Presidential letters

Jennifer-6-5551

097453

# STATE OF MINNESOTA

OFFICE OF THE GOVERNOR
130 STATE CAPITOL
SAINT PAUL 55155

ARNE H. CARLSON
GOVERNOR

February 6, 1995

The Honorable William J. Clinton
President of the United States
The White House
Washington, D.C. 20200

Dear Mr. President:

At the recent National Governors' Association meeting in Washington, D.C., the governors struggled to reach consensus on welfare reform and block grants. A major stumbling block seems to be the level of control that the federal government would impose on the states in exchange for block grants or other new funding mechanisms.

Most governors, of course, would like virtually no federal controls and a guaranteed level of federal funding. But, understandably, the Congress and Executive Branch are somewhat leery of giving states a blank check, with no way to hold them accountable.

I believe there is a middle ground which would address the concerns of the federal government over accountability while still giving state and local governments maximum flexibility to make funding decisions. It is a results-oriented approach to strategic planning and budgeting. Oregon and Minnesota have been national leaders in developing an outcomes-based approach in state government. I firmly believe that such an approach could be used at the federal level to resolve the question of accountability in relation to unfunded federal mandates and block grants.

In Minnesota, our approach is called "Minnesota Milestones;" in Oregon, it is "Oregon Benchmarks." Both states have done ground-breaking work in developing a broad vision for the state, setting state priorities and developing measurable indicators or benchmarks to track results. In Minnesota, we have taken the further step of linking the broad "Minnesota Milestones" goals to agency performance measures, and we have linked those performance measures to our budget priorities.

We also are using an outcomes-based approach in partnership with local governments, through our "family services collaborative." We now have 51 communities that receive essentially a block grant to improve services to children and families, with the requirement that they establish and report on measurable outcomes. At the state level, we have found that an outcomes-oriented approach fundamentally changes the relationship between the state and local governments. Now we are partners with local communities in working together for better results, rather than enforcers or regulators.

The state's role is one of providing nurturance and support, guidance and information, permission and parameters.

As the federal government relates to the states, it could work like this: Work with us to determine what the results should be, and then let us figure out how best to achieve them. Give us the funds with no strings attached, except for achieving or making progress toward the designated outcomes (and making regular reports on how we are doing). (If we fail to make progress, help us figure out why.)

A redesigned system based on measurable outcomes approach would have the following elements:

- It would be structured, managed, and evaluated on the basis of measurable results.
- It would be customer oriented.
- It would emphasize prevention of problems for long-term cost savings.
- It would be simplified as much as possible, with maximum decision-making at the state and local levels of government.

The General Accounting Office is aware of Minnesota's and Oregon's efforts. Both states were mentioned in a GAO report intended to assist federal agencies as they implement the Government Performance and Results Act of 1993. I know that some federal agencies have done substantial work to establish an outcomes-based approach to budgeting for their agencies.

On an intergovernmental level, the state of Oregon has signed a "memorandum of understanding" to design and test an outcomes-oriented approach to intergovernmental service delivery (known as the "Oregon Option"). But I believe the process could be considerably speeded up, so that it could be used to guide decisions on welfare reform and other block grants with which the Congress is currently struggling.

Minnesota is willing and eager to work with you to quickly identify indicators and measures that could be used to provide a management structure for an outcomes-oriented approach, along with existing programs and funding streams that could be matched with those indicators. In the area of children's services, we already have compiled a list of programs, along with related outcome measures, that we will be proposing for inclusion in a new Department of Children and Education Services that will replace our existing Department of Education.

If states are truly "laboratories of democracy," the Minnesota and Oregon experiences with outcomes-based budgeting could serve as models as the federal government deals with sweeping change.

I would very much welcome the opportunity to work with you on implementing this strategic report.

Warmest regards,

Arne H. Carlson

ARNE H. CARLSON
Governor

# PERFORMANCE PARTNERSHIPS

## SUMMARY AND GUIDING PRINCIPLES

NATIONAL PERFORMANCE REVIEW

PROVIDED BY THE
NPR PHASE II FEDERALISM TEAM

WORKING DRAFT
FEBRUARY 1995

# PERFORMANCE PARTNERSHIPS

# SUMMARY

## WHAT IS A PERFORMANCE PARTNERSHIP?

- CONSOLIDATED PROGRAMS WITH
  - INCREASED FLEXIBILITY
  - ACCOUNTABILITY FOR PERFORMANCE

## WHERE DO THEY MAKE SENSE?

- IF PROGRAMS ARE DELIVERED AT STATE AND LOCAL LEVELS,
- THERE IS SHARED AGREEMENT ON GOALS AND OBJECTIVES, AND
- YOU CAN MEASURE RESULTS.

## HOW ARE THEY DIFFERENT FROM BLOCK GRANTS?

- OUTCOMES (NOT PROCESS) ARE THE PRINCIPAL MEASURE OF SUCCESS, AND
- FUNDS AND FLEXIBILITY ARE TIED TO IMPROVED PERFORMANCE

## HOW ARE THEY "PARTNERSHIPS"?

- FEDERAL, STATE, AND LOCAL GOVERNMENTS AND PROVIDERS JOINTLY DESIGN THE PROGRAM AND MEASURE PROGRAM RESULTS
- PARTNERS WORK TOGETHER TO REMOVE BARRIERS TO SUCCESS

# PERFORMANCE PARTNERSHIPS
## Guiding Principles

### Current Federal grant system.

A great deal of the current grant system has broken down in a tangle of good intentions gone awry. There are too many funding categories, suffocating regulations and paperwork, misdirected emphasis on remediating rather than preventing problems, and no clear focus on measurable outcomes. The system stifles initiative and squanders resources without achieving sufficient results. Performance partnerships offer improvements to the current system.

### What is a performance partnership?

Performance partnerships provide increased flexibility on how a program is run in exchange for increased accountability for results.

- Increased flexibility includes:
  - consolidated funding streams
  - elimination of micro-management,
  - devolved decision-making (national goals and objectives, with much more flexibility for State and local partners to determine HOW these are achieved), and
  - reduced wasteful paperwork.
- Increased accountability for results means the partners will:
  - begin to treat outcomes and outputs as the basic measure of success (e.g., teenage pregnancy rate rather than number of visits to a clinic), and
  - create funding and other incentives to reward desirable results and performance towards results.

### Where do performance partnerships make sense?

Performance partnerships work best:

- When the Federal Government intends to deliver services at State and local levels,
- Where there is shared agreement among Federal, State and local partners about national goals and objectives, and
- Where progress toward the goals and objectives can be measured.

### Checklist of Guiding Principles for Designing a Performance Partnership

A number of key characteristics should be considered in designing and implementing performance partnerships:

1. Program consolidations
2. Partnership
3. Increased Flexibility
4. Improved Accountability
5. Measuring Performance
6. Performance Incentives
7. Shift in the Locus of Decision-making
8. Administrative Simplification
9. Administrative Savings
10. Implementation
11. Entitlement Programs

The checklist which follows contains principles which build upon the description of the Administration's six proposed "performance partnerships" in the President's FY 1996 Budget (see pages 152-154). The guiding principles should be regarded as ***"rebuttable presumptions":***

(a) In any policy arena in which there is a strong national interest and a history of Federal grants and other assistance to State and local governments, agencies should give strong consideration to developing one or more performance partnerships.

(b) If a proposed performance partnership is not consistent with a particular principle, there should be a compelling argument about how the program is otherwise addressing local needs, stops micromanagement, and holds its partners accountable for results.

## 1. Program consolidations

- Proposals should restructure current grant program authorizations to consolidate programs and/or funding streams and eliminate overlapping authorities:
  - -- Every effort should be made to merge funding streams which now force recipients to wastefully isolate administration and delivery of one program from another to avoid being penalized by auditors.

## 2. Partnership

- Federal, State and local partners should jointly design the partnership and the strategies to implement it.

- Performance partnerships should accommodate different program strategies with different State and local partners.

## 3. Increased Flexibility

- Performance partnerships should:
  - -- Promote multiple approaches to meeting national objectives,
  - -- Allow federally-funded activities to be fully integrated with State,

local, and provider activities, and

-- Allow flexibility so that State and local institutional forces and incentives achieve the desired results.

- If State plans are necessary, multiple "State Plan" requirements should be replaced with one "community-based strategic plan." Such a plan would outline basic strategies and tactics, and accommodate much more diversity from community-to-community and state-to-state than existing approaches.

- Partnerships should:

  -- Minimize "required" service requirements, and

  -- Provide multi-year funding.

## 4. Improved Accountability

- Federal agencies and State or local partners should develop, communicate, and monitor measurable program goals and report progress toward achieving them:

  -- Think in terms of shared accountability.

- Performance partnerships should focus on *outputs* and *outcomes* (real results) rather than detailed assessment of the inputs and process used by States and localities:

  -- An emphasis on results means, for example, concentrating on getting cleaner air (not the existence of State environmental regulations) or whether educational goals are being achieved (not the level of school expenditures).

- Notwithstanding increased flexibility, performance partnerships will maintain Constitutional and critical, national public policy requirements:

  -- Non-discrimination requirements, for example, will apply.

## 5. Measuring Performance

- Performance partnerships should be structured, managed, and evaluated on the basis of *results* (i.e., progress in terms of agreed upon measures of performance).

- Performance measures will typically include a mix of outcome and output measures, including both measures of progress toward national goals and measures of important negative consequences that are likely to result from program activities.

- Partnerships should focus on *outcomes* (not *process*) as the principal criteria by which to measure success.

- Authorizing legislation should include a statement of:

  -- "National goals and objectives" that the partnership seeks to help achieve, and

  *For example:* "parental responsibility."

  -- Types of "performance information" that would indicate what types of information would indicate progress toward the national goals and objectives.

  *For example:* "paternities established"

- The Federal agency should be authorized to develop national goals and objectives where the authorizing legislation does not specify them.

  *For example:* "The Secretary shall, in conjunction with the States, local governments, providers and consumers, develop national goals and objectives."

- "Performance measures" and performance targets should *not* be incorporated in authorizing legislation.

  *For example:* "The Secretary shall, in conjunction with States, local governments, providers and consumers, develop and update measures for determining State or local performance in achieving progress toward the national goals and objectives."

Accordingly, performance measures and targets should be:

-- Mutually developed by the partners, or

-- In the case of certain core indicators, developed by the Federal Government in consultation with grantees, and supplemented with indicators mutually agreed to by the grantees.

-- Refined over time in consultation with the grantees.

Performance measures require specification of at least the following:

(1) Type of performance information.

(2) Data source (or sources).

(3) Acceptable levels of precision and accuracy.

(4) Domains of estimations (e.g., States, counties, etc.)

(5) Frequency of data collection.

(6) Time period covered.

*For example:* for "paternities established"

(1.1) Percentage of new welfare cases for which paternities have been established, for each fiscal year cohort of new welfare recipients.

(1.2) Percentage of the total welfare caseload for which paternities have been established, as of the close of each fiscal year.

(2) Selected welfare system case records and information obtained through external quality control review.

(3) Total estimation error not to exceed 7% at the county level and/or 1% at the State level.

(4) The sample design must support precision and accuracy requirements for State (county) level estimates or for the population generally (e.g., the entire sample may be allocated across the State, "n" cases allocated per county, or even "n" cases per 1,000 per county).

(5) Annually.

(6) The last fiscal year.

- Performance agreements:

-- Federal agencies should develop individual performance agreements with each State/locality receiving funds.

*For example:* "The Secretary shall, in conjunction with the States, local governments, providers and consumers, develop individual performance agreements which specify the program goals and objectives, program performance measures, performance targets, and the timeframes for achieving the performance targets."

- Assessing progress:

-- The authorizing legislation should include a requirement that the Federal agency work with the partners to develop a system for assessing the extent of progress toward national objectives.

*For example:* "The Secretary shall, in conjunction with the States, local governments, providers and consumers, develop a system for assessing the extent of progress toward the national objectives."

-- At least annually, the partners should assess the level of performance achieved, the extent to which performance meets or exceeds agreed-on performance targets, and the extent to which performance has changed over time. These reports should acknowledge the influence of important external factors that may have affected the performance levels achieved.

-- From time to time, annual performance reports should be supplemented by program evaluations that estimate the net program impacts caused by the program. These program evaluations would use research designs to estimate the difference that the program makes (i.e., the difference between (a) the actual performance levels achieved, and (b) the performance levels that would have been achieved in the absence of the program).

- Data collection:

-- The partners will have to identify or develop data systems to define and assess "results" and "improvement in results."

*For example:* "The Secretary is authorized to withhold up to 5 percent of the amount appropriated to the program to support the development and updating of data systems tied closely to the national goals; the development of performance agreements with States; and data quality assurance and data quality improvement; and research and development of performance measurement methodology."

-- Partners should consider whether and how to get data that is generalizable, and consistent among and within States overtime.

- Refining the measures over time:

-- It is expected that the performance measurement process and indicators will evolve over time, as Federal agencies and grantees develop greater experience with this approach.

## 6. Performance Incentives

- Agencies should consider whether funds should be allocated in part on performance (but other factors such as need may also be determinants, including population, poverty, disease incidence, morbidity, and mortality, as appropriate).

- Partners should be recognized and rewarded for success -- both high performance and improved performance.

- Recipients should be rewarded for achieving ambitious, rather than readily-attainable, performance targets.

- Some portion of the funding should be based on actual performance:

  -- Some portion of funding should be available to the Federal agency as an incentive for States and localities that make improvement.

  *For example:* "The Secretary is authorized to reserve up to 10 percent of the funds to be used for performance incentive awards for recipients making process toward meeting national goals."

  -- "Up to" is important, since it will first be necessary to get a sensible measurement system in place, before attempting to award performance incentives.

  -- Rewards should not be directed toward only "exceptional" performance, but allow the Secretary to reward high or improved performance (i.e., "progress toward achieving national goals").

- High-performing States and localities should be rewarded with additional flexibility or reduced matching requirements.

- Similarly, disincentives should include reduced flexibility:

  -- A requirement to shift funds into practices successfully used by high performing States and localities, or
  -- Requirements for additional commitments of State or local resources, or
  -- Reduction or termination of Federal funding.

- Partners should avoid punishing innovation and experimentation:

  -- Keep in mind: no one is accountable for results *now* under the current system.

- Since there is shared accountability for results, Federal agencies should also respond to problems by providing technical assistance about promising practices:

  *For example:* "The Secretary shall provide technical assistance to the States to help them expand and improve ...."

- States and localities should be held harmless for cases where outcomes are not achieved despite the use of best practices (given the current state of knowledge).

## 7. Shift in the Locus of Decision-making

- The partners should decide largely on the *"What"* and leave most of the *"How"* to States and localities.

- Performance partnerships should seek to empower communities to make their own decisions about how to address their needs, and to be held accountable for results.

- Front-line, local-level providers should have greater flexibility and responsibility for service design, delivery, and results.

- Partnerships should permit customers and beneficiaries to shape programs to better match their individual needs -- by giving them voice, choice, and the means to integrate services from multiple providers.

- Recipient jurisdictions should have flexibility to set local benchmarks that are consistent with national program goals.

## 8. Administrative Simplification

- Partners will seek to reduce barriers to success.

- Partnerships should resemble "performance contracts" (i.e., contract for measurable results) rather than traditional cost-reimbursement, "level-of-effort" grants.

- Performance partnerships should reduce Federal regulation of inputs, and avoid micro-management, and wasteful paperwork:

  -- Rigid and costly program restrictions should be eliminated.

- Procedural, detailed application, financial management, auditing and expenditure reporting requirements should be eliminated or simplified to permit comprehensive service delivery:

  -- The focus should be "Is the community achieving measurable results that indicate progress toward national goals?" -- rather than "Were the dollars spent on the identified problem?"

- Federal agencies should, to the extent feasible, establish or negotiate performance targets, rather than specify the manner of compliance that States or localities must adopt.

- Reporting and monitoring should focus on performance (outcomes and outputs that indicated progress toward strategic goals) rather than inputs.

## 9. Administrative Savings

- Administrative savings should be realized through consolidation and program and administrative simplification:

- Consolidated planning requirements, for example, should enable more integrated services with less overhead.

## 10. Implementation

- Proposals should consider:
  - Phased-in implementation,
  - Initially, shifting toward performance partnerships with self-selected or "volunteer" States/local partners that are ready.

- Partnership proposals should accommodate different degrees of devolution between Federal, and various State and local governments.

## 11. Entitlement Programs

- Performance partnerships for entitlement programs might:
  - Initially allocate funds to States to match what they currently receive,
  - Adjust over time for growth of poverty population and inflation,
  - Authorize the Secretary to provide extra funds to States during economic downturns,
  - As an incentive (since funding levels are fixed), permit high-performing States to re-direct their matching funds.

- Eligibility may need to be simplified, for example, to transform public assistance offices from bureaucratic eligibility offices into family support and job preparation centers linking a range of services.

- There may be a need to set specific common measures, but allow for flexibility for local circumstances:
  - Measures should be both population- and client-based.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release March 7, 1995

REMARKS BY THE PRESIDENT
TO THE NATIONAL ASSOCIATION OF COUNTIES

Washington Hilton
Washington, D.C.

10:15 A.M. EST

THE PRESIDENT: Thank you very much. Thank you, Randy, for the tee-shirt and for the sentiment which it represents. I thank all of you for having me here. I'm glad to be here with Secretary Shalala and Doug Bovin and Michael Hightower, Randy Johnson, John Stroger, my old friend from Arkansas by way of Chicago -- (laughter) -- Doris Ward and Larry Naake.

Let me begin by congratulating you on this program this morning. I was impressed that you had our longtime friend, Marian Wright Edelman, who gave my wife her first job after law school in the Children's Defense Fund. And I'm glad the Speaker got to come back and give his talk today -- (laughter) -- and I thank you for hearing him. (Applause.)

You know, I've done a lot of work over the years with the Acorn* Group, and they stood for a lot of good things in my home state. But I think everyone deserves to be heard. And we need people debating these important issues in Washington. This is a very exciting time, and it's important that all the voices be heard and that people like you especially that have to live with the consequences of what is done here hear the ideas that are being debated, and also that you be heard.

I am always glad to be with people who I think of as being in the backbone of public service in America. You serve at the level where you can have the greatest impact. When I was a governor, nothing mattered more to me than just being in direct contact with the people who hired me to do my job. And I have to tell you, as President, perhaps the most frustrating thing about the job is that I don't have as many opportunities as you do to be in direct contact with the people who hired me to do this job. That's not good for me, and sometimes it's not so good for them as well.

When I was governor, people used to make fun of me and say that I was basically a courthouse governor, which meant that I loved to go to the county courthouses in the rural areas of my state and sit for hours and talk to the officials and also visit with the people who would come in. But I know this: I know that one of the things that our government in Washington has suffered from for so many years is being too far from the concerns of ordinary Americans.

(Applause.)

You see in personal terms, with names and faces and life histories, the struggle now going to keep the American Dream alive. And you know as well as any the importance of reconnecting the values of the American people to their government. I ran for President because that American Dream and those values were threatened in the face of the huge changes that are going on here in the United States and all around the world, and because I though that too often our government was simply not prepared to deal with those challenges or, in some cases, actually making them worse.

Now, for two years I have worked hard to help ensure that our people have the tools they need to build good lives for themselves as we move into the 21st century, and that we cross that great divide still the strongest and most secure country in the world; still the greatest force for peace and freedom and democracy.

We're about two-thirds through the first 100 days of this new Congress. On Saturday, March the 4th, we had the 62nd anniversary of President Franklin Roosevelt's inauguration as President and the start of the original first 100 days. On that day, Franklin Roosevelt began to restore our nation and to redefine the relationship between our people and their government for half a century. And a lot of things he said then are still accurate today. In his inaugural he said, "The joy and moral stimulation of work must no longer be forgotten. These dark days will be worth all they cost us if they teach us that our true destiny is not to be ministered unto, but to minister to ourselves and our fellow men."

Today, we face different challenges, but our job is much the same. We have to keep the American Dream alive for ourselves and our children during a time of great change. And we have to do that while we maintain the values that have always made us strong -- work, family, community, responsibility for ourselves and for the future of our children.

As all of you know -- and you're now seeing it played out this morning -- we're engaged in a great debate here in Washington about how to do that. The old Washington view is that the federal government can provide big solutions to America's big problems. The new Republican Contract view reflects often an outright hostility to almost any federal government involvement, unless the present majority in Congress disagrees with what's going on in the state; and then there is a curious desire to increase the federal government's control over those aspects of our lives.

Now, my view is very different, really, from both. It reflects the years and years that I lived like you live now, when I was a governor out there working among the American people, and seeing these problems that people talk about in sound bites with names and faces and life histories.

The New Covenant that I want to forge with the American people for the future says that we need both more opportunity and more responsibility; that we don't have a person to waste, so we have to have very strong communities that unite us instead of divide us. We do need very big changes in the way government works. We don't need big, bureaucratic, one-size-fits-all government in Washington.

But we do have common problems and common opportunities which require a partnership -- a partnership with a limited but an effective government; a government committed to increasing opportunity in terms of jobs and incomes, while shrinking government bureaucracy; a government committed to empowering people through education and training and technology to make the most of their own lives; a government committed to enhancing our security all around the world and here at home on our streets as well.

Now, this kind of government will necessarily send more decisions back to the state and local governments and to citizens themselves. It will cut unnecessary spending, but it will invest more in jobs, incomes and educations. It will, in short, as I said in 1992, put people first. It will insist on more personal responsibility and it will support stronger communities. It will be a partner, but it won't be a savior, and it won't sit on the sidelines. Either extreme is wrong.

Now, I see this debate about the role of our government as terribly important. And you can see it now playing out on every issue now before the Congress. We see it being debated in terms of how we should best educate our children , how we should train our workers, how we should make our communities safe again, how our civil justice system should work, what is the right way to fix the broken welfare system. I want you to watch it play out this year. Underneath it all will be, what is the responsibility of the government in Washington; what is your responsibility at the grass-roots level; how can it best be met.

As we debate these matters, I will keep working to change the way Washington does business -- to achieve a government that gives taxpayers better value for their dollar, to support more jobs and higher incomes for the middle class and to shrink the under class, and to reinforce mainstream values of responsibility, work, family and community.

You know, for the 12 years before I came here, Washington allowed the deficit to quadruple and didn't do much to shrink the size or change the role of government. Organized interest did very well, but the public interest suffered. In the last two years, we've begun to change that. We've cut the federal deficit by $600 billion, shrunk the federal government faster than at any time in memory. We've cut more than 300 domestic programs and consolidated hundreds of others. We've got more than 150,000 fewer people working for the federal bureaucracy today than on the day I became President, and we're --(applause)-- and we are on the way to reducing it by more than a quarter of a million, so that the federal government will be the smallest it has been since President Kennedy took office. (Applause.)

In the process, we have done a lot to shift power away from Washington to states, counties, cities and towns throughout the country. Our reinventing government initiative has already saved the taxpayers $63 billion under the leadership of the Vice President, and we will save more.

We have cut regulations that make it harder on business and local government to create opportunity, but we will do more. And all of this has made a difference in the work and the lives of the people you serve. The economy has created almost six million jobs since I became President, the combined rate of unemployment and inflation is at a 25-year low. (Applause.)

But, clearly, we still have more to do. Most people are working harder without a raise, even though we've got a recovery. We're the only advanced country in the world where the percentage of people in the work force with health insurance is smaller today than it was 10 years ago. We still have a lot of economic problems out there, and you know that.

I am ready to work with the Republicans, especially in areas that will give you more power to do what you have to do. Together, we have moved forward legislation in the Congress that will keep Congress from imposing unreasonable new mandates on you without paying for them. (Applause.)

We've got a few issues left to work out on that, but a bill has passed the House and a bill has passed the Senate, and I encourage all sides to work in a bipartisan way to resolve them soon. In particular, though -- and I want you to weigh in on this -- I hope you will -- I think the bill ought to be made effective immediately. (Applause.) For reasons I don't understand, Congress seems to want to make it effective toward the end of this year or at the beginning of next year. If it's going to be a good idea then, it will be a good idea now. Let's go on and get it done. (Applause.)

As we have worked to cut yesterday's government, we've also invested in our people to help them solve their own problems. We have approached that work, too, as a partner with people at the local level. For example, last year we had the most productive year in passing education reform legislation from expanding Head Start to making college loans more affordable to the middle class in 30 years. But our education reforms set world-class standards for our schools, and yet give to educators and parents much more say than the federal government used to about how to meet these standards and how to improve our children's education.

We tried to be good partners with local government on the crime bill. I want to thank all of you at NACO for helping us to pass it. After six years of rhetoric and hot air in Washington, we finally passed the crime bill. (Applause.) You told us you wanted an end to gridlock, and you helped us get it. And we are providing what you told us you wanted -- you and other local officials all across the country -- resources for 100,000 new law enforcement officers, smarter prevention efforts, tougher punishment, like three strikes and you're out, a hard-won ban on assault weapons.

We are working with you now to implement this crime bill. The Justice Department and the Attorney General and working very, very hard. This is an amazing thing. I hear those who criticize this crime bill say that we have imposed this on local government, and they really don't want it, and they can't afford to pay any match. But do you know, since October, over half the police departments in the United States of America have already applied for assistance under the police grants -- over half. (Applause.) And in this five-year program, we have already released funds just since last fall to our 17,000 new law enforcement officers, including over 1,000 deputy sheriffs. (Applause.)

Now, sadly some people in Congress think we ought to reverse this. I agree that we have to continue to cut the deficit. My new budget cuts $140 billion more in federal spending. We have reduced the rate of health costs growing by about $100 billion over the next five years. We had about $250 billion in budget cuts in our last budget.

But how are we going to do this? I do not believe we should sacrifice our safety and not put 100,000 police on the street. I do not believe that we should not keep working for education. Instead, I think it's clear that our security and our ability to pay our way in the world depends upon educating and training our people for the new global economy. That includes a stronger Head Start program, serving more children. It includes more affordable college loans for middle-class students. It includes a whole range of educational initiatives.

I don't think we should limit our efforts to make college loans more affordable -- especially when you consider the fact that this administration has reduced your costs in delinquent college loans from $2.8 billion a year down to a billion dollars a year. We cut it by two-thirds -- the loss to taxpayers. So we're collecting on the student loans; let's give more loans to young people to go to college to make America stronger. (Applause.)

I don't agree that we should eliminate the national service project, AmeriCorps. It's doing a world of good out there at the grass-roots level. A lot of you are using it. (Applause.) And I certainly don't agree, with drug use on the rise among young people -- who seem to have forgotten that it is not only illegal, it is dangerous -- I certainly don't agree that we should eliminate the provisions for drug education programs and for security programs against drug problems in our public schools, which will now cover 94 percent of the schools in this country, but if the proposal now in

Congress passes will be wiped out. That is not the way to cut the budget. We do not have to do it that way. (Applause.)

It depends on how you look at it. Some in Congress want to cut the school lunch program. You know what we did instead? We closed 1,200 regional offices in the Department of Agriculture. I think we did it the right way. (Applause.)

So my view of this is that yes, we've got to cut the budget, but we should expand opportunity, not restrict it. We should give people the tools they need to make the most of their own lives, not take them away. We should enhance security, not undermine it. Those are my standards, and I need your help. You can make it clear to Washington that America wants us to get our house in order. They like it when we reduce the deficit. We have to cut the spending, but there is a right way and a wrong way to do this work.

And I'd like to ask your help in particular on an issue of concern to a lot of you. I know it differs from state to state in how it's implemented, but every American citizen has an interest in ending welfare as we know it. Like it or not, we have a welfare system that doesn't further our basic values, and like many of you, I have worked on this problem for years. Those of us who work in it know it's a little more complicated than people who just talk about it. I have spent countless hours in welfare offices talking to case workers, talking to people on welfare. For years and years now -- about 15 years this year -- I have been working on this problem as a governor and as a president. I have seen this great drama unfold.

You know, when welfare started under President Roosevelt, the typical welfare recipient was a West Virginia miner's widow, who had a grade school education, was never expected to be in the workplace, and had orphaned children that needed help. And everybody thought this was the right thing to do. Then, we had people on welfare who just hit a rough patch, but who got off welfare in a couple of months. And believe it or not, nearly half the people who go on welfare today are still in that category. Welfare actually works for them; we shouldn't forget that. There are a lot of folks who hit a rough patch in life, and they get on welfare and then they get themselves off.

Then, there are those whom all the American people, without regard to party or philosophy, are justifiably concerned with -- people who are trapped on welfare in cycles of dependency that sometimes become intergenerational; that are plainly rooted to the explosion of teen pregnancy, out-of-wedlock births, coupled with low levels of education, inability to pierce the job market, inability to succeed as both workers and parents. What ought to be the greatest joy of life, giving birth to a child, has now become a great social drama for us, in which we all worry that our values are being regularly violated. And that's being reinforced by the way a government program works. And we are worried about it.

Many of our people are worried because they don't have enough money to pay for their own kids, and they think their tax money is going down the drain to reinforce values they don't support to create more burdens on their tax money in the future.

And nobody wants to get off the welfare system, I can tell you, any more than the people who are on it. All you've got to do is go out and sit in any welfare office in the country and talk to people. I had four people who had worked their way off welfare into the Oval Office to see me the other day, and it was just like every story I've heard for the last 15 years -- people talking about how they were dying to get off welfare.

Now, our country has been engaged in a serious effort to try to address this problem for some years now. This is not a new issue. In the late 1980s, along with then-governor and now-Congressman Mike Castle from Delaware, I represented a bipartisan group of governors in working with the Congress in the Reagan administration to pass the Family Support Act of 1988. It was a welfare reform bill designed to promote work and education, and to move people from welfare to work through having the states do more with education and training and job placements and requiring that people participate in these programs.

And many of us who were governors at the time used the Family Support Act to move people off welfare. But everybody who worked with it recognized that more had to be done if the welfare system was going to be changed. There were still a lot of people who said, well, if I move from welfare to work, I'll lose my kid's child care, or I'll lose medical coverage for my child after a few months. There are others who still could kind of get through loopholes in the program because we didn't cover everybody.

So to reflect our country's values of work and education and responsible parenting, we knew we needed to do more. We also knew that we needed more state flexibility in tackling this problem. If somebody knew how to fix this, it would have been done a long time ago and people in politics would be talking about something else. Right? That's what this whole state flexibility's about. The framers were pretty smart wanting the states and the localities to be the laboratories of democracy because they knew that there would be thorny problems involving complex matters of economics and social organization and human nature that no one would know all the answers to.

So I'm glad the Republicans chose to make welfare reform part of their Contract for America. It's always been part of my Contract with America. (Applause.)

Now, let's see if there's some things we can all agree on. I think we should demand and reward work, not punish those who go to work. I think we should -- (applause) -- I think we should demand responsibility from parents who bring children into the world, not let them off the hook and expect the taxpayers to pick up the tab for their neglect. (Applause.) I think we must discourage irresponsible behavior that lands people on welfare in the first place. We must tell our children not to have children until they are married and ready to be good parents. (Applause.)

Now, in the last two years we've made some progress in pursuing these goals. In 1993 when the Congress passed the Economic Reform Plan, one of the provisions gave a tax break averaging $1,000 a year to families with incomes of under $25,000 to 15 million working families to send this message: If you work full-time and you have children in the home, you should not be in poverty. And there should never be an incentive to stay on welfare instead of go to work. That's what the Earned Income Tax Credit Expansion was all about.

Last year I sent to Congress the most sweeping welfare reform plan ever presented to the United States Congress. It was pro-work, pro-education, pro-responsibility, and pro-state flexibility. It did not pass, but I still hope it will be the basis of what ultimately does pass. We are collecting child support at a record level from delinquent parents -- $9 billion in 1993. (Applause.) And last week I signed an executive order to crack down on federal employees who owe child support to require them to pay as well. (Applause.)

For the last two years, we have granted welfare reform waivers from federal rules to two dozen states -- more than the last two administrations in 12 years combined -- giving states flexibility to try out their ideas without being stifled by Washington one-size-fits-all rules. Today I am proud to announce that Ohio has become the 25th state to receive a waiver to reform its welfare system. (Applause.)

Now, here's what Ohio wants to do. I think it's an interesting idea. They want to take some of their welfare and food stamp money to subsidize jobs in the private sector, including an initiative with our new empowerment zone in Cleveland. That's not a bad idea. Some people say, well, we don't have enough money to create government jobs for all these folks, and the private sector won't hire them if they have limited skills. So Ohio and Oregon and a couple of other states say, would you let us use the welfare check to give to employers -- say, okay, you're going to pay whatever you're going to pay at this job. This will replace some of what you'll have to pay. Put these people to work. Give them work experience. Give them a chance -- give them a chance to earn something.

Secretary Shalala thought it was a good idea, and so do I. These are the kinds of things being done all across America. Half the country today, as of this day with this waiver, now half the states are carrying out significant welfare reform experiments that promote work and responsibility instead of undermining it. Ten states are strengthening their child support enforcement. Nineteen are finding ways to insist on responsible behavior in return for help. Twenty states are providing incentives to families to go to work, not stay on welfare.

I think we should go further and abolish this waiver system altogether in the welfare reform. Instead, we should give all states the flexibility to do all the things that our waivers allow 25 states to do today, so people don't have to come to Washington to ask. (Applause.)

But I would like to say in this debate and for your benefit, especially those of you who have county responsibilities in this area, we shouldn't forget that the need for flexibility doesn't stop at the state level. We need it at the local level as well. (Applause.)

So we're making some headway on this welfare reform. But we've still got a lot of work to do. In January, I called a meeting at the White House with leaders from both parties and all levels of government to press Congress to get moving on welfare reform legislation. I spoke about it in the State of the Union address. I wanted the people who will write the legislation to hear from people like you, so we had representatives from local government at this meeting. I wanted them to hear from folks who will have to put this legislation into action on the front lines.

We all know the old system did too little to require work, education and parental responsibility; that it gave the states too little flexibility. The original Republican Contract proposal did give the state more flexibility, with some exceptions, in return for substantial reductions in federal payments in future years. But, like the present system and unlike my proposal, the original Republican Contract proposal was weak on work and parental responsibility. And in terms of denying benefits to all welfare parents under the age of 18 and their children, it was also, in my view, very hard on children.

Now, the present bill in the Congress, as it stands today, as we speak, contains real improvements from the original Contract proposal in the areas of work and parental responsibility. But I think there are still significant problems with it which could undermine our common goals. And in my view, they still make the bill too tough on children and too weak on work and responsibility. I'd like to talk a little about that, again, because there's a debate still to be had in the House and then when the bill goes to the Senate.

When we met in January, we agreed, Democrats and Republicans alike, that the toughest possible child support enforcement must be a central part of welfare reform. If we collected all the money that deadbeat parents owe, we could move 300,000 mothers and over a half a million children off the welfare roles immediately -- tomorrow -- just with child support collection. (Applause.)

So at that meeting, people from every level of government and both parties agreed that while generally we want to move more of these decisions back to the state, we need national action on child support enforcement, and national standards, because 30 percent of the cases where parents don't pay cross state lines.

The original child support provisions in the Contract of the Republicans left out a lot of the most effective means for finding delinquent parents, which were in our welfare reform bill, including a system to track them across state lines. But to the credit of the Republicans, they have recently included almost all our tough child support measures. And I appreciate it.

There is more that we ought to do, I think, together. Our plan calls on states to deny drivers and professional licenses to people who refuse to pay their child support. (Applause.) Now, I know that's a tough idea, but let me tell you -- 19 states are doing that today, and they're collecting a lot more child support as a result of it. So I hope that the Congress will join us to make this provision also the law of the land.

We've got to send a loud signal: No parent in America has a right to walk away from the responsibility to raise their children. That's the signal; we've got to send it. (Applause.)

Secondly, all of you know that the hardest and the most important part of welfare reform is moving people from welfare to work. You have to educate and train people. You've got to make sure that their kids aren't punished once they go to work by losing their health care or their child care. And then you've got to figure out where these jobs are coming from. You know, I'm doing my best to lower the unemployment rate, but still, if there's unemployment in a given area, where will the jobs come from? Will the government provide them? If not, you have to do things like I described in the Ohio waiver.

But this work has always been at the core of my approach. I think what we want for every American adult is to be a successful parent and a successful worker. When I proposed my plan last year and when I was running for president, I said, if people need help with education, training or child care so they can go to work, we ought to give them the help. But, after two years, they should be required to take a job and get a paycheck, not a welfare check, if there's a job available. There should not be an option. If you can go to work, you must.

Now, I know in their hearts this is really the position that most of the Republicans in the Congress agree with. Last year, 162 of 175 House Republicans, including Speaker Gingrich, co-sponsored a bill that was similar to our plan on work in many ways. But the plan that they are currently considering in the House doesn't do much to support work. It would actually make it harder for many recipients to make it in the workplace.

Now, they wisely abandoned an earlier provision which basically allowed a welfare recipient to get around the work requirement literally by submitting a resume. But their new plan gives the states a perverse incentive to cut people off welfare. It lets them count people as working if they were simply cut off the welfare rolls for any reason and whether or not they have moved into a job.

Now, when people just get cut off without going to work, we know where they're likely to end up, don't we? On your doorstep. That's not welfare reform. That's just shifting the problem from one place to another. Now, we know that an inordinate number of people also who get off welfare without work skills, without child care, wind up right back on welfare in a matter of a few months. Yet, the current Republican plan cuts child care both for people trying to leave welfare and for working people who ar working at low incomes who are trying to stay off of welfare.

Equally important, this new plana removes any real responsibility for states to provide education, training and job placement, though that is at the heart of getting and keeping people off welfare. In other words, these provisions on work effectively repeal the Family Support Act of 1988 which was passed with the support of President Reagan and substantial Republicans in the Congress and actually did some good when the states implemented it in good faith.

Why? Because basically the new provisions are designed to allow the federal government to send less money to the states over time, and in return for saving budget money, they're willing to walk away from the standards necessary to move people from welfare to work walk away from the standards necessary to move people from welfare to work. It's like a lot of things you can do around here -- it may feel good for a year or two, but five years now we'll be hitting ourselves upside the head, saying why have we got a bigger welfare problem than we had five years ago.

Now, besides the need to support work and tough child support enforcement, I also think there are some other questions here -- questions of the treatment of children, and addressing the problems of teen pregnancy. Three-quarters of the unwed teen mothers in this country end up on welfare within five years. We clearly need a national campaign against teen pregnancy that sends a clear message: It is wrong to have a child outside marriage. Nobody should get pregnant or father a child who isn't prepared to raise the child, love the child and take responsibility for the child's future. (Applause.)

I know the Republicans care about this problem, too. This is not a partisan political issue. It is not a racial issue; it is not an income issue; it is not a regional issue. This issue is eating the heart out of this country. You don't have to be in any particular political camp to know we're in big trouble as a society if we're headed toward a day when half of all the kids in this country are born outside marriage.

But some aspects of this current plan in Congress could do more harm than good. Our plan sends a clear message to young men and women that mistakes have consequences, that they have to turn their lives around, that they have to give their children a better chance. We want teen fathers to know they'll spend the next 18 years paying child support. We want teen mothers to know they have to stay at home with their parents or in an appropriate supervised setting and stay in school. And they have to implement or identify the fathers. They don't have a separate check to go out on their own.

Now, the Republican plan in Congress sends a different message to young people that's both tougher and weaker. It says, if you make a mistake, you're out on your own, even it means your likely to end up on welfare for life. It costs us even more money down the road.

Now, in recent weeks, we've narrowed our differences, the Republicans and the administration, in response to concerns that have been raised by people within the Republican Party. But their bill still denies -- now listen to this -- their bill still denies any assistance to teen mothers under the age of 18 and their children until they turn 18, and then leaves the states the option of denying those benefits permanently, as long -- to anybody who was under 18 when they had a child.

Now, I just believe it's a mistake to cut people off because they're young and unmarried and they make a mistake. The younger you are, the more likely you are to make mistakes, although I haven't noticed any absence of errors from those of us who get older. (Laughter.) I think it's wrong to make small children pay the price for their parents' mistakes. I also think it's counterproductive. It's not in our interest. It will cost the taxpayers more money than it will save. It's bound to lead to more dependency, not less; to more broken families, not fewer; to more burdens on the taxpayers over the long run, not less.

Now, our plan is different, but it is tougher in some ways. It would say, if you want this check and you're a teenager, you've got to live at home. And if you're in an abusive home you must live in another appropriate supervised setting. You must stay in school. You must identify the father of the child. So we're not weaker, but we're different.

We also want a national campaign against teen pregnancy rooted in our local communities that sends a clear message about abstinence and responsible parenting. That is the clue, folks -- if we could get rid of that, we wouldn't have a welfare problem, and we'd be talking about something else in the next couple of years. (Applause.)

Now, there are other provisions in this bill that I think are unfair to children, and let me just mention, for your information -- I think they're really tough on disabled children and children in foster homes, and I think they ought to be modified. And, finally, it is important to point out that under the guise of state flexibility, this plan reduces future payments to states in ways that make states and children very vulnerable in times of recession, or if their population is growing more than other states.

So, basically, if we adopt this plan the way it is, it will say to you in your state, if times get tough, you're on your own. I don't think we should let budget-cutting be wrapped in a cloak of welfare reform. We have a national interest in the welfare of our children. Let's reform welfare. Let's cut the deficit. But let's don't mix up the two and pretend that one is the other. Let's put our children first.

Let me say that I have come here today in the spirit of good faith to try to outline these specifics. You may not agree with me; you may agree with them. But I want you to know what the points of debate are. Again, I am glad we're discussing this. This is a big problem for America. And I believe in the end we can work it out together as long as we remember what it's really about -- again, the way you think about problems; you have a name, a face, and a life history. That's what we sometimes lose up here in Washington.

I just want to close with this story. When I was Governor, I was trying to get all the other governors interested in welfare reform. I once had a panel at a welfare meeting in Washington. And I didn't even know how many governors would show up. Forty-one governors showed up to listen to women on welfare, or women who had been on welfare, talk about their lives.

There was a woman there from my state, and I was asking her questions, and I didn't know what her answers were going to be --

letting her talk to the governors. And I said, do you think it ought to be mandatory for people on welfare to be in these education and job placements programs? She said, yes, I do. I said, why? She said, because a lot of people like me, we lose all our self-confidence, we don't think we amount to much, and if you don't make us do it we'll just lay up and watch the soaps. But then I said, I asked her to describe her job, and she did. And I said, what's the best thing about having a job? She said, when my boy goes to school, and they ask him, what does your momma do for a living, he can give an answer. (Applause.)

So I want you to help us, because whether you're Republicans or Democrats or black, brown or white, or liberals or conservatives, you have to deal with people with names, faces and life histories. We're up here dealing in sound bites trying to pierce through on the evening news. (Applause.) It's a big difference. (Applause.) It's a big difference.

This debate is about more than welfare. It's about who we are as a people and what kind of country we'll want to pass along to our children. It's about the dignity of work, the bond of family, the virtue of responsibility, the strength of our communities, the strength of our democratic values.

This is a great American issue. And I still believe that all of us working together can advance those values and secure the future of our children, and make sure that no child in this country ever has to grow up without those values and the great hope that has made us, all of us, what we are.

Thank you and God bless you. (Applause.)

END 11:06 A.M. EST