U. S. Department of Justice

Office of the Attorney General

Washington, D.C. 20530

+ Steve Warnath, Debra Bo, Jack Smalligan, + Cynthia

cc Rob Weiner; Leanne
cc Elena, Jose,

This is DOJ's summary of the interim verification guidance. It does not address the substance of the federal public benefit definition.

It has been sent to the Hill, and will be in Federal Register around Monday.
— Diana

DATE: November 3, 1997

TO: Diana Fortuna

Telephone No. ( ) - Fax No. ( ) 456 - 7028

FROM: David W. Ogden
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TRANSMISSION CONTAINS 4 SHEETS INCLUDING THIS COVERSHEET

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SPECIAL NOTE(S) Per our conversation today, attached is the draft summary of issues related to the welfare verification guidance.

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The "Interim Guidance on Verification of Citizenship, Qualified Alien Status and Eligibility Under Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996" (the "Interim Guidance") was developed by the Department of Justice in consultation with other federal agencies. The primary purpose of the Interim Guidance is to explain to providers of federal public benefits how they might verify the eligibility of an applicant seeking public assistance. The Interim Guidance is just guidance, and imposes no new legal obligations. Moreover, because the Attorney General's statutory mandate to issue interim guidance extends only to federal public benefits, the Guidance applies only to such benefits and does not directly address the citizenship and immigration requirements that Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ("PRWORA") imposes on the provision of state and local public benefits. (A separate provision of the PRWORA, as amended by the Balanced Budget Act, requires the Attorney General to promulgate regulations setting forth procedures by which state and local governments can verify eligibility for state and local public benefits. These regulations will be forthcoming.) The Interim Guidance does, however, advise providers of state and local benefits that, if they are required to verify an applicant's citizenship or immigration status, they may use the Guidance in consultation with state and local authorities.

We discuss below some questions that may arise with respect to the Interim Guidance. First, the exemption for nonprofit charitable organizations may give rise to questions. The PRWORA, as amended, states that a "nonprofit charitable organization" providing a federal, state or local public benefit covered by the PRWORA "is not required under . . . Title [IV] of the Act to determine, verify or otherwise require proof of an applicant's eligibility for such benefits." The Interim Guidance defines an organization as "nonprofit" if it is organized and operated for purposes other than making gains or profits for the organization, its members or its shareholders, and is precluded from distributing any gains or profits to its members or shareholders. An organization is "charitable" if it is organized and operated for charitable purposes, with the term "charitable" to be interpreted in its generally accepted legal sense as developed by judicial decisions. The Interim Guidance emphasizes that the exemption for nonprofit charitable organizations is limited to verification requirements imposed by Title IV of the PRWORA and does not exempt organizations from verification requirements imposed by particular programs or from complying with verification determinations that must be made by a governmental entity prior to the nonprofit's provision of benefits. (Catholic Charities has expressed the view that the nonprofit charitable organization exception means that state and local governments may not require that charitable organizations verify eligibility for state and local benefits based on immigration status. This issue is not addressed in the Guidance, since the Guidance focuses on federal public benefits and also because, to the extent appropriate, this contention can best be addressed in the final verification regulations.) Significantly, the Guidance states that a nonprofit charitable organization that chooses not to verify cannot be penalized for providing federal public benefits to an individual who is not a U.S. citizen, U.S. non-citizen national or qualified

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alien, except when it does so either in violation of independent program verification requirements or in the face of a verification determination made by a non-exempt entity.

A second issue that may generate questions is the definition of "federal means-tested public benefit" included in the Interim Guidance. The PRWORA prohibits qualified aliens who enter the United States on or after August 22, 1996 from receiving "federal means-tested public benefits" for a period of five years from the date of their entry into the United States, unless they fall within a specific exception; the statute, however, does not define the phrase "federal means-tested public benefit." The Department of Health and Human Services ("HHS") and the Social Security Administration have recently published a definition that would limit the phrase "federal means-tested public benefit" to mandatory spending programs, such as Medicaid, SSI and TANF, and would not extend the limitation on the availability of "federal means-tested public benefits" to discretionary spending programs, such as housing assistance. The Interim Guidance simply references the definition that has already been adopted by HHS and SSA, and it directs providers to consult with the appropriate federal agency overseeing the benefit program they administer to determine whether that program provides a federal means-tested public benefit. Agencies should be prepared to address questions regarding the application of this phrase to their programs.

With respect to the five-year ban on federal means-tested public benefits, an additional issue should be mentioned. The PRWORA states that "an alien who is a qualified alien . . . and who enters the United States on or after the date of the enactment of this Act" is ineligible for federal means-tested public benefits for five years from the date of the alien's entry into the United States. The Interim Guidance takes the position that if an applicant for such benefits entered the United States before August 22, 1996 (the date of enactment of the PRWORA) and obtained qualified alien status before that date, he or she is not subject to the five-year ban. If the alien entered the United States before August 22, 1996, but obtained qualified alien status after that date, the alien is only exempt from the five-year ban if he or she can demonstrate "continuous presence" in the United States from the latest date of entry prior to August 22, 1996 until the date he or she obtained qualified alien status. The Interim Guidance defines "continuous presence" as presence in the United States that is not interrupted by a single absence of more than 30 days, or a total of aggregated absences of more than 90 days. If such an alien cannot demonstrate continuous presence, he or she is subject to the five-year ban on federal means-tested public benefits.

The federal agencies are also in the process of defining the term "federal public benefit." The broad definition of "federal public benefit" in the PRWORA has raised a number of issues regarding its interpretation and whether it encompasses particular federal programs. The Interim Guidance does not attempt to resolve all of these issues, or to classify specific programs, but it does provide a methodology for addressing whether particular programs constitute "federal public benefits." That methodology requires the benefit provider to determine what type of benefit it provides, whether the benefit is of a type expressly enumerated in the statutory definition, whether the benefit is "similar" to an enumerated benefit, and who is the ultimate recipient of the benefit. Where the Guidance leaves the provider uncertain, the provider is directed to consult with the federal agency overseeing the program at issue.

Finally, questions may be raised regarding the comparatively flexible approach the Interim Guidance takes with respect to verification of citizenship, as opposed to verification of alien status. It is generally a far more complex matter to verify citizenship than to verify immigration status. Unlike aliens, many citizens do not have documents demonstrating their citizenship, and there is no one repository of information regarding who is a U.S. citizen. The Interim Guidance therefore suggests a variety of approaches to verification. The Guidance does not require each provider to verify citizenship and nationality pursuant to a set procedure, but rather defers to existing program procedures and guidance for verifying citizenship for purposes of program eligibility, and, in the absence of such procedures, the Guidance gives providers the option of adopting one of a number of methods for verifying status. The Guidance states that the appropriate method of verifying an applicant's citizenship will depend upon the requirements and needs of the particular program, including, but not limited to, the nature of the benefits to be provided, the need for benefits to be provided on an expedited basis, the length of time during which benefits will be provided, the cost of providing the benefits, the length of time it will take to verify based on a particular method, and the cost of a particular method of verification.

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

THE DIRECTOR

October 18, 1995

Honorable Bob Dole
Senate Majority Leader
United States Senate
Washington, D.C. 20510

Dear Mr. Leader:

The Administration is pleased that Congress finally may be within striking distance of passing comprehensive welfare reform. In spite of the positive changes made by the Family Support Act of 1988, the welfare system still fails to serve the taxpayers who pay for it and the people who are trapped in it. The American people have waited a long time for this historic moment. We owe it to the people who sent us here not to let this opportunity slip away by doing the wrong thing or failing to act at all.

We have outlined below our top priorities and greatest concerns. Let us be clear: if Congress can agree on a bipartisan bill that is tough on work and fair to children, the President will sign real welfare reform into law, and the Nation will be better for it. But, if Congress tries to walk away from our common values with a bill that is weak on work and tough on children, it will kill welfare reform, and the Administration will continue to pursue welfare reform through waivers, one State at a time, until Congress gets it right.

For two and a half years, this Administration has worked aggressively to make welfare a second chance, not a way of life. In 1993, the President's economic plan gave a tax cut to 15 million working families through the Earned Income Tax Credit, which rewards work over welfare. Last year, the President sent Congress the most sweeping welfare reform plan any administration has ever presented. That plan included tough child support enforcement measures; time limits; work requirements and child care resources to meet those requirements; performance incentives; a national campaign against teen pregnancy; a state option to deny cash assistance to families who have additional children born while on welfare; and measures to promote personal responsibility by requiring as a condition of assistance that minor mothers live at home and stay in school and all welfare recipients sign personal responsibility contracts. The Administration collected a record $10 billion in child support in 1994, and earlier this year, the President signed an Executive Order to crack down on Federal employees who owe child support. The Administration has granted 35 States the freedom to experiment with welfare initiatives to move people from welfare to work and protect children. In July, the President directed that Federal regulations be strengthened to prevent welfare recipients who refuse to work from getting higher food stamp benefits when their welfare checks are docked.

These measures have gone a long way toward reforming welfare around the country. Through welfare reform experiments, 8.6 million recipients around the country are in households in which adults are being required to work, live at home and stay in school, sign a personal responsibility contract, earn a paycheck from a business that uses money that was spent on food stamps and welfare benefits to subsidize private sector jobs, or are under other waiver provisions. These States are doing their part to promote real reform that reflects the basic values all Americans share: work, responsibility, and family. Now Congress needs to do its part with a welfare reform bill that honors those same values by requiring work, demanding responsibility, and protecting children.

In our view, the Senate bill, while far from perfect, reflects the bipartisan common ground that welfare reform must be tough on work and fair to children. The Administration will welcome a bipartisan bill that honors these common values. But a welfare reform bill that, like the House bill, is weak on work and tough on children will be unacceptable.

Done right, welfare reform will move people off the welfare rolls so they can earn a paycheck, not a welfare check. Done wrong, it could cause enormous harm. Most Americans, without regard to party, agree that real welfare reform is about requiring people to work, not simply cutting them off the rolls; about demanding responsibility from young mothers and fathers, not abandoning abused children or taking away poor children's school lunches; and about strengthening families, not penalizing children who deserve a better life. The Administration urges conferees to act in the bipartisan spirit that has marked the better moments of this welfare reform debate.

MOVING PEOPLE FROM WELFARE TO WORK

Across America, there is an overwhelming bipartisan consensus that real welfare reform is first and foremost about work. Anyone who can work should be required to work, and no one who can work should stay on welfare forever. Work has always been at the heart of the President's approach to welfare reform, and it is the foundation for the dozens of State experiments the Administration has approved. We will only complete this historic mission of ending welfare as we know it if we succeed in moving people from welfare to work. That means imposing time limits and tough work requirements, making sure people get the child care they need to go to work, and rewarding States and holding them accountable for their efforts to put people to work, not for cutting them off.

The Administration considers the following provisions of the Senate bill essential to real welfare reform:

- Requiring States to maintain their stake in moving people from welfare to work. Welfare reform must strengthen, not abandon, the historic partnership between Federal and State governments. Unfortunately, the House bill would not require States to continue their financial commitment to welfare reform. All levels of government have a stake in the success of reform, and should be held accountable for it. The Administration strongly supports the Senate provision that States contribute at least 80 percent of their FY 1994 effort each year in order to receive Federal funds. Absent a tightly drawn, permanent maintenance-of-effort requirement, many States could be expected to withdraw their own funds, purge large numbers of recipients from the rolls, and avoid the burden of moving people from welfare to work. This race to the bottom would doom welfare reform and have devastating effects on families with children.

- Providing child care to move people from welfare to work. The House bill is weak on work because it does not ensure that child care will be available for people who need it to leave welfare for work. Specifically, the bill would cut back on funds currently available under child care, and would eliminate the child care quality, health, and safety protections in current law that were put in place with overwhelming bipartisan support only five years ago. It makes no sense to deny child care to people trying to leave welfare, or to deny States the resources they need to provide child care. The Administration strongly supports the Senate child care provisions that give States a separate funding stream dedicated to child care, with an additional $3 billion over five years to help welfare recipients move into the workforce and to help working families stay off welfare. The Senate bill also protects those with young children who want to work, but are unable to secure child care. Without sufficient child care funding, welfare reform will be an enormous unfunded mandate on the States, and could force them to cut recipients off rather than move them into work. The Administration recommends that the conferees improve the final bill by including more child care resources, not less.

- Protecting States and families in the event of economic downturn, so that welfare reform does not shift a huge burden onto State and local taxpayers, and States can afford to put people to work instead of putting poor families at risk. The House bill would not adequately protect States and families in times of unemployment and economic stagnation, when States would encounter reduced revenues and increased caseloads. A so-called rainy day loan fund is not adequate. The Administration strongly supports the Senate addition of a contingency grant fund, which makes a funding reserve available to States in economic trouble. We recommend that both the current trigger mechanism and the amount of funds in reserve be strengthened to provide States greater protection in a serious recession without significantly increasing projected Federal costs.

- Providing incentives that reward States for putting more people to work, not for cutting them off. The House bill gives States a perverse incentive to save money by throwing people off the rolls, and lets them count people as "working" if they were simply cut off welfare -- whether or not they have moved into a job. To change the culture of welfare, reform should reward success instead of failure or the status quo. The Administration strongly supports a work performance bonus like the Senate provision that would focus State welfare bureaucracies and recipients on the central goal of moving from welfare to work.

The Administration also strongly supports Senate provisions to require recipients to sign personal responsibility contracts in return for assistance, and to give States the option to provide job placement vouchers directly to welfare recipients as a way to change radically the culture of the current welfare system. The Administration supports the Senate hardship exception of 20 percent, and the House provision that would allow, but not require, States to provide non-cash assistance in the form of vouchers to children who lose their benefits due to the time limit.

DEMANDING RESPONSIBILITY

The Administration believes that welfare reform must promote personal responsibility and responsible parenting. We must demand responsibility from parents who bring children into the world, not let them off the hook and expect taxpayers to pick up the tab for their neglect.

The Administration strongly supports the following elements of welfare reform that can help make responsibility the law of the land:

- The toughest possible child support enforcement is central to getting people off welfare and helping them stay off. The Administration strongly supports bipartisan provisions in both the House and Senate bills to streamline paternity establishment, require new hire reporting, establish State registries, make child support laws uniform across State lines, and require States to use the threat of denying drivers' and professional licenses to parents who refuse to pay child support.

- Requiring minor mothers to live at home and stay in school as a condition of assistance. The Administration strongly supports the Senate provision to demand that young parents be responsible and turn their lives around, rather than the House provision that would automatically punish children born to unwed mothers under 18 -- regardless of whether the mother has made an effort to turn her life around so her children don't end up on welfare indefinitely.

- A national campaign against teen pregnancy. Welfare reform must send a strong message to young people that they should not get pregnant or father a child until they are ready to take responsibility for that child's future. The Administration supports Senate provisions to combat teen pregnancy by an appropriate expansion of abstinence education, targeting sexual predators, setting national goals for reductions in teen pregnancy, and enabling States to provide second-chance homes for young mothers and their children. The Administration does not support the so-called illegitimacy bonus in the House and Senate bills, which some believe could promote abortion and which is unworkable in its current form.

PROTECTING CHILDREN

There is an overwhelming bipartisan consensus in this country that welfare reform should not punish children. Across the country, Republicans and Democrats at the State and local level agree that we must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.

In particular, the Administration strongly opposes the following provisions which would punish children:

- Destroying vital child nutrition programs, such as school lunch and WIC. Welfare reform is about requiring parents to work and take responsibility, not about taking food out of the mouths of poor children. The Administration strongly opposes the child nutrition and WIC block grants in the House bill, and supports the bipartisan Senate decision to keep those programs intact. The Administration is concerned that budget cuts will strain the ability of schools, child care centers, and summer food service sites to provide nutritious meals to low-income children. The school-based nutrition block grant would not respond to economic recessions or population growth. In a recession, States would be unable to respond without cutting back on the quality or quantity of food, raising taxes, or cutting other services so that children could eat. In addition, the Administration believes that the competitive bidding provisions within the House-proposed WIC block grant are inadequate and would fail to maintain the program's cost savings. WIC's current cost containment requirements have saved billions of dollars that have been used to serve additional WIC families.

- Ending the Federal commitment to abused and neglected children and those at risk. A time of dramatic change in the welfare system is not the time for radical and untested experiments with our Nation's child protection system. Rather than protecting vulnerable children, the House bill would put hundreds of thousands at increased risk of harm by cutting funding for foster care, adoption assistance, and child abuse prevention. The Administration strongly opposes the child protection block grant and program cuts in the House bill, and supports the bipartisan Senate decision to keep those programs intact.

- The House mandate that all States deny assistance to unwed minor mothers and their children. The Administration strongly agrees with the broad bipartisan consensus -- ranging from Republican and Democratic governors to the Catholic Church -- that it is wrong to punish children just because their parents are poor, young, and unmarried. The Administration supports the Senate provision, affirmed by an overwhelming bipartisan vote, which leaves this matter to the States.

- The House mandate that all States deny assistance to additional children born while a family is on welfare. At a time of bipartisan agreement on the need for more State flexibility, welfare reform should not saddle the States with policy mandates with uncertain impact. The Administration agrees with the overwhelming bipartisan majority of Senators that States should have the right to decide for themselves whether or not to adopt the family cap.

KEEPING OUR NUTRITIONAL SAFETY NET

The Administration urges the conferees to preserve the national nutrition safety net, which assists about 27 million working family members, poor children, and elderly Americans each day. Federal nutrition programs have produced measurably better health over the years as a result, and have earned bipartisan support. National nutrition standards and a funding mechanism that enables these programs to meet greater needs in times of regional or national economic hardship are essential to making welfare reform work.

The Administration has always maintained that preserving a nutritional safety net Nation-wide is a critical part of welfare reform and strongly opposes a food stamp block grant. However, if steps are taken to permit optional State block grants, the House approach is vastly preferable. Requiring States to spend grants only on food assistance will preserve the vital link between food stamps and nutritional assistance. The Senate provision for a State food stamp block grant option would sever that link and encourage States to divert Federal dollars away from putting food on the table.

The level of food stamp cuts, although too deep in both bills, is more reasonable in the Senate bill. The Administration's own balanced budget proposal would save $19 billion over seven years, an 11 percent cut. By contrast, the House bill would cut food stamps by nearly 27 percent in the year 2002. In addition, the House bill places an inflexible ceiling on the amount authorized for appropriations for the food stamp program. This cap allows no room for error in estimates of future program costs nor any margin in economic conditions. By capping spending levels, the House bill would leave working Americans vulnerable to shifts in the economy and to changes in nutrition standards that could be driven more by political and budget pressures than by the Nation's good health. The Administration urges the conference not to exceed the Senate level of cuts or to impose an inflexible spending cap.

PROTECTING DISABLED CHILDREN AND THE ELDERLY

Both the House and Senate bills go too far in the changes they would make to the SSI children's disability program. However, the Administration favors the Senate provisions over the deep cuts in the House bill, which go far beyond what is needed to correct recent growth in the program. The House bill would eventually prevent nearly a million disabled children who would be eligible under current rules from receiving cash assistance, and create a block grant for services that would arbitrarily cut by 25 percent funding levels for disabled children who would no longer be eligible for cash benefits, but would be eligible for services. The loss of cash assistance would be devastating to many low-income families struggling to care for a disabled child at home. The Administration supports the bipartisan Senate decision to continue to provide SSI cash benefits for all eligible children. But, we strongly urge the conferees to reduce hardship to disabled children currently on SSI by exempting them from the new, stricter eligibility rules. However, if the conferees determine that these rules should be applied to current SSI recipients, the Administration recommends applying them only to those children eligible as a result of maladaptive behavior.

The Administration also recommends the deletion of a Senate provision that would gradually raise the age requirements for elderly poor applying for SSI from 65 to 67, parallel with the rising age requirements for Social Security. The apparent consistency of this change masks an important difference between these two programs: Social Security recipients can retire early and get benefits, and most do so, but there is no early eligibility age for SSI. This provision was added at the last minute without adequate public scrutiny and debate, and should be dropped.

BENEFITS FOR NON-CITIZENS

Both the House and Senate bills go too far in cutting benefits to legal immigrants, and shifting costs to States with high numbers of immigrants. The Administration supports holding sponsors who bring immigrants into this country more responsible for their well-being, but these changes should be made equitably.

The Administration strongly opposes the Senate provision that would discriminate against U.S. citizens by denying benefits to legal immigrants even after they became naturalized citizens. We cannot have two categories of citizens, and a provision that treats naturalized citizens less favorably than the native born raises serious constitutional concerns. Also objectionable is the Senate provision that would establish a class system for American citizenship by requiring sponsors' income to exceed 200 percent of poverty. Working families who are U.S. citizens should not have to pass a wealth test in order to be reunited with a family member. In addition, fairness dictates the adoption of the House provision that exempts those over age 75 and those too disabled to complete the naturalization process from benefit cutoffs.

Several further changes could make the legislation much more acceptable to the Administration. Immigrants who become disabled after entering the country should be eligible for SSI. The benefit restrictions in the Senate bill distinguish between immigrants with and without sponsors. This is a more sensible approach than the House bill, which bans virtually all immigrants from receiving benefits. Benefit restrictions should not apply to discretionary programs and such mandatory programs as student loans and the Social Services Block Grant; the administrative burdens on these programs of verifying everyone's citizenship is significant, and the budget savings are negligible. Furthermore, it is important that the legislation clarify that it does not call into question the full participation of any child in public elementary and secondary education, including pre-school programs. In addition, refugees and others who came to the United States to avoid persecution should be given adequate time to naturalize before being subject to benefit restrictions. Finally, the Administration has serious reservations about the bill's application of these provisions to the Medicaid program.

THE LEVEL OF CUTS IN LOW-INCOME PROGRAMS

The overall budget cuts in both the House and Senate welfare reform bills far exceed the level of cuts proposed in the Administration's Balanced Budget Plan. For welfare reform to succeed, it must save money by moving people from welfare to work -- not by cutting people off assistance, which will cost taxpayers much more down the road, or by merely shifting costs to the States. Adequate resources must be provided to move families from welfare to work. Excessive cuts will punish working people and their children -- working parents who need child care; families who work full-time, but don't earn enough to ensure there's always food on the table; and low-income elderly Americans who have worked their whole lives and shouldn't die hungry. The Administration strongly urges the conferees not to penalize work and punish children by accepting cuts deeper than the bipartisan Senate bill.

CONCLUSION

We have made great strides together in this welfare reform debate. Now Congress has an historic chance to reach a bipartisan agreement to end the current welfare system and replace it with one that is tough on work, tough on responsibility, and fair to children. A bill that honors those values will be acceptable; a bill that is weak on work and tough on children will not be. The Administration calls on the conferees to put politics aside and help give the American people a government that honors their values by making welfare a second chance and responsibility a way of life.

Sincerely,

Alice M. Rivlin

Alice M. Rivlin
Director

IDENTICAL LETTERS SENT TO:

Honorable Thomas A. Daschle
Honorable Newt Gingrich
Honorable Richard Gephardt

cc: House and Senate Conferees on H.R. 4, Welfare Reform

THE WHITE HOUSE

WASHINGTON

October 18, 1996

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Stephen Warnath SW

SUBJECT: Immigration Update

Implementation of Noncitizen Provisions of the Welfare Reform Act

The preeminent immigration issue right now is how the Welfare Reform Act will be implemented. The bill eliminates eligibility for most noncitizens for a broad range of federal programs and allows states to cut noncitizens from programs as well. It is undeniable that a large number of legal immigrants will face severe hardship as a result of this bill -- the magnitude will begin to be seen in the early part of 1997. Certain groups in immigrant communities, such as the elderly in nursing homes and farmworkers, will be particularly hard hit. Thus, some of the most vulnerable in our society will face the worst prospects under this legislation.

Congress' fundamental rationale for slashing assistance to these individuals -- the vast majority of whom have come to this country and worked hard, paid taxes and played by the rules -- is budgetary. The estimated cost savings over the next six years for eliminating eligibility for noncitizens is $23 billion, over 44 percent of the total savings package. Thus, while only five percent of immigrants receive welfare, they have been singled out to shoulder nearly half of the federal budget cuts of this bill.

The President made it clear when he signed the welfare bill that he objected to the provisions dealing with noncitizens and would work to fix them. The Administration is taking steps to address these issues. For example, the Administration obtained a six month grace period for current noncitizen food stamp recipients who otherwise faced immediate cut-off from benefits. The Attorney General exercised her authority under the bill and identified a range of programs that would not be subject to the new restrictions. The President issued a directive to address citizenship application backlogs. We are working on guidance to States to help ensure that their implementation of the bill is done in a fair and nondiscriminatory manner. A central operating principle that is directing our efforts is to protect current recipients from having their benefits incorrectly terminated or eligible applicants from being improperly denied benefits.

The Administration Fought to Improve the Immigration Bill

Compounding concerns about the Welfare Reform Act was the recognition that some provisions in the immigration bill conference report were even more onerous than restrictions contained in the welfare legislation. Through the strong efforts of the Administration, many of the worst of these provisions effecting legal immigrants were dropped or modified.

For example, the conference immigration bill would have slashed legal immigration by setting sponsorship requirements at 140% of the poverty level to sponsor spouses and children to immigrate to the United States and 200% for all other relatives. The Administration got this lowered to 125% for all family members.

The final version of the bill dropped health care and benefit restrictions that went beyond those in the welfare bill. Moreover, the final bill dropped provisions requiring deportation of an individual who used 12 months of government programs during his or her first seven years in the United States.

Other Administration victories in the immigration bill included:

- Getting Congress to drop the Gallegly amendment that would have allowed states to deny education to the children of illegal immigrants.

- Severing from the illegal immigration bill the proposed legal immigration cuts which were inconsistent with our pro-family, pro-work and pro-naturalization principles.

- Defeating efforts to include a new guestworker program.

- Defeating English-only provisions.

Much of the bill that passed and was signed by the President supports our enforcement policies. Nevertheless, there remain elements in the bill that we would have liked to have changed and will seek to change with the new Congress -- such as the provision that imposes an "intent requirement" in unfair immigration-related employment cases.

Naturalization

Noncitizens have responded to the threats posed by Proposition 187 and the actions of the Republican Congress by applying for citizenship in record numbers. The INS naturalized over a million new citizens in FY 1996 -- thereby making significant progress addressing large backlogs in many cities, including Los Angeles and Chicago. (Senator Simpson held a hearing two weeks ago to air allegations that the Administration is naturalizing people for votes. He ignores the Republican assault on immigrants and the incentive they have created for individuals to become citizens as quickly as possible.)

Community Outreach

This Administration has done more than any recent Administration to reach out to effected communities to work in partnership on immigration issues. For example, the INS District Office in Los Angeles has weekly meetings with community groups to discuss a range of issues crucial to these communities.

Early Diagnosis and Treatment is Less Expensive Than Emergency Care: Basic preventative and diagnostic services treat conditions inexpensively before they become *aggravated*. If such services are denied, relatively unthreatening illnesses may turn into emergencies to be treated with much more *expansive* and *expensive* means. For example, $3 is saved on average for every $1 spent in prenatal care. Moreover, if a legal immigrant is denied prenatal services, her child may be born with serious conditions that will last an entire lifetime. These children, born to legal immigrants, are *citizens* who will be eligible for Medicaid.

The Cost of Denying Care is an Unfunded Mandate to be Borne By Local Hospitals and Communities: Public hospitals in local communities are required to treat *anyone* with emergency conditions. If legal immigrants are denied medical services and forced to let their illnesses *deteriorate*, local hospitals eventually will be required to treat them as emergencies. Since public hospitals are funded by local taxpayers, this policy represents an *enormous cost-shift* from the *federal* government onto *state and local entities*. Although designed to reduce *federal* expense, the deeming provision would essentially create an entirely new population of uninsured individuals, force immigrants to wait until their conditions become more expensive, and then mandate that local hospitals serve them and pay for this service—all effects that will have real-world financial repercussions for *citizens*.

Denying Medical Services to Immigrants Endangers Entire Communities: Due to the increased cost to local hospitals, services will degenerate—not only for legal immigrants—but for every person in the community who relies on that hospital for care. If a portion of a hospital's budget is diverted to cover the increased expense of handling emergency conditions, less money will be available to finance services *for everyone*. Perhaps more importantly, if immigrants are not immunized or treated for communicable diseases, *entire communities* will be at risk.

Immigrants Currently Finance Benefits for Citizens: Legal immigrants are subject to the same tax laws as citizens. However, as a group, legal immigrants pay more proportionally in taxes than citizens. They also use fewer benefits than citizens. Although some claim immigrants *drain* resources, legal immigrants *actually finance* public assistance benefits for citizens. Because of these factors, *basic fairness* counsels against denying legal immigrants the same safety net security as citizens. Immigrants should be able to rely on support in times of need in the same manner as other taxpayers, especially since they have demonstrated that they require such services less often.

Catholic Charities USA favors a reduced deeming period of two years for Medicaid. A two-year deeming period would substantially remove what some view as a "draw" for immigrants entering the country solely to obtain medical services, especially since an immigrant could hardly plan an illness two years in advance. In addition, this compromise would preserve the distinction between medical services and other forms of assistance, recognizing that no amount of hard work and personal responsibility can protect someone from illness and injury. Although opponents may oppose such an amendment because it won't reduce *federal* spending as much, the effect of a longer period would be an *exponential increase* in the cost to *state and local entities*. The bill itself, by setting the deeming period at ten years, recognizes that a sponsor's liability should not continue *indefinitely*. Catholic Charities USA believes a *reduced, two year* deeming period for Medicaid is a *viable compromise* that recognizes all of these concerns.

Hudson Briefing Paper
July 1996 SHAPING THE FUTURE Number 192

Replacing Welfare in Wisconsin

By Andrew Bush

- *Completely rethinking a state's welfare system was the formidable task undertaken in Wisconsin two and a half years ago, when the state legislature deauthorized Aid to Families with Dependent Children (AFDC) in the state and directed the governor to design a replacement. With help from Hudson Institute, Wisconsin Governor Tommy Thompson and his staff set out to find an alternative that would help people work their way out of poverty rather than trapping them in a cycle of dependency as AFDC tended to do.*

- *That program is "Wisconsin Works" (W-2), a work-based system of public aid providing services, subsidies, and opportunities to help parents establish their own means of support, primarily through work, and then help them maintain long-term self-support. Instead of operating exclusively government-administered welfare offices, the state will contract on a competitive basis with public and private organizations. The program will begin operation in 1997.*

W-2's relatively narrow mission and ambitious goals have won it praise from left and right alike as a workable alternative to "welfare as we know it." It is designed to be a crucial part of a broad community of services through which families can find economic opportunity and take better control of their lives.

Introduction

If welfare suddenly did not exist and we could start over, what would we want to do for those who now receive Aid to Families with Dependent Children (AFDC)?

Two winters ago, this provocative question was raised before the Wisconsin state legislature. The question was serious, posed in the form of legislation to deauthorize AFDC in the state and direct the governor to design a replacement. Although initiated as a political challenge to Governor Tommy Thompson (R), the legislation raised an important point.

Wisconsin had developed a national reputation for reform designed to curb welfare dependency, requiring recipients to assume responsibility for their families and prepare for self-sufficiency. In addition, the state was building experience and administrative skill through its Job Opportunities and Basic Skills Training Program (JOBS) to be more effective at moving recipients off the welfare rolls and into jobs.

While caseloads skyrocketed nationwide, Wisconsin's fell. Benefits reductions and the state's relatively strong economy probably contributed, but they could not explain everything. These results, and the state's continued development of new welfare reform innovations, helped change the way the nation looks at welfare.

Yet these efforts also produced a degree of frustration. Those who had opposed Wisconsin's initiatives—even many who conceded that welfare had serious problems—viewed many of these reforms as doing little but deterring some low-income families from taking or staying on welfare, and precious little to help them with the serious problems of securing nonwelfare

Unconditional cash entitlements would end and be replaced by a systems of services, subsidies, and opportunities designed to help parents establish their own means of support—primarily through work—and then help them maintain long-term self-support.

support. Even among those who supported the changes, the reforms implied a growing frustration with the underlying system. Implementing change on top of change raised a good question: When would welfare policy finally be "fixed"?

The task of thinking through welfare reform in a comprehensive way was no small challenge. Thompson's staff not only had to blend all the goals and changes they felt were important into a unified and coherent strategy, they had to assemble the nuts and bolts of a new system of aid.

After more than a year of deliberation, and with help from Hudson Institute, Thompson announced his alternative last summer, in a proposal called Wisconsin Works (W-2). Enacting legislation has been passed in the Wisconsin's state legislature, and the program should be fully under way in 1997.

This paper discusses some of the major components of this plan and the thinking behind it.

Nuts and Bolts of a New System

As its name suggests, Wisconsin Works will be a work-based system of public aid. Unconditional cash entitlements would end and be replaced by a systems of services, subsidies, and opportunities designed to help parents establish their own means of support—primarily through work—and then help them maintain long-term self-support.

W-2 will bear some resemblance to AFDC in that it builds on the strategies of successful JOBS programs and innovative welfare-to-work demonstrations. Local W-2 agencies will help aid-seeking families develop and execute strategies for becoming economically independent as quickly as possible. W-2 agencies will make available a range of work opportunities to give able-bodied parents access to an immediate means of self-support, while orienting all activities toward moving them into sustainable, family-supporting jobs. Those unable to work can obtain aid conditioned upon doing whatever is necessary to prepare for work. Child- and health-care subsidies will be available to help all low-income working families, rather than just those leaving welfare.

The similarities to AFDC end here, however. Unlike welfare, W-2 will be administered not by the state's Department of Health and Social Services but rather through a revamped version of the state's labor department—to be called the Department of Workforce Development. This new program is intended to take on the character of a workforce assistance program, being closely integrated with the state's existing array of job training and assistance services.

Instead of operating exclusively government-administered welfare offices, the state will contract on a competitive basis with public, private for-profit, and private nonprofit organizations to operate W-2 agencies and participate in W-2 service networks within local communities. The process for competitive contracting will be phased in over two years.

Current county welfare agencies could, in fact, become local W-2 agencies, but various community organizations also will be allowed to compete to provide the most effective services and service networks and will be rewarded for their accomplishments through performance incentives. W-2 agencies will be rewarded for job placements, for keeping participants employed consistently, and probably for moving participants into higher-paying jobs.

The focal point of the system of services under W-2, and the principal contacts for W-2 participants, will be representatives called financial and employment planners (FEPs). Their prime function will not be to administer and regulate benefits, but rather to help families plan and execute employment and personal financial strategies.

FEPs will represent another key break from AFDC. Whereas AFDC caseworkers are heavily regulated to ensure consistent treatment of all recipients, FEPs will have considerable flexibility to help families design and implement strategies that fit their particular needs, situations, and abilities. FEPs will have the authority, for example, to make services and subsidies available to participants to help them obtain employment or remain employed; and they will have the authority to deny services to participants who refuse to make the necessary efforts to succeed.

Traditional welfare may offer a safe harbor for families, but it is a stingy one. Families on welfare live in poverty even in the most generous states. To rise out of poverty, a family must have someone, somewhere, generating earnings and doing so constantly.

FEPs need not necessarily be public employees; they could be employees of private agencies under contract with the state. Regardless, because W-2 agencies will be rewarded for success, FEPs will have a vested interest in helping participants succeed and an incentive to make available all resources necessary for success.

Making Work Central to Public Aid

Families that seek public assistance have many different needs, but they all have one central problem that makes them the state's concern: They all need immediate financial support and a way to sustain that support over time. Beyond any other function, the primary concern of a system of aid is to help parents solve this problem.

AFDC's explicit intention is for government to substitute itself as the supporter of a family when children are "deprived" of support from their parents. That objective, combined with the program's complicated eligibility rules, heavily focuses AFDC on determining eligibility and distributing benefits. In contrast, the role of W-2 agencies will be to create opportunities for parents to earn their support and help them develop the tools to sustain self-support. Instead of closing a case when a family starts generating its own income, W-2 will begin its work at that point. W-2 will help families find appropriate sources of immediate income, then help them maintain and increase that support. For most families, this means helping parents become and stay employed.

Local W-2 agencies will offer job placement and preparation services to try to place into jobs all participants who need employment. These agencies will also make subsidized positions available to those who cannot obtain unsubsidized work. W-2 agencies will also offer services to help parents remain employed, such as counseling and mentoring, or help them find job-supporting services such as child care.

Not all families will be able to or even need to find and master employment. Those who cannot work will be eligible for cash support rendered on a pay-for-performance basis, in which aid would be contingent on successfully participating in required activities such as rehabilitation, job preparation, and basic skills classes. In effect, W-2 will reorient the social safety net, basing assistance not on entitlement but on parents' demonstrated efforts to secure their own support.

In part, this reorientation has a philosophical base: Taxpayers have a right to expect that families receiving help are doing something in exchange for the aid, either improving their ability to assume self-support or at least contributing something to the community. W-2 asserts that the proper role of public assistance, and the best way for government to help low-income families, is to help parents fulfill their primary responsibility—to support their children.

At the same time, work-based public assistance has its practical side. Traditional welfare may offer a safe harbor for families, but it is a stingy one. Families on welfare live in poverty even in the most generous states. To rise out of poverty, a family must have someone, somewhere, generating earnings and doing so constantly. Inconsistent employment is a problem for many people at low income levels, even many who never go on welfare.

Although discussion of welfare reform often focuses heavily on getting recipients into jobs, that turns out to be the relatively easy part. Many welfare recipients, including long-term dependents, have had jobs before. Holding down a job over the long term is a larger and more important challenge. Doing it successfully takes effort and perseverance, but it also requires certain life skills and resources that enable workers to cope with daily challenges on the job and overcome the obstacles that constantly arise outside of work.

For instance, when the child of a working parent becomes sick, when a parent faces a stressful emotional problem at home, or when child-care arrangements suddenly fall apart, it is important that parents figure out ways to solve or work around these problems. This means developing the capability to solve problems and finding others upon whom one can depend for help from time to time. W-2 will help participants build such skills and find outside help

At the very beginning, AFDC makes a critical mistake. Solely concerned with the potential for destitution, it provides easy access to a regular source of income and ignores solutions that could reestablish or even just maintain self-support for a family.

from within their communities when they need it.

For those who need income immediately, consistent employment is the most promising avenue out of poverty. W-2 makes work central to public aid and concentrates its efforts on helping parents build the capability to stay working and self-supporting.

Problem Solving: The First Step

The point at which a family first applies for public aid is perhaps the most important point in its experience with public assistance. At that time, a family is facing some form of crisis the parents feel they cannot overcome and that places them on the brink of destitution.

It is easy to assume that such crises must be immense, requiring major changes and long-term solutions—for example, when a parent who has never worked suddenly needs support because a spouse dies. This is precisely the case for which AFDC was created, but this characterizes AFDC applicants only some of the time. Often, a solution that could solve the crisis may not be very difficult to ascertain or even very expensive. Still, the family shows up at the state's door because a solution is somehow beyond their reach or at least outside their knowledge.

At this point, AFDC makes a critical mistake. Solely concerned with the potential for destitution, it provides easy access to a regular source of income and ignores solutions that could help a family reestablish—or even just maintain—self-support. A single parent with a job but unable to find a child-care slot, for example, can find herself actually quitting a job to take AFDC because she sees it as the only viable option for her family. Thereafter, every month she spends on welfare is another month outside the labor force. Her employment contacts and skills wither, and her lifestyle and scope of daily contacts become acclimated to a nonworking world.

W-2 is specifically oriented toward helping parents work through crises so that they can remain self-supporting. For a parent who cannot find child care, for instance, the local W-2 agency will help her locate, apply for, or arrange transportation to and from such care—whatever it takes to help her find and use a provider upon whom she can depend. FEPs, working as problem solvers, counselors, and service brokers, will help parents survey the resources available to help them and will have a direct interest in seeing parents' problems solved quickly.

W-2 can also help those who would otherwise be doing just fine but need a little specialized help to prevent a downward spiral. There are two ways in which W-2 could help at this point. First, it could help families think through the options available to them and devise strategies for solving problems and remaining self-supporting. If help from family and friends or from a noncustodial parent can or should be drawn upon, that option will be explored. FEPs could provide counseling on their own, but they may refer participants to other agencies, such as child support enforcement, the state child care assistance division, or community organizations that subcontract with the W-2 agency to provide specialized training or counseling—perhaps through mentors within the community.

Second, W-2 could help with problems that are truly beyond a family's ability to solve alone. Parents who could not afford child care would be eligible for subsidies to keep them working, and such assistance could be arranged through their FEPs. Parents who absolutely needed cash immediately—to buy clothes or a bus pass, for example, to obtain or keep a job or to pay rent to avoid eviction—could be granted a "job access loan" through their FEPs. These would be small, no-interest loans to be repaid in cash or through community service.

A Job Ladder Into the Mainstream of Work

For most applicant families, at least one parent will need to find work, and W-2 will help them do so. W-2 expects most welfare recipients to find employment and eventually sustain themselves and their families through work. W-2 recognizes, however, that a significant number of parents seeking help will not be able immediately to obtain or successfully hold down a job in the mainstream workforce. A system that expects able parents to support

The difficulty many recipients have in finding work or remaining employed often has far less to do with job-specific skills, or even basic education, than with what are sometimes referred to as "soft skills" relating to attitude and dependability.

themselves must offer job opportunities appropriate for the skills of the potential employees. Many parents will find unsubsidized private-sector jobs pretty quickly, either on their own or with the help of W-2, but initially many others will be unable to find or hold even minimum-wage jobs. For the latter group, W-2 will manage two types of subsidized job slots. The first will include subsidized positions with private employers, called "trial jobs." These will be expressly temporary, and W-2 will cover the cost of some of the training and risk the employers would otherwise assume.

The second will be fully subsidized community service jobs (CSJs). These positions also will be temporary and will be established and administered by the W-2 agencies or subcontractors. They could include rehabilitating neighborhood housing, cleaning parks, and providing assistance services to local shut-ins. Through these positions, W-2 participants will develop job skills, work histories, and experience in holding jobs and balancing employment responsibilities with responsibilities at home.

The local W-2 agencies themselves will be primarily responsible for administering these employment slots and participants' use of them. Like rungs on a job ladder, these different entry points into the workforce will have a common goal: helping W-2 participants move into unsubsidized employment. The system is designed to accommodate the fact that the economy will not always be strong and will vary in strength in different parts of the state. In addition to their primary role of improving employment skills, CSJs and trial jobs also will serve as a reserve job pool. Preliminary state estimates project that spending on all employment subsidies in the first year will be about $228 million, or roughly two-thirds of what the state now pays out in benefits.

Building Job Skills

The difficulty many recipients have in finding work or remaining employed often has far less to do with job-specific skills, or even basic education, than with what are sometimes referred to as "soft skills" relating to attitude and dependability. Entry-level employers rarely require much in the way of job-specific skills, expecting to provide the necessary training themselves. When the economy is strong and workers scarce, these employers generally are also willing to tolerate extremely low basic education levels.

There are certain traits, however, on which employers cannot compromise. These include reliability, honesty, courtesy, and a willingness to work and get the job done. W-2 will help workers learn what employers expect of them, through job preparation classes, counseling, and the experience gained through trial jobs and CSJs.

How well employees manage themselves on the job depends not only on their overall attitude but also on how well they manage their lives outside of work. This can be a particular challenge for single parents. When personal problems such as transportation, child care, and family illnesses arise, as they do in the lives of all workers, successful employees figure out how to solve the problems and still get their jobs done. Another important aspect of W-2, therefore, is in helping new employees become accustomed to finding ways around these difficulties—again, through counseling, training, and mentoring provided by FEPs and subcontractors.

Education and training are highly important for success and improvement in the workforce, but training provided through welfare programs usually neglects a more central problem of context and timing. Investments in formalized training and education to improve trainees' job prospects usually pay off only if they are very closely associated with employment, and such investments are best made in those who have demonstrably strong and stable work histories—people who know what it takes to hold a job and understand how important training is to employment.

For example, a high-school dropout with little or no work experience will tend to be helped far more in the near term by gaining work experience that by getting a general equivalency diploma (GED). Potential employers will be far more willing to take a risk on someone who has a demonstrated work history than they will with someone who only

Under W-2, child- and health-care subsidies will be available to low-income working families; but these subsidy programs will be treated as employment-supporting programs for low-income working parents generally.

completed a GED program. And the experience one gains from work can have a significant effect on how that person approaches training in the future, so that his or her efforts the second time around can be more focused and fruitful. The GED and other forms of training are important, but as a necessary gateway to building better skills, not as an entry point into work.

When employers find workers they like, they are frequently willing to invest in education and training for them. This source of training is very important to a public assistance program because it is so closely related to employment and keeps parents in the workforce and generating earnings.

Overcoming Barriers to Employment

Integrating W-2 into a broader workforce assistance system is particularly important for the program's success. Beyond what individual workers can learn to do for themselves, success in the workforce depends on reducing the workforce barriers many parents cannot overcome on their own. W-2 will help parents find ways around such barriers, but helping families afford the services necessary to remain employed is a concern that extends beyond W-2.

Single parents who work must have child care, and the costs associated with such care can quickly swallow the earnings of low-wage jobs. Health-care coverage is also of particular importance and presents similar financial challenges. A system of aid that expects parents to work to support their families must help low-wage earners with such costs.

Under W-2, child- and health-care subsidies will be available to low-income working families; but these subsidy programs will no longer be connected with public assistance. Instead, they will be treated as employment-supporting programs for low-income working parents generally. Wisconsin would make subsidies for child and health care available to families earning up to 165 percent of the federal poverty level. Unlike transitional benefits under current law, which are terminated automatically after one year, these subsidies would be available indefinitely.

Helping families overcome workforce barriers goes beyond these subsidies, however. Simply having access to child care, heath care, transportation, and many other services can be very important. Because of this, W-2 agencies will function as brokers for services available through other government agencies and local communities.

Child Support

When AFDC takes over a family's support responsibilities, it throws a wedge between parents and children and between parents themselves. Children lose a link to their parents when someone else assumes responsibility for their support, yet AFDC also steps between custodial and noncustodial parents. When the state provides a family's support, noncustodial parents lose an incentive to pay child support and remain involved with their families. If they do not pay support, the children still receive AFDC benefits. If they do pay, all but a small portion goes to the state. Thus it is often in the interest of both parents either not to pay support or to pay it illegally under the table. Not surprisingly, both circumstances are frequent.

Although W-2 contains no specific child-support enforcement provisions, it shapes the context in which child support is sought, including giving W-2 agencies an interest in seeing support obligations established and met. Wisconsin already has one of the more aggressive child-support collection efforts in the nation.

In solving self-sufficiency problems, W-2 will approach each applicant family as a whole. Whenever possible, both parents will be required to fulfill their responsibilities to their children. Self-sufficiency strategies will include contributions from both parents and from other relatives. Two-parent families will be treated on a par with single-parent families. Single-parent applicants will receive help in pursuing child support and will be required to cooperate with enforcement efforts. Noncustodial parents cooperating with support enforcement efforts will be eligible for W-2 job-search assistance as needed to help meet the family's self-sufficiency goals. Perhaps most importantly, all child support collected will be passed to the custodial parent; none will be assigned to the state.

W-2's intent is to help all parents become as self-supporting as possible. Although most participants will be able to work and achieve self-sufficiency, there will be legitimate exceptions, and W-2 will accommodate them.

Accommodating Transitions and Exemptions

W-2's intent is to help all parents become as self-supporting as possible. Although most participants will be able to work and achieve self-sufficiency, there will be legitimate exceptions, and W-2 will accommodate them.

Individuals with full permanent disabilities will still be eligible for Supplemental Security Income (SSI); W-2 will help qualified applicants obtain SSI. The children of disabled parents receiving SSI will receive a separate state supplement to the federal SSI payment.

Some parents, however, might not be so disabled as to qualify for SSI but still have problems that prevent them from succeeding in the labor market despite their best efforts. They might require specialized assistance and could be eligible for W-2 Transitions, a program in which parents will earn their support through activities appropriate to their abilities and needs. Certain parents, for example, could work in sheltered settings, combine part-time work with rehabilitation, or simply attend needed rehabilitation. For some, such assistance might be needed over the long haul, but the hope is that for most parents this will be transitional assistance and they will eventually be able to move up the job ladder.

Through Transitions, W-2 will also offer special accommodations for parents with temporary physical or mental disabilities so severe that they cannot perform in a job, or parents needed in the home because another family member is incapacitated. In these cases, parents could "earn" cash assistance for performing or attending whatever activities may be assigned to help them get through their impairment. This assistance will be temporary and depend on individual circumstances. Subject to certain rules, W-2 agencies will decide when such nonwork aid is appropriate.

Service Delivery via Performance Contracting

The shift to a work-based system of aid requires more than a change in attitudes and policies. The program's success depends on profound changes in the way services are delivered and how the system responds to the effectiveness of those services. W-2 changes incentives, to encourage participants in the right direction, but W-2 participants also need a system that can truly help them meet the program's ambitious goals.

Success will not happen by accident. A work-based system of public aid must demand performance from its service providers—first, because families who seek W-2 services will truly need the help, and, second, because a work-based system presents a considerable financial risk to states that do not systematically move families into self-supporting jobs. Traditional cash welfare is expensive, but it is much less expensive than make-work operations in which families simply "work" off their benefits. If workers flounder in CSJs because service providers are doing a poor job of making job placements, a program like W-2 could get very expensive in a hurry.

W-2's delivery system demands that its service providers focus on moving as many participants as possible into the best unsubsidized jobs available and keeping them there. It also draws on a variety of community-based service providers to help W-2 families overcome obstacles and problems and support W-2's mission. In short, the system will be driven by performance standards and incentives.

How W-2's service delivery network will be arranged is not yet clear, but the proposal calls for contracting out the operation of W-2 agencies and services on a competitive basis. This approach offers three key advantages.

First, it opens the service delivery network to a wide range of potential providers, each specializing in what it does best and contributing to W-2's mission only when its services are worth the cost.

Bids for operating a local W-2 agency could be made by competing networks or providers, each with its own preferred interrelationships. A W-2 prime contractor might operate intake and eligibility determination but subcontract out to several different placement agencies that specialize in private job development and placement. At the same time, the prime contractor might subcontract with various community-based organizations to provide job-readiness services, establish CSJ slots, provide counseling to W-2 clients with critical personal problems, operate sheltered workshops, mentor W-2 participants who have taken jobs, and perform a whole host of other services.

The second advantage is that creativity is fostered when the system's rewards and penalties focus on specific outcomes rather than the process and when the system is open to many different types of providers. Different W-2 provider networks might use different types of services, or they might prefer different service mixes or contract arrangements. The key is that the network will be held responsible for its effectiveness at carrying out W-2 goals, and each provider can be held accountable for its relative contribution to the network's success. We should expect that, as with other competitive industries, creative experimentation will encourage W-2 agencies to evolve, adopting practices and arrangements that prove to be more successful, and causing the system as a whole to improve over time.

Finally, competitive contracts may be the only true means of realizing W-2's full potential. Performance standards certainly can be used in a single-provider system such as a fully government-operated system. But even though standards may appear ambitious, they will always be arbitrary because there are no competitors setting the pace. If actually held to the standards, the single provider will find a way to meet them, but it is not rewarded for going further. The same concern applies to costs. Competing providers may find ways to generate the same degree of performance, but one may figure out how to do so at a lower cost.

Through an open, competitively contracted process of delivering services, W-2 has the potential for truly helping its participants and doing so in a way that is efficient and improves over time.

Conclusion

W-2's goals are far more ambitious than those of the current welfare system. To be successful, W-2 was designed with a relatively narrow mission in mind. W-2 service providers will focus on helping families build strong ties to the mainstream workforce, wherein lies a family's greatest opportunity for financial independence. At the same time, W-2 will not stand alone. It is one part of a broad community of services through which families seeking to take control of their lives can find opportunity.

How well W-2 performs will depend greatly on how well it is implemented and remains focused on its narrow but critical mission.

Andrew Bush is a research fellow and director of the Welfare Policy Center of Hudson Institute. He worked with the state of Wisconsin in designing the Wisconsin Works program. An earlier version of this paper was published in the Spring 1996 issue of Public Welfare.

Additional copies of this briefing paper may be ordered, for $1.00 per copy, from Hudson Institute, P.O. Box 26-919, Indianapolis, Indiana 46226, or by calling 1-800-HUDSON-Ø.

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TO: Ivy (Progressive Policy Institute) 544-5014

FROM: Toby Burke

RE: NDA Welfare Policy

DATE: 5/1 TIME:

Number of pages including this transmittal sheet: 5

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AS ADOPTED 2/6/96

WELFARE REFORM

The Governors believe that our nation's leaders are now faced with an historic opportunity and enormous responsibility to restructure the federal-state partnership in providing services to needy families. We, the nation's Governors, are committed to achieving meaningful welfare reform now. The continuation of the current welfare system is unacceptable. Congress has made significant efforts toward making changes that will allow states the flexibility to build upon the lessons states have learned through a decade of experimentation in welfare reform. The President has also voiced his commitment to achieving welfare reform and has continued to grant waivers to states to facilitate experimentation. We urge Congress and the President to join with the nation's Governors in support of a bipartisan agreement that will reallocate responsibilities among levels of government, maximize state flexibility, and restructure welfare as a transitional program with a focus on work and self-sufficiency. We believe, however, that children must be protected throughout the restructuring process.

State experience in welfare reform has demonstrated that three elements are particularly crucial for successful welfare reform: welfare must be temporary and linked to work; both parents must support their children; and child care must be available to enable low-income families with children to work. Additionally, we believe that block grants should be entitlements to states and enable states broad discretion in the design of their own programs based upon mutually agreed upon goals. We also believe that states should have access to supplementary matching federal funds for their cash assistance programs during periods of economic downturn. The conference agreement on HR 4, the Personal Responsibility and Work Opportunity Act, incorporated many of these elements, but we also believe further changes must be made to create a sound and workable welfare reform bill. The National Governors' Association would support the HR 4 conference agreement with the changes listed below. The absence of recommendations on the restriction of benefits for aliens should not be interpreted as support for or opposition to the alien provisions of the HR 4 conference agreement:

Core Employment Support Services

- *Add $4 billion in funding to the general entitlement for child care. This funding would not require a state match.*

Flexibility in Meeting Work Requirements

- *Change the participation rate calculation to take into account those who leave cash assistance for work as long as they remain employed.*

- *Reduce the number of hours of participation required in future years to 25.*
- *Permit states the option to limit the required hours of work to 20 hours a week for parents with a child under age six.*
- *Allow job search and job readiness to count as a work activity for up to 12 weeks.*

Contingency Fund for State Welfare Programs

- *Add $1 billion to the contingency fund.*
- *States can meet one of two triggers to access the contingency fund: the unemployment trigger in the conference agreement or a new trigger based on food stamps. Under the food stamp trigger, states would be eligible for the contingency fund if the number of children in their food stamp caseload increased by 10 percent over FY 1994 or FY 1995 levels.*
- *Eliminate the maintenance of effort requirement for the contingency fund.*

Performance Incentives

- *Provide cash bonuses of 5 percent annually to states that exceed specified employment-related performance target percentages. These bonuses would not be funded out of the block grant base.*
- *Maintain the bonus for states that reduce out-of-wedlock births contained in the conference agreement.*

Family Cap

- *Provide states with the option to restrict benefits to additional children born or conceived while the family is on welfare.*

Cap on Child Care Administrative Costs

- *Raise the administrative cap on child care funds to 5 percent.*

Hardship Exemption

- *Raise the exemption to the five-year lifetime limit on benefits to 20 percent of the caseload.*

Fair and Equitable Treatment

- *Add a state plan requirement that the state set forth objective criteria for the delivery of benefits and fair and equitable treatment.*

Child-Protection Block Grant

- *Maintain the open-ended entitlement for foster care and adoption assistance.*
- *Provide a state option to take foster care, adoption assistance, and independent living funding as a capped entitlement with annual growth adjustment based on average national caseload growth rate. States may transfer any portion into a Child Protection Block Grant for activities such as early intervention, child abuse prevention, and family preservation. States must continue to maintain effort at 100 percent based on state spending in the year prior to accepting the capped entitlement. States must maintain protections and standards under current law. States can reverse their decision on a yearly basis.*
- *Create an entitlement Child Protection Block Grant of the remaining child welfare, family preservation, and child abuse prevention and treatment programs. These programs are not currently individual entitlements. States must maintain protections and standards under current law.*

Supplemental Security Income (SSI) for Children

- *Accept the provisions in the Senate-passed welfare bill.*
- *Change effective date for current and new applicants to January 1, 1998.*

Food Stamps

- *Accept the provision in the Senate-passed welfare bill that reauthorize the Food Stamp program in its current uncapped entitlement form.*
- *Modify the income deductions as outlined in the Senate-passed welfare bill.*

School Nutrition Block Grant Demonstration

- *Maintain the current entitlement for children.*
- *Schools would continue to receive per meal federal subsidies for all lunches and breakfasts under current eligibility criteria.*
- *Additional subsidies for schools with high proportions of free or reduced-price participants will be maintained.*
- *States would continue to receive the proportion of administrative costs based on current law but in a block grant.*

- *The state must develop a state-based plan that includes public input and describes how the state will operate the program.*
- *All other safeguards described in the conference report will be maintained.*

Provision for Territories

- *The National Governors' Association strongly encourages Congress to work with the Governors of Puerto Rico, Guam, and other territories towards allocating equitable federal funding for their welfare program.*

Earned Income Tax Credit

- *This is only an issue within the context of budget reconciliation.*
- *Limit the savings from revising the EITC to $10 billion.*
- *Add a state option to advance the EITC.*

Any changes in the above recommendations would nullify this endorsement.

RADIO ADDRESS BY THE PRESIDENT
TO THE NATION

10:06 A.M. EDT

THE PRESIDENT: Good morning. Four years ago, I challenged America to end welfare as we know it, to require work, promote responsible parenting, ship the system from dependence to independence. Just a few days after I took office, I met with the nation's 50 governors, and I urged every one of them to send me a welfare reform plan that would help to meet that challenge. In return, I pledged to waive outmoded or counterproductive federal rules that get in the way of reform.

Most of the governors took me up on that deal. So in the last three years my administration has granted 38 states welfare reform waivers, clearing away federal rules and regulations to permit states to build effective welfare reforms of their own. The state-based reform we've encouraged has brought work and responsibility back to the lives of 75 percent of the Americans on welfare.

We're doing a lot more than signing waivers. We've also pressed ahead on fundamental reforms to make the welfare system reflect the basic values that have stood us so well for so long -- that if you bring a child into this world, you must take responsibility for that child; that government will not subsidize irresponsible or reckless behavior; that welfare is a second chance, not a way of life.

That's why I signed a presidential order to require federal employees to pay child support, and increased federal efforts to enforce child support orders across state lines. I toughened sanctions on welfare and food stamp recipients who refuse to work. I took action earlier this month to require teen mothers to stay in school and sign personal responsibility contracts if they are to receive welfare benefits. That's also why I sent Congress a sweeping welfare reform plan that would do all this and more.

Our hard work is paying off. America is in the midst of what The New York Times has called "a quiet revolution" in welfare reform under our administration. The number of Americans on welfare has dropped by 1.3 million since I took office in January, 1993. Food stamp rolls are down by even more, and so are teen pregnancy rates. What numbers are up? Well, child support collections have jumped 40 percent, and the number of people who are required to work as a condition for receiving welfare is also way up.

Today I'm pleased to report that two states, Wisconsin and Maryland, are adding momentum to this quiet revolution. Last week, Wisconsin submitted to me for approval the outlines of a sweeping welfare reform plan, one of boldest yet attempted in America, and I'm encouraged by what I've seen so far.

Under the Wisconsin plan, people on welfare who can work must work immediately. The state will see to it that the work is there -- in private sector jobs that can be subsidized if necessary, or in community service jobs if there are no private jobs available. The state says it will also see to it that families have health care and child care, so that parents can go to work without worrying about what will happen to their children. But then they must go to work, or they won't get paid. If they do work, of course, they'll have the dignity of earning a paycheck, not a welfare check.

The plan would send a clear message to teen parents, as well. If you're a minor with a baby, you'll receive benefits only if you stay in school, live at home and turn your life around.

All in all, Wisconsin has the makings of a solid, bold welfare reform plan. We should get it done. I pledge that my administration will work with Wisconsin to make an effective transition to a new vision of welfare based on work, that protects children and does right by working people and their families.

Maryland also has come up with its own innovative welfare reform plan. It cracks down on welfare fraud, comes down hard on parents who turn their backs on child support, and helps working parents with child care so they won't be driven onto welfare in the first place.

The reforms in Wisconsin, Maryland and other states are very encouraging for two reasons: First, they give us hope that we can break the vicious cycle of welfare dependency; and second, because they make it clear that there is now a widespread national consensus shared by people without regard to their political party on what welfare reform should look like. It should be pro-work, pro-family, pro-independence, responsible. Welfare should be a second chance, not a way of life.

So the states can keep on sending me strong welfare reform proposals, and I'll keep on signing them. I'll keep doing everything I can as President to reform welfare state by state, if that's what it takes.

But there's a faster way to bring this welfare reform to the entire nation. There are bipartisan welfare reform plans sitting in the House and the Senate right now that do what the American people agree welfare reform must do: They require welfare recipients to work; they limit the time people can stay on welfare; they toughen child support enforcement and they protect our children.

So I say to Congress: Send me a bill that honors these fundamental principles; I'll sign it right away. Let's get the job done. Let's do it now. Let's bring welfare reform to all 50 states. Then we'll move on to the other challenges we face as we stand at the dawn of a new century.

Thanks for listening.