits.

Option #1 -- Require States to adhere to budget neutrality for current waivers. The Administration could require States that want to continue their waivers to establish that the extension of transitional Medicaid benefits is budget-neutral. Because there are no longer any savings to the Federal government from the block-granted AFDC program, budget neutrality would require that the Federal government pay 0% of the costs (i.e., provide no Federal match) for the extended transitional benefits.

It is likely that States will continue to provide the transitional benefits waivers only if they believe they can finance them through State savings from the new welfare reform block grant. If transitional Medicaid really has the desired effect, however, States will reap substantial benefits from lower welfare benefits costs.

States may argue that requiring them to re-establish budget neutrality is a "breach of the contract" under which their waivers were granted. However, all Federal Medicaid waivers provide for renegotiation if a change in Federal law occurs. Moreover, this policy is consistent with the consensus policy to enforce budget neutrality in the Food Stamps program after the enactment of welfare reform.

Option #2 -- Modify the budget neutrality policy for the 26 States with waivers or pending applications. The Administration wants to promote welfare-to-work initiatives, of which extended transitional Medicaid benefits policy has been a cornerstone in the past. This

option would effectively grandfather all states that were trying to do this prior to welfare reform. This would increase the likelihood that the 20 states with current waivers will continue the extended transitional benefits and that another six would begin them. The Health Care Financing Administration (HCFA) actuaries have not completed their estimate of the costs of this option; however, early information suggests that this option could cost between \$160 million and \$200 million over 1998-2002.

Option #3 -- Propose legislation. Should the Administration be accused of treating waiver and non-waiver states inequitably, we could propose legislation to create a new optional Medicaid benefit to allow all states to provide extended transitional benefits. In combination with the forgiveness of budget neutrality for grandfathered states, such a legislative proposal could cost between \$1.0 billion and \$1.4 billion between 1998 and 2002, and between \$.2 and \$.3 billion in 2002.

[*Recommendation.* We recommend Option # 2, to grandfather the 26 states that have waivers administratively. We also recommend that you consider *all* welfare reform legislative fixes at the same time, and thus we do not at this time recommend legislation to create a new optional Medicaid benefit for extended transitional benefits.]

3. SSI Childhood Disability Definition

Current Law. The welfare reform bill provided a new, tightened definition of childhood disability for the Supplemental Security Income (SSI) program, consistent with the Administration's proposal. However, the statutory language is not precise, and the Social Security Administration (SSA) has substantial discretion in drawing the eligibility line to implement the new law. The Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) scoring was based on a similar understanding of the impact of the provision at the time of enactment. The SSI childhood disability provision in the final welfare reform bill was scored at \$8.4 billion in savings over 6 years and \$1.9 billion in 2002, and was estimated to remove 190,000 children out of 1 million from the rolls by September 1997. Since enactment, advocates and some Senate moderates have argued for an implementation policy that is significantly less restrictive. We are asking for your decision on this issue soon so that SSA may begin processing the approximately 7,000 new cases a week that they have held since August.

Option #1 -- Implement the law consistent with the scoring assumptions and general understanding at time of passage. This would significantly tighten eligibility compared to the law before the enactment of welfare reform. Under this option, 190,000 of the 1 million children now on the rolls would become ineligible for SSI. Most of the children who would lose eligibility under this option have mental impairments, including the behavioral disorders that were the impetus for the changes to the program, such as conduct disorder, learning disabilities, or Attention Deficit Hyperactivity Disorder (ADHD). A greater number are mentally retarded. Others have a chronic physical disease that is episodic, or is fully or partially controlled by

medication, such as asthma, epilepsy, or hemophilia. Still others have a condition such as cerebral palsy that, in that child's case, does not seriously impair more than one area of the child's functioning. This option does not add costs to the baseline.

Option #2 -- Modify the disability determination process to (a) limit the impact of tightened eligibility requirements on children with multiple physical impairments, and (b) require adjudicators to complete a standard form that will promote greater uniformity in decision making and lead to more allowances than would otherwise occur. Both of these changes can be accomplished administratively, were suggested by SSA, and make programmatic sense. Under this option, 145,000 children would be removed from the rolls by next September -- 45,000 fewer children than under Option #1.

To ameliorate the hardship for these children's families, under Option #2 we would also seek legislation to retain Medicaid eligibility for all children now on the rolls who lose SSI. OMB estimates that, under current Medicaid law, 77% of the children who lose SSI would retain Medicaid because of other qualifying factors; new legislation would provide for those children not covered under current Medicaid law. Option #2 would cost \$2.4 billion over 1998-2002, including less than \$0.5 billion for the legislative proposal. The 2002 cost would be \$0.5 billion.

Note that Option #2 is a more lenient policy than the one the Administration and Congress proposed. If we choose this option, we will have to justify changing our policy post-enactment.

Option #3 -- Further ease standard by greater recognition of chronic illness and re-assessment of borderline cases. Option 3 would add to Option 2 two features that are intended to preserve benefits for the children with the most serious disabilities not covered by Option 2: additional recognition of children with chronic or episodic illnesses such as AIDS, and an added assessment of children on the borderline. While SSA believes adjudicators will be able to learn the new procedures, this option would be more administratively difficult, time-consuming, and costly for SSA to implement than Option 2. Under this option, 100,000 children would be ineligible for SSI -- 90,000 fewer than under Option #1. Option #3 would cost \$4.2 billion over 1998-2002 and \$0.9 billion in 2002.

Option #4 -- Provide for a significantly lower severity standard in determining eligibility. This option is supported by advocates, Senator Daschle, and some Senate moderates from both parties. The Senate moderates argue that their explicit legislative strategy during the welfare reform negotiations was to insist on a definition that was ambiguous enough to satisfy the Republican leadership but would still give SSA the latitude to use a more lenient definition. Given that SSI cash benefits link these children to Medicaid coverage, and that the welfare reform bill simultaneously makes many other changes to the welfare system that could affect these families, advocates argue that it is appropriate to err on the side of SSA using its legal discretion to keep more children on the rolls. Under this option, 45,000 children would become ineligible for SSI -- 145,000 fewer than under Option #1.

There would undoubtedly be significant negative reaction to this option from the Republican majority, and it could be represented as negotiating in bad faith. Option #3 would cost \$6.4 billion over 1998-2002 and \$1.5 billion in 2002.

Option #5 -- Defer the SSI decision and make it with other 1998 budget decisions in December. Unlike the relatively inexpensive and uncontroversial recommendations on the Food Stamps and Medicaid issues, action on the SSI proposals will have significant budgetary and political impact. Choosing a spending option now will reduce the funds available for other welfare fixes by 20-30%, may disappoint advocates, and/or may portray the Administration as undermining the intent of the welfare bill -- thus threatening the success of future legislative changes to the welfare bill in Congress. Therefore, a decision could be delayed until the end of December when the Administration will be closer to defining an entire welfare reform fixes agenda. Within the context of a broader welfare reform package, this decision may be less vulnerable to criticism and give the Administration additional time to build Congressional support. However, there are a number of very compelling reasons to make a timely decision -- the Administration is required by statute to provide guidance on November 22, 300,000 current recipients will be notified about potential changes in eligibility this month, and 7,000 SSI applications per week will continue to go unprocessed.

[Recommendation. OMB recommends Option #2, using administrative discretion to moderately soften the original policy and retain SSI eligibility for 45,000 children who would otherwise lose benefits, and at the same time seek Congressional support for retaining Medicaid for all children now on the rolls.

DPC staff recommends Option # 3. This option would use administrative discretion to further expand the number of children who could meet the standard, and provide special protections for children on the borderline. SSA has had difficulty giving us a clear profile of these children, and it is difficult to be confident that SSA's rules reliably discern the most severe impairments. This option would provide extra assurance that children on the borderline will be properly evaluated. The disability community, members of Congress like Senators Daschle and Chafee, and leading editorial writers have made this a major issue, and might not even see this standard as taking adequate advantage of our latitude to assist children with impairments. We should also consider the challenges that many of these low-income families will face under welfare reform.]

B. THE OVERALL 1998 BUDGET ISSUE

In the context of a five-year balanced budget, any resources allocated to welfare reform make the task of reaching balance more difficult. Since the current plan for reaching balance by 2002 is already challenging our ability to find the necessary savings with acceptable policies, it is **important to recognize** that a decision to spend more than \$13 billion over five years will require further offsetting savings. The fact that administrative actions drive up spending in no way diminishes the need to find more offsets if we want to balance in 2002. At the same time,

whether you decide to spend more or less than \$13 billion to fix the welfare bill will influence your options on the immediate administrative issues.

Option #1 -- Limit welfare resources to \$13 billion. The recommendations in this memo would spend about \$3.6 - \$5.4 billion over five years on the three near-term administrative issues. With the \$8-\$10 billion remaining in the \$13 billion reserve, you would have sufficient resources to propose a repeal of most of the Food Stamp and Medicaid immigrant bans (but not SSI), a legislative fix for the Food Stamp 18-to-50s provision, other changes to mitigate the deep Food Stamp cuts, and expanded contingency funding.

On the other hand, if you choose the highest cost options on the administrative issues, you would spend \$10 billion before even discussing the larger legislative fixes. This would leave about \$3 billion to address the other problems with the bill. These resources would be exhausted by an exemption for immigrant children from the Food Stamp ban and a limited relaxing of the cap on the Food Stamp shelter deduction. You would not be able to make other legislative fixes within this total.

Option #2. Do not limit resources for welfare reform fixes to \$13 billion at this time. If you choose to spend more than the \$13 billion reserve, you will sharply limit your ability to meet demands for spending in other areas. Our current outline of the 1998 budget spends \$284 billion on non-defense discretionary programs in 1998, about half of which is for your priorities. For every additional \$2 billion you choose to spend on welfare fixes over five years, we would either need to increase the non-priority cut by 1% in 1998 (and freeze that level in the out-years), or selectively reduce priority programs. The non-priorities include important government functions such as Veterans Affairs (VA) medical care, tax collection, aviation safety, and the administration of Social Security benefits. Even if we protect your highest priorities -- say, in education and the environment -- we are left with programs such as Ryan White AIDS treatment, the National Institutes of Health, and Women, Infants and Children (WIC). If we look outside discretionary spending for these offsets, we face similarly unpalatable choices in Medicare and Medicaid, farm entitlements, civil service retirement, and veterans benefits.

C. DECISION ON OVERALL BUDGET STRATEGY

_____ Option #1. The maximum available for welfare reform fixes is \$13 billion, including the decisions below. **(Recommendation)**

_____ Option #2. Spend in accord with the administrative decisions below. Revisit the overall funding levels for welfare reform when we make final 1998 budget decisions.

D. DECISIONS ON NEAR TERM ADMINISTRATIVE ISSUES

1. Food Stamp Waiver Guidance

- _____ Option #1. Provide waivers only for areas with serious impediments to employment. No additional cost.
- _____ Option #2. Limits waivers to geographic-based criteria. Cost: up to \$1 billion over 1998-2002; up to \$0.2 billion in 2002. **(Recommendation)**
- _____ Option #3. In addition to exemptions for geographic-based criteria, exempt all persons without a high school education from time limits. Cost: up to \$2 billion over 1998-2002; up to \$0.3 billion in 2002.

2. Transitional Medicaid Benefits

- _____ Option #1. Budget neutrality for current and pending transitional Medicaid benefit waivers. No additional costs.
- _____ Option #2. Modify budget neutrality policy for the 26 states with ongoing or pending waivers. Cost \$0.2 billion over 1998-2002; \$0.04 billion in 2002. **(Recommendation)**
- _____ Option #3. Propose legislation to create a new optional Medicaid benefit to allow all States to provide extended transitional benefits. Cost: \$1.0-\$1.4 billion over 1998-2002; \$0.2- \$0.3 billion in 2002.

3. SSI Childhood Disability Definition

- _____ Option #1. 1997 Administration policy. No additional cost.
- _____ Option #2. Relax eligibility requirements relative to the Administration's proposals (Option #1) and propose legislation to ensure that all children currently on SSI rolls retain Medicaid coverage. Cost: \$2.4 billion over 1998-2002; \$0.5 billion in 2002. **(OMB Recommendation)**
- _____ Option #3. Further ease standard by greater recognition of chronic illness and re-assessment of borderline cases than under Option # 2. Cost: \$4.2 billion over 1998-2002 and \$0.9 billion in 2002. **(DPC Recommendation)**
- _____ Option #4. Significantly lower standard of severity than options 1 or 2. Cost: \$6.4 billion over 1998-2002; \$1.5 billion in 2002.
- _____ Option #5. Defer SSI decision until December. No immediate cost, but 7,000 applications per week continue to go unprocessed.

SUMMARY OF WELFARE REFORM BILL

AFDC, WORK, & CHILD CARE

Medicaid Guarantee	Assures that all categories of people now eligible for Medicaid will be eligible for health care in the future and there will be no loss of coverage, regardless of state welfare changes. At President's insistence, Republicans restored the Medicaid guarantee for welfare recipients and abandoned efforts to block grant Medicaid.
Child Care	Increases child care spending by \$4.5 billion above current law -- \$4 billion more than the bill the President vetoed. Preserves federal child care health and safety standards, which would have been repealed under the vetoed bill.
Work	Provides \$1 billion performance bonus to reward states for placing welfare recipients in jobs. Requires 50% of adults on welfare to be working by the year 2002.
State Funding	Requires states to continue their investment in welfare reform by maintaining 80% of their current spending.
Time Limits	Imposes five year lifetime limit on welfare, but allows states to exempt 20% of caseload from the limit.
Vouchers	Allows states to use federal Social Services Block Grant funds to provide vouchers for children whose parents reach the time limit.
Contingency Fund	Creates a \$2 billion Contingency Fund for states experiencing economic downturn and growing number of children in need.
Family Cap	Allows states to decide for themselves whether to deny assistance to children born to a family on welfare. Under the vetoed bill, states would have had to vote to exempt themselves from a mandatory family cap nationwide.

P's started w/ none.

P's started w/ none

Don't know if it's the right amount

Don't know if it's enough

1/3 of states have done it.

*Wavers -
Carry over?*

Food Stamp Program	Maintains national nutritional safety net. Does not allow states to block grant Food Stamps and does not impose a national cap on Food Stamp spending.
\$2A B in cuts \$21 agreed to in budget \$18 -	Caps the excess shelter deduction, which was set to expire next year, at near its current level until FY2001. The President wants Congress to fix this provision because over time it will hurt working families.
work req. who work opp. Can get it you're working ^{working} 20 hrs week.	Limits food stamp eligibility for childless 18- to 50-year-olds to 3 ^{mo} months every 3 years, with a 3-month extension for laid-off workers.
School Lunch Program	Maintains the current national school lunch program. Drops the school lunch block grant that was in the vetoed bill.

cuts total to \$25B

Bans	Over the Administration's objections, imposes 5-year ban on SSI, AFDC and Food Stamps for most legal immigrants, with some exceptions.
Medicaid	<i>enrty After date of enactment</i> Over the Administration's objections, prohibits future immigrants from receiving Medicaid for 5 years. Drops the retroactive ban on current Medicaid recipients, which was included in the House bill.
	The President has said that immigrant children and the disabled should be able to get medical care and the help they need, and is determined to get Congress to fix these provisions.

- 3/4 of legal immigrants have been here long enough to become citizens.
 - exemptions for battered women, served in the military, worked here for 40 quarters.
 - exemption for disabled, or for those who have applied for.
- FL, NY, CA most affected (80% of impact)

OTHER PROGRAMS FOR CHILDREN

Child Welfare <i>Maintains current law</i>	Retains current law child protection entitlement programs and services. Drops the child welfare block grant that had been included in the vetoed bill.
Disabled Children	Provides full SSI benefits for children who will receive SSI under stricter eligibility rules. Drops the two-tiered eligibility system in the vetoed bill that would have <i>made deep benefits</i> cut benefits by 25% for more than half of the disabled children coming on the rolls.

Chris - studs JI citizenship/disabled effects;

- Regulation -

Child Support

- Child under 6, can't find child care, doesn't count against limit.

New min. wage x 20 hrs. gets you to benefit level. —

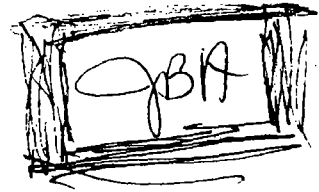
- Bonus — ACA, AFCA, AHS do formula

*opportunities for us. —

- Women and children

Summary of exemptions

THE WHITE HOUSE
WASHINGTON



October 2, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Carol H. Rasco *CHR*
Frank Raines *FR*

SUBJECT: Update on Welfare Reform Implementation

We are continuing to work to coordinate the Administration's efforts to implement the new welfare law. We will be providing periodic updates on key issues for you, as well as answers to questions you raise.

PROCESS

Domestic Policy, OMB, Counsel's office, and Intergovernmental are working closely together on all aspects of implementation. We have the following process in motion:

- o DPC chairs bi-weekly meetings of 11 federal agencies and all White House offices.
- o A subgroup of key agencies and offices meets more regularly on nuts-and-bolts implementation issues.
- o We are meeting weekly with the National Governors' Association, the National Conference of State Legislatures, and the American Public Welfare Association.
- o We met with the League of Cities, the Conference of Mayors, and the counties and promised them ongoing input and consultation.

TANF BLOCK GRANT IMPLEMENTATION

The entitlement to AFDC ended on October 1. States can elect to take advantage of the new TANF block grant as of that date, but they must enter the new program by July 1997. The first states to send in state plans were Michigan and Wisconsin, and their plans were approved by HHS on September 30. As of October 1, about 11 states had filed state plans with HHS.

Determining "Completeness" of Plans -- HHS's role in state plans is merely to certify that they are "complete" -- a far different role than they have had in the past. We have worked with HHS to pare down their list of what is required for a plan to be complete. As a result, they produced draft guidance for the states at the NGA conference last month that was quite brief -- and praised by the states as a result.

Regulations -- The law provides only limited authority to regulate the TANF block grant. You asked in our last memo whether we can require states to use TANF funds as wage subsidies. This is one of the permissible uses of the funds and one way states can provide work. HHS will be working with states to promote this as a model, but it will not be able to require that states adopt any particular approach to meeting the work requirement.

Grandfathering Waivers -- Counsel's office advises that the welfare law allows states to continue to operate waiver programs that have time limits and work requirements that vary from the terms of the new law (unless the waivers were granted after the new law passed). We will, however, be making it clear in our guidance to states that the Administration believes that all state programs should comply with the law's provisions regarding time limits, work participation rates, and exemptions and extensions. We will also indicate that if states do not bring their programs into line with the law, there will almost certainly be Congressional action (which we would support) to limit the grandfathering provision.

Wisconsin Waiver -- We have resolved Wisconsin's welfare and Medicaid waiver request. On September 30, in its letter approving Wisconsin's new TANF state plan, HHS informed the state that it no longer needs waivers to implement the welfare reform portions of its "W-2" program. Wisconsin still plans to impose a 60-day residency requirement before families can begin to collect benefits, which HHS believes is unconstitutional. The law in this area is unsettled, and the provision will definitely be brought to the courts. HHS simply took note of this issue as part of the plan approval.

On Medicaid, HHS informed the state on September 30 that it will not grant that portion of the state's waiver request because it would have eliminated the Medicaid entitlement and run counter to our commitment to the federal Medicaid guarantee. HHS offered to work with the state on an alternative Medicaid proposal.

Performance Bonus Fund and Contingency Fund -- The new law requires the Secretary of HHS to work with NGA and APWA to set up the Performance Bonus Fund, and gives her a year to develop the formula and process. We are setting up a process with these state groups to work out such a proposal in cooperation. We will keep you apprised as these plans develop. The Contingency Fund to protect states from economic downturns is being established by Treasury in consultation with HHS.

New Mexico -- New Mexico is one of the few states that is disadvantaged by the conversion to a block grant, because its caseload is increasing. The state announced it may have to cut welfare benefits by 12% to live within the new law. However, Senator Domenici may secure a legislative fix that would allow the state to tap into the Contingency Fund for this purpose.

IMMIGRANTS

The immigration issues raised by the law are clearly the thorniest and most difficult to implement.

Means-tested Benefits -- Non-citizens who arrive after the law's enactment are barred from receiving "means-tested benefits" for five years. We have some latitude to define that term, and Counsel's office, OMB, and DOJ are working together to do so.

Food Stamps for Legal Immigrants -- As part of the CR, we were able to persuade Congress to delay cutting off food stamp benefits for legal immigrants now on the rolls until at least April 1, 1997. (Under welfare reform, that change was to have been effective at the recipient's next recertification for benefits.) This change will particularly help California, which did not benefit from our earlier effort to delay the impact through USDA waivers, and sought our help as a result. Over 30 states opted for a delay through the waiver option.

However, legal immigrants who are applying for food stamps are not helped by the change in the CR. States are beginning to deny food stamps to these new applicants, although the interpretation of USDA's guidance on when they must comply varies from state to state. USDA instructed states to start denying new applications on September 22; for the next 120 days, states that have implemented this change are not subject to sanctions if they make errors.

Verification -- Administrators of many government programs such as food stamps have an important new role to play in verifying the legal status of non-citizens, and whether they fall into any of the categories exempted from the full impact of this law. One particularly difficult exemption to administer is the "40 quarters" exemption, whereby legal immigrants who have worked at least 40 quarters in this country (in combination with their spouse or parents) can still get benefits. SSA is working on a new system to give other agencies access to this information on an overnight basis, beginning in January 1997.

However, some earnings may never have been reported to SSA, particularly for farmworkers and domestic workers whose employers did not pay the taxes on their behalf. We plan to get instructions to food stamp offices next week on how to address this problem and avoid denying benefits inappropriately.

Reporting of Illegal Aliens -- The law requires states, SSA, and HUD to report quarterly to the INS on any illegal aliens they become aware of. The INS is determining how to implement this provision.

Below are answers to three questions you raised in the last update memo:

- o Legal immigrants who get SSI will get notices early next year that SSA will reexamine their eligibility, and benefits will be ended by August 1997. The INS will send them information on naturalization later this fall to ensure that as many as possible who meet the requirements for citizenship are able to naturalize before their benefits end next August.

- o We are working with INS and disability and immigration groups to ensure that the regulation waiving certain testing requirements for immigrants with disabilities is finalized as soon as possible. The comment period ends within the next two weeks, and the rule will be finalized by December.
- o You had noted the statistic that the INS naturalized 1.2 million immigrants this fiscal year, and asked how big an increase it represented over the prior year. Approximately 500,000 people were naturalized last year, so it is a very significant increase.

FOOD STAMPS WORK REQUIREMENT

As you may recall, the new law imposes work requirements on food stamp applicants who are childless and 18–50 years old, but it allows states to apply for a waiver of this requirement in areas of high unemployment. USDA will be issuing guidance shortly on how states can designate such areas.

SSI FOR DISABLED CHILDREN

As you know, the law tightened the eligibility standard for SSI for children with disabilities. The law was effective upon enactment for new applicants. As many as 190,000 children now on the rolls will lose eligibility between March and August 1997 because their impairments are not severe enough to qualify under the new law. Two major issues have emerged:

Cut-off Date for Families Who Appeal -- SSA will determine whom to drop from the rolls by August 1997, but families can appeal SSA's decision. If they do so in a timely manner, they are guaranteed continued benefits while they appeal. Legally, SSA had determined that we are able to keep children on the rolls up to a later point in the appeals process than we had expected, and SSA will take advantage of this option. As a result, most children who appeal will lose benefits in 1999, rather than late 1997 or 1998. SSA has not yet announced this decision because they want to announce the decision on the second issue at the same time.

Definition of Childhood Disability -- The law includes a new definition of childhood disability. During the lengthy debate on this issue, everyone assumed the new definition would cut 190,000 children from the rolls, and we included savings of \$7.6 billion from 1997–2002 in our budget reflecting that estimate. However, from a legal perspective it appears SSA has more flexibility to define childhood disability than we expected. Advocates have united around an interpretation that would drop from the rolls only 20% of the 190,000 children, with a loss of \$5.9 billion of the savings, but Congress would undoubtedly view this option as subverting their intent. SSA is seeking a proposal that strikes the right balance.

MEDICAID

In the coming week, HHS will lay out for us an initial position on key Medicaid issues, including how states can reconfigure their systems to accommodate the separate eligibility systems required for Medicaid and TANF; what happens to the Medicaid coverage of those individuals who lose SSI coverage; and the impact on existing waivers.

Another major question is how many states will accept the option to continue Medicaid for current legal immigrants. They must decide by January 1.

CHILD CARE

The new provisions of the law relating to child care went into effect October 1, 1996. This is a very positive story, as HHS worked quickly and effectively to help states understand the new law, develop interim plans to access the new funding, and ensure that states will get their increased money on time. We will be working with Communications to ensure that the opportunity to highlight some good news on this front is not missed.

TECHNICAL CORRECTIONS

The Secretary of HHS is required to report to Congress within 90 days (November 22, 1996) on technical amendments and corrections that are necessary. The other departments as well as many of the groups with which we are working have concerns in this area as well. We will be working closely with HHS as the date for this report draws closer.

cc: Leon Panetta

THE PRESIDENT HAS SEEN

Carol Rasco
Jack Lew
Choon

THE WHITE HOUSE
WASHINGTON

96 AUG 21 P2:45

August 21, 1996

MEMORANDUM FOR THE PRESIDENT

FROM:

Carol Rasco and Jack Lew

SUBJECT:

Status of Welfare Reform Implementation

This memo will update you on efforts to ensure that welfare reform is implemented smoothly and effectively.

We have formed an inter-agency working group to coordinate implementation, which met for the first time on August 9 and will meet on a weekly basis. We have established three subgroups. One will monitor key implementation milestones, identify and resolve issues, and ensure deadlines are met. A second group is developing proposals to expand job opportunities for those leaving welfare. A third group will coordinate Presidential welfare events. Separate work is going forward on developing proposals to correct the major flaws in welfare reform which you have identified.

One key element of implementation is work with the states through the National Governors' Association (NGA), the National Conference of State Legislators (NCSL), and the American Public Welfare Association (APWA) to ensure smooth federal-state communication. Intergovernmental Affairs is coordinating Cabinet agency contact with state and local officials on all implementation issues. NGA, NCSL, and APWA will meet on implementation issues on September 9 and 10, including governors' senior policy staff, state legislative leaders, and state social service commissioners. Intergovernmental Affairs is working with NGA to negotiate the agenda of that meeting, including making Federal officials available for briefings.

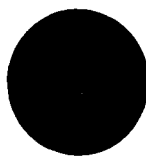
This memo summarizes the work of the subgroup dealing with implementation. There are a tremendous number of difficult implementation challenges raised by the bill. All affected agencies are at work developing their own timelines and work plans. We will be compiling these agency plans so that there is one overall framework for monitoring implementation. The following is a list of some of the main deadlines and challenges that we have so far identified.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) BLOCK GRANT

As you know, the bill creates the new block grant to replace AFDC and requires that states transform their AFDC systems to TANF by July 1997. There are several major issues that we will be tracking as HHS manages this transition:

cc: Reed
Ben-Ami
Fortuna
Drupe

See my email to Jack Lew
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Coolidge
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Be



also to have
- going in
Ciano
Ciano
Ciano

- o Early Implementation -- States have the option of implementing the block grant immediately, and it is financially advantageous for them to do so. Some states may be ready to go immediately on enactment. We will be working to clarify with HHS the process and timetable for approving these plans. You should know that many states, including California, will need to seek approval from their state legislatures before submitting plans. No states are expected to call special sessions this fall on these issues.
 - o Regulations -- HHS is preparing a preliminary list of areas in which it sees a need to regulate under the statute. We will be working with HHS to ensure that the new program is appropriately, but not overly regulated. *Q: can we require to offer, or allow local govt to offer, wage subsidies to private employer plus local gov't?*
 - o Guidance to States -- HHS is also considering issuing guidance to states on how to construct their new block grant plans. We will be working closely with HHS on this guidance to ensure that it is useful and helpful to the states.
 - o Approved Waivers -- The bill lets states continue to operate existing waivers. However, the bill's language is unclear about the scope of these provisions, especially the treatment of work requirements and time limits. It appears that the bill's drafters did not intend to exempt states from the work participation rates, but only to provide them with some flexibility in defining work activities. *Can we stream-line construction waiver on nonparticipating in construction? Monthly check?*
In addition, waivers that apply to only a few counties in a state can not be extended to the entire state.
- As for time limits, Michigan has waivers that do not include a time limit on benefits and has indicated it will continue on this course in the plan it submits, rather than adopt time limits as required by the bill. New Hampshire may follow suit. Whether the intent of the waiver provisions can be clarified by administrative action has yet to be determined. Deciding upon the best course for clarifying the intent of the waiver provisions -- seeking legislation or through regulation (which would be our first preference) -- will be one of the implementation group's first major issues.
- o Pending and Future Waivers -- HHS has approved eight waivers in the past two days, three of which arrived after you announced you would sign the bill (D.C., Idaho, and Kansas). Wisconsin is not yet approved. HHS is prepared to act on future waiver requests until July 1, 1997 should states ask for them.
 - o Other issues -- There are a whole series of operational issues the group will be addressing including the establishment and management of the Performance Bonus Fund and the Contingency Fund. *How many? I want to be able to make a decision made*

CHILD SUPPORT ENFORCEMENT

The bill requires an increased Federal role and significant state activity in this area. States must have enabling legislation in place by the end of their 1997 sessions. Federal data processing systems have to be able to interact with state systems by October 1997. We must develop a registry of new hires and a case registry, and enhance the Federal Parent Locator Service. HHS has scheduled training conferences and set up joint working groups with the states. One change of interest is that states will no longer be required to pass the first \$50 of monthly support collections to the family receiving assistance as of October 1, 1996.

IMMIGRANTS

→ important
all agree to this -

I didn't know this!

Obviously, the cross-cutting impact of the immigrant provisions of the bill will be a central concern on implementation. Among the key impacts:

- o Food Stamps -- Upon enactment, legal aliens applying for food stamps will no longer be eligible. Immigrants currently receiving benefits will lose them at the time of their regularly scheduled recertification. These recertifications would begin immediately upon enactment, with all such immigrants to be removed from the program within one year of enactment. About 900,000 participants (including 300,000 children) will be ineligible in the first year; approximately 250,000 participants will lose benefits in the first three months after enactment.

call me
show with
this on
redetermination

- o Supplemental Security Income (SSI) -- Upon enactment, most immigrants who apply for SSI will not be eligible. Current immigrant recipients will get benefits until the Social Security Administration (SSA) determines they are no longer eligible. By March 1997, SSA must send notices to the 1.1 million current recipients who may be legal immigrants and request evidence of their citizenship status. If the immigrant provides evidence that he or she is not eligible or fails to respond, SSA will notify the individual that benefits will be stopped. The amount of time the recipient has to respond to the first notice appears to be at SSA's discretion, although all redeterminations must be completed within one year of enactment. SSA is exploring timing options, with the intent of providing recipients as much time as possible within the law to naturalize. An estimated 300,000 to 400,000 recipients are expected to come off the rolls.

all the year and
only 1/2 on
here to get a
very citizens
in 1997

We will be focusing on two overarching issues in implementing these and the other immigration provisions:

- o Verification -- Developing a workable and fair system of verifying citizenship status that meets the needs of the various systems affected is a daunting challenge. The legislation outlines ambitious timelines, and an administration workgroup is already at work putting proposals and options together.

- o Naturalization -- In anticipation of the restrictions on benefits, many immigrants have already applied for citizenship and many more will apply as the restrictions take effect. INS has been working on initiatives to speed up the naturalization process. The Citizenship U.S.A. initiative is designed to respond to the large increase in applications and expects to naturalize 1.2 million immigrants this fiscal year. INS is also working with SSA and OMB on a new regulation that will waive English and civics test requirements for immigrants with certain serious disabilities and perhaps establish a special waiver for many disabled immigrants receiving SSI.

Household
then 1990

how big
an impact
on the law

FOOD STAMPS -- NON-IMMIGRANT PROVISIONS

Eligibility for 18-50 Year-old Childless Adults -- Most able-bodied adults without children will now be limited to 3 months of food stamps in a 36-month period if they are not working or participating in a work or workfare program. For current recipients, this limit is effective 3 months after enactment. One million current recipients will become ineligible within six months. Households remain ineligible for the balance of the 36-month period unless they obtain work or get a slot in a job training or workfare program.

Making the extensive changes to their computer systems to determine the eligibility of individuals who are dropped from the rolls and to track new recipients against the time limits will be a major implementation challenge to states.

Benefit Levels -- Changes to the standard income deduction and the excess shelter deduction will reduce benefits for nearly all of the 25 million monthly participants. Food stamp allotments will still increase under these changes, but much less than under prior law. The impact increases over time -- by 2002, average benefits will be nearly 20% lower.

These provisions involve relatively simple computer changes. The Department of Agriculture (USDA) expects most states will be able to implement them on October 1 and January 1, respectively, without delay.

OTHER KEY PROVISIONS

SSI for Children -- The bill tightens SSI eligibility for children with disabilities. Upon enactment, new applicants who do not meet the new standard will be ineligible. Current recipients will get benefits until SSA makes a redetermination that they are no longer eligible. Children whose cases must be reviewed will receive notices by January 1997. Those found no longer eligible will be sent a notice that benefits will be stopped. In certain cases, benefits may continue until the first level of appeal is completed. The bill calls for all redeterminations to be completed within one year of enactment. An estimated 285,000 initial notices will be sent and an estimated 190,000 children are expected to come off the rolls. SSA is working on the plan for the timing of the release of the first notices and the subsequent processes.

we must be
real careful --

my change, now
in case of welfare
income cut cut
Be

Medicaid -- The Medicaid program faces two major challenges in implementation: (1) delinking eligibility for Medicaid from the welfare system, and (2) assessing the impact on pending and existing waivers. The Health Care Financing Administration is working closely with other parts of HHS and with SSA to meet these challenges.

Child Care -- The bill block grants several child care programs, effective at the beginning of the fiscal year. While these changes are mostly positive, the timeframe for implementation is challenging.

Good to
do this
and make
show
positive
effect
law

Monitoring and Evaluation -- One key overarching issue will be to ensure that agencies are establishing effective research, evaluation, and monitoring capabilities to identify the impact of these dramatic changes on the individuals and institutions involved.

JOB OPPORTUNITIES

aggy

The interagency working group on the welfare jobs issue is nearing completion of a package of options. At this point it appears that the components will likely be: about \$1 billion in enhancements to the Work Opportunities Tax Credit passed in the minimum wage bill; a \$100 million expansion of the Community Development and Financial Institutions program to enhance economic development in distressed areas; a \$3 billion spending program to place one million hard-to-employ welfare recipients in unsubsidized jobs, with the key feature of withholding full payment to States until successful job placement and retention.

NEED FOR LEGISLATION

→ shows given limit to user

Work has begun on developing proposals to correct the major flaws in the welfare reform bill. Among those you have noted are: (1) the too-deep cuts in the Food Stamp Program, including the cap on the amount that can be deducted for shelter costs when determining an individual's eligibility; (2) the denial of Federal assistance to legal immigrants and their children, and the state option to do the same; and (3) the failure to provide Food Stamp support to unemployed childless adults who are willing to work, but not offered a work slot.

Additional issues requiring corrective action include: (1) the failure to provide sufficient contingency funding for States that experience a serious economic downturn; and (2) the lack of a provision for in-kind vouchers for children whose parents reach the five-year Federal time limit without finding work.

CONCLUSION

→ what about the California's
concern in Sat 9/25 this year this

We will keep you up to date on developments as we go forward.

cc: Leon Panetta

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

04-Sep-1996 05:26pm

TO: (See Below)

FROM: Carol H. Rasco
 Domestic Policy Council

SUBJECT: Welfare Reform memo to POTUS

I was sure everyone would need an interpretive reading of the remarks by POTUS and had tried to get this email off earlier...here goes! I will put any comments I have as to follow up in () and we can then talk next week when I am back in office, okay?

Page 1:

CRasco: looks good
 but see notes-
 BC

Also should stay in touch with counties and cities
(I had earlier today put on email to intergovernmental that we need to talk about how to work with counties and mayors groups now that we are working regularly with NGA/APWA/NCSL)

Page 2:

oRegulations

Q: Can we require states to offer, or allow local gov't to offer, wage subsidies to private emplyers plus local govt's?

oApproved Waivers

Can we at least condition waivers on work participation rate to

I want to discuss time limits issue before a decision is made and announced OR leaked.

oOther issues

Agree- I want to discuss before decision made.

Page 3

CHILD SUPPORT ENFORCEMENT

Regarding the FPLS he drew arrow and said:

Important

All agreed to this

On the \$50 issue he wrote:
I didn't know this!

IMMIGRANTS

oFood Stamps

Can we slow walk this on reevaluation grounds-(this memo was read before he got our follow up memo on issuing the directive to Glickman...we don't need to do anything further here)

oSSI

Take the year and work with INS on these to get as many citizens as possible.

Page 4

oNaturalization

Left side: Should do this ASAP

Right side: How big an increase over last year? (Isn't it nice he will be so pleased with the huge increase over last year?)

SSI for Children:

We must use REAL care on this-

(I can assure you this hit him very seriously and that is why we must have careful, thorough memo to him that I have requested previously...I must review the memo before it is sent and co-sign some kind of cover sheet or he will return it to me asking what I think.)

Medicaid:

This one did not copy well on my copy of memo and I don't have the full writing; however it appears he is saying we should discuss what this does with Wisconsin....what this says to me is that we need to make SURE POTUS is briefed on the proposed letters to Wisconsin before HHS sends them.

Child Care:

Good-

do ASAP as we must show POSITIVE aspects of law

(Diana: This says to me we should definitely ask Child Care folks to a meeting of the coordinating group in two to four weeks as we discussed earlier)

Monitoring and Evaluation:

Agree

JOB OPPORTUNITIES

Should give discretion [he abbreviated the word] to cities (this was taken care of in the formatting of his jobs initiative)

NEED FOR LEGISLATION

1st paragraph: YES

Second paragraph:

+What about Joe Califano's concern in Sat. 8/25 New York Times?

(Can someone look up that article and see what it is about...I missed it)

=====NOTE: On any of these where he said he wants to discuss, etc. it will mean more than likely we need to do a good decision memo. AGain, I will be in on Monday, will be reading email from the road on Thursday afternoon and sometime midday on Friday.

Let's talk...thanks.

Distribution:

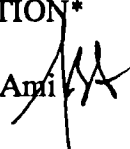
TO: Jacob J. Lew
TO: Kenneth S. Apfel

CC: Bruce N. Reed
CC: Jeremy D. Benami
CC: Diana M. Fortuna
CC: Elizabeth E. Drye
CC: Deborah F. Kramer

eeiz

THE WHITE HOUSE
WASHINGTON

MEMORANDUM TO DISTRIBUTION*

From: Jeremy Ben-Ami 

Subject: Welfare Reform Technical Amendments Bill

Date: December 12, 1996

As most of you know, HHS and SSA will be sending a package of technical amendments to the welfare reform bill to Congress on Monday. This fulfills a statutory requirement to provide such a report within 90 days of the statute's enactment. The amendments included are truly technical, straightening out inconsistencies and providing necessary clarifications. OMB and DPC have coordinated an interagency review process that also encompassed various White House offices.

This package bears no relation to the President's Welfare to Work Initiative and is not related to the budget proposals that are being developed to fulfill the President's commitment to amend certain elements of the welfare reform bill.

HHS plans to provide the package to intergovernmental groups and to the press on Monday. Their exact plans, internal talking points, a summary of the bill, and a list of agency contacts are attached.

Please call me with questions.

Distribution*

Leon Panetta	Alexis Herman
Erskine Bowles	Kitty Higgins
Harold Ickes	Todd Stern
Evelyn Lieberman	Rahm Emanuel
Carol Rasco	Mike McCurry
Laura Tyson	Mary Ellen Glyn
Gene Sperling	Don Baer
Bruce Reed	Frank Raines
John Hilley	Ken Apfel
Janet Murguia	Emily Bromberg
Jack Quinn	Elena Kagan
Marcia Hale	

TALKING POINTS (INTERNAL)
Welfare Reform Technical Amendments Package

The Secretary of Health and Human Services and the Commissioner of the Social Security Administration have submitted a report to Congress containing proposals for technical and conforming amendments to the welfare reform bill enacted August 22, 1996.

- o The report contains exclusively technical amendments. The proposals maintain the spirit and the intent of the newly enacted legislation.
- o This report is mandated by the new legislation, which required that such a report be submitted within 90 days of enactment of the statute.
- o Most of these proposals have no cost. A few have minor costs or savings which offset each other, but the package as a whole has no significant budget impact.

This report does not contain any major policy changes to the new welfare law.

- o Policy proposals from the administration, such as a new welfare to work initiative, are under review and are not included in this package.

The reform of welfare programs is proceeding smoothly, and these technical changes and corrections will further the implementation process. We hope to work closely with Republican and Democratic members of Congress to ensure speedy, bipartisan action on this package.

**Report on Welfare Reform Technical Amendments
Roll-Out Activities**

HHS and SSA plan to submit the report to Congress on welfare reform technical amendments on **Monday, December 16 at 2 PM**. The package will include the cover letter from the Secretary and the Commissioner, the Executive Summary and the proposals. Individually addressed packages will be delivered to the attached distribution list of leadership, chairs and ranking members of relevant committees of Congress. Prior to the delivery on Monday, HHS and SSA legislative staff will make calls to alert key staff of the upcoming submission.

On Monday afternoon, HHS intergovernmental affairs office will make the package available to the key state, local and union groups, per the attached list.

The HHS press office will send the package to the New York Times (Robert Pear) and the Washington Post (Judy Havemann) and inform them that the package has been submitted to Congress. HHS and SSA will handle press calls using the attached internal talking points and referring inquiries to other agencies as appropriate.

Attachments: Congressional distribution list
Intergovernmental contact list
Agency contacts for press and hill calls
Internal Talking Points
Executive Summary

12/11/96

Summary of Technical and Conforming Amendments to Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193)

Implementation of the Personal Responsibility and Work Opportunity Reconciliation Act is proceeding smoothly at both the federal and state levels. To date, 37 states have submitted Temporary Assistance for Needy Families (TANF) state plans, and many have already begun to reform their welfare programs. The changes in other programs are also proceeding smoothly.

Section 113 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) directs the Secretary of Health and Human Services and the Commissioner of Social Security, in consultation with other federal agencies, to submit to the appropriate committees of Congress legislative proposals for technical and conforming amendments necessary to bring the statutory language into conformity with the policies enacted in this new legislation.

A thorough consultation process was conducted among affected agencies to identify provisions in the new law that require technical or conforming amendments to PRWORA. Each proposal includes an explanation of the specific problem that has been identified and a statutory amendment to address the problem in a manner that maintains the spirit and intent of the new law. Early enactment of these technical and conforming amendments will assist the Administration and the States to implement the new law successfully.

Amendments are proposed to the following Titles: Title I (Block Grants for Temporary Assistance for Needy Families (TANF)), Title II (Supplemental Security Income), Title III (Child Support), Title IV (Restricting Welfare and Public Benefits for Aliens), Title V (Child Protection), Title VI (Child Care), and Title VIII (Food Stamps and Commodity Distribution). With the exception of two amendments, which have some costs, we estimate that all of the amendments have negligible costs.

The following summarizes the type and nature of the technical amendments contained in this report.

Resolve Inconsistent Terminology: In several instances, the new law inadvertently uses incorrect or inconsistent terminology. For example, PRWORA establishes mandatory work requirements, but uses the phrase "participating in work activities" in some places and the phrase "making progress in work activities" in others. To resolve this inconsistency, an amendment is proposed to use the phrase "participating in work activities" throughout these provisions. (p.6)

NO 17 1995 8:37AM FROM P. 3

Conform Dates: Amendments are proposed to conform or revise a number of dates utilized in the statute. For example, the new law requires states to "look back" to prior AFDC eligibility standards to determine eligibility for Medicaid and for Foster Care and Adoption Assistance. However, the statute utilizes two different look back dates (June 1, 1995 and July 16, 1996) -- creating administrative burdens on the states. An amendment is proposed to use the July 16, 1996 look-back date for both programs. (p.31)

Make Data Elements Uniform: Upon further review of the data and reporting requirements in PRWORA, several amendments are proposed to ensure reference to uniform, accurate and available data sources. The new law does not, for example, specify the data used to calculate historic state expenditures for maintenance of effort purposes. In order to establish a fixed and consistent maintenance of effort level, an amendment is proposed to specify that the same data elements used to calculate the TANF state family assistance grants be used to calculate historic state expenditures. (p.13)

Another data problem arises with the state bonus for reductions in rates of illegitimacy. While the statute explicitly requires the calculation of one data source on a fiscal-year basis, this data is currently available on a calendar-year basis only. Thus, an amendment is proposed to allow calculation of the bonus using the data available on a calendar-year basis in order to avoid the burden and expense of new data collection requirements. (p.3)

Clarify Congressional Intent: Several amendments are proposed to conform statutory language to congressional intent. For example, the new law establishes several penalties on states for failure to comply with various provisions. However, it also prohibits imposition of the penalties in certain reasonable cause instances and then makes specified exceptions to the reasonable cause prohibition. Because the conference report specifies additional exceptions to the reasonable cause prohibition (e.g. failure to repay the loan fund, and failure to replace grant reductions caused by penalties) beyond those included in the statute, an amendment is proposed to include those specified exceptions in statute. (p.18)

Another amendment is proposed to clarify congressional intent with respect to access to federal programs for qualified alien widow(er)s of persons who have served in the military. While the new law prohibits certain federal benefits for qualified aliens, it provides an exception for the spouse or unmarried dependent

child of veterans or active duty military personnel. In order to clarify that qualified alien widow(er)s do not lose eligibility for these benefits when the veteran or active duty personnel dies, an amendment is proposed to except widow(er)s of such personnel from the general prohibition. (p.66)

Close Gaps Between Previous Law and New Statute: In a few instances, the transition from the previous law to the new statute inadvertently left gaps in the application or coverage of various laws. For example, the Attorney General is required to develop a new legally enforceable affidavit of support for aliens entering the country after enactment of PRWORA. At the same time, the authority for states to deem sponsor income for aliens already in the country was repealed. Because this leaves states with no authority to deem sponsor income for current aliens, an amendment is proposed to reinstate the previous deeming requirement, and make it applicable to all affidavits of support executed before the effective date of the new requirement. (p.72)

Conform Provisions and Correct Citations: A number of amendments are proposed to correct citations and references in the new law, and to add further conforming amendments.

List of Members to Whom Technical Amendments Will Be Sent

SENATE**Leadership**

Maj. Leader	Asst. Leader	D. Leader	D. Whip
Lott	Nickles	Daschle	Ford

Agriculture

Chair	Ranking	New Chair	New Ranking
Lugar	Leahy	Lugar	Harkin

Appropriations

Hatfield	Byrd	Stevens	Byrd
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Budget

Domenici	Exon	Domenici	Lautenberg
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Finance

Roth	Moynihan	Roth	Moynihan
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Judiciary

Hatch	Biden	Hatch	Leahy
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Indian Affairs

McCain	Inouye	Nighthorse-Campbell	Inouye
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Labor and Human Resources

Kassebaum	Kennedy	Jeffords	Kennedy
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HOUSE**Leadership**

Speaker	Maj. Leader	D. Leader	D. Whip
Gingrich	Armey	Gephardt	Bonior

Agriculture

Roberts	de la Garza	Smith	Stenholm
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Appropriations

Livingston	Obey	Livingston	Obey
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Budget

Kasich	Sabo	Kasich	Spratt
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Commerce

Bliley	Dingell	Bliley	Dingell
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Economic and Educational Opportunities

Goodling	Clay	Goodling	Clay
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Judiciary

Hyde	Conyers	Hyde	Conyers
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Ways and Means

Archer	Gibbons	Archer	Rangel
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Welfare Technicals Rollout -- IGA Distribution

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NGA
DGA
NACO
Conference of Mayors
League of Cities

SEIU
AFL-CIO
AFSCME

Welfare Technicals Rollout -- Agency ContactsPress Calls

HHS:	Melissa Skolfield	(202) 690-6853
SSA:	Phil Gambino	(410) 965-8904 ;

Hill Calls

HHS:	Mary Bourdette/Patricia Savage	(202) 690-6311
SSA:	Judy Chessser/Bill Daly	(202) 358-6030
DOJ:	Faith Burton/Greg Jones	(202) 514-1653
VA:	Jack Thompson	(202) 273-6316

orig: CHR
cc: JB-A

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THE WHITE HOUSE
WASHINGTON

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THE PRESIDENT HAS SEEN
11-20-96

November 11, 1996

① cc Leon/EB

② CC → Summary

MEMORANDUM FOR THE PRESIDENT

From: Carol H. Rasco CHR

Subject: Report for October 22-November 11, 1996

UPDATES ON KEY INITIATIVES

WELFARE REFORM IMPLEMENTATION

State Plans for TANF Block Grant -- HHS plans to certify TANF state plans in Kentucky, Nevada, and New Hampshire today, bringing the total number of state plans certified to 11. Twenty-two states have applications pending with HHS. Connecticut's plan is expected to be certified soon. In their plans, most states are indicating that, for now, they will operate their programs as they were under the old law or under their waivers. More changes are expected in the spring when state legislatures convene.

Welfare Waivers with Transitional Medicaid -- The Administration should make a decision soon about whether to allow states to continue waivers that offer an extra year or two of transitional Medicaid to people leaving the welfare rolls for work. Many welfare waivers include this feature. Under the law, we are able to continue the waivers but there is a problem because of our requirement that waivers be budget neutral. We always assumed that transitional Medicaid benefits were "paid for" through savings in the AFDC program, but the new block grant does not afford the opportunity for such savings. We are working with HHS and OMB on options.

Guidance to States on "40 Quarters" Exemption -- USDA released guidance to states on how to determine whether legal immigrants still qualify for food stamps because they have worked for 40 quarters in this country.

Options on Medicaid/SSI Linkage -- Legal immigrants on SSI could lose Medicaid even in states that take advantage of their option to continue Medicaid coverage of legal immigrants. This is because they are eligible for Medicaid by virtue of their SSI eligibility, and they may not qualify for other entry points to Medicaid such as having dependent children. HHS is investigating whether it is possible to construct a mechanism by which legal immigrants could automatically keep Medicaid, but has not yet determined whether this is legally feasible.

we must do this

Housing Issues -- One of the areas of most serious concern among service providers to low-income communities is the impact of the welfare bill on affordable housing. On the one hand, they are worried that those families losing income -- e.g., immigrants, food stamp recipients -- will have greater difficulty paying rent and will lose their housing. On the other hand, they are worried that housing rent policies do not support welfare-to-work efforts. Those leaving welfare for work in public housing or Section 8 housing will find their rents increasing and a large percentage of their disposable income going toward housing costs. HUD is looking at possible action to address both of these problems.

*Big
issue*

Welfare to Work -- OMB has convened a working group to develop the specifications of the \$3 billion Welfare to Work plan announced at the Convention. They hope to have the details finalized for decision meetings in early December. There will be some difficult issues concerning the extent of public vs. private sector jobs, targeting, and who should administer the program. DPC, NEC, and OMB will be preparing issue papers and decision memos to move the program forward.

Department of Education Outreach -- The Department of Education has been working with HHS and constituency groups in the education and disability communities to discuss provisions of the new welfare law affecting them. Disability groups are concerned that schools may have reduced access to Medicaid funds in the face of the children's SSI cuts and the changeover from AFDC to TANF. Many schools rely on Medicaid to fund special education therapies. Education groups are concerned about restrictions in the law on the amount of vocational training which can count toward the work participation requirements.

Letter to Advocacy Community and States on Timing of SSI Changes -- On October 24, a letter went out to advocacy groups and to states to clarify that SSA will not drop legal immigrants or children from the SSI program until the middle of next year at the earliest. There has been some misinformation in communities that the cuts could be coming much sooner.

IMMIGRATION

Illegal Immigration Enforcement and Welfare to Work -- On November 1, the INS announced agreement with the Commonwealth of Virginia to replace illegal workers with unemployed legal workers who are on welfare rolls in jobs that they want, need and are qualified to perform. Under this first-ever agreement with a state, INS will immediately notify officials of the Virginia Department of Social Services when the INS removes unauthorized workers from an employer's workplace in the state. This early notification will give the Virginia Employment Commission an opportunity to refer qualified workers who are unemployed and receiving state welfare benefits to these jobs.

*Started
up by Do
7/27/94
of illegal
workers*

CHILD WELFARE

Child Welfare Chat Sessions -- On Oct. 31, we completed a series of seven small two-hour discussion sessions in my office over the past four months. We talked with a total of 35 child welfare experts from around the country. In addition, in October we visited the National Council of Juvenile and Family Court Judges in Reno, Nevada during the fall training session, sitting in on classes and meeting with faculty and participants. We will now begin working to propose action steps in this field.

CRIME AND DRUGS

Medical Marijuana -- DPC staff is working with the ONDCP, Department of Justice, and Department of Education to begin to coordinate an Administration response to the medical marijuana initiatives passed last week in Arizona and California. The ballot initiatives passed in both states (Propositions 200 and 215, respectively) would legalize marijuana use for a variety of medical conditions. Both ballot initiatives are loosely worded and would make enforcement of laws prohibiting unauthorized marijuana use difficult. It remains unclear whether federal laws will preempt the new state laws.

President's Remarks to the IACP -- Because you were unable to attend the annual conference of the International Association of Chiefs of Police (IACP) in Phoenix on October 29, 1996, we provided them with your taped remarks. The video was shown before 2,000 police chiefs at their general assembly. IACP was very grateful and your remarks were well received.

Drug Testing-Driver's Licenses -- DPC staff is providing guidance to ONDCP, DOT and other relevant agencies on their response to your October 19, 1996 directive -- "Reducing Teenage Driving under the Influence of Illicit Drugs." The directive instructs agencies to report back by January 17, 1997.

ENERGY AND ENVIRONMENT

Human Radiation Experiments -- This week, the Department of Energy plans to announce it has reached final settlement with the families of 11 people injected with plutonium and one person injected with uranium. These families of experimental subjects represent 12 of the 18 that the President's Advisory Committee on Human Radiation Experiments recommended for compensation. The settlements include an agreement for the Secretary of Energy to meet with the families. We may send a White House representative to that meeting.

HIV/AIDS

African American Meeting -- October 22, a group of about 90 African-Americans met at the Harvard AIDS Institute to discuss the growing AIDS epidemic among blacks and what can be done to turn it around. Blacks are disproportionately affected by the epidemic. From 1990 to 1994, the annual AIDS incidence grew 69 percent among African-Americans compared with 14 percent among whites. By the year 2000, more than half of all AIDS cases in the U.S. are expected to be among blacks. Patsy Fleming, Alexis Herman and representatives of many national black organizations attended as well as providers of care and prevention services. The outcome of the meeting was a call to action for the African-American community including clergy, the media, the government, community-based organizations, educators and all others who can intervene in this deadly disease.

EXTERNAL ACTIVITIES

MEETINGS AND SPEECHES

Wednesday, October 23, I keynoted a Child Care and Economic Diversification Policy Summit in Reno, Nevada sponsored by The Children's Cabinet, a child advocacy resource center which also provides services to children and families in the area. The conference was designed in conjunction with the DPC to bring together about 25 business people in that state with an equal number of child-serving agency personnel in Nevada to discuss child care and business within the context of welfare reform. Glenda Bean of Arkansas was also brought in to discuss the state's experience designing quality early childhood experiences through collaboration with all sectors, including the business community.

Sen. Bryan as well as Gov. Miller were present for parts of the day. It was an excellent format for talking about what business can do, and what business must be aware of as they accept their share of responsibility in welfare reform. The group left with a defined set of next steps for improving early childhood experiences for low-income children and involving businesses in welfare reform.

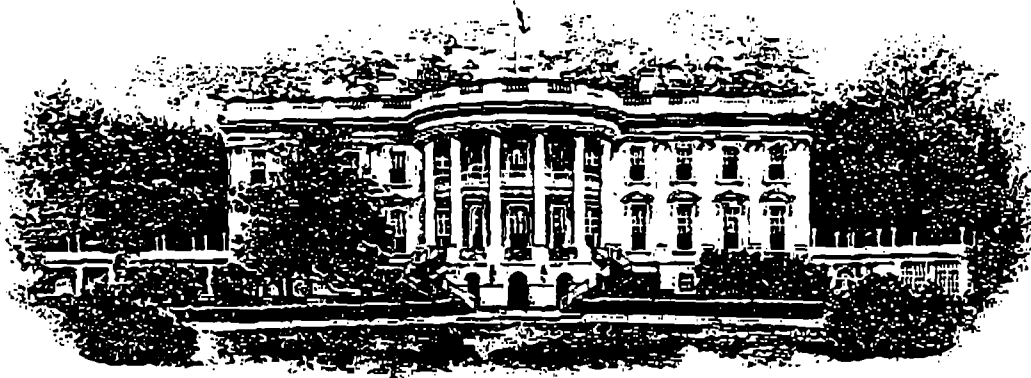
Thursday, October 24, I visited the National Council of Juvenile and Family Court Judges training program which is based at the University of Reno. I met with the Dean and faculty/project managers and held a roundtable with judges/probation officers and staff from state social services from around the country in for training on various facets of legal matters regarding children and families. I also attended four class sessions. The information from this visit will be invaluable as we further review initiatives to undertake in improving the child welfare and juvenile justice systems.

Friday, October 25, I met with the Police Chief in Reno, Nevada to discuss his department's comprehensive community policing and youth development programs. Among the youth programs is the GREAT program (Gang Resistance Education and Training) which is overseen nationwide by the ATF Bureau. This is a middle school program that in a comprehensive system follows upon DARE in the elementary schools. I then visited a seventh grade classroom where a Reno police officer was teaching a class. I

followed this with a full class discussion as well as a smaller roundtable with four students, the officer and the teacher.

Thursday, November 7, I attended a Welfare-to-Work Programs and Substance-Abusing Populations seminar sponsored by the Annie E. Casey Foundation, American Public Welfare Association (APWA), the National Association of State Alcohol and Drug Abuse Directors, the National Center on Addiction and Substance Abuse at Columbia University, the Legal Action Center, the Urban Institute and the Welfare Information Network. It is important to address substance abuse issues as we implement welfare reform given that a significant percentage of welfare recipients have substance abuse problems. Failure to address the substance abuse problems of current welfare recipients who will also be faced with time limits on assistance could have negative effects on child welfare.

Last week, I also met with Liz Robbins and her clients from Lexis/Nexis who are starting to work with states on electronic search programs for parents who owe child support arrears. Jeremy Ben-Ami of DPC will continue the dialogue with Liz and the company.



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Talking Points on NYT Welfare Story

November 27, 1996

- **Nothing New Here That The President Didn't Mention When He Signed The Welfare Reform Legislation.** When President Clinton signed the welfare reform legislation, he made clear his commitment to implementing welfare-to-work, but that there were measures regarding legal immigrants, nutrition and children that were extraneous to the core welfare reform measures that he would try to fix. The three areas that were mentioned in the Pear story -- benefits for legal immigrants, nutrition for families with high housing costs, and nutrition for people who want to work and can't find work -- were among the things mentioned by the President right from the start.
- **\$13 Billion is Just A Ball Park Estimate -- No Decisions At All:** Because the difference between the savings in the President's welfare reform proposal and the one he signed was \$13 billion, people have internally used \$13 billion as a "plug" or ball-park assumption of what would be added-back in the President's balanced budget plan. The point is that none of the decisions as to what will be added back, the composition of the fixes, or what the amount would be have been made. There has not even been a deputies meeting on this yet.
- **Budget Decisionmaking Meetings Only Beginning:** The process is that early next week, there will be a joint NEC/DPC deputies process to review which of the extraneous measures should be considered for fixing and what the costs would be. Later next week there will be principals meeting including the Chief of Staff, which will lay out the options for the President to make as part of his overall budget decisions during the week ending December 20.

THE PRESIDENT HAS SEEN

10/9/96

THE WHITE HOUSE

WASHINGTON

① Ch - govt memo . See p. 4
for 1 Question -

OCT - 9 1996

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October 2, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: TO

Carol H. Rasco
Frank Raines

CHR
FR

② Leon - you should
have met if you haven't
already -

SUBJECT: Update on Welfare Reform Implementation

Be

We are continuing to work to coordinate the Administration's efforts to implement the new welfare law. We will be providing periodic updates on key issues for you, as well as answers to questions you raise.

PROCESS

Domestic Policy, OMB, Counsel's office, and Intergovernmental are working closely together on all aspects of implementation. We have the following process in motion:

- o DPC chairs bi-weekly meetings of 11 federal agencies and all White House offices.
- o A subgroup of key agencies and offices meets more regularly on nuts-and-bolts implementation issues.
- o We are meeting weekly with the National Governors' Association, the National Conference of State Legislatures, and the American Public Welfare Association.
- o We met with the League of Cities, the Conference of Mayors, and the counties and promised them ongoing input and consultation.

TANF BLOCK GRANT IMPLEMENTATION

The entitlement to AFDC ended on October 1. States can elect to take advantage of the new TANF block grant as of that date, but they must enter the new program by July 1997. The first states to send in state plans were Michigan and Wisconsin, and their plans were approved by HHS on September 30. As of October 1, about 11 states had filed state plans with HHS.

Determining "Completeness" of Plans -- HHS's role in state plans is merely to certify that they are "complete" -- a far different role than they have had in the past. We have worked with HHS to pare down their list of what is required for a plan to be complete. As a result, they produced draft guidance for the states at the NGA conference last month that was quite brief -- and praised by the states as a result.

Regulations -- The law provides only limited authority to regulate the TANF block grant. You asked in our last memo whether we can require states to use TANF funds as wage subsidies. This is one of the permissible uses of the funds and one way states can provide work. HHS will be working with states to promote this as a model but it will not be able to require that states adopt any particular approach to meeting the work requirement.

Grandfathering Waivers -- Counsel's office advises that the welfare law allows states to continue to operate waiver programs that have time limits and work requirements that vary from the terms of the new law (unless the waivers were granted after the new law passed). We will, however, be making it clear in our guidance to states that the Administration believes that all state programs should comply with the law's provisions regarding time limits, work participation rates, and exemptions and extensions. We will also indicate that if states do not bring their programs into line with the law, there will almost certainly be Congressional action (which we would support) to limit the grandfathering provision.

Wisconsin Waiver -- We have resolved Wisconsin's welfare and Medicaid waiver request. On September 30, in its letter approving Wisconsin's new TANF state plan, HHS informed the state that it no longer needs waivers to implement the welfare reform portions of its "W-2" program. Wisconsin still plans to impose a 60-day residency requirement before families can begin to collect benefits, which HHS believes is unconstitutional. The law in this area is unsettled, and the provision will definitely be brought to the courts. HHS simply took note of this issue as part of the plan approval.

On Medicaid, HHS informed the state on September 30 that it will not grant that portion of the state's waiver request because it would have eliminated the Medicaid entitlement and run counter to our commitment to the federal Medicaid guarantee. HHS offered to work with the state on an alternative Medicaid proposal.

Performance Bonus Fund and Contingency Fund -- The new law requires the Secretary of HHS to work with NGA and APWA to set up the Performance Bonus Fund, and gives her a year to develop the formula and process. We are setting up a process with these state groups to work out such a proposal in cooperation. We will keep you apprised as these plans develop. The Contingency Fund to protect states from economic downturns is being established by Treasury in consultation with HHS.

New Mexico -- New Mexico is one of the few states that is disadvantaged by the conversion to a block grant, because its caseload is increasing. The state announced it may have to cut welfare benefits by 12% to live within the new law. However, Senator Domenici may secure a legislative fix that would allow the state to tap into the Contingency Fund for this purpose.

IMMIGRANTS

The immigration issues raised by the law are clearly the thorniest and most difficult to implement.

Means-tested Benefits -- Non-citizens who arrive after the law's enactment are barred from receiving "means-tested benefits" for five years. We have some latitude to define that term, and Counsel's office, OMB, and DOJ are working together to do so.

Food Stamps for Legal Immigrants -- As part of the CR, we were able to persuade Congress to delay cutting off food stamp benefits for legal immigrants now on the rolls until at least April 1, 1997. (Under welfare reform, that change was to have been effective at the recipient's next recertification for benefits.) This change will particularly help California, which did not benefit from our earlier effort to delay the impact through USDA waivers, and sought our help as a result. Over 30 states opted for a delay through the waiver option.

However, legal immigrants who are applying for food stamps are not helped by the change in the CR. States are beginning to deny food stamps to these new applicants, although the interpretation of USDA's guidance on when they must comply varies from state to state. USDA instructed states to start denying new applications on September 22; for the next 120 days, states that have implemented this change are not subject to sanctions if they make errors.

Verification -- Administrators of many government programs such as food stamps have an important new role to play in verifying the legal status of non-citizens, and whether they fall into any of the categories exempted from the full impact of this law. One particularly difficult exemption to administer is the "40 quarters" exemption, whereby legal immigrants who have worked at least 40 quarters in this country (in combination with their spouse or parents) can still get benefits. SSA is working on a new system to give other agencies access to this information on an overnight basis, beginning in January 1997.

However, some earnings may never have been reported to SSA, particularly for farmworkers and domestic workers whose employers did not pay the taxes on their behalf. We plan to get instructions to food stamp offices next week on how to address this problem and avoid denying benefits inappropriately.

Reporting of Illegal Aliens -- The law requires states, SSA, and HUD to report quarterly to the INS on any illegal aliens they become aware of. The INS is determining how to implement this provision.

Below are answers to three questions you raised in the last update memo:

Legal immigrants who get SSI will get notices early next year that SSA will reexamine their eligibility, and benefits will be ended by August 1997. The INS will send them information on naturalization later this fall to ensure that as many as possible who meet the requirements for citizenship are able to naturalize before their benefits end next August.

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Jim
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- o We are working with INS and disability and immigration groups to ensure that the regulation waiving certain testing requirements for immigrants with disabilities is finalized as soon as possible. The comment period ends within the next two weeks, and the rule will be finalized by December.

✓ You had noted the statistic that the INS naturalized 1.2 million immigrants this fiscal year, and asked how big an increase it represented over the prior year. Approximately 500,000 people were naturalized last year, so it is a very significant increase.

FOOD STAMPS WORK REQUIREMENT

As you may recall, the new law imposes work requirements on food stamp applicants who are childless and 18-50 years old, but it allows states to apply for a waiver of this requirement in areas of high unemployment. USDA will be issuing guidance shortly on how states can designate such areas.

SSI FOR DISABLED CHILDREN

As you know, the law tightened the eligibility standard for SSI for children with disabilities. The law was effective upon enactment for new applicants. As many as 190,000 children now on the rolls will lose eligibility between March and August 1997 because their impairments are not severe enough to qualify under the new law. Two major issues have emerged:

Cut-off Date for Families Who Appeal -- SSA will determine whom to drop from the rolls by August 1997, but families can appeal SSA's decision. If they do so in a timely manner, they are guaranteed continued benefits while they appeal. Legally, SSA had determined that we are able to keep children on the rolls up to a later point in the appeals process than we had expected, and SSA will take advantage of this option. As a result most children who appeal will lose benefits in 1999 rather than late 1997 or 1998. SSA has not yet announced this decision because they want to announce the decision on the second issue at the same time.

Definition of Childhood Disability -- The law includes a new definition of childhood disability. During the lengthy debate on this issue, everyone assumed the new definition would cut 190,000 children from the rolls, and we included savings of \$7.6 billion from 1997-2002 in our budget reflecting that estimate. However, from a legal perspective it appears SSA has more flexibility to define childhood disability than we expected. Advocates have united around an interpretation that would drop from the rolls only 20% of the 190,000 children, with a loss of \$5.9 billion of the savings, but Congress would undoubtedly view this option as subverting their intent. SSA is seeking a proposal that strikes the right balance.

*is this necessary?
defined*

important

MEDICAID

In the coming week, HHS will lay out for us an initial position on key Medicaid issues, including how states can reconfigure their systems to accommodate the separate eligibility systems required for Medicaid and TANF; what happens to the Medicaid coverage of those individuals who lose SSI coverage; and the impact on existing waivers.

Another major question is how many states will accept the option to continue Medicaid for current legal immigrants. They must decide by January 1.

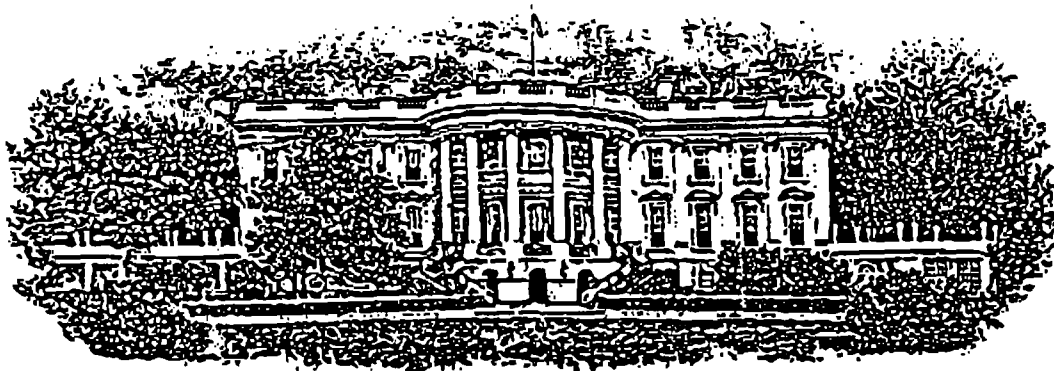
CHILD CARE

The new provisions of the law relating to child care went into effect October 1, 1996. This is a very positive story, as HHS worked quickly and effectively to help states understand the new law, develop interim plans to access the new funding, and ensure that states will get their increased money on time. We will be working with Communications to ensure that the opportunity to highlight some good news on this front is not missed.

TECHNICAL CORRECTIONS

The Secretary of HHS is required to report to Congress within 90 days (November 22, 1996) on technical amendments and corrections that are necessary. The other departments as well as many of the groups with which we are working have concerns in this area as well. We will be working closely with HHS as the date for this report draws closer.

cc: Leon Panetta



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THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

August 22, 1996

STATEMENT BY THE PRESIDENT

Today, I have signed into law H.R. 3734, the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996." While far from perfect, this legislation provides an historic opportunity to end welfare as we know it and transform our broken welfare system by promoting the fundamental values of work, responsibility, and family.

This Act honors my basic principles of real welfare reform. It requires work of welfare recipients, limits the time they can stay on welfare, and provides child care and health care to help them make the move from welfare to work. It demands personal responsibility, and puts in place tough child support enforcement measures. It promotes family and protects children.

This bipartisan legislation is significantly better than the bills that I vetoed. The Congress has removed many of the worst provisions of the vetoed bills and has included many of the improvements that I sought. I am especially pleased that the Congress has preserved the guarantee of health care for the poor, the elderly, and the disabled.

Most important, this Act is tough on work. Not only does it include firm but fair work requirements, it provides \$4 billion more in child care than the vetoed bills -- so that parents can end their dependency on welfare and go to work -- and maintains health and safety standards for day care providers. The bill also gives States positive incentives to move people into jobs and holds them accountable for maintaining spending on welfare reform. In addition, it gives States the ability to create subsidized jobs and to provide employers with incentives to hire people off welfare.

The Act also does much more to protect children than the vetoed bills. It cuts spending on childhood disability programs less deeply and does not unwisely change the child protection programs. It maintains the national nutritional safety net, by eliminating the Food Stamp annual spending cap and the Food Stamp and School Lunch block grants that the vetoed bills contained. In addition, it preserves the Federal guarantee of health care for individuals who are currently eligible for Medicaid through the AFDC program or are in transition from welfare to work.

Furthermore, this Act includes the tough personal responsibility and child support enforcement measures that I proposed 2 years ago. It requires minor mothers to live at home and stay in school as a condition of assistance. It cracks down on parents who fail to pay child support by garnishing their wages, suspending their driver's licenses, tracking them across State lines, and, if necessary, making them work off what they owe.

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For these reasons, I am proud to have signed this legislation. The current welfare system is fundamentally broken, and this may be our last best chance to set it straight. I am doing so, however, with strong objections to certain provisions, which I am determined to correct.

First, while the Act preserves the national nutritional safety net, its cuts to the Food Stamp program are too deep. Among other things, the Act reinstates a maximum on the amount that can be deducted for shelter costs when determining a household's eligibility for Food Stamps. This provision will disproportionately affect low-income families with children and high housing costs.

Second, I am deeply disappointed that this legislation would deny Federal assistance to legal immigrants and their children, and give States the option of doing the same. My Administration supports holding sponsors who bring immigrants into this country more responsible for their well-being. Legal immigrants and their children, however, should not be penalized if they become disabled and require medical assistance through no fault of their own. Neither should they be deprived of food stamp assistance without proper procedures or due regard for individual circumstances. Therefore, I will direct the Immigration and Naturalization Service to accelerate its unprecedented progress in removing all bureaucratic obstacles that stand in the way of citizenship for legal immigrants who are eligible. In addition, I will take any possible executive actions to avoid inaccurate or inequitable decisions to cut off food stamp benefits -- for example, to a legal immigrant who has performed military service for this country or to one who has applied for and satisfied all the requirements of citizenship, but is awaiting governmental approval of his or her application.

In addition to placing an undue hardship on affected individuals, denial of Federal assistance to legal immigrants will shift costs to States, localities, hospitals, and medical clinics that serve large immigrant populations. Furthermore, States electing to deny these individuals assistance could be faced with serious constitutional challenges and protracted legal battles.

I have concerns about other provisions of this legislation as well. It fails to provide sufficient contingency funding for States that experience a serious economic downturn, and it fails to provide Food Stamp support to childless adults who want to work, but cannot find a job or are not given the opportunity to participate in a work program. In addition, we must work to ensure that States provide in-kind vouchers to children whose parents reach the 5-year Federal time limit without finding work.

This Act gives States the responsibility that they have sought to reform the welfare system. This is a profound responsibility, and States must face it squarely. We will hold them accountable, insisting that they fulfill their duty to move people from welfare to work and to do right by our most vulnerable citizens, including children and battered women. I challenge each State to take advantage of its new flexibility to use money formerly available for welfare checks to encourage the private sector to provide jobs.

The best antipoverty program is still a job. Combined with the newly increased minimum wage and the Earned Income Tax Credit -- which this legislation maintains -- H.R. 3734 will make work pay for more Americans.

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I am determined to work with the Congress in a bipartisan effort to correct the provisions of this legislation that go too far and have nothing to do with welfare reform. But, on balance, this bill is a real step forward for our country, for our values, and for people on welfare. It should represent not simply the ending of a system that too often hurts those it is supposed to help, but the beginning of a new era in which welfare will become what it was meant to be: a second chance, not a way of life. It is now up to all of us -- States and cities, the Federal Government, businesses and ordinary citizens -- to work together to make the promise of this new day real.

WILLIAM J. CLINTON

THE WHITE HOUSE,
August 22, 1996.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

August 23, 1996

STATEMENT BY THE PRESS SECRETARY

As the President has said, the welfare reform bill he signed into law yesterday offers a historic opportunity to end welfare as we know it and replace it with a system that offers hope, demands responsibility, and rewards work.

However, as the President has also said, the welfare reform bill contains provisions that will cause unfair and unwarranted harm to many families. That is especially true of legal immigrant families, who have followed the rules, worked, and paid taxes, and who have suffered a calamity that has forced them to seek assistance.

The President has vowed to repair these provisions of the bill. In the meantime, however, he is determined to ensure that they are implemented carefully, and that no individuals not actually covered by these provisions are improperly denied the benefits they and their children need.

For that reason, the President has today issued two directives to ensure that legal immigrants and their children who remain eligible for benefits under the new law do not have those benefits cut off mistakenly, and that legal immigrants who are eligible to become citizens can do so as quickly as possible.

The first measure directs the Secretary of Agriculture to ensure that States have the maximum time allowed under the law to make sure that legal immigrants who remain eligible for food stamp benefits continue to receive them. The Secretary is to grant a waiver allowing any state, subject to certain legal restrictions, to extend the certification periods for eligibility for food stamps that apply to legal immigrants receiving assistance. The extension will give States time to develop the procedures needed to make accurate determinations of the many facts -- such as immigration classification, veteran status, or work history -- that the new law makes relevant to eligibility. In this way, the directive will decrease inaccurate or inequitable decisions to cut off food stamp benefits.

Under the terms of the new law, benefits to legal immigrants and their children are cut off only at the time of recertification of their eligibility for food stamps. When a State extends the certification period, it will, in effect, push back the date on which a legal immigrant will be deprived of food stamp benefits.

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The waiver has specific time limits. Under current law, the Secretary may not allow states to extend certification periods beyond one year for most aliens or two years for certain elderly or disabled aliens. For states that already use that maximum certification period, the waiver will not have a significant impact. For those that have shorter periods, however, the waiver will permit extensions to a full year or 24 months. The Department, however, may not allow states to extend any recertification beyond August 22, 1997.

The second measure directs the Attorney General, the Secretary of Health and Human Services, and other agency heads to make continued efforts to reduce bureaucratic delays in the citizenship process for legal immigrants applying to become citizens. The INS already has made great progress in this area, devoting more resources to processing naturalization applications and reducing long waiting lists. This directive instructs the Attorney General to continue to increase staff used to review citizenship applications and to develop other effective means, including joint efforts with community groups, of assisting applicants for citizenship.

In addition, the directive instructs the heads of all relevant agencies to develop public/private partnerships devoted to providing English-language training to applicants for citizenship; make outreach efforts to those wishing to become citizens; and provide special assistance to refugees and those seeking asylum.

Also today, the Attorney General, under authority granted by the welfare reform law, will issue a memorandum containing a provisional list of non-cash services not conditioned on income or resources that may not be denied to immigrants, because they are "necessary for the protection of life and safety." These services include soup kitchens, medical services, child protection, and services for victims of domestic violence. The Attorney General may amend the list at a later date. Additional information is available at the Justice Department from Myron Marlin, (202) 616-2765.

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

August 23, 1996

August 22, 1996

MEMORANDUM FOR THE SECRETARY OF AGRICULTURE

SUBJECT: Eligibility of Aliens for Food Stamps

Under the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which today I signed into law, aliens receiving food stamps as of the date of enactment will continue to receive benefits until recertification of their eligibility, which shall take place not more than 1 year after enactment of the law. The results of the certification, including decisions as to an individual's immigration classification, veteran status, or work history, will determine whether the individual remains eligible for benefits under the Food Stamp program. Implementation of these new procedures will pose a substantial challenge for all involved Federal and State agencies.

To ensure that eligibility determinations are made fairly, accurately, and effectively, I direct you to take the steps necessary under your authority to permit the State agencies to extend the certification periods of currently participating aliens, provided that no certification period is extended to longer than 12 months, or up to 24 months if all adult household members are elderly or disabled, and provided that in no event shall certifications be extended beyond August 22, 1997.

I further direct you to notify the States of the actions you have taken.

WILLIAM J. CLINTON

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THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

August 23, 1996

August 22, 1996

MEMORANDUM FOR THE ATTORNEY GENERAL
THE SECRETARY OF HEALTH AND HUMAN SERVICES
AND OTHER HEADS OF EXECUTIVE DEPARTMENTS AND
AGENCIES

SUBJECT: Naturalization

Citizenship is the cornerstone of full participation in our democracy. To become a United States citizen through naturalization represents a pledge to undertake the responsibilities of being a full member of our national community.

Naturalization is the best example of our legal immigration system at work. It reflects our society's recognition of those who came to this country to work hard, play by the rules, and pursue shared ideals of freedom, opportunity, and responsibility.

In the past, hundreds of thousands of eligible people have had to wait unnecessarily to become citizens. In some parts of the country, these people have had to wait well over a year after filing their application to realize their dream of United States citizenship.

This Administration is committed to eliminating the waiting lists of those eligible for citizenship. To accomplish this, we launched "Citizenship U.S.A.," the most ambitious citizenship effort in history. In fiscal year 1996, the Immigration and Naturalization Service (INS) will spend more than \$165 million for naturalization.

Citizenship U.S.A. combines three broad strategies: hiring more people to handle applications, improving the naturalization process, and expanding partnerships with local officials and community organizations.

We are already making progress. We have increased the staff 235 percent in the five districts with 75 percent of the pending applications: Los Angeles, New York, Miami, San Francisco, and Chicago. In Los Angeles, where one-fourth of all new applications are filed, we have opened three new processing centers and have more than quadrupled the number of INS officers handling citizenship applications.

But this is just the beginning. This Administration's target is to process and swear-in within 6 months of application all individuals eligible for citizenship. As we meet this target, more than one million newcomers will become citizens by the end of this year. After that, INS shall maintain those reforms necessary to stay current with the demand of new citizen applicants.

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Using all of the tools at your disposal, I ask you to ensure that policies and practices necessary to accomplish these targets of one million new citizens sworn-in and the elimination of the waiting list are implemented. This includes continuing, expanding or accelerating, as appropriate and practicable, the following:

1) New Hires. Hiring, training, and deployment of full staff to assist naturalization efforts should proceed to completion as quickly as possible.

2) Cutting Red Tape. This includes: establishing electronic filing and mailing-in of citizenship applications, extended weekday hours and Saturday interviews, further expansion of processing facilities, and improvements to make it easier for people to obtain forms and get immigration information by telephone or computer.

3) Working with Local Officials and Community-Based Groups. We are working in partnership with local officials and community groups to expand outreach. I direct you to expand these efforts to help get naturalization information to people, assist them in filling out applications, offer more local sites for interviews, especially for the elderly and the homebound, and seek other means to jointly facilitate the process. We also will work to expand the availability of local hotlines providing naturalization information.

4) English Training. To assist legal immigrants to move toward citizenship, I request relevant agencies to work with the Domestic Policy Council, the National Economic Council, and other White House offices to present to me by December 30, 1996, a report making recommendations with respect to public/private efforts to teach English to those needing to improve their English-language skills. This report should consider possible roles by private companies, educational institutions, unions, community organizations, and the AmeriCorp program to accomplish this goal.

5) Interagency Outreach. I direct each executive department and agency to take steps to promote naturalization outreach consistent with your agency's mission. In particular, in materials sent to welfare recipients concerning eligibility, I direct that, to the extent authorized by law, you include naturalization information.

6) Refugees and Asylees. Those who flee persecution and suffering in their home country are often in the weakest position to acquire the skills they need to enter the job market, maintain self-sufficiency, and achieve U.S. citizenship. I direct the Secretary of Health and Human Services, in conjunction with other agencies as appropriate, to present to me by December 30, 1996, through the Domestic Policy Council, a report setting out a strategy of additional steps that we can take to promote social adjustment in the United States, economic self-sufficiency, and naturalization.

In taking these steps, this Administration shall maintain and strengthen the standards and requirements of the naturalization test that demonstrate an individual's readiness to accept the responsibilities of citizenship and full participation in our national community. You are directed to continue vigilant oversight to uphold these standards.

Hundreds of thousands of people are seeking the dream and the promise of American citizenship. They have worked to become United States citizens, and these steps should ensure that they are not made to wait unnecessarily.

WILLIAM J. CLINTON

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