

MEMORANDUM TO LEE ANN INADOMI**FROM: Mary Beth Donahue****RE: HHS Ohio Hot Issues****DATE: March 19, 1996**

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- **Ohio Welfare Reform Waiver:** On March 13, Secretary Shalala approved waivers that allow Ohio to implement the Ohio First welfare reform demonstration. Implementation of the demonstration project is scheduled to begin on June 1, 1996 and it will run for five years. The demonstration authority provides flexibility for large-scale changes in Ohio's welfare system, while incorporating protections for children whose families, through no fault of their own, have not been able to attain adequate employment. An important principle within the demonstration is the establishment of welfare as a transitional link to employment and an emphasis on individual responsibility and parents' responsibility for their families' independence. The waivers allow for a very comprehensive welfare reform strategy which can be expected to greatly enhance our knowledge base and inform states and others interested in welfare reform.

✓ Only three significant waivers requested by Ohio were not approved. One had to do with placing AFDC recipients who are in a subsidized jobs program in established vacant positions. The Department does not have the legal authority to approve the state's request to place Subsidized Employment Program (SEP) participants in established vacancies. A second request would have denied Medicaid to a dependent child under the age of 18 in cases of fraud. The Administration has not supported denying Medicaid coverage as a sanction for welfare fraud. The third waiver denial concerned the state's desire to change current Food Stamp rules which increase food assistance for individuals whose AFDC benefits are reduced due to sanctioned behavior. USDA does not have authority to approve such a waiver, but has proposed a formal rule that would correct this problem. The rule should be finalized shortly.

- **Ohio Medicaid Waiver Approved:** Ohio Care, a statewide section 1115 demonstration, was approved on January 17, 1995. The demonstration originally intended to expand eligibility for Medicaid to the uninsured with incomes up to 100 percent of the Federal poverty level (500,000 additional beneficiaries). These new beneficiaries and current beneficiaries (1.4 million) would be enrolled in managed care. The State had also planned to test the use of managed care for the provision of certain special health related services, to be provided on a risk basis by several State agencies. However, the legislature did not pass enabling legislation for eligibility expansion. Therefore, the State plans to proceed only with implementation of statewide managed care for basic services on July 1, 1996. A task force consisting of representatives from

the Medicaid agency, the Governor's office, the legislature, and the counties has been established to develop an integrated managed care system for mental health.

- **Child Welfare Waiver Demonstration Project:** Ohio is one of 13 states to apply for a child welfare demonstration project authorized by legislation signed by President Clinton in October 1994 which permits HHS to grant up to 10 demonstrations. HHS is currently in discussions with all states that have applied for a demonstration. Ohio's proposal would apply the principles of managed care to child welfare services. The project would operate in selected counties and offer an opportunity to test several novel approaches to serving families and children. The Ohio proposal would provide greater responsibility at the community level, use a mix of private and public agencies to deliver a range of services, and assure access to a range of social services within an overall cost-containment strategy. HHS has provided Ohio with an issue paper which outlines a number of questions. The State is preparing a response, and HHS officials have assured the State that they will be available to begin discussions within a few days after receiving the response. Discussions are tentatively set for the first week of April.

QUESTIONS AND ANSWERS REGARDING OHIO FIRST

Q: There were a number of AFDC provisions which the State requested but which were not approved. What were they and why were they not approved?

A: There were only a few waivers requested by Ohio which were not approved. One had to do with placing AFDC recipients who are in a subsidized jobs program in established vacant positions. The Social Security Act specifically prohibits the filling of established, unfilled vacant positions with subsidized employees. The prohibition is contained in a section of the Social Security Act, section 484, that is outside the waiver authority which is limited to provisions of section 402. Therefore, we do not have the legal authority to approve this particular request.

A second waiver request which was not approved would have denied Medicaid to a dependent child under the age of 18 in cases of fraud. Ohio proposed that, in addition to the increased penalty of denial of AFDC cash benefits to the entire assistance unit, a child would also lose Medicaid eligibility if the child was responsible for the fraud. The Department does not support demonstrations which deny Medicaid to those who would otherwise be eligible except for AFDC-related waivers.

Q: There were also Food Stamp Program waivers which were requested by the Governor but which were not approved. What are they and why were they not approved?

A: There were two provisions which involve Food Stamp Program waivers. In one the State proposed that Food Stamp benefits not increase if the reason for the family's reduced income was a result of the imposition of an AFDC sanction. In the other, the State proposed that JOBS program requirements be considered comparable to Food Stamp Program employment and training requirements and that the same sanction be applied. The Food Stamp Program demonstration waiver authority is contained in section 17(b) of the Food Stamp Act. Section 17(b) prohibits the USDA from approving a waiver that would lower or further restrict the benefit level provided under the Food Stamp Program. Therefore, neither of these two requests could be granted.

Although the waivers could not be granted because of the restrictions of section 17(b), the USDA has indicated their agreement with the intent of the State's proposals. On August 8, 1995, it published a notice of proposed rulemaking that would prohibit an increase in food stamp benefits under certain sanction situations. Upon final publication of the rule, Ohio will be able to implement the proposed policy.

Also, the USDA has proposed legislative change that would allow more conformity with the JOBS Program sanction system.

Q: The Governor suggests that the conditions imposed by HHS regarding extensions to the time limit will "render time limits meaningless." What are the conditions and do you expect that they will mean there is no real time limit in Ohio?

Ohio's welfare reform demonstration is a comprehensive approach to reforming the welfare system. It includes a stronger emphasis on employment and obtaining the education and skills necessary to compete in the labor market. The Department has approved time limit provisions in (22) states. Our actions clearly indicate that we believe it is appropriate to allow states to test time-limits in the context of the AFDC program. However, we also believe that there should be protections for children when their mother or father has played by the rules and has cooperated with all JOBS requirements but, through no fault of their own, they have been unable to obtain or maintain employment which, in combination with other income, provides the family with income at the AFDC benefit amount.

HHS does not expect that the extension will apply to a large proportion of cases. We expect that Ohio will be successful in helping most families move toward self-sufficiency. However, children need to be protected in those instances where this does not happen despite the best efforts of the parent.

OHIO WELFARE WAIVER UPDATE

- o HHS approved Governor Voinovich's request for a welfare waiver on Wednesday, March 13. HHS received the request on October 27.
- o Under the five-year waiver, called OhioFirst, welfare recipients would be subject to time limits on benefits, could earn more money without losing benefits, and would have to sign self-sufficiency contracts. The plan passed the state legislature with strong bipartisan support and was endorsed by the Ohio Children's Defense Fund.
- o On February 26, the Governor wrote the President to express concerns about four issues that had arisen in the waiver review process.
- o Unfortunately, in announcing the approval HHS failed to make it clear to the state that it would not get what it wanted on these four issues. State officials agreed to accept the waiver but expressed concern about HHS's action in the press (see attached newspaper articles).
- o Two of the four issues are statutory or regulatory in nature and could not have been approved by HHS, while the other two are policy issues that HHS had discretion to approve.

Statutory/Regulatory Issues:

- o Ohio wants to put AFDC recipients to work in existing job slots that are now vacant. The 1988 Federal welfare reform law allows welfare recipients to be put only into new jobs, and not in existing job slots. This feature was strongly supported by public employee unions, which feared a loss of union jobs under welfare reform.
- o The Department of Agriculture could not approve a waiver that would prevent food stamps from automatically increasing to compensate for welfare sanctions. However, the Administration is on record favoring this change in policy, and we have issued a regulation that should become final shortly that will allow every state, including Ohio, to implement this policy.

Policy Issues:

- o Ohio wanted to sanction those guilty of welfare fraud by dropping their Medicaid coverage. HHS has never granted such a waiver to a state because of its policy that health insurance should be guaranteed regardless of a person's behavior.
- o Ohio proposed to limit welfare benefits to three years. In allowing states to impose time limits, HHS has insisted that states extend the time limits for welfare recipients who have not been able to find a job through no fault of their own. All of the waivers approved to date by the Administration have met this requirement. HHS's final approval of the waiver imposed this requirement on Ohio.

DRAFT RESPONSE TO GOVERNOR VOINOVICH

Thank you for writing about Ohio's welfare reform demonstration waiver. As you know, the Department of Health and Human Services has approved the waiver, and I am pleased that we have been able to work with you to move more of our citizens from welfare to work.

I agree that food stamps should not automatically increase to compensate for welfare sanctions. I am pleased that the Department of Agriculture has issued a Notice of Proposed Rulemaking that will allow every state, including Ohio, to implement this policy shortly.

I am pleased that we are moving forward to reform our nation's welfare system to the extent possible through the waiver process, regardless of the outcome of the welfare reform debate here in Washington. At present, my Administration has approved 56 welfare waivers in 37 states -- cutting down significantly on bureaucracy and encouraging creative solutions to local problems. I am eager to work with the Congress and the Governors to produce a bipartisan welfare agreement that is tough on work and responsibility, but is supportive of parents who are responsible and who want to work.

As we work to build a brighter future for the people of Ohio and for all Americans, I look forward to the progress we can make together on welfare reform. You have my best wishes.

Ohio welfare reform gets federal OK

Columbus
Dispatch

By Alan Johnson
and Jonathan Flakel
Dispatch Staff Reporters

3-14-96

Most of Ohio's welfare reform plan got the go-ahead from the federal government yesterday, but Gov. George V. Voinovich is miffed at what wasn't approved and how long the process took.

The Clinton administration — after a review that was supposed to take 30 days but took seven months — approved 17 of the 21 waivers requested, clearing the way for comprehensive welfare reform in the state by Oct. 1 at the latest.

"Our package will make real differences in the lives of thousands of Ohio's most vulnerable citizens," Voinovich said. "With our reforms, the state will become a true partner in helping recipients break free of the cycle of welfare dependency."

Voinovich blamed Clinton for subjecting the state to an "excruciatingly slow and cumbersome" process and failing to approve all requests.

The General Assembly overwhelmingly approved Voinovich's welfare overhaul in August 1995, but 21 provisions required waivers from federal government regula-

tions before they could be put into effect.

After its seven-month review, the federal government refused to approve provisions that would have prevented a recipient's food stamp benefits from increasing when his Aid to Dependent Children benefits are cut and another that would have denied Medicaid eligibility to anyone guilty of welfare fraud.

Voinovich said the state program "was designed as a carefully balanced blend of incentives and sanctions. ... By approving some of our waiver but not all of it, the federal government has upset this careful balance."

However, the Clinton administration said its approval will allow Ohio to put dramatic statewide changes into place, including time limits for welfare recipients, guidelines allowing recipients to earn more money without losing benefits, a mandatory "self-sufficiency contract" as a condition of benefits, and penalties if recipients do not cooperate with employment and child support enforcement agencies.

Donna Shalala, U.S. secretary of health and human services, said the Ohio First plan, as it is called, "strongly reflects the president's welfare reform principles of moving people quickly into work and promoting parental responsibility."

THE PLAIN DEALER

Cleveland
Plain Dealer
3/14/96

Ohio

THURSDAY
MARCH 14, 1996

S-B

Washington approves Ohio welfare plan

By JOE HALLSTY
and BENJAMIN MARRISON
PLAIN DEALER REPORTERS

COLUMBUS — The federal government yesterday approved a less-restrictive version of Gov. George V. Voinovich's vaunted plan to reform the state's welfare system, evoking a bittersweet response from the governor.

Despite blistering the Clinton administration for delaying approval and eliminating elements of the reform plan, Voinovich nevertheless heralded it as one of the nation's strongest.

"With our reforms, the state will become a true partner in

helping recipients break free of the cycle of welfare dependency," he said.

The plan, labeled "tough love" by Voinovich, combines incentives with penalties in an effort to move thousands of Ohioans from welfare to work. It contains 50 provisions, 20 of which required waivers from the federal government, a process that took seven months.

Voinovich and other GOP governors have beseeched President Clinton and Congress to turn over control of welfare programs to the states and fund them with block grants.

Under the plan enacted into

Ohio law last August, welfare recipients can collect welfare benefits for just three years in any five-year period, effectively forcing them to get jobs. The federal government, however, watered that provision down by permitting benefits to continue for recipients who "through no fault of their own" cannot get jobs, according to Ronald Rhodes, deputy director of the Ohio Department of Human Services.

The new law, which Rhodes said would be fully implemented by October, requires welfare parents without a high school diploma to work toward their high

school equivalency certificate to receive benefits, and stipulates that unmarried teen mothers on welfare must live with their parents until age 18.

Meanwhile, the law lets Ohioans on public assistance work more hours at part-time jobs while still remaining eligible for welfare benefits, and it promotes two-parent families by removing a rule that discouraged marriage.

The law toughens child-support collection procedures, and permits courts to order the parents of teenage fathers to pay child support until the father turns 18. In addition, parents who owe child support will have their driver's li-

cence and any state-issued professional or occupational license yanked until they pay up.

Rhodes and the governor decried the federal government's failure to approve a state proposal to cut off Medicaid benefits to individuals guilty of welfare fraud.

Those who have to deal firsthand with welfare recipients aren't sure there are enough available jobs and slots in high school equivalency programs.

"Most of the jobs that people are getting are low-wage, no-benefit jobs," said Jack Frech, director of the Athens County Depart-

ment of Human Services. He added that requiring more of welfare recipients was a good idea.

Frech and Mary Lou Golski, director of the Lorain County Human Services Department, questioned whether the state plan's health care provisions were adequate for Ohioans moving from welfare into jobs.

Mark Real, executive director of the Children's Defense Fund in Ohio, said the key elements of the reform plan were kept intact by the federal government, including provisions "to make work more worthwhile and allow people to keep more of what they earn" while still receiving some benefits.

Bill would fight attacks by common-law followers

By TC. BROWN
PLAIN DEALER STAFF WRITER

COLUMBUS — Legislators will be asked to arm public officials with a law that allows them to fight back against attacks of "oppression terrorism" from a fast-growing social movement.

Rep. William Schuck, a Columbus Republican, said he would

according to human rights and right-wing watchdog organizations.

Should the bill eventually become law, it's not likely to do such decrees issued by the common-law court, said Bill Eliwa, the chief justice of "our own preme Court" in Columbus.

"If anything, it will speed

Geoffrey Kent, the Lake County recorder and president of the Ohio Recorder's Association. "These [common-law] people are absolutely serious and think they are operating under the letter of the law, and we find ourselves as the innocent middleman."

Kent said recorders sought clarification of the law because some officials had been subject to

Children injured



Ohio cleared for change in welfare

3-14-96

• Experiment will reward recipients who find work, limit cash benefits to 36 months in a 60-month period

BY WILLIAM HERSHEY
Akron Journal Washington Bureau

WASHINGTON: The Clinton administration yesterday approved a five-year Ohio experiment aimed at rewarding welfare recipients when they go to work but punishing them when they don't take advantage of job or training opportunities.

Gov. George Voinovich, who signed state legislation outlining the changes in August, praised the decision by Health and Human Services Secretary Donna A. Shalala. But he said real welfare reform won't come until the federal government returns authority to the states, as was requested last month at the National Governors' Association meeting in Washington.

"I remain frustrated that the excruciatingly slow and cumber-

some waiver consideration process has required us to spend the last seven months filling out forms for federal bureaucrats rather than helping welfare recipients move toward self-sufficiency and independence," Voinovich said.

However, Mark Real, director of the Children's Defense Fund of Ohio and a key Voinovich ally in winning the approval, said Shalala's decision strikes the right balance.

It would continue cash welfare benefits as an entitlement, which poor families automatically qualify for based on factors such as income, but would withdraw the entitlement when welfare recipients don't live up to their end of the bargain. If a pure block grant approach were established, states

See ADC, Page D2

AKRON BEACON
JOURNAL

should be in place by Oct. 1.

Voinovich criticized the Clinton administration for not approving all the requested changes.

He had asked that decreases in cash benefits resulting from failure to meet work or training requirements not be compensated by an increase in food stamp allotments, but this was not approved.

"If food stamp levels are increased to compensate for the sanctions, we send the wrong message to sanctioned welfare recipients while creating a tremendous administrative burden for human services caseworkers," he said.

However, Real said that federal

ADC

• Voinovich is unhappy some sanctions left out

Continued from Page D1

could run out of money during hard economic times, Real said.

In Washington, Rep. Sherrod Brown, D-Lorain, also applauded the decision.

President Clinton's "flexible approach to this difficult issue is far preferable to the extremist positions taken by the Republicans in Congress," said Brown, whose district includes Medina County and parts of Summit and Portage counties.

About 620,000 Ohioans, including 400,000 children, receive Aid to Dependent Children cash benefits.

The monthly benefit for a family

BREAKDOWN

Numbers of people on welfare in the five counties in the region:

Summit — 32,500.

Stark — 19,200.

Portage — 5,300.

Wayne — 2,400.

Medina — 2,000.

There are 130,000 ADC recipients in Cuyahoga County, according to state records.

• Married parents would be able to work more than 100 hours a month and retain eligibility.

• Recipients would be required to sign a contract outlining steps they would take to become independent.

• Recipients would lose benefits

law prohibits Shalala and her department from cutting food stamps in such cases.

The governor said he was frustrated because federal officials didn't agree to withdraw eligibility for Medicaid — the medical program for the poor — for those who are guilty of welfare fraud.

"This is unfair to the hard-working citizens whose tax dollars are used to support the welfare system. . . . Our package was designed as a carefully balanced blend of incentives and sanctions. . . . By approving some of our waiver but not all of it, the federal government has upset this careful balance," he said.

of three is \$341. There are suggestions of what Shalala approved:

• Eligibility for cash benefits would be limited to 36 months in any 60-month period, with exceptions for those unable to work or receive training.

• Applicants would be required to look for work while their ADC application is processed.

• The first \$250 earned each month and half of any earned income over \$250 would be disregarded when calculating eligibility for benefits.

gradually through a two-step process if they don't cooperate with employment, training and child-support requirements.

• Those without high school diplomas must enroll in education programs.

• Pregnant women must get prenatal care and cooperate with substance-abuse treatment programs.

Ron Rhodes, deputy director of the state Department of Human Resources, said the changes will begin to take effect by July, and all



DEPARTMENT OF HEALTH & HUMAN SERVICES

Chief of Staff

Washington D.C. 20201

FACSIMILEDATE 3/21/96

TO: (NAME, ORGANIZATION, CITY/STATE AND PHONE NUMBER):

Diana Fortuna

FROM: (NAME, ORGANIZATION, CITY/STATE AND PHONE NUMBER):

MARY BETH DONAHUE
DEPUTY CHIEF OF STAFF
DHHS

690-6133

RECIPIENT'S FAX NUMBER: () 456-7431NUMBER OF PAGES TO SEND (INCLUDING COVER SHEET): 3

COMMENTS:

MEMORANDUM TO LEE ANN INADOMI**FROM: Mary Beth Donahue****RE: HHS Ohio Hot Issues****DATE: March 18, 1996**

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Only a few waivers requested by Ohio were not approved. One had to do with placing AFDC recipients who are in a subsidized jobs program in established vacant positions (the Department does not have the legal authority to approve his request to place Subsidized Employment Program (SEP) participants in established vacancies); a second request would have denied Medicaid to a dependent child under the age of 18 in cases of fraud. There were also Food Stamp Program waivers which were requested by the Governor but which were not approved. ?

- **Ohio Medicaid Waiver Approved:** Ohio Care, a statewide section 1115 demonstration, was approved on January 17, 1995. The demonstration originally intended to expand eligibility for Medicaid to the uninsured with incomes up to 100 percent of the Federal poverty level (500,000 additional beneficiaries). These new beneficiaries and current beneficiaries (1.4 million) would be enrolled in managed care. The State had also planned to test the use managed care for the provision of certain special health related services, to be provided on a risk basis by several State agencies. However, the legislature did not pass enabling legislation for eligibility expansion. Therefore, the State plans to proceed only with implementation of statewide managed care for basic services on July 1, 1996. A task force consisting of representatives from the Medicaid agency, the Governor's office, the legislature, and the counties has been established to develop an integrated managed care system for mental health.

- **Child Welfare Waiver Demonstration Project:** Ohio has proposed a child welfare waiver demonstration project in which the State would apply the principles of managed care to child welfare services. The project would operate in selected counties and offer an opportunity to test several novel approaches to serving families and children. The Ohio proposal would provide greater responsibility at the community level, use a mix of private and public agencies to deliver a range of services, and assure access to a range of social services within an overall cost-containment strategy. HHS has provided Ohio with an issue paper which outlines a number of questions. The State is preparing a response, and HHS officials have assured the State that they will be available to begin discussions within a few days after receiving the response. Discussions are tentatively set for the first week of April.



GEORGE V. VOINOVICH
GOVERNOR

STATE OF OHIO
OFFICE OF THE GOVERNOR
COLUMBUS 43266-0601

February 2, 1996

The President
The White House
Washington, DC 20500

Dear Mr. President:

During your State of the Union address, Republicans and Democrats alike were pleased to hear you express support for the passage of meaningful welfare reform legislation. I firmly believe that a fundamental overhaul of the current welfare reform system is long overdue, and I encourage you to fulfill the promise you made to the American people four years ago to end welfare as we know it by signing into law welfare block grant legislation.

Over the last several months I have become increasingly frustrated that reform rhetoric coming out of your Administration has not been matched by concrete actions. Twice you have vetoed legislation that would give states the flexibility to break the cycle of dependency through programs that foster self-sufficiency and employment. The federal waiver process you have touted as an alternative to legislation has been excruciatingly slow. Last week, Ohio received preliminary indications from the Department of Health and Human Services that the waivers needed to implement some of the most important provisions of Ohio's new welfare reform law may not be granted.

Ohio's experiences with our waiver application provide me with yet another reason to believe that the existing welfare system is broken beyond repair. Despite your assurance states' waiver applications would be approved within 30 days, we now have been waiting over 100 days for clearance to implement our package. Even taking the government shut down into account, we have been held back too long. My staff tells me we still are between six and eight weeks away from a final decision. Many of the elements of our package have been included in waivers granted to other states, so it is not as though we are asking for approval of anything that should be particularly complicated or time consuming. Even if much of our waiver is eventually approved, we will have wasted over five months filling out federal forms rather than helping welfare recipients find jobs through our new program.

As a former Governor, I am sure you can sympathize with my inability to understand why a group of federal bureaucrats is permitted through the waiver process to essentially rewrite portions of a welfare reform package passed with the overwhelming bipartisan support of Ohio's elected representatives. Our bill passed the Ohio Senate with a 32-0 vote and was endorsed by the House of Representatives by a 89 to 7 margin. Republicans and Democrats, liberals and conservatives overwhelmingly supported the package.

The President
February 2, 1996
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Additionally, we received the endorsement of groups ranging from the Ohio Children's Defense Fund to the County Commissioners' Association and the Ohio Human Services Directors' Association. Clearly, our package is the product of extensive consultation with interested parties and enjoys widespread support. The enclosed newspaper editorials will give you a sense of this support.

Again, it is incredible to me that a group of Washington bureaucrats now sits in judgment over a welfare package that Ohio's elected representatives and advocacy organizations spent months developing in a spirit of cooperation and consensus. It is extraordinarily arrogant for these bureaucrats to assume that they are in a better position to know and protect the interests of the people of Ohio than those of us who live and work here everyday. We are better able to develop a specifically tailored solution to Ohio's welfare challenges than any group of federal bureaucrats. Washington does not always know best.

Let me be clear about our proposal. Ohio's welfare package is not extremist. We are not out to prove we have the shortest time limits or the most restrictive eligibility criteria in the nation. Instead, I believe we have the most balanced combination of incentives and sanctions yet set forth in a welfare bill on the state or the federal level. Time magazine calls our approach one of the "most intelligent in the nation." We create new opportunities for recipients to become self-sufficient while establishing parameters to ensure that welfare can no longer be a lifestyle choice. In our bill, opportunities come with obligations.

Some of the provisions identified as potential problems by HHS are precisely the sorts of reforms you have mentioned as policy priorities. For example, at the National Governors' Association meeting in July 1995, you expressed your support for "limiting welfare to a set number of years." Our proposal includes a very carefully designed time-limit on benefits, including explicit exemptions for all but those deemed eligible to participate in the JOBS program. Despite protections generous enough to satisfy Ohio's Children's Defense Fund, we are still being told that approval will be problematic.

Similarly, you have repeatedly stressed that welfare reform should put recipients to work. A main focus of our reform strategy involves partnering with the private sector to move recipients into employment. Under the existing Subsidized Employment Program (SEP), recipients can be placed only in newly created positions. Our waiver requested the ability to allow employers to use SEP for existing vacancies as long as no current employees are displaced. HHS claims it lacks the authority to grant this waiver, but, ironically, Ohio received approval of an identical request less than one year ago. If your administration continues to oppose this portion of our waiver, as many as 1400 welfare recipients per month looking for employment will be denied jobs.

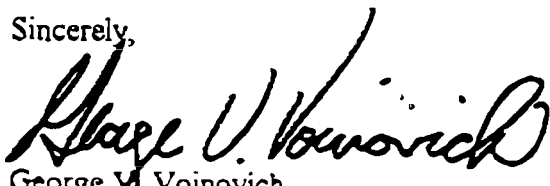
The President
February 2, 1996
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The obvious reluctance of the Department of Health and Human Services to support real reform has made it painfully clear to me that the waiver process cannot be used to end welfare as we know it. I encourage you to intervene personally with HHS to allow Ohio's experiment to move forward immediately as endorsed by the people of our state. Every week that goes by without approval is an opportunity missed to help families become independent.

Passage of meaningful welfare reform legislation would eliminate the need for unnecessary and time consuming waiver consideration. I urge you to work with Congress to ensure the enactment of welfare block grant legislation this year.

I sincerely appreciate your personal consideration of my concerns. Please let me know if I can provide you with further information on Ohio's proposal.

Sincerely,


George V. Voinovich
Governor

cc: The Honorable Donna Shalala



GEORGE V. VOINOVICH
GOVERNOR

STATE OF OHIO
OFFICE OF THE GOVERNOR
COLUMBUS 43265-0601

February 26, 1996

The President
The White House
Washington, DC 20500

Dear Mr. President:

I wanted to thank you for your assistance in moving Ohio's welfare reform waiver application forward. After months of delay and bureaucratic processing, I have been pleased with our recent dealings with the Department of Health and Human Services. I am certain this new level of responsiveness from HHS is attributable to your intervention, and for that I am grateful.

Our most recent interactions with HHS indicate that some of our waiver application will be approved. This is good news for the people of Ohio. As I mentioned to you previously, our welfare package was passed by the Ohio General Assembly with overwhelming bipartisan support. Interest groups ranging from the Children's Defense Fund to the County Commissioners Association endorsed our bill. Ohio's new welfare law, with its carefully balanced blend of incentives and sanctions designed to promote self sufficiency through employment, will end welfare as we know it in Ohio.

However, I am deeply concerned because we have been told several important elements of our waiver package will not be approved. Reasons for the anticipated denial range from policy objections to a lack of legal authority to grant our request.

The first provision in question, objected to by the Department of Agriculture on policy grounds, relates to food stamp benefits. Through our proposal, each welfare recipient must sign a self-sufficiency contract, detailing specific steps he or she will take to become independent. The state has increased its investment in programs to help recipients develop skills needed for employment. However, with these opportunities come obligations. Our proposal includes tough sanctions to encourage compliance with the terms of the self-sufficiency contracts. ADC benefits will be denied for increasing amounts of time to recipients who fail to meet their responsibilities.

We had asked that a decrease in ADC benefits not lead to an automatic increase in food stamp benefits. If food stamp levels are increased to compensate for the sanctions, we send the wrong message to sanctioned welfare recipients while creating a tremendous administrative burden for human services caseworkers. I feel very strongly that for sanctions to be effective, this food stamp provision must be waived.



STATE OF OHIO
FILE NO. 724-3847
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Similarly, I am also concerned that the Health Care Financing Administration has expressed an unwillingness to approve our waiver request regarding Medicaid eligibility for those guilty of welfare fraud. We have asked that anyone who is caught defrauding the system be kicked off the system, while preserving Medicaid eligibility for children. We have been told that HCFA will require us to maintain Medicaid eligibility for these recipients. This is unfair to the hardworking citizens whose tax dollars are used to support the welfare system.

We have also been told that HHS will not approve our time limit request without a condition that essentially renders time limits meaningless. Our time limit provision is the product of intense negotiations with members of the Ohio General Assembly and interested advocacy groups, including the Children's Defense Fund. It was carefully designed to apply to those recipients who are actively participating in the JOBS program. After three years of receiving education, skill training, or work experience, a welfare recipient is expected to move from the program into independent employment. We include in our proposal a hardship exemption for exceptional cases of need.

Under the condition of approval laid out by HHS, any recipient who at the end of three years has an income less than Ohio's ADC grant plus a \$90 income disregard would remain eligible for welfare benefits. This fundamentally undermines the assumption behind time limits. The burden of responsibility is shifted back from the individual to the state. This does not end welfare as we know it. It reinforces the status quo.

The food stamp provision, the Medicaid provision, and the time limit provision each could be approved by your Administration. I strongly urge you to consider our requests carefully. These provisions are important parts of our overall waiver package, because they reinforce the message that there are consequences for failing to live up to obligations.

I am also frustrated to learn that another important waiver we requested apparently is beyond the scope of the federal government to approve. This reinforces my very strongly held belief that welfare reform should be the responsibility of the states. If federal statute prevents your Administration from approving common sense, popularly supported reforms, then the federal government should be taken out of the equation. Program design and implementation should be a state responsibility. Block grants would give states the ability to make needed reforms.

For example, we have been told by HHS that our request to use the Subsidized Employment Program to put welfare recipients to work in businesses with existing vacancies cannot be approved. Apparently the federal government only permits use of SEP placements to fill new positions.

STATE OF OHIO DC TEL: 202-624-3841 FEB 28 96 11:01 AM 006 P.04

The President
February 26, 1996
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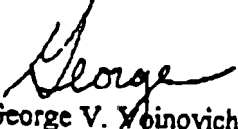
Our state has enjoyed an unemployment rate hovering around and below 5% for the last year. We have a large pool of jobs unfilled due to a lack of applicants. At least four major Ohio employers have indicated to the Ohio Department of Human Services that they would contract with the State to put welfare recipients to work if SEP could be used to fill existing vacancies. No workers would be displaced. We estimate that an additional 1,400 recipients could be employed each month if SEP could be used without restrictions. Denial of this waiver request amounts to a denial of jobs to Ohio's welfare recipients.

While I am pleased that some of our waiver request likely will be approved soon, I continue to question the wisdom of a system that subjects a package overwhelmingly supported by the people of Ohio and their elected representatives to the verdict of federal bureaucrats. The process wastes time. I am grateful that consideration of our application has been accelerated over the last few weeks, but my fundamental objection to the process remains. A welfare block grant would give states the ability to design their own welfare programs without federal delays and second guessing.

More specifically, I am concerned that parts of our package will be denied either because your Administration does not approve of the policy behind Ohio's proposals or because the federal government faces statutory barriers to approval. Regardless of the reason for denial, the result for my state is that we will be prevented from implementing our package as it was crafted. I strongly urge you to encourage your Administration to reconsider its preliminary decisions on the provisions I have raised.

Again, I am very grateful for your personal attention and for any assistance you can provide. Please let me know if I can provide you with any further information.

Sincerely,


George V. Voinovich
Governor

Talking Points Regarding Governor Voinovich's Letter

NOTE: On February 3, 1996, Secretary Shalala spoke with Governor Voinovich and outlined the following response to the concerns he expressed. Significantly, Governor Voinovich indicated that he had not understood that the waiver he was submitting was outside the 30-day fast track process which the President announced last August. Secretary Shalala stated that, regardless of the Governor's understanding, she would personally assure that HHS staff would work closely with Ohio staff to resolve this matter as quickly as possible.

Governor's concerns about rhetoric but no action

- . This Administration has backed up the commitment to welfare reform and state flexibility with action, not simply rhetoric.
- . We have approved 50 welfare reform demonstrations in 35 states over the last two years, more than the past two administrations combined. This includes two previous applications from Ohio.

Processing time

- . The President did announce that we would approve certain waiver requests within 30 days--those that would implement one or more of five specific strategies which the President identified. The latest Ohio application for "Ohio First" was not submitted under this special provision, nor do the waivers being requested meet the criteria established within the strategy areas announced.
- . We received the Ohio First application on October 27. Unfortunately, the cooperative and diligent work of our staffs was interrupted for nearly one month by two government shut-downs. Following the return to work in mid-January, an analysis paper was sent out on January 25.
- . We would not expect the process to take another six to eight weeks. In fact, despite the shut-down, we are prepared to act by the end of this month, which would be within the 120 day guidelines established for this type of request, if your staff are allowed to enter into serious discussions and we can reach agreement on the issues identified.
- . It is our understanding that the proposed implementation date for the new provisions is to be July 1996. We have not received any indication from Ohio staff that the current schedule of review has or would in any way present a problem in maintaining that schedule.

Role of Federal bureaucracy

The waiver requests submitted, including Ohio First, are often comprehensive and complex. We approve them under the demonstration authority of the Social Security Act. It is the sworn duty of this Department to ensure the law of the land is upheld and that children and families are protected.

I want to make clear that the identification of issues through the issues paper sent out does not mean that the Department does not approve of the basic concepts contained in the Ohio First proposal, such as time limits and strict sanctions. Rather, it simply identifies areas where we need to reach agreement on the final policies which can be approved.

Protections for children and families

This Administration has reached agreement with 22 other states on the implementation of time limits. However, as the President has indicated, basic protections must be provided for those who have played by the rules but through no fault of their own have not been able to find or maintain jobs to support their children. The Ohio First package, while exempting certain groups from the time limited provisions, did not contain these protections, i.e., extensions, for those who would be subject to the demonstration time limits.

Limitations of waiver authority

With regard to the request to place subsidized workers in existing vacancies, approval was not previously given by this Department for that request. There has apparently been some misunderstanding about this issue. The official documents transmitted do not contain waivers of the restriction on filling existing vacancies. We do not have authority to waive that provision of the law.

Next steps

At this time we are awaiting the State's response to the issues paper. I am prepared to approve time limits, work requirements, and tough penalties, as long as basic protections for children are included and the provisions are within the limits of the law.