P6-3

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

JAN 27 1998

MEMORANDUM FOR THE PRESIDENT

The purpose of this memo is to outline the information we have so far on the impacts of changes in welfare programs. The information is still quite preliminary, but some conclusions are emerging. These include:

- The total number of welfare recipients has fallen below 10 million for the first time since 1971. Caseloads have fallen by more than 30 percent since their peak in 1994.

- Many more recipients are now working, and the proportion of former recipients at work after leaving welfare appears to be somewhat higher than in the past.

- States are making very serious efforts to move recipients into work, both by mandating work programs and sanctioning those who do not comply, and by increasing the benefits of working through simpler and higher earnings disregards and on-going supports such as child care.

- As we found with AFDC waivers, States are adopting common approaches but with many variations in specifics. Several large States are devolving key policy decisions to the county level.

- There has been no "race to the bottom" in State welfare benefits; States are spending more per recipient than in 1994 across TANF and related programs, and State maximum benefit levels are generally unchanged.

- So far there is little evidence of extreme hardship among those who leave welfare as a result of sanctions, although many do experience fairly large declines in income. Overall, however, half or more of former recipients appear to increase their incomes after leaving welfare.

- Even when recipients move to work and improve their incomes, they are still likely to have total incomes below the poverty line.

This memo looks first at what the States are doing, in terms of both spending choices and broader policy choices. It then turns to impacts on recipients, assessing both results from evaluations of State waivers similar to current State policies and the very early results from State surveys of recipients and former recipients. Finally, the implications of these findings for Federal and State policy choices are briefly discussed.

cc: Siebenaler, ASL, IGA, ACF

01-22-97-32

State Responses to Welfare Reform

Welfare caseloads have declined dramatically since their peak at 14.4 million recipients in March 1994. Overall, the number of people receiving aid had declined by more than 30 percent to 9.8 million recipients by September 1997 (the most recent monthly report available). This decline has continued at an even more rapid pace since the enactment of welfare reform in August 1996. In the first year of welfare reform alone, almost 2 million recipients left the rolls. As Chart 1 (attached) shows, these declines are spread across almost all of the States.

Changes in State Spending on Welfare Programs. There has been no "race to the bottom" in State welfare spending. Because there are now fewer recipients, total State spending on welfare programs has declined since 1994. On average, however, States are spending somewhat more per recipient than they did in 1994--reported State spending on welfare and related programs is about 18 percent below the level seen in 1994, while caseloads have declined by more than 30 percent. This increased spending has not affected direct payments to recipients, which remain very close to the levels seen in both 1994 and 1996 (about $370 per family per month on average.) In all, four States have increased maximum benefit levels since the enactment of TANF, while five States have decreased maximum benefits for at least some categories of recipients.

States are reporting that they are meeting their Maintenance of Effort (MOE) requirements under welfare reform. They are required to spend 80 percent of previous (generally 1994) levels, or 75 percent if they meet the minimum participation requirements, and 20 States report exceeding that goal, some by considerable amounts (see Chart 2). Further, reported spending may understate actual amounts spent, since there are no incentives for States to report additional spending once their MOE requirements have been met. There is little in these data to suggest declines in spending levels--rather, States appear to be using at least some of their own money to provide services such as child care and job training and placement and to increase work incentives.

Changing State Policies. A focus on work is a major theme in State welfare policies, although there is considerable variation in plan specifics and in implementation across States. The following key points emerge from an overview of State policies:

1. States are focusing on encouraging and requiring work.

- 40 States have enacted policies to make work pay, generally by increasing the amount of earnings disregarded in calculating welfare benefits. (See Chart 3.) Connecticut, for example, now disregards all earnings up to the poverty level. Most States have also simplified the treatment of earnings compared to the AFDC treatment, with the result that recipients can see more clearly how even a low-wage job will make them better off.

- 44 States have raised the level of resources and/or the maximum value of a vehicle allowed to welfare recipients. (See Chart 4.) This will make it easier for recipients to get to work and to accumulate savings that might lead to self-sufficiency.

- Almost all of the States have moved to "Work First" models in their welfare programs, requiring recipients to move quickly into available jobs. Virtually every State has instituted "social contracts" or other personal responsibility agreements in which recipients commit to specific steps toward self-sufficiency. States are enforcing these contracts, sanctioning people who fail to sign or live up to their agreements.

2. Family violence issues and choices about exemptions for parents of very young children are being addressed by the States.

- 24 jurisdictions have elected to screen for, provide appropriate services, and waive requirements where needed to ensure the safety of victims of domestic violence through the Family Violence Option (See Chart 5.) Additional States, including California, are expected to implement this option in the coming months.

- As indicated in Chart 6, most States have chosen to exempt parents of infants under one year of age from work requirements. 16 States have chosen shorter exemptions (the law allows States to require parents with children over 12 weeks to work.)

3. State policies regarding time limits are varied and complex.

- Chart 7 shows that eleven States have chosen "intermittent" time limits that limit the total months of recipiency allowed within a longer time period (for example, Virginia limits TANF receipt to 24 months in any 60 month period). Nine States have chosen lifetime limits of less than five years. Both of these types of time limits often allow exceptions or exemptions. 27 States have chosen the Federal limit of 60 months. Four States have chosen other options involving supplements from State welfare programs for those reaching the Federal time limits.

- Evaluation and survey data find that recipients are often unclear about the specifics of time limits (and other reform policies) that apply to them, although they do know that the nature of welfare has changed.

- Few recipients have reached State time limits so far.

4. State plans vary considerably in their specifics and in their timing.

- o A few States are making choices that appear to have little to do with work, such as counting the SSI income of disabled children and adults in computing TANF benefits without taking into account the added costs of disability.

- o The amount of time that elapses between the determination of policy choices and their actual implementation varies greatly across States, usually based on whether, when and how extensively they undertook reforms through waivers. Many States have not completed the process of implementing proposed policy changes.

5. Finally, California, New York and several other states are devolving key decisions to counties.

- o Other States in the process of devolving include Maryland, Ohio, Florida, Colorado and North Carolina.

- o These States are devolving decisions about work activities, post-employment supports and, in some cases, sanctions; Colorado and North Carolina are also passing on decisions about other factors including eligibility. Benefit levels will still be determined at the State level, although in some cases the State will mandate only a floor which the counties can choose to exceed.

Impacts of Welfare Reform on Recipients

Moving recipients and potential recipients into work has been the focus of most State policies, and there is some preliminary evidence that employment levels are rising as caseloads decline. Evidence on the impacts of other aspects of the changes on recipients and would-be recipients is somewhat more mixed. Are they indeed better off in economic terms? What has happened to those who haven't gotten jobs? It is still very early to answer those questions, but we have some preliminary data that give a few indications.

Our preliminary data generally relate to the situations found in specific states. Thus, this report draws upon preliminary program evaluation reports of waiver-based policies from Michigan, Iowa, Minnesota, Delaware, and Florida, and on surveys of welfare recipients and people who have left welfare rolls in Massachusetts, Iowa, Wisconsin, Indiana, Maryland, South Carolina and Tennessee. The early stories emerging from these studies appear to be fairly consistent across those states. Although we are beginning to have some evaluation evidence on the impacts of policy changes as opposed to the strong economy, it is very difficult to sort out the relative importance of policy and economic factors at the National level.

Sanctions. States are generally working harder to enforce mandatory work requirements, and sanctions rose by about 30 percent nationally between 1994 and the end of 1996. Anecdotal evidence implies that these rates are still increasing. In the studies of specific States, sanction rates of as high as 50 percent are seen, with rates in the 25 percent to 30 percent range not unusual. Sanctions may result in either a complete or partial loss of benefits. Across States we find that the majority of sanctions occur because recipients fail to show up for initial appointments. Far fewer families have been sanctioned for refusal to comply with work assignments. Sanctioned families may include many who are already working or who have good job opportunities; in Iowa, for example, families that did not comply with the State's Family Investment Plan tended to be more job-ready than the average.

Employment. Perhaps partly because of stricter work policies as well as the robust economy, more recipients and former recipients are now employed. Evaluations of specific State programs show policy-related increases in employment in the range of 8 percent to 15 percentage points. Surveys of people who have left welfare imply that 50 percent to 60 percent are working in the period following welfare recipiency (with the remainder not employed). This is comparable to or slightly higher than the 45 percent to 50 percent of welfare exiters who worked after leaving AFDC. Some of this increase in work may result from the strong economy as well as from policy changes.

Incomes. While there do not appear to be dramatic changes so far in the average incomes of welfare recipients and those leaving the welfare rolls, these averages hide a great deal of variation. Among those leaving the program, incomes in the follow up period are very mixed. Generally, about half of former recipients saw increases in their incomes, while half experienced declines. There is some evidence that those who leave the program voluntarily are more likely to have increased incomes, although in both South Carolina and Iowa about 40 percent of those who left because of sanctions also experienced income increases.

There is little evidence at this point of extreme hardship even among families losing benefits altogether as a result of sanctions or time limits. However, events such as homelessness or entry of children into foster care are sometimes hard to observe in evaluations and follow up studies, which are usually unable to trace some proportion of former recipients. In the short run, many families experiencing large income losses appear to rely on help from friends and extended family. It should be noted also that even families whose incomes rise as a result of higher earnings and/or changes in State policies typically still do not have above-poverty level incomes while on TANF or in the period immediately after leaving the program.

Other Benefits. Families who leave TANF are often eligible to continue receiving benefits from other social support programs such as the Food Stamp Program, Medicaid, Supplemental Security Income (SSI) and housing programs. However, relatively low take-up rates for some of these benefits suggest that many former recipients may be unaware of their continued eligibility for other programs such as Medicaid, or that administrative barriers may be preventing some eligible families from participating in these programs. In both South Carolina and Indiana, for example, about half of the adults who were no longer receiving cash assistance reported that they did not have any health insurance.

Policy Implications and Next Steps: Supporting Low-Income Workers

These early results suggest that real progress is being made in focusing recipients on work and in moving them into employment. This is a significant and critical step on the path to reforming welfare. I believe that further steps need to be taken to consolidate and build on this accomplishment. In particular, we need to ensure that low-income working families, whether they are former welfare recipients or not, can continue to work and to earn enough to raise their families, weathering unemployment and other temporary setbacks without relying on long-term welfare receipt. In pursuing this goal, we would be building on the Administration's many achievements for working families, including expansion of the EITC, increasing the minimum wage, expanding health care coverage for children, enacting parental leave, and the introduction of this year's pathbreaking child care initiative. And we would also be building on the widespread and increasing interest of the States, which are starting to grapple with the question of what happens after welfare parents take their first jobs.

Both researchers and practitioners are telling us that when such parents move to work, most are likely to need continuing support in order to keep their jobs, support their families, improve their incomes over time, and avoid going back onto the welfare rolls. These supports can take many forms, from the EITC or increased earnings disregards to services such as child care, health care, transportation and mentoring. Currently, States have resources available to them through the TANF block grant and their Maintenance of Effort funds, as well as through other State resources that have been freed up as a result of declining caseloads. We can make progress on this agenda by challenging States to make key investments, showcasing effective practices and encouraging State innovation as well as by shaping a National agenda to help low-wage workers and their families.

A successful strategy to support low-income workers and their families would involve several components at both the State and National levels. These could include:

1. Raising the incomes of low-wage workers. Most welfare recipients moving into their first jobs continue to earn below-poverty level incomes. The major 1993 expansion of the EITC does a great deal for these families, and it must be protected. In addition, we could challenge States to expand State EITC's and to increase earnings disregards and other programs for low-wage workers. For example, Wisconsin has used TANF MOE funds to expand both its EITC and housing subsidies for low-income owners and renters. At the National level, policies such as a further increase in the minimum wage or tax incentives for employers to promote jobs and higher wages for low-skilled workers could be explored.

2. Providing other job supports. We must ensure that other critical job supports, such as health care, child care, transportation, and mentoring, are available for working families who need them. The Administration's new child care initiative is of course critical to this strategy, and the newly enacted Child Health Insurance Program should go a long way toward ensuring health care coverage for the children of low-wage workers. We need to

continue outreach efforts to make sure that low-income working families are aware of their potential eligibility for Medicaid. The Vice President's work on mentoring provides a valuable example, and States must be encouraged to continue to invest in these programs and other supports.

3. <u>Ensuring that low-wage workers improve skills and earnings over time</u>. Many States are beginning to grapple with the best way to promote growth in skills and earnings over time for former welfare recipients. Over the longer term, such growth will be necessary to meet both the needs of families and the needs of the economy as a whole. We should be challenging States to put together creative strategies and showcasing those that do. These strategies can involve linkages among workforce development, higher education, and welfare systems, as well as work with specific private employers. At the National level, strategies to increase educational opportunities for low-income families are a key to increasing skills and earnings over time.

4. <u>Maintaining the safety net for workers</u>. If a temporary setback is not to result in a return to welfare dependency, the safety net for low-wage workers must be maintained. At the National level, changes could be made in the Unemployment Insurance program to increase the probability that low-wage workers will earn coverage, as is now being discussed within the Administration. At the State level, we should showcase States that are implementing post-employment services and other strategies to address the fact that low-income workers are likely to experience considerable job turnover and some periods of unemployment. We should challenge States to invest in approaches that combine reliable short-term assistance with rapid re-employment help.

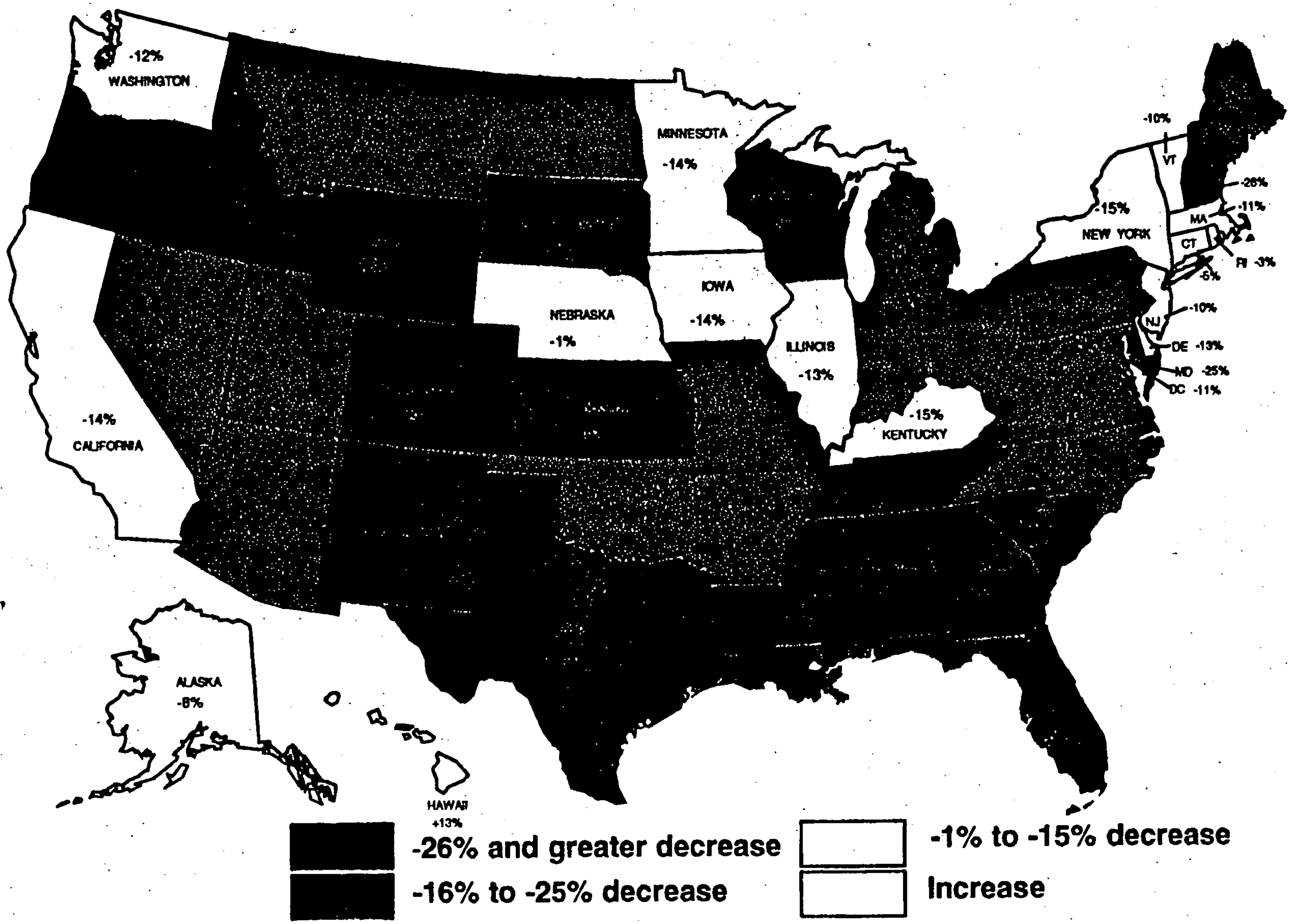
In summary, we must build upon and continue our efforts on behalf of low income workers. I look forward to further discussions with you regarding these important issues. Please let me know if you would like a briefing or further information.

Donna E. Shalala

Attachments

Chart 1: RECIPIENT COUNT DOWN 2.4 MILLION SINCE ENACTMENT OF NEW WELFARE LAW

(August 1996-September 1997)



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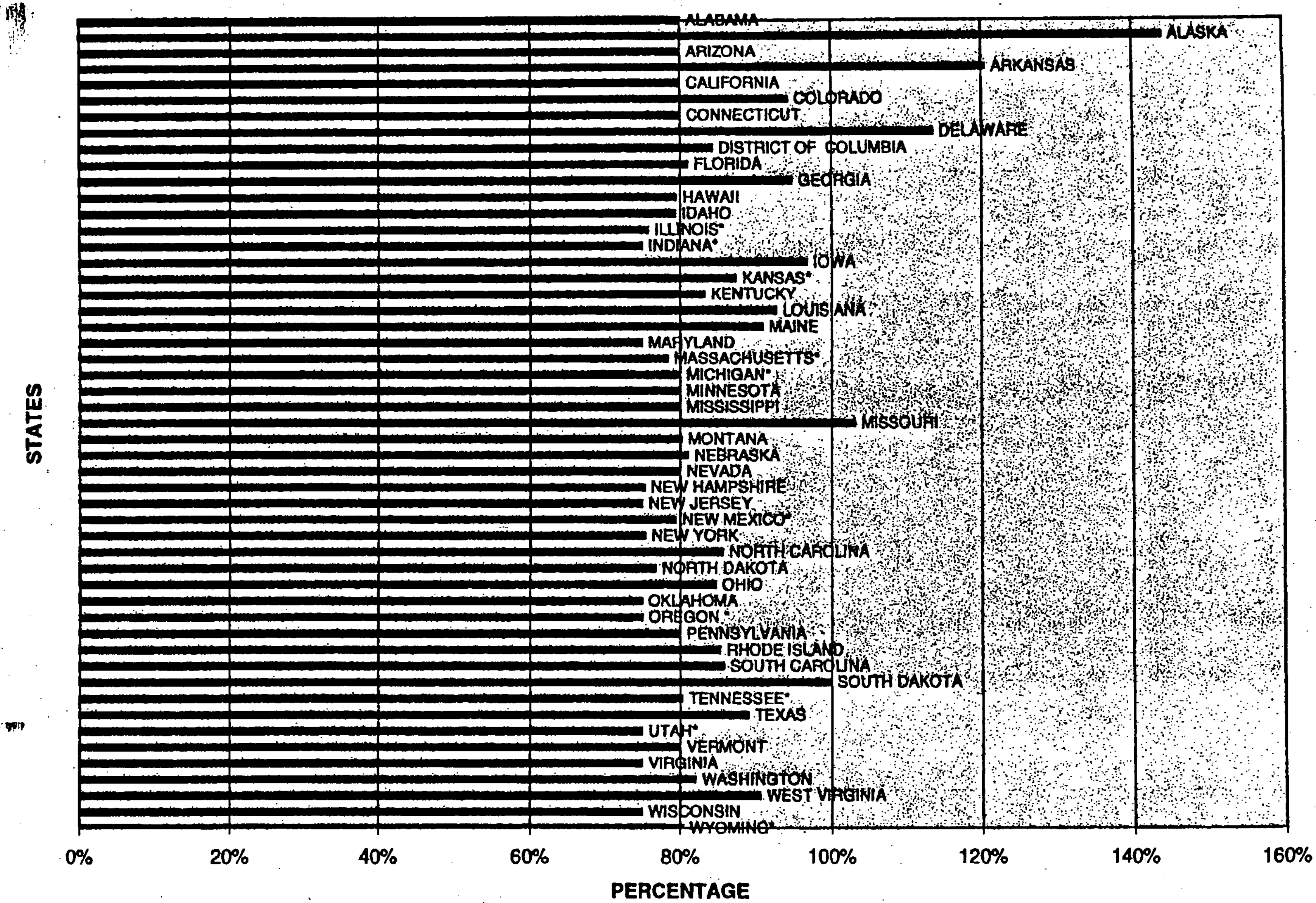
TANF PROGRAM
Chart 2: EXPENDITURE OF STATE FUNDS IN FY 1997 AS % OF MOE



Data as of January 23, 1998

Chart prepared by U.S. Dept. of Health and Human Services
Administration for Children and Families

Chart 3: Earnings Disregards

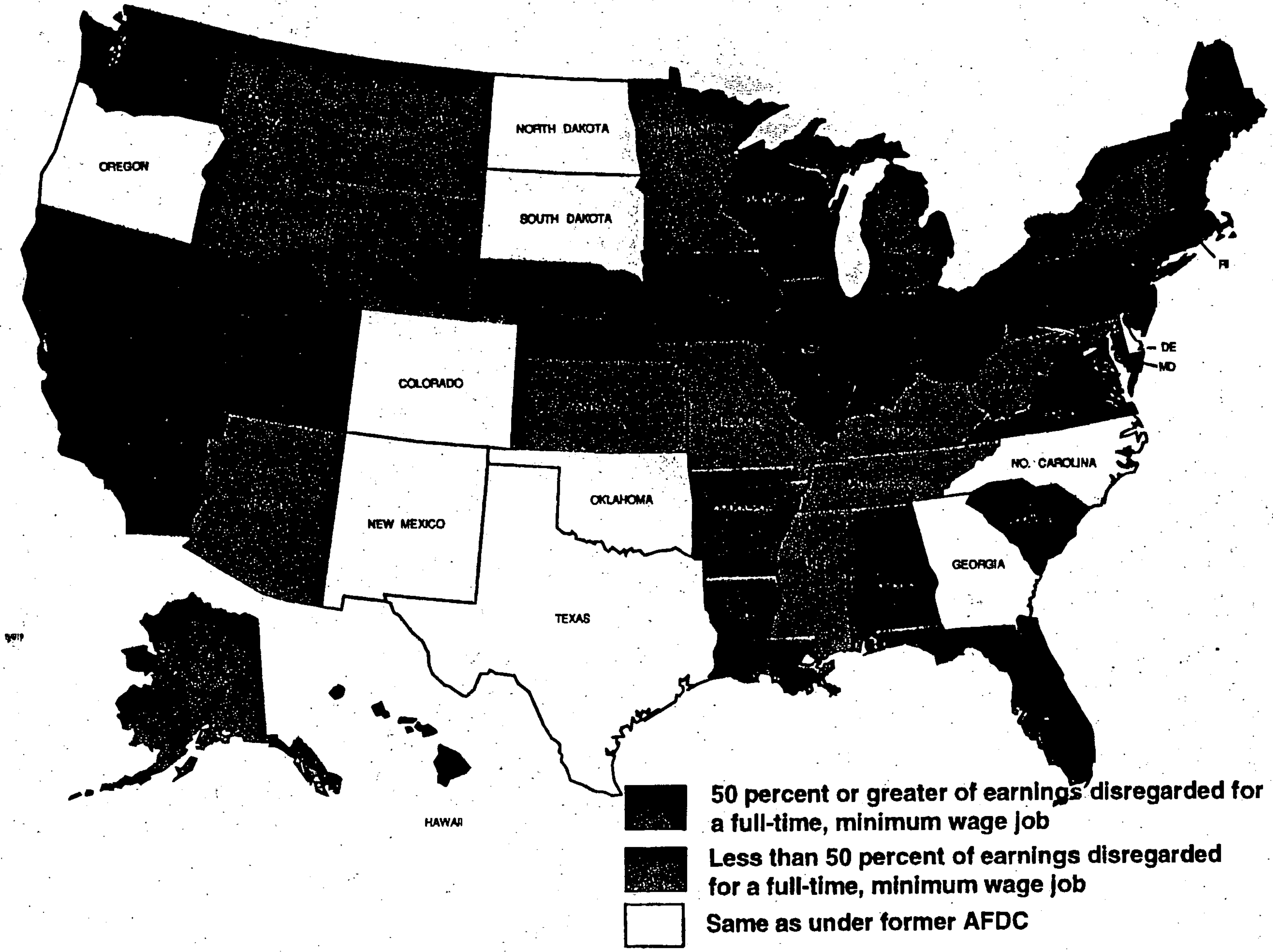


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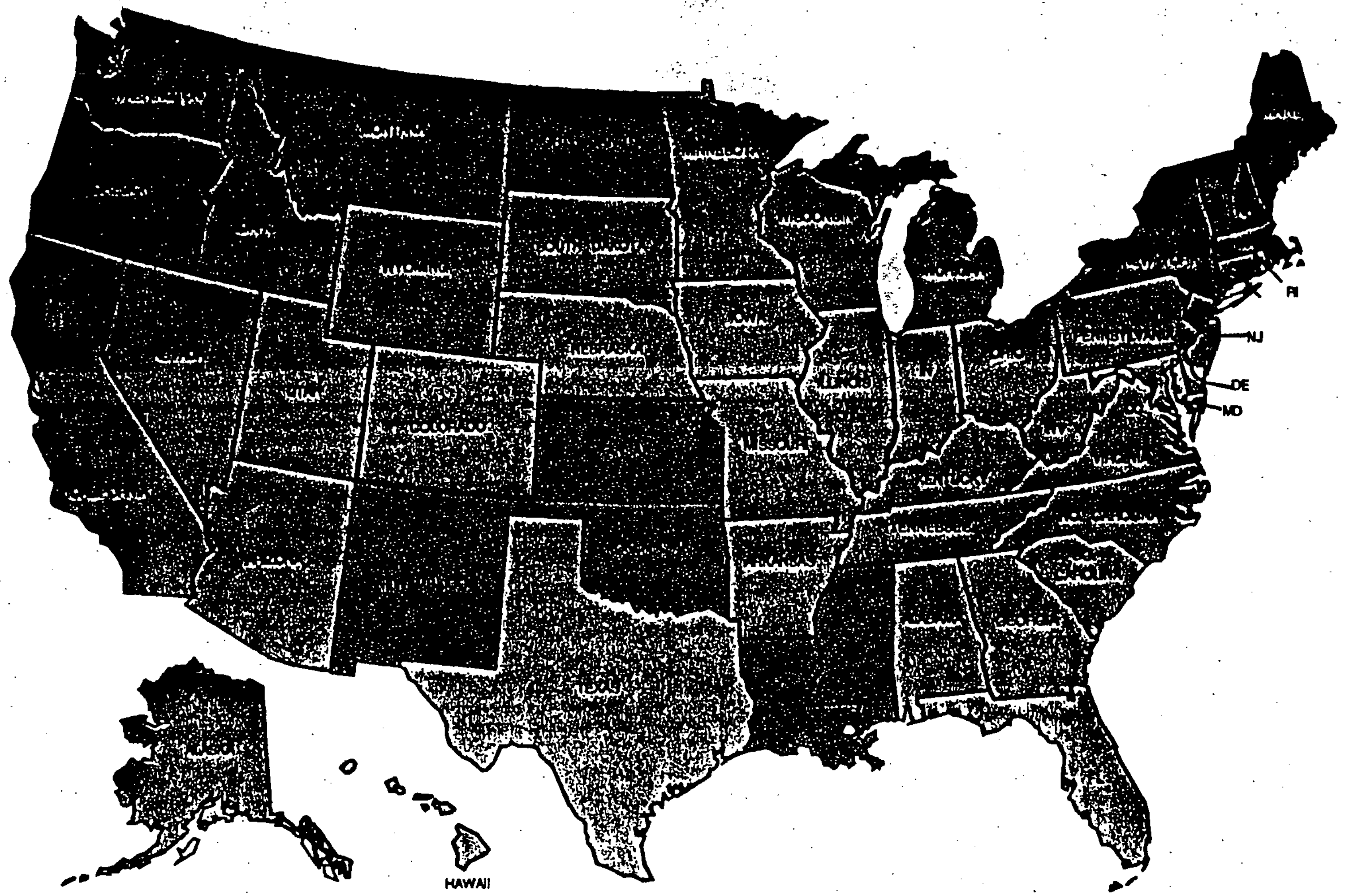
Chart 4: Increased Resource/Vehicle Limit



Increased resource and/or vehicle limit

As under former AFDC program

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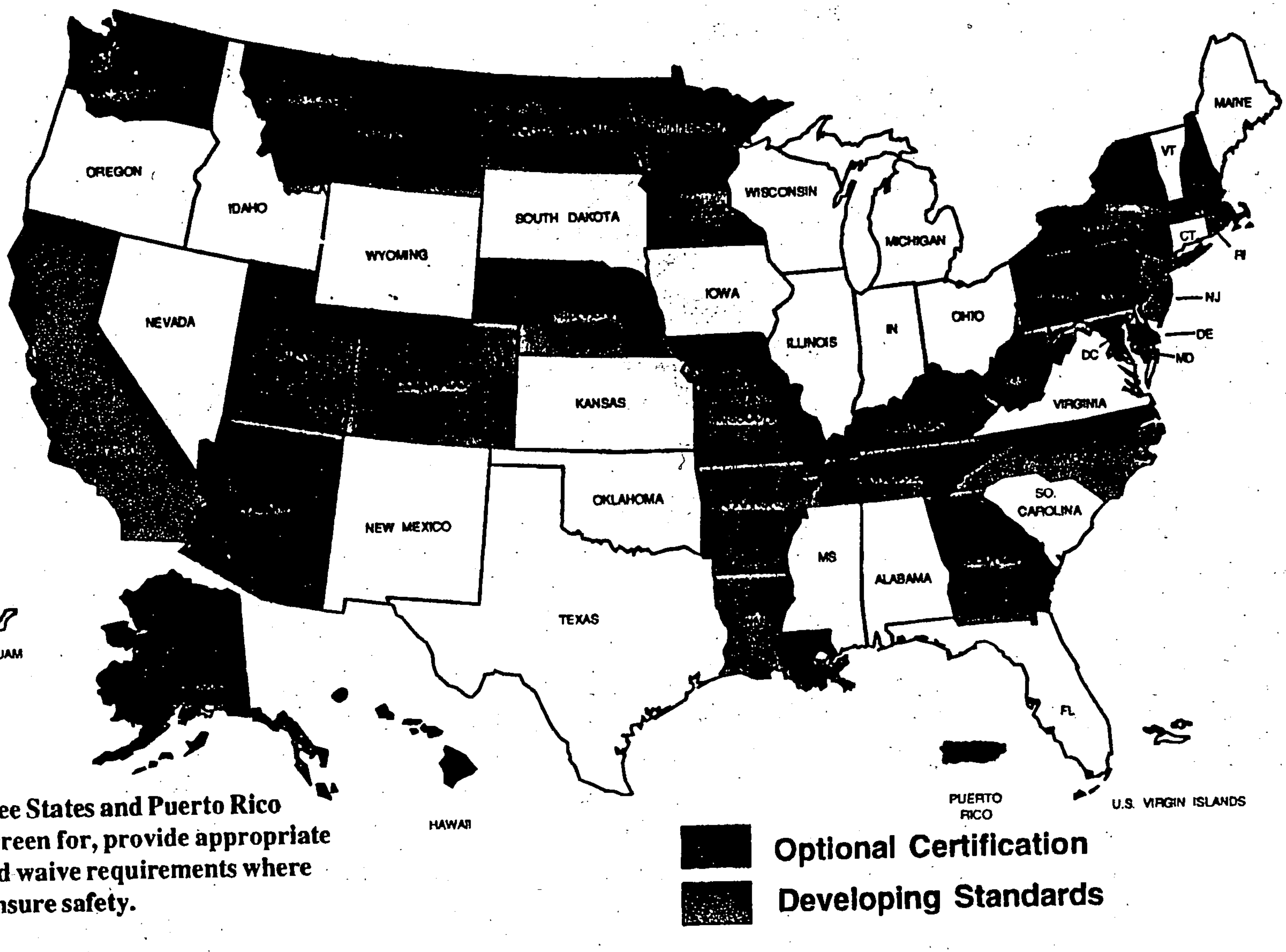
Chart 5: States Selecting Family Violence Option



Twenty-three States and Puerto Rico elected to screen for, provide appropriate services, and waive requirements where needed to ensure safety.

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Chart 6: Age of Youngest Child Exemption from Work Requirement

12 months old

Younger than 12 months old

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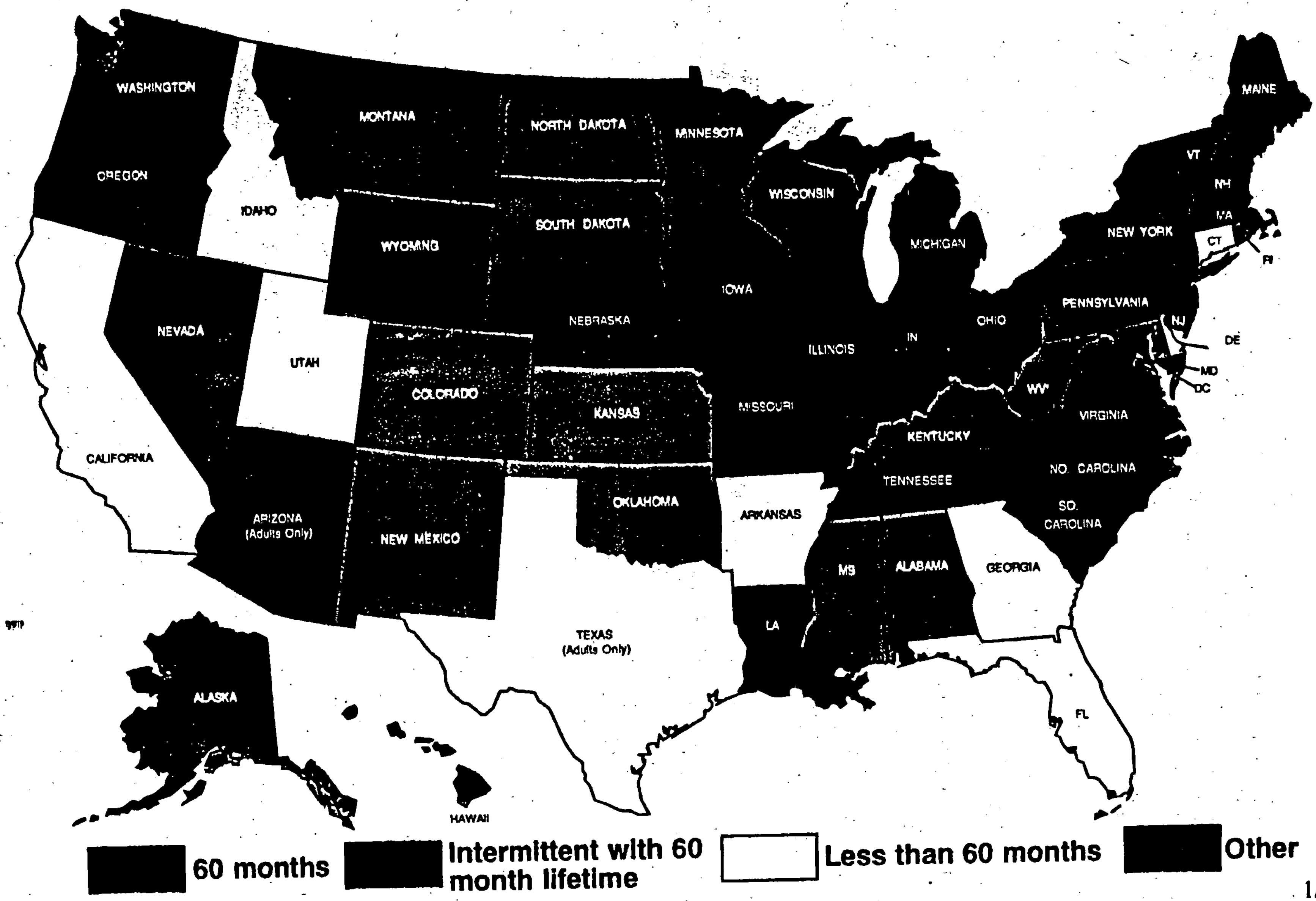
Chart 7: Time Limit Choices



1/23/98

February xx, 1998

MEMORANDUM FOR HILLARY RODHAM CLINTON
MELANNE VERVEER

FROM: JENNIFER KLEIN
NICOLE RABNER
NEERA TANDEN

Subject: Domestic Policy Planning

The purpose of this memorandum is serve as a basis for our discussion on Friday on domestic policy planning and strategy for the coming months. The memorandum first explores the theme of "what works" as a possible area for sustained focus, and then divides into sections based on issue areas: (1) child care and early childhood development; (2) child welfare and adoption; (3) children's health; women's health?

Umbrella Issue: "What Works"

We have given some thought to the idea of focusing on the theme "what works" as an organizing tool for our efforts and, possibly launching a project or a dialogue on this subject. As you know well, there is no issue on which we work, unfortunately, that does not fail the test of taking promising efforts to scale.

It is clear that any effort in this area must be about dialogue -- dialogue among a range of perspectives and experiences in programs that support children and families in communities nation-wide.

We propose that you convene a "prayer-breakfast" style discussion at the White House with a diverse group -- to engage in a serious discussion on this subject and, possibly, to signal your intention to seize this issue (building on your travels and writings over the years), in a formal or informal way. To develop this idea further and to plan for this White House convening, we would call a series of small meetings (in which you could have the option of participating or dropping by). These meetings would pull together leaders of issues affecting children from a range of perspectives -- academic, advocacy, government, foundation, community-based, grassroots, etc. -- to discuss (1) why it is that we do not effectively learn from and replicate proven models, and (2) how we can do better. From these discussions we could develop the agenda and strategy for the larger convening.

Child Care, Early Childhood Development, and School-Age Care

Child Care legislation

I. Continuing to be a voice for various pieces of our proposal

II. Meeting with members of congress -- Cong. Women's Caucus, child care leaders

III. After-school push

Early Childhood Development

I. Prescription for Reading

II. Conference report

School-Age Care

I.

III. Adoption/Child Welfare

As you know, there is a continued need for your leadership on child welfare and adoption issues. Our first

In short, options for your involvement include:

1. Internal meeting/briefing with HHS
2. Judicial meeting
3. Foundation meeting
4. D.C. meeting
5.

IV. Children's Health

See other memo ...

4184-01

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Administration for Children and Families

45 CFR Parts 98 and 99

Pls copy + take over to Neera Tanden (sits across from Laura)

RIN 0970-AB74

Child Care and Development Fund

AGENCY: Administration for Children and Families (ACF), HHS

ACTION: Notice of Proposed Rulemaking

SUMMARY: The Administration for Children and Families (ACF) proposes to amend the Child Care and Development Block Grant (CCDBG) regulations at 45 CFR Part 98. In large part, the proposed amendments respond to the amendments made to the CCDBG Act and the Social Security Act by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 (Pub. L. 104-193). This proposed rule additionally includes certain selected amendments and preamble clarifications originally proposed for the CCDBG regulations on May 11, 1994 (59 FR 24510-24527)

proposed for the CCDBG regulations on May 11, 1994 (59 FR 24510-24527) but never issued as a final rule due to the welfare reform initiative that resulted in PRWORA.

DATES: Interested persons and agencies are invited to submit written comments concerning these proposed regulations no later than September 22, 1997.

Not sure how close they are to publishing final regs.

ADDRESS: An electronic version of this proposed rule can be found at http://www.acf.dhhs.gov/programs/ccb/policy/nprm.htm for your review. Comments on the regulation can be submitted electronically following the directions at the site, and will be posted according to the those directions. Comments received from State Lead Agencies for child care will also be posted on the web site as a service to the public, regardless of the method of submission. Printed copies of the electronic comments will be added to the file of written comments and be available for public review during the hours described below.

Comments may also be mailed (facsimile transmissions will not be accepted) to the Assistant Secretary for Children and Families, Attention: Child Care Bureau, Hubert Humphrey Building, Room 320F, 200 Independence Avenue, SW, Washington, DC 20201 or delivered to that address between 8 a.m. and 4:30 p.m on regular business days. Comments received may be inspected during the same hours by making arrangements with the contact person shown below.

FOR FURTHER INFORMATION CONTACT: Barbara Binker, Director, Policy Division, Child Care Bureau, Hubert Humphrey Building, Room 320F, 200 Independence Avenue, SW, Washington, DC 20201, telephone (202)401-5145. Deaf and hearing-impaired individuals may call the Federal Dual Party Relay Service at 1-800-877-8339 between 8 a.m. and 7 p.m. Eastern time.

SUPPLEMENTARY INFORMATION:

Sliding Fee Scales (Section 98.42)

We have simplified §98.42 of the regulations by removing separate references to services under §§98.50 and 98.51.

For a further discussion of copayments, see §98.43.

Preamble

Equal Access (Section 98.43)

We have changed the title of this section to "Equal Access," from "Payment Rates," because the amended CCDBG Act now focuses on equal access for families receiving subsidies to child care services. Under the amendments, Lead Agencies are required to certify that payment rates are sufficient to provide access to child care services for eligible families that are comparable to those provided to ineligible families. The amended section 658E(c)(4)(A) also requires the Lead Agency to provide a summary of the facts relied on to determine that its payment rates are sufficient to ensure equal access.

The proposed regulation at §98.43(b) requires a Lead Agency to show that it considered the following three key elements in determining that its child care program provides equal access for eligible families to child care services: 1. Choice of the full range of categories and types of providers, e.g., the categories of center-based, group, family, in-home care, and types of providers such as for-profit and non-profit providers, sectarian providers, and relative providers as already required by §98.30.

2. Adequate payment rates, based on a local market survey conducted no earlier than two years prior to the effective date of the current Plan; and

3. Affordable copayments.

These elements must be addressed in the summary of facts submitted in a Lead Agency's biennial Plan, pursuant to §98.16(l).

1. Full Range of Providers

1. Full Range of Providers

All working parents, regardless of income, need a full range of categories and types of providers from which they may choose their child care services, because their child care needs vary considerably according to the child's age and special needs, the parents' work schedule, provider proximity, cultural values and expectations. Therefore, we believe that the statutory requirement of equal access means that low-income working parents receiving CCDF-subsidized care must have a full range of the categories and types of providers from which to choose care that they believe best meets their needs and those of their children. The parental choice requirements at §98.30 already require that parents who receive certificates be afforded such variety.

2. Adequate Payment Rates

The statute at section 658E(c)(4)(A) eliminated the requirement that, in establishing payment rates, the Lead Agency take into account variations in the cost of providing care in different categories of care, to different age groups, and to children with special needs. We have amended §98.43 to conform with the statute. However, while eliminating the requirement for different payment rates for different categories of care, Congress added a requirement that Lead Agencies provide "a summary of the facts relied on by the State to determine that such rates are sufficient to ensure such [equal] access."

The statute suggests that if families receiving child care subsidies under the CCDF are to have equal access to child care, the payment rates established by a Lead Agency should be comparable to those paid by families who are not eligible for subsidies. In other words, the payment rates should reflect the child care market. Although the statute has changed, the reality remains that the market reflects differences along several dimensions, and we do not believe that Congress expected Lead Agencies to establish a single payment rate for all types of child care.

Child care is often the major factor in whether families are able to work -- and access to a variety of child care arrangements is necessary both to support today's increasingly diverse workforce and workplace demands, and to ensure that the healthy development of children is not compromised. The focus of that the healthy development of children is not compromised. The focus of PRWORA on work further highlights the need for CCDF Lead Agencies, which now are required by statute to administer the new Mandatory and Matching Funds, to establish payment rates that support work as well as enable the developmental needs of children to be met.

The major variable in the cost of child care is the age of the child, especially the added expense of caring for infants and very young children. Under PRWORA, many more families with infants and pre-school-aged children will be required to participate in work activities for longer hours per week. Payments that do not reflect the expense of caring for very young children will frustrate the ability of families to work. In providing the exception to the individual penalties under TANF for single custodial parents with a child under age six who cannot obtain needed child care, Congress recognized the special difficulties of locating care for young children. We have proposed a consumer education provision at §98.33 that recognizes the relationship between the TANF provision and the responsibilities of the CCDF Lead Agency. Consequently, we also expect Lead Agencies to ensure that their payment rates reflect the market rate variations in the cost of providing child care to different age groups as well as the additional costs of providing care to children with special needs. We anticipate that market rate surveys will also show variations in rates among categories of care, and we expect any significant variations to be reflected in the Lead Agency's payments.

A system of child care payments that does not reflect the demands of the market makes it economically infeasible for many providers to serve low-income children. This undermines the statutory and regulatory requirements of equal access and parental choice. Experience with the now-repealed title IV-A child care programs and the CCDBG suggests that providers limited their enrollment of children with subsidies because the subsidy payments were too low. Similarly, failing to compensate providers timely or not reimbursing them for days when children are absent also causes providers to refuse care to children with subsidies.

At §98.43(c) we have added a provision prohibiting different payment rates based on a family's eligibility status or circumstances. This provision means that the Lead Agency may not establish payments for TANF families that differ from the payments for the families of the working poor, or for families in education or training, for example. We believe that multiple payment rates based on an eligibility status precludes the statutorily-required equal access to child care for families receiving CCDF subsidies. Additionally, such multiple payment rates would frustrate one of the main intents in amending the Act -- to have a unified child care system with only a single set of rules. This purpose would be undercut if different payment rates based on eligibility criterion were permitted.

With the exception of payments for children with special needs, who sometimes require services on a highly individualized basis, we believe that a survey of market rates is the only methodologically sound way for Lead Agencies to gather the facts necessary to establish payments that are realistic and thus provide the required equal access for low income families. Implementation of this provision should not be a burden to States, which were required to conduct local market surveys in implementing the now-repealed title IV-A child care programs. We also know from comparing State plans for the two programs, that the great majority of States used the IV-A payment rates for subsidies provided under the Child Care and Development Block Grant. Thus, States have had a number of years' experience with the survey process. States retain the flexibility to design such surveys; we have not proposed a survey methodology.

We propose that Lead Agencies conduct such a survey biennially to ensure that their payments reflect reasonably current market conditions. We have amended the regulations at §§98.43(b)(2) and 98.16(l) to include this proposed requirement. Lead Agencies must provide evidence in the biennial Plan to show that a local market rate survey was conducted no earlier than two years prior to the effective date of the currently approved Plan, together with an explanation of how the survey was conducted.

We have not established specific requirements for the payments established by Lead Agencies. Lead Agencies have the flexibility to establish payments, based on a biennial survey, which provide CCDF-subsidized families with equal access to the full range of care in their areas. We would consider parents to have equal access, however, if payments are established at least at the 75th percentile of the rate in the child care market. States and families have both recognized that the 75th percentile, which we required in the now-repealed title IV-A child care programs, generally provided families receiving subsidies with a range of care that was adequate to support their work schedules and the needs of their children.

Since the requirement to conduct a market survey biennially is intended to ensure that payments reflect reasonably current market conditions, lengthy delays between the survey and basing the payments on that survey would undermine the intent of the requirement. Therefore, we propose that a Lead Agency conduct its survey no earlier than two years prior to the effective date of the currently approved Plan; and payments derived from that survey must be in place no later than the beginning of the second year of the Plan for which the survey was conducted. The survey will be the basis for payments for only two years.

We propose to revise §§98.43 and 98.16 to remove the ten percent limit on payment differences within a category of care. We also propose to remove the reference to limits on payment differences in §98.16. This revision recognizes the change in focus of the statute to a factual basis for the establishment of payments and the elimination of the requirement to establish payment rates by category of care. It will also provide Lead Agencies the flexibility to recognize and compensate higher quality child care facilities and providers, including those that have obtained nationally recognized accreditation or special credentials. This will also give the Lead Agency the flexibility to address possible shortages of certain types of care -- for example, care during non-traditional hours or on weekends -- when the survey results for this care are incomplete, not obtainable, or contradict the agency's experience in providing such care.

3. Affordable Copayments

The third essential element of equal access is that any copayment or fee paid by the parent is affordable for the family and sliding fee scales should not be designed in a way that limits parental choice. We wish to emphasize that Lead Agencies have flexibility in establishing their sliding fee scales. However, in our view, copayment scales that require a low-income family to pay no more than ten percent of its income for child care, no matter how many children are in care, will help ensure equal access.

Recent reports by the Census Bureau indicate that families with income below the poverty level pay a disproportionate share of their income -- 18 percent -- for child care; whereas families above the poverty level pay only seven percent of their income for child care. The size of the fee paid by a low-income working parent can be crucial in determining whether she and her family become, and remain, self-sufficient. When devising the fee scale Lead Agencies should try to ensure that small wage increases do not trigger large increases in copayments, lest continuation on the path to self-sufficiency be jeopardized for any family. The size of a fee increase is an especially important consideration because recent changes in the Food Stamp, housing assistance, Medicaid, SSI, and the Earned Income Credit programs may also affect the resources now available to a low-income working family.

Sliding fee scales must continue to be based on family size and income, as currently required at §98.42(b). While Lead Agencies have flexibility to take additional elements into consideration when designing their fee scales, basing fees on the cost or category of care could violate the statutory requirements of equal access and parental choice. Similarly, multiple fee scales based on factors such as a family's eligibility status would be precluded.

List of Providers (Section 98.45)

We have renamed this section "List of Providers" because the amendments to section 658(E)(c)(2)(E) of the Act eliminated the language on the registration of unlicensed or unregulated providers. We have also deleted the requirement at §98.16 to describe the registration process in the biennial Plan.

At §98.45, however, we propose to require any Lead Agency not having a registration process to maintain a list of the names and addresses of all unregulated providers. It is essential that Lead Agencies have some simple, standardized system to record the names and addresses of unlicensed providers in order to pay them and to provide them with pertinent information about health and safety regulations and training.

The regulations would no longer specifically require Lead Agencies to have a registration process for providers not licensed or regulated under State or local law before paying them for child care services. However, Lead Agencies should note that they may continue such a system, and we strongly encourage them to do so.

Subpart F--Use of Block Grant Funds

Child Care Services (Section 98.50)

The 70 Percent Requirement

(d) Each Lead Agency shall certify that procedures are in effect to ensure that child care providers of services for which assistance is provided under this part, within the area served by the Lead Agency, comply with all applicable State, local, or tribal health and safety requirements described in paragraph (a) of this section.

(e) For the purposes of this section, the term "child care providers" does not include grandparents, great grandparents, siblings (if such providers live in a separate residence), aunts, or uncles, pursuant to §98.2.

§98.42 Sliding fee scales.

(a) Lead Agencies shall establish, and periodically revise, by rule, a sliding fee scale(s) that provides for cost sharing by families that receive CCDF child care services.

(b) A sliding fee scale(s) shall be based on income and the size of the family and may be based on other factors as appropriate.

(c) Lead Agencies may waive contributions from families whose incomes are at or below the poverty level for a family of the same size.

§98.43 Equal access. Actual Regulation

(a) The Lead Agency shall certify that the payment rates for the provision of child care services under this part are sufficient to ensure equal access, for eligible families in the area served by the Lead Agency, to child care services comparable to those provided to families not eligible to receive CCDF assistance or child care assistance under any other Federal, State, or tribal programs.

(b) The Lead Agency shall provide a summary of the facts relied on to determine that its payment rates ensure equal access. At a minimum, the summary shall include those facts that show:

(1) How a choice of the full range of providers, e.g., center, group, family, and in-home care, is made available;

(2) How payment rates are adequate based on a local market rate survey conducted no earlier than two years prior to the effective date of the currently approved Plan;

(3) How copayments based on a sliding fee scale are affordable, as stipulated at §98.42.

(c) A Lead Agency may not establish different payment rates based on a family's eligibility status or circumstances.

(d) Payment rates under paragraph (a) of this section shall be consistent with the parental choice requirements in §98.30.

(e) Nothing in this section shall be construed to create a private right of action.

§98.44 Priority for child care services.

Lead Agencies shall give priority for services provided under §98.50(a) to:

(a) Children of families with very low family income (considering family size); and

(b) Children with special needs.

§98.45 List of Providers.

If a Lead Agency does not have a registration process for child care providers who are unlicensed or unregulated under State, local, or tribal law, it is required to maintain a list of the names and addresses of unlicensed or unregulated providers of child care services for which assistance is provided under this part.

Fax to Neera Tanden DPC

DEPARTMENT OF HEALTH & HUMAN SERVICES-USA

ADMINISTRATION FOR CHILDREN AND FAMILIES

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REMARKS:

(1) Social Security Act Compilation – Pre-PRWORA
See section 402(g)(1)(C), which gives HHS the authority to regulate on local market rates under the old IV-A Child Care program.

(2) CCDBG compilation (Sec. 658E(c)(4)(A))

they may be eligible; and

(45) provide (in accordance with regulations issued by the Secretary) for appropriate measures to detect fraudulent applications for aid to families with dependent children prior to the establishment of eligibility for such aid.

The Secretary may waive any of the requirements imposed under or in connection with paragraphs (13) and (14) of this subsection to the extent necessary to make such requirements compatible with the corresponding reporting and budgeting requirements by the Food Stamp Act of 1977[21].

(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes as a condition of eligibility for aid to families with dependent children, a residence requirement which denies aid with respect to any child residing in the State (1) who has resided in the State for one year immediately preceding the application for such aid, or (2) who was born within one year immediately preceding the application, if the parent or other relative with whom the child is living has resided in the State for one year immediately preceding the birth.

(c) The Secretary shall, on the basis of his review of the reports received from the States under paragraph (15) of subsection (a), compile such data as he believes necessary and from time to time publish his findings as to the effectiveness of the programs developed and administered by the States under such paragraph. The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the programs developed and administered by each State under such paragraph (15).

[(d) Repealed.[22]]

(e)(1) The Secretary shall not approve the initial and annually updated advance automated data processing planning document, referred to in subsection (a)(30), unless he finds that such document, when implemented, will generally carry out the objectives of the statewide management system referred to in such subsection, and such document—

(A) provides for the conduct of, and reflects the results of, requirements analysis studies, which include consideration of the program mission, functions, organization, services, constraints, and current support, of, in, or relating to, such system,

(B) contains a description of the proposed statewide management system, including a description of information flows, input data, and output reports and uses,

(C) sets forth the security and interface requirements to be employed in such statewide management system,

(D) describes the projected resource requirements for staff and other needs, and the resources available or expected to be available to meet such requirements,

(E) includes cost-benefit analyses of each alternative management system, data processing services and equipment, and a cost allocation plan containing the basis for rates, both direct and indirect, to be in effect under such statewide management system,

[21] P.L. 88-525.

[22] P.L. 100-485, §402(c)(2)(A); 102 Stat. 2397.

(F) contains an implementation plan with charts of development events, testing descriptions, proposed acceptance criteria, and backup and fallback procedures to handle possible failure of contingencies, and

(G) contains a summary of proposed improvement of such statewide management system in terms of qualitative and quantitative benefits.

(2)(A) The Secretary shall, on a continuing basis, review, assess, and inspect the planning, design, and operation of, statewide management information systems referred to in section 403(a)(3)(B), with a view to determining whether, and to what extent, such systems meet and continue to meet requirements imposed under such section and the conditions specified under subsection (a)(30) of this section.

(B) If the Secretary finds with respect to any statewide management information system referred to in section 403(a)(3)(B) that there is a failure substantially to comply with criteria, requirements, and other undertakings, prescribed by the advance automated data processing planning document theretofore approved by the Secretary with respect to such system, then the Secretary shall suspend his approval of such document until there is no longer any such failure of such system to comply with such criteria, requirements, and other undertakings so prescribed.

(C) If the Secretary determines that such a system has not been implemented by the State by the date specified for implementation in the State's advance automated data processing planning document, then the Secretary shall reduce payments to such State, in accordance with section 403(b), in an amount equal to 40 percent of the expenditures referred to in section 403(a)(3)(B) with respect to which payments were made to the State under section 403(a)(3)(B). The Secretary may extend the deadline for implementation if the State demonstrates to the satisfaction of the Secretary that the State cannot implement such system by the date specified in such planning document due to circumstances beyond the State's control.

(f)(1) For temporary disqualification of certain newly legalized aliens from receiving aid to families with dependent children, see subsection (h) of section 245A of the Immigration and Nationality Act[23], subsection (f) of section 210 of such Act, and subsection (d)(7) of section 210A of such Act.

(2) In any case where an alien disqualified from receiving aid under such subsection (h), (f), or (d)(7) is the parent of a child who is not so disqualified and who (without any adjustment of status under such section 245A, 210, or 210A) is considered a dependent child under subsection (a)(33), or is the brother or sister of such a child, subsection (a)(38) shall not apply, and the needs of such alien shall not be taken into account in making the determination under subsection (a)(7) with respect to such child, but the income of such alien (if he or she is the parent of such child) shall be included in making such determination to the same extent that income of a stepparent is included under subsection (a)(31).

(g)(1)(A)(i) Each State agency must guarantee child care in accordance with subparagraph (B)—

[23] See Vol. II, P.L. 82-414, P.L. 103-416, §219(ee)(1), repealed §210A of P.L. 82-414.

(I) for each family with a dependent child requiring such care, to the extent that such care is determined by the State agency to be necessary for an individual in the family to accept employment or remain employed; and

(II) for each individual participating in an education and training activity (including participation in a program that meets the requirements of subsection (a)(19) and part F) if the State agency approves the activity and determines that the individual is satisfactorily participating in the activity.

(ii) Each State agency must guarantee child care, subject to the limitations described in this section, to the extent that such care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive aid to families with dependent children as a result of increased hours of, or increased income from, such employment or by reason of subsection (a)(8)(B)(ii)(II).

(iii) A family shall only be eligible for child care provided under clause (ii) for a period of 12 months after the last month for which the family received aid to families with dependent children under this part.

(iv) A family shall not be eligible for child care provided under clause (ii) unless the family received aid to families with dependent children in at least 3 of the 6 months immediately preceding the month in which the family became ineligible for such aid.

(v) A family shall not be eligible for child care provided under clause (ii) unless the family includes a child who is (or, if needy, would be) a dependent child.

(vi) A family shall not be eligible for child care provided under clause (ii) for any month beginning after the caretaker relative who is a member of the family has—

(I) without good cause, terminated his or her employment; or

(II) refused to cooperate with the State in establishing and enforcing his or her child support obligations, without good cause as determined by the State agency in accordance with standards prescribed by the Secretary which shall take into consideration the best interests of the child for whom child care is to be provided.[24]

(vii) A family shall contribute to child care provided under clause (ii) in accordance with a sliding scale formula which shall be established by the State agency based on the family's ability to pay.

(B) The State agency may guarantee child care by—

(i) providing such care directly;

(ii) arranging the care through providers by use of purchase of service contracts, or vouchers;

(iii) providing cash or vouchers in advance to the caretaker relative in the family;

(iv) reimbursing the caretaker relative in the family; or

(v) adopting such other arrangements as the agency deems appropriate.

When the State agency arranges for child care, the agency shall take into account the individual needs of the child.

(C)(i) Subject to clause (ii), the State agency shall make payment for the cost of child care provided with respect to a family in an amount that is the lesser of—

[24]Margin as in original.

(I) the actual cost of such care; and

(II) the dollar amount of the child care disregard for which the family is otherwise eligible under subsection (a)(8)(A)(iii), or (if higher) an amount established by the State.

(ii) The State agency may not reimburse the cost of child care provided with respect to a family in an amount that is greater than the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary).

(D) The State may not make any change in its method of reimbursing child care costs which has the effect of disadvantaging families receiving aid under the State plan on the date of the enactment of this section[25], by reducing their income or otherwise.

(E) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for the care) under this paragraph—

(i) shall not be treated as income for purposes of any other Federal or federally-assisted program that bases eligibility for or the amount of benefits upon need, and

(ii) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986[26].

(2) In the case of any individual participating in the program under part F, each State agency (in addition to guaranteeing child care under paragraph (1)) shall provide payment or reimbursement for such transportation and other work-related expenses (including other work-related supportive services), as the State determines are necessary to enable such individual to participate in such program.

(3)(A)(i) In the case of amounts expended for child care pursuant to paragraph (1)(A) by any State to which section 1108 does not apply, the applicable rate for purposes of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1905(b)).

(ii) In the case of amounts expended for child care pursuant to paragraph (1)(A)(ii) (relating to the provision of child care for certain families which cease to receive aid under this part) by any State to which section 1108 applies, the applicable rate for purposes of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1118).

(B) In the case of any amounts expended by the State agency for child care under this subsection, only such amounts as are within such limits as the State may prescribe (subject to the limitations of paragraph (1)(C)) shall be treated as amounts for which payment may be made to a State under this part and they may be so treated only to the extent that—

(i) such amounts do not exceed the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary);

(ii) the child care involved meets applicable standards of State and local law; and

(iii) in the case of child care, the entity providing such care allows parental access.

[25]Probably should be "subsection". This subsection was enacted on October 13, 1988. [P.L. 100-485, 102 Stat. 2382]

[26]See Vol. II, P.L. 83-591.

(4) The State must establish procedures to ensure that center-based child care will be subject to State and local requirements designed to ensure basic health and safety, including fire safety, protections. The State must also endeavor to develop guidelines for family day care. The State must provide the Secretary with a description of such State and local requirements and guidelines.

(5) By October 1, 1992, the Secretary shall report to the Congress on the nature and content of State and local standards for health and safety.

(6)(A) The Secretary shall make grants to States to improve their child care licensing and registration requirements and procedures, to enforce standards with respect to child care provided to children under this part, and to provide for the training of child care providers.

(B) Subject to subparagraph (C), the Secretary shall make grants to each State under subparagraph (A) in proportion to the number of children in the State receiving aid under the State plan approved under subsection (a).

(C) The Secretary may not make grants to a State under subparagraph (A) unless the State provides matching funds in an amount that is not less than 10 percent of the amount of the grant.

(D) For grants under this paragraph, there is authorized to be appropriated to the Secretary $13,000,000 for each of the fiscal years 1990 and 1991, and $50,000,000 for each of fiscal years 1992, 1993, and 1994.

(E) Each State to which the Secretary makes a grant under this paragraph shall expend not less than 50 percent of the amount of the grant to provide for the training of child care providers.

(7) Activities under this subsection and subsection (i) shall be coordinated in each State with existing early childhood education programs in that State, including Head Start programs, preschool programs funded under title I of the Elementary and Secondary Education Act of 1965[27], and school and nonprofit child care programs (including community-based organizations receiving funds designated for preschool programs for handicapped children).

(h)(1) Each State shall reevaluate the need standard and payment standard under its plan at least once every 3 years, in accordance with a schedule established by the Secretary, and report the results of the reevaluation to the Secretary and the public at such time and in such form and manner as the Secretary may require.

(2) The report required by paragraph (1) shall include a statement of—

(A) the manner in which the need standard of the State is determined,

(B) the relationship between the need standard and the payment standard (expressed as a percentage or in any other manner determined by the Secretary to be appropriate), and

(C) any changes in the need standard or the payment standard in the preceding 3-year period.

(3) The Secretary shall report promptly to the Congress the results of the reevaluations required by paragraph (1).

[27]P.L. 103-382, §394(t), struck out "chapter 1 of the Education Consolidation and Improvement Act of 1981" and substituted "title I of the Elementary and Secondary Education Act of 1965", effective October 20, 1994.
See Vol. II, P.L. 89-10, Title I.

(i)(1) Each State agency may, to the extent that it determines that resources are available, provide child care in accordance with paragraph (2) to any low income family that the State determines—

(A) is not receiving aid under the State plan approved under this part;

(B) needs such care in order to work; and

(C) would be at risk of becoming eligible for aid under the State plan approved under this part if such care were not provided.

(2) The State agency may provide child care pursuant to paragraph (1) by—

(A) providing such care directly;

(B) arranging such care through providers by use of purchase of service contracts or vouchers;

(C) providing cash or vouchers in advance to the family;

(D) reimbursing the family; or

(E) adopting such other arrangements as the agency deems appropriate.

(3)(A) A family provided with child care under paragraph (1) shall contribute to such care in accordance with a sliding scale formula established by the State agency based on the family's ability to pay.

(B) The State agency shall make payment for the cost of child care provided under paragraph (1) with respect to a family in an amount that is the lesser of—

(i) the actual cost of such care; and

(ii) the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary).

(4) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for the care) under this subsection—

(A) shall not be treated as income or as a deductible expense for purposes of any other Federal or federally assisted program that bases eligibility for or amount of benefits upon need; and

(B) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986[28].

(5) Amounts expended by the State agency for child care under paragraph (1) shall be treated as amounts for which payment may be made to a State under section 403(n) only to the extent that—

(A) such amounts are paid in accordance with paragraph (3)(B);

(B) the care involved meets applicable standards of State and local law;

(C) the provider of the care—

(i) in the case of a provider who is not an individual that provides such care solely to members of the family of the individual, is licensed, regulated, or registered by the State or locality in which the care is provided; and

(ii) allows parental access; and

(D) such amounts are not used to supplant any other Federal or State funds used for child care services.

(6)(A)(i) Each State shall prepare reports annually, beginning with fiscal year 1993, on the activities of the State carried out with funds made available under section 403(n).

[28]See Vol. II, P.L. 83-591.

(ii) The State shall make available for public inspection within the State copies of each report required by this paragraph, shall transmit a copy of each such report to the Secretary, and shall provide a copy of each such report, on request, to any interested public agency.

(iii) The Secretary shall annually compile, and submit to the Congress, the State reports transmitted to the Secretary pursuant to clause (ii).

(B) Each report prepared and transmitted by a State under subparagraph (A) shall set forth with respect to child care services provided under this subsection—

(i) showing separately for center-based child care services, group home child care services, family child care services, and relative care services, the number of children who received such services and the average cost of such services;

(ii) the criteria applied in determining eligibility or priority for receiving services, and sliding fee schedules;

(iii) the child care licensing and regulatory (including registration) requirements in effect in the State with respect to each type of service specified in clause (i); and

(iv) the enforcement policies and practices in effect in the State which apply to licensed and regulated child care providers (including providers required to register).

(C) Within 12 months after the date of the enactment of this subsection, the Secretary shall establish uniform reporting requirements for use by the States in preparing the information required by this paragraph, and make such other provision as may be necessary or appropriate to ensure that compliance with this subsection will not be unduly burdensome on the States.

(D) Not later than July 1, 1992, the Secretary shall issue a report on the implementation of this subsection, based on such information as as has[29] been made available to the Secretary by the States.

PAYMENT TO STATES[30]

SEC. 403. [42 U.S.C. 603] (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid and services to needy families with children, for each quarter, beginning with the quarter commencing October 1, 1958—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, Guam, and American Samoa, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as aid to families with dependent children under the State plan—

(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $18 multiplied by the total number of recipients of aid to families with dependent children for such month (which total number, for purposes of this subsection, means (i) the number of individuals with respect to whom such aid in the form of money payments is paid for such month, plus

[29] As in original. Probably should be "information as has".

[30] See Vol. II, P.L. 73-30, §§1-15, with respect to the United States Employment Service.

See Vol. II, P.L. 94-566, §508(b), with respect to provision for reimbursement of expenses of State employment offices.

(ii) the number of individuals, not counted under clause (i), with respect to whom payments described in section 406(b)(2) are made in such month and included as expenditures for purposes of this paragraph or paragraph (2)); plus

(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds (i) the product of $32 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such month, plus (ii) the product of $100 multiplied by the total number of recipients of aid to families with dependent children in the form of foster care for such month; and

(2) in the case of Puerto Rico, the Virgin Islands, Guam, and American Samoa, an amount equal to one-half of the total of the sums expended during such quarter as aid to families with dependent children under the State plan, not counting so much of any expenditure with respect to any month as exceeds $18 multiplied by the total number of recipients of such aid for such month; and[31]

(3) in the case of any State, 50 percent of the total amounts expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan, except that no payment shall be made with respect to amounts expended in connection with the provision of any service described in section 2002(a) other than services furnished pursuant to section 402(g); and[32]

[(4) Repealed.[33]]

(5) in the case of any State, an amount equal to 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with children.

No payment shall be made under this subsection with respect to amounts paid to supplement or otherwise increase the amount of aid to families with dependent children found payable in accordance with section 402(a)(13) if such amount is determined to have been paid by the State in recognition of the current or anticipated needs of a family (other than with respect to the first or first and second months of eligibility), but any such amount, if determined to have been paid by the State in recognition of the difference between the current or anticipated needs of a family for a month based upon actual income or other relevant circumstances for such month, and the needs of such family for such month based upon income and other relevant circumstances as retrospectively determined under section 402(a)(13)(A)(ii), shall not be considered income within the meaning of section 402(a)(13) for the purpose of determining the amount of aid in the succeeding months.[34]

[31] See §§1108 and 1118 of Social Security Act.

[32] P.L. 103-66, §13741(a), amended paragraph (3) in its entirety, effective with respect to calendar quarters beginning on or after April 1, 1994, except as provided in §13741(c)(2). For P.L. 103-66, §13741(c)(2), see Vol. II. For paragraph (3) as it formerly read, see Vol. III, P.L. 103-66.

[33] P.L. 90-248, §201(e)(3); 81 Stat. 880.

[34] See Vol. II, P.L. 81-474, §9, with respect to additional payments with respect to Navajo and Hopi Indians; P.L. 93-288, §312(d), with respect to exclusion from income and resources of certain Federal major disaster and emergency assistance; P.L. 94-566, §508(b), with respect to expenses of State employment offices; P.L. 100-139, §4(h)(6), with respect to exclusion of benefits as basis for State employment offices.

CCDBG Compilation Sec. 658E(c)(4)(A)
as amended by PRWORA

the quality or availability of such services, and any other activity that the State deems appropriate to realize any of the goals specified in paragraphs (2) through (5) of section 658A(b), with priority being given for services provided to children of families with very low family incomes (taking into consideration family size) and to children with special needs~~; and~~.

~~(ii) activities designed to improve the availability and quality of child care.~~

~~(C) ACTIVITIES TO IMPROVE THE QUALITY OF CHILD CARE AND TO INCREASE THE AVAILABILITY OF EARLY CHILDHOOD DEVELOPMENT AND BEFORE- AND AFTER-SCHOOL CARE SERVICES. The State shall reserve 25 percent of the amounts provided to the State for each fiscal year under this subchapter to carry out activities designed to improve the quality of child care (as described in section 658G) and to provide before- and after-school and early childhood development services (as described in section 658H).~~

(C) LIMITATION ON ADMINISTRATIVE COSTS.--Not more than 5 percent of the aggregate amount of funds available to the State to carry out this subchapter by a State in each fiscal year may be expended for administrative costs incurred by such State to carry out all of its functions and duties under this subchapter. As used in the preceding sentence, the term "administrative costs" shall not include the costs of providing direct services.

(D) ASSISTANCE FOR CERTAIN FAMILIES.--A State shall ensure that a substantial portion of the amounts available (after the State has complied with the requirement of section 418(b)(2) of the Social Security Act with respect to each of the fiscal years 1997 through 2002) to the State to carry out activities under this subchapter in each fiscal year is used to provide assistance to low-income working families other than families described in paragraph (2)(H).

(4) PAYMENT RATES.--

(A) IN GENERAL.--The State plan shall ~~provide assurances~~ certify that payment rates for the provision of child care services for which assistance is provided under this subchapter are sufficient to ensure equal access for eligible children to comparable child care services in the State or substate area that are provided to children whose parents are not eligible to receive assistance under this subchapter or for child care assistance under any other Federal or State programs and shall provide a summary of the facts relied on by the State to determine that such rates are sufficient to ensure such access. ~~Such payment rates shall take into account the variations in the~~

~~costs of providing child care in different settings and to children of different age groups, and the additional costs of providing child care for children with special needs.~~

(B) CONSTRUCTION.--Nothing in this paragraph shall be construed to create a private right of action.

(5) SLIDING FEE SCALE.--The State plan shall provide that the State will establish and periodically revise, by rule, a sliding fee scale that provides for cost sharing by the families that receive child care services for which assistance is provided under this subchapter.

(d) APPROVAL OF APPLICATION.--The Secretary shall approve an application that satisfies the requirements of this section.

(42 U.S.C. 9858c)

SEC. 658F. LIMITATIONS ON STATE ALLOTMENTS.

(a) NO ENTITLEMENT TO CONTRACT OR GRANT.--Nothing in this subchapter shall be construed--

(1) to entitle any child care provider or recipient of a child care certificate to any contract, grant or benefit; or

(2) to limit the right of any State to impose additional limitations or conditions on contracts or grants funded under this subchapter.

(b) CONSTRUCTION OF FACILITIES.--

(1) IN GENERAL.--~~No~~Except as provided for in section 658O(c)(6), no funds made available under this subchapter shall be expended for the purchase or improvement of land, or for the purchase, construction, or permanent improvement (other than minor remodeling) of any building or facility.

(2) SECTARIAN AGENCY OR ORGANIZATION.--In the case of a sectarian agency or organization, no funds made available under this subchapter may be used for the purposes described in paragraph (1) except to the extent that renovation or repair is necessary to bring the facility of such agency or organization into compliance with health and safety requirements referred to in section 658E(c)(2)(F).

(42 U.S.C. 9858d)

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COVER + 2

REMARKS: As you requested, attached are a summary of comments on the CCDF NPRM and a summary of comments on equal access & the 75th percentile benchmark

SUMMARY OF COMMENTS – CCDF NPRM

We received approximately 160 letters and 40 comments via the Internet on the proposed rule. Two-thirds (33) of the Lead Agencies (or their parent agency) commented. We received comments from 26 separate national organizations and 11 religious organizations. In total, there were over 500 individual topic comments in the letters. Overall, the comments commended ACF for issuing the proposed regulations so quickly.

For each issue in which a regulatory change was proposed, the comments appeared to be divided along a child care advocacy or a child care program administration lines. APWA (and to a lesser extent NGA and NCSL), while recognizing the need for regulations in many areas, took a hard line against many of the proposals. Their position, which most of the States that commented individually echoed, was that ACF was unnecessarily prescriptive in many instances and that States should have additional flexibility. It should be noted that their strongest opposition was in areas where we suggested benchmarks (payment rates and copayments), which were mistakenly understood to be requirements. Nevertheless, the States were unanimous in their support of proposals to allow the use of private donated funds for claiming Matching Funds. They also reacted very favorably to the proposal on expanding the use of pre-Kindergarten expenditures to claim Matching funds. However, some States opposed the proposal requiring a market survey, but failed to offer any alternatives that would satisfy the legal requirements for equal access.

The advocacy community, led by CDF, supported our proposals, but called for additional and more stringent requirements on the States. For example, requiring that consumer education be conducted only by CCR&Rs, requiring multiple hearings on the State plan, and not allowing exemptions from the immunization requirement.

The religious groups commented exclusively on the topic of parental choice and certificates, opposing a clarification in the preamble that they thought was a diminution of the role of certificates. Their comments were mirrored by the letters from the Hill.

The largest number of comments, almost all in opposition, however, came in response to preamble discussion around independent audits. Forty-two State auditors or national auditor groups commented.

Regarding comments from the Hill, we received a lengthy letter from the Senate Committee on Labor and Human Resources. Their emphasis was on the preamble discussion which clarified the use of certificates. They stated that PRWORA "did not lessen the emphasis on parental choice...as the [preamble] could appear to indicate". They were especially concerned that "curtailing the availability of...certificates....will place states in a position of administering the funds in a manner contrary to the intent of the legislation". The Committee also objected to the proposed immunization requirement as appearing "to be a circumvention of clearly stated legislative policy". They maintained that in requiring states to use their own immunization schedules "HHS appears to be establishing a specific health and safety standard" which is "contrary to both congressional intent and the conference report language". They also found the proposal to allow states to exempt certain children from the immunization requirement "further substantiates that HHS is establishing a specific health and safety standard" contrary to congressional intent.

From the House we received a letter signed by 6 Representatives, including the chairs of the Committee on Ways and Means, and the Subcommittees on Human Resources, Education and the Workforce, Early Childhood, Youth and Families, and Oversight and Investigations. The House "strongly object[s] to any language that weakens the current emphasis on parental choice" and said that certain preamble discussion "should be dropped". The House members also wanted the provisions around consumer education strengthened. They suggested that the "rule discuss the mechanisms or procedures that the Lead Agency will use to ensure that...information about the full range of options available to parents" and parents' right to a voucher that can be used with sectarian providers.

Statutory Provision	Proposed Regulation	Comments Overview/Recommendations
Equal Access - 658E(c)(4)(A) - ♦ "Certify," instead of "assure." (new) ♦ Payment rates that provide CCDF-eligible families with equal access to the same range of care as ineligible families. (continued) ♦ Plan to contain a "summary of the facts" relied on in setting payment rates that ensure equal access. (new) ♦ Requirement for payment rates to vary by category of provider or age of child. **(deleted)**	♦ certification in Plan per statutory language ♦ summary of facts in Plan must address: --choice of full range of providers; --adequate payment rates based on a local market rate survey conducted within two years prior to the effective date of the current Plan; --affordable copayments. ♦ prohibition against establishing different payment rates based on a family's status, e.g. TANF family ♦ preamble discussion highlights key components of "equal access" and suggests benchmarks	APWA, NGA, NCSL and 12 states said that the market survey requirement exceeds the statute and objected to the 75th percentile benchmark. Some of the opposing commenters also noted that the method required stifles new, valid ways of determining rates. Objected to the 10% benchmark, took it as being a requirement in some cases. Many children's interest org. and child care provider groups supported the "equal access" proposed regs. and made a number of suggestions for strengthening, e.g.: require payment at 75th percentile, shorten time between survey and putting rates in place (one year instead of the max. 4 yrs. allowed in proposed rule), require annual survey, clarify that higher rates may be necessary and can be used when needed for special or scarce care, encourage higher compensation of higher quality providers, clarify whether States may allow providers to charge more than the established reimbursement rate, include in preamble a better discussion of the interaction between market rates and copayments in affording equal access. Some wanted certain clarifications on the 10%, e.g. that 10% may be too high for very poor families, that the 10% language does not conflict with the rule that allows States to exempt families below poverty from copayments.

Diana Fortuna 07/14/98 12:20:48 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP

cc: Laura Emmett/WHO/EOP, Julie A. Fernandes/OPD/EOP, Andrea Kane/OPD/EOP
Subject: FYI: Heads up will go to Erskine on two welfare/immigration items

FYI, OIRA is now clearing two documents for the Federal Register, and will send one of their heads-up notes to Erskine about them. They'll be published around Monday. They are:

1. Definition of federal public benefit: Elena, Rob Weiner, and I worked with HHS on this. It is HHS's binding guidance as to which of its programs are federal public benefits. Under the welfare law, illegal immigrants are not eligible for federal public benefits. The guidance clarifies that about 30 HHS programs are off-limits to illegals, most of which are very small. The big ones are adoption assistance/foster care, CSBG, LIHEAP, Medicare, Medicaid, SSBG, CHIP, and TANF. The two most noteworthy decisions are that community health centers are not federal public benefits (major good news for immigrant advocates, who argued that shutting off these centers to illegals would be dangerous to the public health and to citizen children; Lamar Smith may react); and that child care funds are federal public benefits (bad news for the child care community, which will now have to verify children's status, as below).

2. INS Verification Rule: This proposed rule is required by welfare reform. It tells providers of federal public benefits how to make sure that they are providing benefits only to those who are eligible for them -- i.e., how to screen out illegal immigrants. This will be seen as a tougher interpretation than Item 1, so the immigrant groups may be unhappy. (That's why we decided to release these together.) It requires providers to look at documents for everyone, including citizens, which providers will see as a major burden, but the law is pretty clear on this point. "Charitable organizations" are off the hook, though, as are programs like food stamps that have existing rules on how to verify.

I'll try to write a short, coherent item on these for the weekly. We are not looking for press on these, needless to say. I'll tell HHS and INS to do a good rollout with the Hill and the groups.

Memorandum

Date: May 29, 1998
To: Neera Tanden, DPC
Emil Parker, NEC
Anil Kakani, OMB
Maureen Walsh, OMB
Diana Fortuna, DPC
Michael O'Mary, OFL
From: Andrea Kane

Paper on 5/27 WTW Event. I'll also forward electronic versions of those things we generated.

Welfare to Work Partnership Anniversary Event
May 27, 1998
The White House

Index of Event Related Documents

1. ***Remarks made by the President on May 27, 1998 in the East Room***
2. ***Transcript of the press briefing on May 27, 1998***
   Donna Shalala, Eli Segal, and Elena Kagan
3. ***Press Paper***
4. ***Welfare reform Q & As***
5. ***Clinton-Gore accomplishments on welfare reform***
6. ***The U.S. Department of Labor Welfare-to-Work competitive grantees***
   Lists the 49 recipients of the DOL's welfare-to-work competitive grants
7. ***The U.S. Department of Labor Welfare to Work competitive grants***
   Highlights seven innovative competitive grants
8. ***Welfare caseload data***
   *August 1996- March 1998
   *January 1993-March 1998
   *Percent of U.S. population on welfare, 1960s-March 1998
9. ***Welfare to work success stories and business profiles***
10. ***Wirthlin survey of Welfare to Work Partnership businesses***
    Describes Partner businesses' experiences in hiring former welfare recipients as well as details their perceptions of welfare to work participants
11. ***The Welfare to Work Partnership business partner profile***
12. ***The Road to Retention by the Welfare to Work Partnership***
    Features sixteen companies who have higher retention rates for former welfare recipients than for non-welfare to work hires and suggests ways in which business can improve their retention rates of welfare to work hires

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release May 27, 1998

REMARKS BY THE PRESIDENT TO THE WELFARE TO WORK PARTNERSHIP BOARD

East Room

1:17 P.M. EDT

THE PRESIDENT: Thank you very much. Secretary Herman, Secretary Shalala, Administrator Alvarez, Director LaChance, thank you. Let me begin by thanking all of you for coming. I thank especially three members of the House of Representatives who are here, Congressmen Payne, Gordon, and Davis, who are up here on the front row. I can't thank Eli Segal enough for the wonderful work he has done. He has now given birth to two of the most important initiatives of this administration: first our national service corps project, Americorps, which now has about 100,000 alumni to its credit who have earned money for college by serving in their communities; and now the Welfare to Work Partnership.

I want to thank Jerry Greenwald for being willing to take on the leadership of this operation when no one could have known that it would turn out as well as it has. I thank the members of the board of directors and the other business supporters who are here. I thank the former welfare recipients and others who have supported them who are here.

I want to say a word about Rhonda, but first I want to tell you that Tonya Oden, who is over here sitting to my left, spoke on a program like this at the Cessna corporation in Wichita, Kansas, and she did a great job and all of her folks were cheering for her. And I was listening to Rhonda, thinking, the best part of this program is over.

After she finished, I thought, the best part of this program is over. (Laughter.)

When you hear someone like Rhonda talk, you look at the people who are here and see these fine children, this is really a case where a picture is worth a million words. We will see a lot more of Rhonda pretty soon because the Welfare to Work Partnership is airing some new national public service announcements with her as the spokesperson. And I want to thank Time Warner for helping us to put them on the air and say that I am quite confident that she will inspire a lot of other people to follow her lead.

The Welfare to Work Partnership was based on the simple premise that now that we have passed the welfare reform law which required all able-bodied people who could work to work, we had a moral obligation as a society to provide a job to all those people who were about to lose their guaranteed benefits for idleness. It began with an understanding that we had to change the welfare system. And the conversation Rhonda related between herself and her daughter says more than I could ever say.

I began working on this problem almost 20 years ago now. And I used to -- when I was a governor, I used to gather up former welfare recipients and put them on panels and make governors listen to people talk about the difference in their lives as parents , as citizens, the difference in their self-image when they were productive members of society.

After I became President, we worked with 43 different states to get them out from under federal rule so they could start programs that would help move more people from welfare to work, and then in 1996 I signed a historic bipartisan welfare reform law that literally ended the old welfare system as we knew it. It said that we would continue to guarantee health care and nutrition to low-income families and children, but that after a certain amount of time, people who could go to work, had to go to work. It also said that we had to provide more in the way of child care and other supports for people who did move from welfare to work.

But that left a big gap. How were all these people going to find jobs? Would the existing system do it? That's what led to the creation of the Welfare to Work Partnership a year ago. And again let me say I am profoundly indebted to the businesspeople who are here and those who they represent.

We announced a year ago 100 companies had joined the Partnership. We set a goal of reaching 1,000 companies within a year. We underestimated by a factor of five; there are now more than 5,000 companies in this Partnership. And what Eli and Jerry didn't say that I want to make clear is, they didn't just put their name on the dotted line. All sorts of businesses, large and small and middle size, have together in the last year hired 135,000 welfare recipients who are now employees thanks to what they have done. That's an astonishing record in only a year and I thank them for it. (Applause.)

Let me point out to the skeptics, 70 percent of that 135,000 jobs are full-time jobs with full health benefits. (Applause.) Yes, that's really worth clapping for.

Now, as Jerry pointed out and as many of the members of the board of directors told me earlier, right before we came over here, this is not just good for America and not just good for these families, it's also turned out to be good for the businesses involved, many of whom find that these new workers stay on the job longer, with less turnover, and later work to motivate their coworkers.

We've tried to do our part -- Aida Alvarez and the Small Business Administration are trying to connect new workers to small businesses to make sure that our most vibrant, growing sector of the society in terms of employees takes on a fair share of people from welfare to work. We've tried to mobilize religious and civic and nonprofit groups under the Vice President's leadership to provide mentoring and support and help people get into and stay in jobs. The federal government has hired 4,800 people from welfare to work in the last year; our goal is 10,000 by the year 2000 and we will make that. Seven work in the Executive Office of the President, and I'm particularly proud of them.

The Balanced Budget Agreement I signed into law last summer provides $3 billion to help our communities move long-term, harder-to-place welfare recipients into jobs.

Now, these combined efforts have produced, along with the rising economy, rather stunning results. When I took office, there were more than 14 million people on welfare; about 5.5 percent of the nation's population. It actually peaked in February of '94; it's the highest percentage we'd ever had. Today there are fewer than 9 million people on welfare; 3.3 percent of the population -- the lowest percentage of the population on welfare since 1969. (Applause.)

Now, this is a very hard-won victory for everybody who was a part of it. But the most important part of it are the families.

I think when we look at Rhonda, when we look at Tonya, when we look at Rhonda's kids there, when we look at all of the other people who have moved from welfare to work who are here, we have to ask ourselves, what else do we have to do. Because I can promise you that there still are going to be people who can be moved from welfare to work who aren't there yet.

First, we have to find more private sector jobs. I would like to ask the Welfare to Work Partnership in 1998 to double the number of people they hire and to double the number of companies that are participating. Now, that sounds outrageous, but I just asked for 1,000 companies and you produced 5,000 so -- (laughter) --mathematically I'm asking for less. (Laughter.) I got good grades in math, I know about that. (Applause.)

And, again, I hope that the people who will watch the public service announcements that Rhonda will do will understand this is an enormous opportunity. One of the things that our economists sit around and worry about here in Washington all the time is, they say, well, we've got 4.3 unemployment; we've had average way over 3 percent growth the last couple of years; how can we keep growing this economy without having inflation? The answer is go into the neighborhoods where there are still a lot of poor people who are unemployed and on public assistance and give them a chance to be a part of the American free enterprise system. That's an inflation- free way to expand the American economy. So we have to do this.

The second thing we have to do is to help more welfare recipients succeed in the work place. The employers today told me that one of the hardest things for people moving from welfare to work is still providing transportation, providing child care, making sure for the smaller businesses that may not be able to afford all the training and education that there's support there. We have to do more.

Let me say that the highway bill, which just passed the Congress, I'm proud to say, has a substantial amount of money in it to help defray the transportation costs of people moving from welfare to work.

The tobacco bill, which has not yet passed, but which I hope and pray will pass, has in it or will have in it a provision, if the agreement we've made with the governors prevails, which will lead to a substantial investment in helping to defray the child care costs. The Labor Department has awarded grants to support 49 innovative efforts around the country that provide training and education that help people move from entry-level jobs to higher-paying positions, that help fathers go to work so they can take more responsibility for their children. So we have to do more, and we're going to.

Now, finally, I think we've got an obligation to continue to fix -- we've already made a good start -- but to continue to fix parts of the Welfare Reform Bill that didn't have anything to do with welfare reform. Last year, Congress acted -- and I appreciate it -- to restore important disability and health benefits to legal immigrants, people who come here legally and have a right to work and have, in my view, a right to supports.

Two weeks ago, the Senate voted overwhelmingly to restore food stamps to elderly, disabled, and very young legal immigrants; and I hope the House will follow their lead. That's the right thing to do -- at this moment of prosperity when we're trying to support each other, move more people into the work place, when a lot of immigrants are filling needed work positions and we have low unemployment, we owe it to ourselves to do the right thing here.

Now, again, let me say that the best part of this program was before I ever got up here. And I want you to remember when you walk out of here what Rhonda looked like when she got up here and what her kids looked like when they stood up, being proud of their mother, and how Jerry's happier doing this than he would have been if he'd won that $100 million lottery. (Laughter.) He may not know that, but he is. (Laughter.) And I want us to go out and double our results by next year.

We've got to prove that we did the right thing in welfare reform for all the American people that are willing to do the right thing by themselves, their children, and our country. And if we ever needed evidence that it is right, we've got it here today in full.

Thank you all and God bless you. (Applause.)

Vice President Gore's Welfare-to-Work Coalition
Information on Welfare Reform

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send feedback to the Web Development Team.

White House Briefing Room

May 27, 1998

PRESS BRIEFING BY SECRETARY OF HEALTH AND HUMAN SERVICES DONNA SHALALA, CEO AND PRESIDENT OF THE WELFARE TO WORK PARTNERSHIP ELI SEGAL, DEPUTY ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY ELENA KAGAN

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release May 27, 1998

PRESS BRIEFING BY
SECRETARY OF HEALTH AND HUMAN SERVICES DONNA SHALALA,
CEO AND PRESIDENT OF THE WELFARE TO WORK PARTNERSHIP ELI SEGAL,
DEPUTY ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY ELENA KAGAN

The Briefing Room

2:10 P.M. EDT

MR. TOIV: Good afternoon. Here to brief today on this wonderful success story are Secretary of Health and Human Services Donna Shalala and Eli Segal, who is president and CEO of the Welfare to Work Partnership. And they will just take your questions.

SECRETARY SHALALA: Welfare works, Sam.

Q I know that Mr. Morris, Dick Morris, told the President he ought to sign that bill, turns out to be right. Is that your view?

SECRETARY SHALALA: The President made his decision. He believed that welfare could work in this country, and it's working.

Q You were against it, weren't you, in the good old days?

SECRETARY SHALALA: I think the President and I agreed on what we needed for welfare reform and we got it. We restored a number of the cuts that were made in that welfare bill the President said he wanted after the election. But the most important message today is that millions of people are moving off welfare. We have the lowest rates we've had since 1969. And the message from the private sector today is that people not only are taking the jobs, but they're staying in the jobs at higher rates than other employees coming in.

And if you'll remember, at one of the early briefings that I did, I said the test of welfare reform is not whether people leave the welfare rolls, but whether they stay in the jobs. The test is retention. The story today that Eli and his colleagues in the private sector told is a story of retention, of staying in the jobs.

Q Let me try a slightly different take on that question. There were a lot of people within your own agency and certainly within the broader community of social activists who had deep reservation about the welfare reform bill. Does he talk with them now, and how much skepticism does there remain? Or do they look at this program and do you sense a reappraising?

SECRETARY SHALALA: As Mary Jo Baine was leaving the Department she said, prove me wrong. We're in the process of doing that.

Q Mr. Segal, if I could just ask about the economy. Boon times, low unemployment, people wanting workers. So when it finds that the business cycle has not been repealed and we go into a recession, what happens to all these people?

MR. SEGAL: Sam, essentially we believe in the United States we have two unemployment systems: one, the chronologically long-term unemployed -- those are the people we say are in the welfare system; the other unemployment system, the people like us, our families ,our friends, who are down on their luck, the company closes, the industry changes a little bit, lose their jobs -- they go into the unemployment compensation.

It's no question but that there are a lot of people who are the last hired/first fired, are going to lose their jobs if and when the economy turns south. But they would have been involved in productive labor. It's the reason why we say at the Welfare to Work Partnership every day, we're in a dash -- not in a marathon -- to move as many people as quickly as we can into work, into productive work. If in fact the economy turns bad, they and many other people may well lose their jobs.

One of the other messages of today -- but in short, they may lose their jobs, but they would have been involved in work and they're much more likely to get back up on their feet having an attractive track record in the past.

Q Is there still a safety net if they lose their job?

MR. SEGAL: That's something that I think at some point we're going to need to deal with. At least at this point our responsibility is to move people to work. There will be millions and millions of new people -- there are already hundreds of thousands of people working now who were not working only a year or two ago. And I think if the economy stays strong, we will continue to find jobs, and many people making it into the workplace.

SECRETARY SHALALA: There are actually two experiences that people are having that will be very important no matter what happens to the economy. The first one is they got a job and they kept it for a substantial period of time. The second is that they went through a training process. And that's what's going to keep our economy alive -- the training experience, understanding that to take jobs you have to go through a training experience. And it's companies organizing to move people into different slots as they have needs. And the training may turn out to be as significant for the flexibility of this group of people as actually getting in the job and retaining the job.

Q How do you explain the higher retention rates? Is it because of training programs? Is it because these employees have fewer other options available?

SECRETARY SHALALA: It may be a small part of the latter that you mentioned. But I think the first part is that companies are beginning to learn what it takes to retain people. Many of the companies talked to the President today about mentoring as part -- getting people ready for the job, putting them through internships or through training, but then assigning someone that would just be an ear for them, that would help them make the transition into work.

In addition to that, remember that we've also included child care. There is no children's health insurance available. The earned income tax credit becomes a powerful incentive, because work now pays better than welfare did in the past. So the combination of supports -- but the more personalized the system is, the higher the retention. And I think that's what the private sector reported today.

Even in my own department, where we've hired 200 welfare recipients, we have substantially changed the employees assistance program that is the support system for all entry, lower-income workers. All of our new workers now have one-stop shopping, a much more supportive human resource operation.

Q You mentioned you've hired 200. Can you update us on how the effort by the federal government as a whole now stands, how many have been hired at the White House also?

SECRETARY SHALALA: Do you want to do that?

MS. KAGAN: We've hired 4,800 as a whole in the federal government -- that's 48 percent of the goal that we set for ourselves of 10,000 by the year 2000. Different departments have different records. Different departments made different pledges, depending upon the character of their work force.

SECRETARY SHALALA: My Department, for instance, has hired two-thirds of our goal already, so we're going to exceed our goal substantially.

MS. KAGAN: Many departments are finding that there are very few departments that are running back of their goal.

Q What about the White House?

MS. KAGAN: The White House has met its goal, exceeded its goal. It had a goal of six, which given the White House's small staff was approximately equivalent to many other agencies' goals. And we have hired seven.

Q Doing what kind of tasks?

SECRETARY SHALALA: Well, I don't know what the White House people are doing, but ours are mostly entry-level jobs, though a couple of people have gotten promoted pretty quickly into the system as they've learned the job.

MR. SEGAL: You asked about retention. The businesses are saying there are about four reasons they almost all give together.

First, they talk about mentoring or some kind of on-site coaching. Second, they talk about public/private partnerships, the need to do it not by themselves -- something that represents a dramatic change from where they were a year ago. They need help. They need help from government; they need help from nonprofit organizations. The third thing they talk about all the time is the nature of the benefit package they're offering and they have to make it a good benefit package. And fourth, probably most surprising, no compromise with quality. They require and expect those coming off the welfare rolls to be as good employees as any other entry-level employee.

One other thing that was interesting today. You probably have a stereotype of what a welfare to work person is. One of the things we're learning over and over again is these are not always only entry-level people. We're finding in some companies people are moving from welfare to jobs, white-collar jobs sometimes paying as much as $30,000. And we're finding an incredibly varied experience based simply on the commitment of the company to do things the way they knew best. They know how to solve problems in the shop floor; they know how to solve problems in the office; and now they're knowing how to solve this problem. They're all figuring out a different way to do it.

SECRETARY SHALALA: We also have new statistics on the percentage of people that are leaving welfare who are going into the work force. And the new analysis of the Census Bureau data between 1976 and '77 indicates that 20 percent more actually are moving to work. And remember, people always moved off welfare -- some of them got married, some of them moved back in with their families. But what we're finding is a higher and higher percentage of people are going into jobs, number one. And number two, this discussion today, a higher percentage of them are staying in their jobs.

Q Is there any sense that these companies sort of picked the low-hanging fruit and it's getting harder and harder to find qualified welfare recipients to --

SECRETARY SHALALA: Why don't you take a shot at it. I actually think the answer is no.

MR. SEGAL: I think the answer is mixed.

SECRETARY SHALALA: Good controversy.

MR. SEGAL: Some companies, like Cessna, ask no questions about your background -- you want to come to work there, they'll invest in making this work for you. For the most part companies are looking at the most job-ready person first and there's nothing wrong with it. We're happy to debate creaming or skimming, whatever else we call it. Companies need to get their feet on the ground on this, like any other practical problem, let's have some successes.

I think with the passage of time that they've learned a lot more, they're going to go deeper and deeper into the welfare pool with much, much more success because they've seen it work just the way businesses have always done. They've dealt with reality and they've made success and they will go on from there.

So for the most part, I think we are finding the most job-ready people, people that are ready to work today, and if not today, tomorrow. But I do think you're going to see other companies, some of these same companies step it up going forward.

SECRETARY SHALALA: The reason that I was less hesitant about that is because I think the states have sorted out their welfare rolls. Those that were eligible for SSI that were really, truly disabled have been moved to those programs, and I think that the group that's left on welfare -- remember, we're talking about a new group going into welfare over the last year or so in which a larger percentage are going into jobs. So it's harder to make that old argument that we creamed during the first couple of years. So I would suggest to you that the companies are more sophisticated, as Eli has indicated. The government is more sophisticated about support systems. That the states are getting their act together on getting their child care out. We're giving them lots of technical assistance. Children's health insurance will certainly help. The Earned Income Tax Credit will have a great effect.

But people themselves, in their neighborhoods -- the difference between a demonstration program and having everyone in your community having to think now about getting into the work force is that the culture is beginning to change both in the welfare office and in the communities to move more people out and to find appropriate opportunities for people.

MS. KAGAN: If I could just add one thing to that on behalf of Secretary Herman, who isn't here, because the $3 billion Welfare to Work program is really meant to be geared towards exactly those hardest to employ people that you're talking about. I think the President understood that there was a need for additional funds to go towards those people to make sure that those hardest to employ people also got an entry into the work force. And that the grants that Secretary Herman gave out in the first part of the 25 percent of the program that is in competitive grants, towards agencies mostly community based, that really works with those very difficult to employ people and makes sure that they also get the leg up that they need.

SECRETARY SHALALA: I listened very closely to the private sector leaders today and if they have in their heads from now on that these are better employees, that they're more likely to keep them, which saves them money -- it's always cheaper to keep someone than to go out and hire -- and that as some of them describe it, they're more enthusiastic about working in those places, less cynical.

If that's the attitude they're going into this with, we couldn't be in a better situation at this point in time. And I can't emphasize enough how significant the retention report is today and the fact that more people are going into the job force. Because that was really our test. Our test was never just moving people from welfare to work; it was whether they were going to stick with it in the work force. And we always talked about the first or the second job, because that's what the literature previously told us.

But if there is retention going on now and if the private sector is beginning to see that as significant and economically important to them, then what's going on now is very significant.

Any other questions?

Q We at ABC think this is very important and I will personally brief NBC and CBS and CNN -- (laughter).

MR. SEGAL: Can I make a comment on that? You know, I was last here the day AmeriCorps became the law of the land; there was a similar number of people here. I actually want to say that, at the risk of sounding like a cheerleader or a boosterism, this is a big deal. The policy issues were pretty much decided in August '96. This was turned over to the states, to the people, to the private sector. And it is extraordinary to think that a year ago this was just an idea. Today we have 5,000 companies -- it's not easy to get 5,000 anythings to do something together -- all of whom with a common mission: they all want to hire welfare recipients.

Now, that might not sound very big from a policy perspective, but in terms of changing America, in terms of changing the hiring practice of America, the fact that these companies have put themselves on the line -- some for clearly reasons of charity and being good citizens, but mostly because it's a smart solution for business. I think it is a big deal, and I think we're going to continue to see next year -- 135,000 this year, the President challenged them next year to do twice as many next year. When they do this next year, when we do this next year, and you're going to start talking about the people who move from welfare to work, and you're going to compare it with the size of the welfare rolls a year from now, you're going to see that quietly, in 1996, began a process that ended welfare as we know it.

Now, whether we want to give credit or not give credit, not being the point right now, I think it's a big deal. And whether people --

SECRETARY SHALALA: And the important thing of Eli's companies is three-fourths are small companies, which is where the growth is in the system.

THE PRESS: Thank you.

END 2:24 P.M. EDT

To comment on this service: *feedback@www.whitehouse.gov*

PRESIDENT CLINTON WILL PRAISE WELFARE TO WORK SUCCESS AND URGE SUSTAINED PUBLIC AND PRIVATE EFFORTS
May 27, 1998

Today, President Clinton will celebrate the success of the Welfare to Work Partnership, which has grown from 105 to 5,000 companies since it was launched at the White House last May and whose member companies hired over 135,000 welfare recipients in 1997. The President will challenge the Welfare to Work Partnership to double its welfare hires to 270,000 in 1998 and urge every business in America to look to welfare recipients to fill labor shortages created by the booming economy. The President will be joined by United Airlines CEO Gerald Greenwald, who will release a report showing that hiring welfare recipients can cut company turnover.

The President also will release new data showing that welfare-to-work efforts like the Partnership's are paying off: welfare caseloads have dropped to 8.9 million, a record drop of 3.3 million since he signed welfare reform into law and 5.2 million since he took office. To sustain this success, the President will announce the first Welfare-to-Work competitive grants from the $3 billion fund he fought to include in the 1997 Balanced Budget Act. These grants, totaling $186 million, will support 49 innovative efforts across the country to help the most disadvantaged welfare recipients get and keep jobs. In addition, new funds for the President's welfare-to-work transportation plan, which were included in the ISTEA bill which passed Congress last week, will help even more welfare recipients go to work.

<u>One Year Later, the President will Praise Welfare-to-Work Success and Issue New Challenge</u>
On May 20, 1997, 105 company executives joined the President at the White House to launch the Welfare to Work Partnership. One year later, 5,000 businesses of all sizes from all 50 states have joined the Partnership and pledged to hire and retain welfare recipients without displacing current employees. In 1997, the Partnership's business partners hired 135,000 welfare recipients, and today the President will challenge those companies to double their efforts by hiring 270,000 workers from the welfare rolls in 1998. Since March of 1997, the federal government has hired 4,811 welfare recipients, 45 percent of its planned 10,000 hires by the year 2000.

<u>The President will Announce Record Welfare Caseloads Declines</u>
The President will release new figures showing welfare caseloads have fallen to 8.9 million, a record drop of 3.3 million since he signed welfare reform into law and 5.2 million since he took office. The welfare rolls have declined by 37 percent since January 1993, when they stood at 14.1 million, and by 27 percent since their August 1996 level of 12.2 million. The percentage of the U.S. population on welfare is at its lowest since 1969 -- 3.3 percent. The latest data from the Census Bureau's Current Population Survey show that 1.7 million adults on welfare in 1996 were working in March 1997, an increase of 20 percent over the previous year.

<u>The President will Announce First Welfare-to-Work Competitive Grants</u>
Today, the President will announce the first round of competitive grants from the $3 billion Welfare-to-Work program he fought for in the Balanced Budget Act of 1997. The $186 million in grants from the Department of Labor will support 49 innovative welfare-to-work efforts designed to move long term welfare recipients into lasting, unsubsidized jobs. These awards are

the first of five rounds of competitive grants to be awarded in 1998 and 1999. Twenty five percent of the Balanced Budget Act's $3 billion welfare-to-work funds are to be awarded on a competitive basis, with the remaining 75 percent to be allocated by formula to states to be used by local Private Industry Councils to help welfare recipients who have significant barriers to employment obtain and retain jobs.

The President will Praise Congress for Funding his Welfare-to-Work Transportation Proposal
The President will praise the Congress for including his welfare-to-work transportation proposal in the ISTEA transportation bill which passed the Congress on Friday. The proposal will provide up to $150 million a year for local efforts to help welfare recipients get to where the jobs are.

United Airlines CEO will say Hiring from the Welfare Rolls Reduces Turnover
United Airlines CEO Gerald Greenwald, chairman of the Welfare to Work Partnership's board of directors, will release a new report finding hiring welfare recipients can reduce company turnover. The report, The Road to Retention, includes case histories of 16 business whose retention rates for former welfare recipients are higher than for non-welfare hires. At United Airlines, retention rates are about twice as high for those hired from the welfare rolls.

The President will be Joined by Executives, Former Recipients, and Welfare-to-Work Grantees
The President will be joined today at the White House by:

- Over 100 executives of small, medium, and large companies who belong to the Welfare to Work Partnership, including United Airlines' Greenwald and Partnership President Eli Segal;

- Former welfare recipients who are now successful employees, including Rhonda Costa, a 34-year-old mother of two who has worked at Salomon Smith Barney in New York for one and half years, who will introduce the President; and

- Some of the local organizations receiving the new Welfare-to-Work grants, including the Private Industry Councils from Detroit, Los Angeles County, Philadelphia, and San Francisco, the Corporation for Ohio Applachian Development, the Florida Developmental Disabilities Council, CHARO Alliance Welfare to Work (Los Angeles), and the National Association of Private Industry Councils.

Welfare Reform Q&As
May 27, 1998

Q: What is the President announcing today?

A: Today, President Clinton will celebrate the success of the Welfare to Work Partnership, which has grown from 105 to 5,000 companies since it was launched at the White House last May and whose member companies hired over 135,000 welfare recipients in 1997. The President will challenge the Welfare to Work Partnership to double its welfare hires to 270,000 in 1998 and urge every business in America to look to welfare recipients to fill labor shortages created by the booming economy. The President will be joined by United Airlines CEO Gerald Greenwald, who will release a report showing hiring welfare recipients can cut company turnover.

The President will release new data showing that welfare to work efforts like these are paying off -- welfare caseloads have dropped to 8.9 million, a record drop of 3.3 million since he signed welfare reform into law and 5.2 million since he took office. To sustain this success, the President will announce the first Welfare-to-Work competitive grants from the $3 billion fund he fought to include in the 1997 Balanced Budget Act. These $186 million in grants will support 49 innovative efforts across the country to help the most disadvantaged welfare recipients get and keep jobs. In addition, new funds for the President's welfare to work transportation plan, which were included in the ISTEA bill which passed Congress last week, will help even more welfare recipients go to work.

Welfare to Work Partnership

Q: You say that over 5,000 companies have joined the Welfare to Work Partnership. What does that mean? Have they all actually hired welfare recipients?

A: All 5,000 companies have either already hired welfare recipients or have pledged to do so without displacing other workers. In 1997, approximately 3,200 Partnership companies hired more than 135,000 welfare recipients.

Q: I understand the Partnership is releasing some sort of report today at the White House? What does the report say?

A: The report, The Road to Retention, is a case history of 16 businesses, including five small companies, whose retention rates for welfare recipients are higher than the retention rates for non-welfare hires. At United Airlines, for example, welfare hires have about half the turnover rate of regular hires. This report provides examples of what successful companies do to promote retention, including forming partnerships with service agencies to provide child care, transportation, mentoring, and counseling services, providing on-the-job or pre-employment training, providing health and other benefits, and holding welfare to work employees to the same high standards as other employees.

Q: Who runs the Welfare to Work Partnership? Is it part of the White House?

A: No. The Welfare to Work Partnership is an independent, nonpartisan, national effort of the American business community to help move those on public assistance into jobs in the private sector. Gerald Greenwald, the CEO of United Airlines, is the chairman of the Partnership's board of directors, and Eli Segal is the Partnership's President and CEO. The Partnership was formed in response to the President's challenge in his 1997 State of the Union speech to forge "a new national effort to marshal America's businesses, large and small, to create jobs so that people can move from welfare to work."

Welfare Caseloads

Q: What are the new caseload numbers that the President announced today?

A: The President released new figures showing welfare caseloads have fallen to 8.9 million, a record drop of 3.3 million since he signed welfare reform into law and 5.2 million since he took office. The welfare rolls have declined by 37 percent since January 1993, when they stood at 14.1 million, and by 27 percent since their August 1996 level of 12.2 million. The percentage of the U.S. population on welfare is at its lowest since 1969 -- 3.3 percent.

As the attached chart shows, the welfare caseloads have fallen by nearly 900,000 since the numbers released in January as part of the President's State of the Union speech. The new figures are from March 1998; the data released in January were from September 1997.

Welfare Caseloads

	Baseline Recipients (Jan. 93)	Recipients (in month noted)	Decline since Jan. 93 (percent)	Decline since Jan. 93 (millions)	Decline since Aug. 96 (percent)	Decline since Aug. 96 (millions)
May 96*	14.115	12.499	11%	1.616		
Aug. 96*	14.115	12.202	14%	1.913		
Apr. 97	14.115	10.969	22%	3.146	10%	1.233
May 97	14.115	10.748	24%	3.367	12%	1.454
June 97	14.115	10.494	26%	3.621	14%	1.708
July 97	14.115	10.258	27%	3.857	16%	1.944
Aug. 97	14.115	9.995	29%	4.120	18%	2.207
Sep. 97**	14.115	9.804	31%	4.311	20%	2.398
Mar. 98***	14.115	8.910	37%	5.205	27%	3.292

* Note that when the welfare law was signed in August 1996, only caseload data through the month of May 1996 was available. Thus, the public statements made at that time were based on that May 1996 data.

** Data released 1/27/98.

*** Data released 5/27/98.

Q: Do you know what happened to all those people who left the rolls? Aren't some simply being cut off of welfare? Do you consider this a success?

A: Not enough time has passed for full scale research studies to be completed, but several state studies show that between 50 and 60 percent of those who leave the welfare rolls do so for work. (Others leave because of marriage, their youngest child turning 18, an increase in child support, receipt of SSI, increase in earnings by another family member, or sanctions). Welfare reform is resulting in more recipients going to work: the most recent data from the Census Bureau's Current Population Survey show that work rates among welfare recipients increased by 20 percent from 1996 to 1997. HHS estimates that this means 1.7 million people who were on welfare in 1996 were working in 1997. Many states are using sanctions to enforce work rules, and we think that is entirely appropriate. Data from several state studies find that after being sanctioned, about half the people go to work and approximately 40 percent have an increase in their income. Several states also found that one-quarter to one-third of those sanctioned return to the rolls, presumably after complying with the requirements.

Q: Do you think there will be enough jobs for all the welfare recipients who need them?

A: We believe that economy will create enough jobs for welfare recipients without displacing other workers. Remember, we've created over 15 million new jobs since this Administration took office and unemployment -- at 4.3 percent -- is at the lowest level in 28 years. At the same time, we recognize that we should give some extra help to communities where it will be harder for welfare recipients to find jobs. That's why the President fought for and won the $3 billion Welfare-to-Work grants which states and cities can use to create job opportunities for welfare recipients, particularly targeted at hard-to-employ individuals in high poverty areas. That's why the President fought for and won the $3 billion Welfare-to-Work grants which states and cities can use to create job opportunities for welfare recipients, particularly targeted at hard-to-employ individuals in high poverty areas. And so that those leaving welfare can get to where the jobs are, the President proposed -- and the Congress has now passed -- funds for welfare to work transportation in the ISTEA transportation bill.

Welfare to Work Grants

Q: What are the grants that the President announced today?

A: Today, the President announced the first round of competitive grants from the $3 billion Welfare-to-Work program he fought for in the Balanced Budget Act of 1997. The $186 million in grants from the Department of Labor will support 49 innovative welfare to work efforts designed to move long term welfare recipients into lasting, unsubsidized jobs. These awards are the first of five rounds of competitive grants to be awarded in 1998 and 1999. Twenty five percent of the Balanced Budget Act's $3 billion welfare to work funds are to be awarded on a competitive basis, with the remaining 75 percent to be allocated by formula to states to be used by local Private Industry Councils to help welfare recipients who have significant barriers to employment obtain and retain jobs. A description of some of the 49 grantees is available for the press.

Q: How are these grants different from the other welfare reform funds states get?

A: These funds are targeted specifically at the hard-to-employ welfare recipients who need help the most -- long-term recipients with poor education, low skills, and little job experience, living in high poverty areas.

Welfare to Work Transportation

Q: I understand welfare to work funds were included in the ISTEA bill which passed the Congress last week. Are these the funds the President requested in his budget?

A: The President fought to include welfare to work transportation funds in the ISTEA transportation bill. You may recall that he highlighted the importance of welfare to work transportation a year ago, when the Welfare to Work Partnership was launched at the White House, and again in the State of the Union. His budget included a $100 million a year proposal for welfare to work transportation. The ISTEA bill which passed the Congress on Friday includes up to $150 million a year for local efforts to help welfare recipients get to where the jobs are.

Federal Welfare Hiring

Q: How many welfare recipients has the federal government hired?

A: According to the Office of Personnel Management, the federal government has hired 4,811 welfare recipients since March 1997 when the federal hiring initiative was launched. This is 48 percent of our goal of 10,000 hires by the year 2000. As a part of this effort, the White House pledged, and has already hired, six welfare recipients.

Q: How was the goal of 10,000 hires set?

A: These numbers represent the Federal government's fair share of the effort to hire welfare recipients. The Federal government is approximately 1.5 percent of the nation's workforce. To meet its portion of the President's challenge to move 2 million people off welfare by the year 2000 -- which amounts to moving about 700,000 adults into the workforce -- the Federal government ought to hire about 10,000 welfare recipients.

Q: How can you hire welfare recipients when government is downsizing and budgets are tight? Are you creating special preferences for welfare recipients?

A: It is true that the government is downsizing. Since the President took office, he has actually shrunk the Federal government to its smallest size in three decades. However, downsizing does not mean there are no jobs to fill. As in any organization, there is a natural amount of turnover in jobs at all levels. The Federal agencies have committed to reaching out specifically to the welfare population to fill those positions.

We are not creating any preference such as the one that exists for veterans. We are encouraging the departments to use existing hiring authorities, including programs that allow departments to cut through red tape and hire entry-level workers quickly and easily. We are also encouraging outreach efforts to our federal contractors, grantees and partners. This is the same commitment that the President has asked of the private sector.