

NLWJC - Kagan

DPC - Box 063 - Folder-012

Welfare-Performance Bonus

Bruce/Elena?



Cynthia A. Rice

10/14/98 12:55:01 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Laura Emmett/WHO/EOP
cc: Andrea Kane/OPD/EOP
Subject: Need Your Views re: Family Measures in TANF High Performance Bonus

Background

As you know, Rep. Shaw wants the high performance bonus to include measures of family stability, noting rightly that the bonus is supposed to be awarded based on state performance in achieving the objectives of TANF which are:

1. help needy families
2. end welfare dependence by promoting work and marriage
3. reduce the incidence of illegitimate pregnancies
4. encourage the formation and maintenance of two-parent families

He now understands that good such measures, except for those measuring out of wedlock births, are not currently available, but that the Census Bureau's American Community Survey (whose data should be available for FY 2000 if it is properly funded in this appropriations bill) will make such measures available.

Shaw wrote to the Secretary Shalala saying:

1. We were right to use only work measures in year 1
2. For year 2, we should award 1/3 of bonus based on out of wedlock data (the same data used for illegimacy bonus).
3. We should work together to fund the Census Bureau's new survey (Shaw wrote to the appropriators in support)

Shalala wants to write back saying:

1. She wants to extend the year 1 guidance (work only) to year 2 (which began Oct 1)
2. "We need to expand the bonus to include a broader set of measures and I am committed to doing so."
3. She plans to publish an NPRM early next year which "would include for comment measures of family formation, family stability, and child well-being."

Recommendation: I think we should agree to extend the year 1 guidance to year 2, but I think we shouldn't commit ourselves to what we'll do in the NPRM. OMB agrees with this concept. Thus, I'd suggest letter language something like:

see attached

I agree with you that the Census Bureau's new American Community Survey will be a vital source for reliable State data on a range of indicators including nonmarital births, marriage, and two parent families. I support your efforts to obtain full funding for this survey effort. I believe these data could form the basis for a broader set of high performance bonus measures in future

years.

As you know, because of the extensive consultation process we undertook with states and other experts, the first year HPB guidance (for FY 1998) was released in March 1998. We believe that given this timing, it would make more sense to extend the first year of guidance to the second year (FY 1999), rather than as you suggest institute an interim measure for year two which may be then amended. We intend to publish a Notice of Proposed Rulemaking which would seek comment on the bonus for future years, and we will be closely considering measures on nonmarital births, marriage, and two parent families in that process.

3rd, 4th & 5th graphs: I agree with you that the Census Bureau's new American Community Survey will be a vital source for reliable State data on a range of indicators including nonmarital births, marriage, and two parent families. I support your efforts to obtain full funding for this survey effort. I believe these data could form the basis for a broader set of high performance bonus measures in future years.

As you know, because of the extensive consultation process we undertook with states and other experts, the first year HPB guidance (for FY 1998) was released in March 1998. We believe that given this timing, it would ~~make more sense~~ **be more feasible and less burdensome for States** to extend the first year of guidance to the second year (FY 1999), ~~rather than as you suggest institute an interim measure for year two which may be then amended~~ *[does the letter need to reinforce that we are not taking his suggestion?]*. We intend to publish a Notice of Proposed Rulemaking which would seek comment on the bonus for future years, and we will ~~be closely~~ **considering a variety of family and child well-being measures**, including measures on nonmarital births, marriage, and two parent families, in that process.

WP - performance bonus
and

WP - WP-to-work program
implementation

Andrea Kane

Record Type: Record

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

cc:

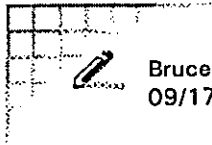
Subject: WTW High Performance Bonus

OMB and I just briefed DOL staff on the agreement Bruce and Jack reached on this issue. They were "delighted" with the outcome and appreciated the thought that went into this, and the trade-offs involved. Keep in mind this is at the staff level -- we might still hear a little grumbling about the weighting favoring job entry rather than retention/earnings, but hopefully not. Staff understand one of the reasons it doesn't make sense to put too much weight on back-end measures is that this is a one-shot deal and we may not have a whole lot of retention/earnings to measure in time to award the bonus. DOL will send a fed register notice over to OMB quickly, then plans to brief stakeholders, Hill etc as soon as it's ready (I'll find out exact date). I reminded DOL that we'd gotten good press on this when HHS released the TANF HPB and we should try for a repeat. *Do we want to do anything more?*

WP - WP to work program
implementation

and

WP - high performance bonus



Bruce N. Reed
09/17/98 01:54:30 PM

Record Type: Record

To: Jacob J. Lew/OMB/EOP

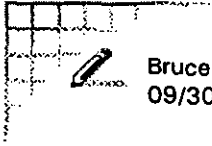
cc:

Subject: DOL High performance rule

I think your offer makes a lot of sense. We'll go along with your proposal to reward unsubsidized employment (i.e., exclude wage subsidies and OJT paid with WTW funds), if you go along with setting the threshold for the 2nd job entry measure at 30 hours, not 20; and the overall weighting at 60% job entry (40% job entry, 20% substantial job entry) and 40% retention/earnings gain (25% retention, 15% earnings gain).

Thanks for resolving this. We'll call on you to settle the next baseball strike.

WR - performance bonus
and
WR - WR - to work program
implementation -



Bruce N. Reed
09/30/98 01:31:12 PM

Record Type: Record

To: Andrea Kane/OPD/EOP

cc: Elena Kagan/OPD/EOP, Laura Emmett/WHO/EOP, Cynthia A. Rice/OPD/EOP

Subject: Re: WTW Performance Bonus

Don't cave. We had a deal, and these DOL people are silly.

Andrea Kane

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP
cc: Laura Emmett/WHO/EOP, Cynthia A. Rice/OPD/EOP
Subject: WTW Performance Bonus

As part of Bruce and Jack's deal regarding how to reward high performance in the DOL WtW program, we agreed to reward only unsubsidized employment, defined as employment not subsidized by WtW funds (Bruce's reply to Jack copied below, even made that distinction). See note below for why we thought it made sense to include jobs subsidized by TANF or other funds. OMB staff say DOL staff say Kitty Higgins is furious about this decision, and may call one of you to protest. It appears Jack may not have been aware of the distinction when he agreed to the deal, and his staff is siding with DOL. Everything else has been agreed to.

I suggest we wait to see if Kitty really does call or if they're just bluffing. Alternatively, we could cave.

Andrea Kane

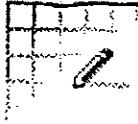
----- Forwarded by Andrea Kane/OPD/EOP on 09/30/98 12:29 PM -----

Andrea Kane

Record Type: Record

To: Barbara Chow/OMB/EOP, Barry White/OMB/EOP, Daniel I. Werfel/OMB/EOP, Maureen H. Walsh/OMB/EOP
cc: Emil E. Parker/OPD/EOP, Cynthia A. Rice/OPD/EOP
Subject: WTW Performance Bonus

We think it's very clear from Bruce's note to Jack that the agreement to reward unsubsidized employment excluded only wage subsidies paid with WTW funds. Following our July 2nd meeting with agencies, we never had any reason to believe that subsidies paid with non-WTW funds were even an issue. At that meeting, we questioned how a WTW agency would be able to track subsidies paid by non-WTW funds and DOL said they envisioned only excluding subsidies paid with WTW funds. We are willing to hold the PICs responsible for knowing whether or not they are paying a subsidy; it gets much more complicated to expect them to know if someone is getting a wage subsidy from another source, i.e. what counts, for what period, and what happens if status changes from subsidized to unsubsidized in the middle of a quarter.



Bruce N. Reed
09/17/98 01:54:30 PM

Record Type: Record

To: Jacob J. Lew/OMB/EOP
cc:
Subject: DOL High performance rule


I think your offer makes a lot of sense. We'll go along with your proposal to reward unsubsidized employment (i.e., exclude wage subsidies and OJT paid with WTW funds), if you go along with setting the threshold for the 2nd job entry measure at 30 hours, not 20; and the overall weighting at 60% job entry (40% job entry, 20% substantial job entry) and 40% retention/earnings gain (25% retention, 15% earnings gain).

Thanks for resolving this. We'll call on you to settle the next baseball strike.

Wp - high performance bonus

Diana Fortuna 03/30/98 01:49:40
PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Andrea Kane/OPD/EOP, Laura Emmett/WHO/EOP
bcc:
Subject: Re: Haskins on high performance bonus; question for today 


My thinking was that we would follow our usual strategy of letting the agency be out on the front lines, so that we can preserve our options and not be put on the spot. But that strategy isn't right for every situation -- do you think it isn't right here?

Cynthia A. Rice

PR: be there

 Cynthia A. Rice 03/30/98 01:23:08 PM

Record Type: Record

To: Diana Fortuna/OPD/EOP
cc: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Andrea Kane/OPD/EOP, Laura Emmett/WHO/EOP
bcc:
Subject: Re: Haskins on high performance bonus; question for today 

I think HHS' suggestion is okay. Wouldn't we want to be there though?
Diana Fortuna

Diana Fortuna 03/30/98 01:15:50
PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP
cc: Andrea Kane/OPD/EOP, Laura Emmett/WHO/EOP
Subject: Haskins on high performance bonus; question for today

Haskins is pushing HHS to follow up on their agreement to meet about family formation measures in the high performance bonus. Haskins' proposal to Mary Bourdette is to meet with him, Census, OMB, CBO, CRS, and Robert Rector. HHS is concerned about meeting with Rector without a balanced representation of advocates. They want to propose instead 2 meetings: one with the above list minus Rector, and a second meeting with Rector and other folks at different points along the spectrum. HHS feels it would be unwise to tell Ron that they don't even want to meet with Rector. Mary says HHS will make it clear that the decision on the NPRM rests with HHS, and these meetings are not negotiations.

Let me know today if you have any concerns about this, since Mary needs to call Ron back. I

assume it doesn't make sense for us to be there


WP-performance bonus

Andrea Kane

Record Type: Record

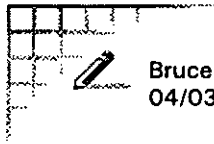
To: Diana Fortuna/OPD/EOP

cc: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Laura Emmett/WHO/EOP

Subject: Re: What happened at today's meeting with Haskins on family formation measures and hi
performance bonus 

One other possible measure, though it's got some obvious problems, is the ratio of two parent to one parent families on the TANF caseload. TANF allows states flexibility to take away the historical disincentives to marriage for welfare recipients, and some are. A few states are actively encouraging family formation, and a few have seen a dramatic rise in their two parent caseloads. I believe TN has some kind of amnesty on delinquent child support if the parents get married. It would be an interesting counterincentive to putting two parent cases into a separate state program!

Wp-performance bonus



Bruce N. Reed
04/03/98 06:23:57 PM

Record Type: Record

To: Diana Fortuna/OPD/EOP
cc: Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP, Laura Emmett/WHO/EOP
bcc:
Subject: Re: What happened at today's meeting with Haskins on family formation measures and hi performance bonus

If we have to have something, I prefer #2. Since the two best ways off welfare are work and marriage, and we're already measuring and rewarding work, it would be worth knowing how many leave because of marriage. I'm less crazy about giving credit for one-parent becoming two-parent, or two-parent as part of overall caseload, because it's sort of like workfare (which we don't count in the bonus, right?) -- better than nothing, but not exactly high-performance. Becoming a two-parent welfare family is better than remaining a one-parent welfare family, but if you're still on welfare and you're still not married, your long-term prospects haven't changed a whole lot.

I could live with #3, but I think it's silly to have the same goofy bonus twice.
Diana Fortuna

Diana Fortuna  04/02/98 06:17:50
PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP
cc: Laura Emmett/WHO/EOP
Subject: What happened at today's meeting with Haskins on family formation measures and hi performance bonus

Attending were HHS, Doug Steiger, Deborah Colton, CRS, Census, and me. Haskins said his goal is to develop a list of the most viable family formation measures. He will then appeal to HHS to add one of them to the NPRM. He acknowledged that the decision rests with HHS, but said he is prepared to "take further action" if we choose not to add one of them.

Haskins had CRS come to the meeting with a list of possible measures (see below). We then discussed pro's and con's of each one. HHS made it clear that there are problems with almost all of them. Haskins' fallback position seems to be that he is perfectly comfortable simply repeating the illegitimacy bonus's out-of-wedlock births measure if we can't come up with anything better. He reiterated that the law calls for us to do something here. He also said we should try to add measures to CRS's menu and might solve any data problems simply by requiring states to collect the appropriate data as a condition of the bonus.

We need to figure out a strategy here, since Ron wants to meet again in a week.

Measures listed by CRS:

Problem/Reaction

- | | |
|--|--|
| 1. 2 parent families as a percentage of all families | Data no good at state level. States have little direct influence on this. |
| 2. Percentage of TANF case closings due to marriage | Measure could be affected by unrelated factors (e.g., patterns in other causes of case closure, like sanctions). Could instead look at percentage of TANF cases that change from 1-parent to 2-parent. |
| 3. Out of wedlock births | Identical to Illegitimacy Bonus. |
| 4. Teen births | Ron could not support unless adjusted for abortions. HHS explained why abortion data is problematic, especially if we focus only on teen abortions. |
| 5. Marriage/Divorce Rates | States have little direct influence on this. Ron wants to explore limiting to low-income, but data may not exist. |
| 6. Child Poverty state | Ron doesn't rule out in theory. But data unreliable, most recent data is '94. |
| 7. Percentage of Children in Foster Care | Raises thorny issues. |
| 8. Suggested by HHS: Child well-being, such as low birthweight, infant mortality | Ron rejected. |

Diana Fortuna

03/16/98 06:49:44

PM

Record Type: Record

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

cc: Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP, Laura Emmett/WHO/EOP

Subject: What do we think of Shalala letter to Shaw on family formation measures in the high performance bonus?

HHS would like to send a letter to Shaw in response to his very strong letter that criticized the high performance bonus guidance for omitting a family formation measure. They are in a hurry because they want this out before Olivia's hearing in the House on Thursday.

In case you never had a chance to read that letter, it says that selecting just one of the four goals of TANF is "illegal". In response to our argument that the illegitimacy bonus should take care of some of the other goals, he wrote, "I can assure you that Congress deliberately included what amounts to a double bonus for reducing illegitimacy and increasing marriage. So important are illegitimacy and divorce as national problems that Congress decided to give substantial rewards to states that reduce nonmarital births or increase the percentage of children living in two-parent families."

HHS's proposed letter back to Shaw is below. The threshold question for us is whether we want to accommodate Shaw in the NPRM in some way, or whether we are prepared to endure his ire and ignore him. This will determine the tone we want in the letter. This draft seems reasonable to me, unless we have no plans whatsoever to accommodate him. What do you think?

Dear Congressman Shaw:

Thank you for your letter of March 5 concerning the "Draft Potential Specifications for Interim Award of High Performance Bonus (FY 1999)." I value your perspective on this very important matter.

The proposed specifications are intended to be included in guidance that would be effective only in the first bonus year. They were developed in consultation with the National Governors' Association, the American Public Welfare Association, the National Conference of State Legislatures and State representatives. I believe that they reflect the most integral aspects of work in welfare reform. The four work measures we will use to award the first year High Performance Bonus (HPB) reflect all aspects of a state's success in moving families from welfare to employment-based self-sufficiency. Full success requires recipients not only to get jobs, but sustain them, and to increase their earnings in order to be independent and capable of supporting their families. [Necessary?]

In our extensive consultations, we explored a range of measures addressing family formation and stability. We moved ahead with respect to work, because we believed it was vital for states to have guidance with respect to how FY 1998 performance would be measured. However, we had difficulty in identifying discrete measures that would provide effective incentives to states to design programs and policies that would achieve the objectives of TANF and for which a reliable data source existed or could be quickly developed. I remain committed to exploring measures that encompass all of the goals of TANF, including family formation and stability, for the HPB in future

15
years and will seek advice on this matter through the Notice of Proposed Rulemaking process.

I appreciate your support for the role of the HPB as a key tool in making welfare reform successful. I remain firm in my belief in the importance of our continuing to work with your committee in all matters, including the development of HPB for future years, and have asked Assistant Secretary Golden to meet with your staff in preparation for the Notice of Proposed Rulemaking.

MAR-10-1998 13:19 FROM HHS/ACF/OPRE

Wp-performance bonus

E. CLAY SHAW, JR., FLORIDA, CHAIRMAN
SUBCOMMITTEE ON HUMAN RESOURCES

BILL ARCHER, TEXAS, CHAIRMAN
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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

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SUBCOMMITTEE ON HUMAN RESOURCES

March 5, 1998

The Honorable Donna E. Shalala, Ph.D.
Secretary of Health and Human Services
615F Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Washington, D.C. 20201

RECEIVED
98 HHR - 9 PM 12-02
SECRETARY
HUMAN RESOURCES
ADMINISTRATIVE CENTER

Dear Secretary Shalala:

We have now read your document "Draft Potential Specifications for Interim Award of High Performance Bonus (FY1999)". Although your emphasis on job placement, job retention, and earnings is appropriate, I ask you to consider the possibility that the proposed bonus system is not responsive to the specifications set by Congress and signed into law by the President.

Section 403(a)(4)(C) of the Social Security Act requires the Secretary to "develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals set forth in section 401(a)." Thus, a formula consistent with the statutory requirement must be based on the goals set forth in section 401(a). These goals are to:

1. provide assistance to needy families so that children may be cared for in their own homes;
2. end welfare dependence by promoting job preparation, work, and marriage;
3. prevent and reduce the incidence of illegitimacy;
4. encourage the formation and maintenance of two-parent families.

Three of these four goals concern non-marital births or marriage. Thus, creating a high-performance bonus that completely ignores any measure of state performance in reducing nonmarital births or increasing the proportion of children in two-parent families, as the Department has proposed, is off the mark.

I have heard that the Department decided to omit any measure of marriage or nonmarital births because the welfare law authorizes, in section 403(a)(2) of the Social Security Act, a separate bonus for states that reduce illegitimacy. This argument has no merit. First, having been directly involved in drafting both the 403(a)(2) and the 403(a)(4) bonus language of the statute, I can assure you that Congress deliberately included what amounts to a double bonus for reducing illegitimacy and increasing marriage. So important are illegitimacy and divorce as national problems that Congress decided to give substantial rewards to states that reduce nonmarital births or increase the percentage of children living in two-parent families. Second, regardless of Congressional intent, the law in section 403(a)(4) could not be clearer - it calls for rewarding performance in achieving the "goals set forth in section 401(a)". Selecting just one of the four goals for bonus payments is therefore illegal.



- 2 -

Our Committee has worked very closely with the Department since the President signed the welfare reform law in August 1996. To continue this productive state of affairs, we sincerely hope to avoid any conflicts over the performance bonus. Perhaps you can either explain why, in your view, our interpretation of the law is flawed or change the bonus to include measures of illegitimacy and marriage.

I look forward to hearing from you and would be glad to meet to discuss this matter if you think such a meeting might be useful.

Sincerely yours,



E. Clay Shaw, Jr.
Chairman

ECS/thm

08-09-98-0090

Diana Fortuna

03/17/98 02:53:17

PM

Record Type: Record

To: Elena Kagan/OPD/EOP

cc: Cynthia A. Rice/OPD/EOP, Laura Emmett/WHO/EOP

Subject: One last issue on HHS letter to Shaw

HHS feels our redraft of the Shaw letter omits one key argument as to why we chose to proceed with work measures only and no family formation measure: because it is already 5-6 months into the fiscal year and states needed guidance. Here is a rewrite, with changes in bold, that Cynthia and I conferred on and think is OK. Let me know if it is all right with you or if it's a problem.

Dear Congressman Shaw:

Thank you for your letter of March 5 concerning the "Draft Potential Specifications for Interim Award of High Performance Bonus (FY 1999)." I value your perspective on this very important matter.

The proposed specifications are intended to be included in guidance that would be effective only in the first bonus year. They were developed in consultation with the National Governors' Association, the American Public Welfare Association, the National Conference of State Legislatures and State representatives. I believe that they reflect the most integral aspects of work in welfare reform. The four work measures we will use to award the first year High Performance Bonus (HPB) reflect all aspects of a state's success in moving families from welfare to employment-based self-sufficiency. Full success requires recipients not only to get jobs, but sustain them, and to increase their earnings in order to be independent and capable of supporting their families.

In our extensive consultations, we explored a range of measures ~~addressing~~ **including** family formation and stability. **We moved ahead with respect to work, because we believed it was vital for states to have guidance with respect to how FY 1998 performance would be measured.** We did not include ~~these~~ **any measures regarding family formation and stability** in the guidance because we had difficulty identifying any that would provide effective incentives to states to design policies to achieve the objectives of TANF and for which a reliable data source existed or could be quickly developed. We will continue, however, to explore such measures for the High Performance Bonus in future years and will seek advice on this matter through the Notice of Proposed Rulemaking process.

I appreciate your support for the role of the High Performance Bonus as a key tool in making welfare reform successful. I remain firm in my belief in the importance of our continuing to work with your committee in all matters, including the development of HPB for future years, and have asked Assistant Secretary Golden to meet with your staff in preparation for the Notice of Proposed Rulemaking.

WR-performance bonus

Diana Fortuna

03/10/98 11:49:46

AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP

cc: Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP

Subject: High performance bonus and family formation measures

I got your note saying that family formation measures are all problematic. But what about teen births? HHS alleges it is straightforward methodologically, could be ready for the NPRM, and the states don't have a problem with it.

(FYI, Haskins called Mary Bourdette again to complain, and said Shaw will send Shalala a letter on this.)

Wp - ~~high~~ performance bonus

Diana Fortuna

03/05/98 04:10:49

PM

Record Type: Record

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

cc: Andrea Kane/OPD/EOP, Laura Emmett/WHO/EOP

Subject: High performance bonus and Haskins

According to Mary Bourdette, Ron Haskins had a very, very strong negative reaction to the fact that our high performance bonus guidance has only work measures but no family formation measures. She quoted him as saying it borders on illegal, and said Shaw may send a letter to the Secretary about this. She said she started to make the point that the illegitimacy bonus gets at his concern, but he dismissed that by noting that the HPB is supposed to reward states that achieve the 4 goals of section 401 (assistance to needy families, ending dependence through work and marriage, reducing out-of-wedlock births, and encouraging 2-parent families).

That's part of why HHS wants to include language in the guidance saying HHS will continue to study changes or refinements to the measures. Elena threw out the notion of dropping it from the guidance and reassuring Ron privately. But where are we on the basic question -- why wouldn't we agree to throw a teen birth measure into the NPRM if it satisfies Shaw and doesn't hold us up?


WP - performance bonus

Diana Fortuna

03/04/98 06:13:35

PM

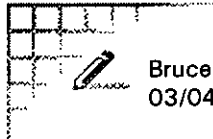
Record Type: Record

To: Bruce N. Reed/OPD/EOP
cc: Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP
bcc:
Subject: Re: Decision on high performance bonus guidance 

Not sure if I understand your question in your attached note. If you are asking if we will know enough about any separate state programs that we decide to exempt from the general reporting requirements to be able to tell if that is the source of their high performance, that is something we'll have to make sure of as we grant exemptions.


(FYI, we are leaning toward agreeing to another change HHS wants on how to calculate the "success in the workplace" measure. The original measure called for us to measure job retention in the quarter after someone got a job, and to measure earnings gain 2 quarters after someone got a job. HHS argues that we should measure retention and earnings gain in all subsequent quarters, not just at that particular 1 quarter/2 quarter point, for as long as they're on welfare. We think this works, but we're still pondering it.)

Bruce N. Reed



Bruce N. Reed
03/04/98 11:37:02 AM

Record Type: Record

To: Diana Fortuna/OPD/EOP
cc: See the distribution list at the bottom of this message
Subject: Re: Decision on high performance bonus guidance 

Elena may feel differently, but I don't mind caving on a case-by-case basis. We want the bonus to be a success, not a burden. We need enough info to make sure that siphoning people off into state programs is not the source of the state's high performance. But if we make the bonus too much trouble to bother, the bad states will just get worse, and the good states will complain a lot. Do we think the data collection requirements will be enough to discourage bifurcation?

Message Copied To:

Elena Kagan/OPD/EOP
Cynthia A. Rice/OPD/EOP
Andrea Kane/OPD/EOP
Cathy R. Mays/OPD/EOP
Laura Emmett/WHO/EOP

Diana Fortuna 03/04/98 11:03:29
AM

Record Type: Record

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

cc: Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP, Cathy R. Mays/OPD/EOP, Laura Emmett/WHO/EOP

Subject: Decision on high performance bonus guidance

Attached is a decision paper on an issue we need your guidance on. We need to resolve this before HHS can release its high performance bonus guidance, so it would be great if you could look at this today.



hpbmatr.wp

Proposal to Exempt Certain Separate State Programs From TANF Data Report

Issue: As part of our guidance on the high-performance bonus, HHS proposes that we agree to consider exceptions on a case-by-case basis to our requirement that states must report the same extensive data on people in separate state programs as for TANF.

The high-performance bonus guidance to states has not yet gone out because HHS has been consulting with states on technical issues. As part of states' general objection to the data requirements on separate state programs, states have raised one particularly compelling issue. For certain separate state programs, the required reporting may not be feasible. The best example is a state EITC, such as Wisconsin has. HHS argues that this requirement may convince a state like Wisconsin that it should not even bother to compete for the bonus.

States only have contact with recipients of an EITC annually, via their tax returns, rather than monthly as our reporting requires. In addition, states argue that they will not know most of the required detailed information about these recipients -- e.g., whether they get HUD rent subsidies or transportation assistance, the amount of food stamps and child support received each month, highest education level by teen parents, hours of work per week in each of 12 TANF work activities, and detailed citizenship information on each person in the family. (See attached listing of data requirements for more information.)

Therefore, HHS proposes that we inform states in the guidance that we will entertain limited requests from states that they report more limited data on a given separate state program if the data required is not feasible to collect.

Background: To discourage states from using their authority to create separate state programs to get around the work requirements, we included a number of critical features in the TANF NPRM. In the chart below, they are listed in the row "Discourage Bifurcation".

In addition, we required states to report the same data for SSP programs as for TANF programs if they wish to:

- (i) receive a high performance bonus;
- (ii) qualify for work participation caseload reduction credit; or
- (iii) be considered for a reduction in the penalty for failing to meet the work participation requirements. The HPB draft guidance repeats this requirement.

Summary of Tools for Accountability of Separate State Programs (SSP)			
Our Goals on SSP	Caseload Reduction Credit	Penalty Reduction	High Performance Bonus
Discourage Bifurcation	Require states to include SSP caseload in CRC calculation (unless state has a good argument to omit, like EITC)	Can't get relief unless you prove you did not bifurcate	If exclusion of SSP causes a state to score higher, HHS could add SSP cases to the HPB performance measures
Report same data on SSP recipients as on TANF recipients	TANF reg states that a state must report the same data for SSP programs as TANF programs if it wishes to: (i) receive a high performance bonus; (ii) qualify for work participation caseload reduction credit; or (iii) be considered for a reduction in the penalty for failing to meet the work participation requirements. The HPB draft guidance repeats this requirement.		

During negotiations on the rule, DPC did not focus as extensively on data requirements as it did on policies to discourage bifurcation, partly because HHS readily agreed to the former.

Our goals in requiring extensive data reporting were to (a) enable us to understand the characteristics of the populations being served in separate state programs, both for program integrity and evaluation purposes; (b) treat separate state programs the same as TANF programs, both to reinforce our belief that separate state programs are really part of TANF, and arguably to make it onerous for states to establish them.

(It is important to note that, while states especially object to the data requirements for separate state programs, they are complaining about all the data requirements, including the general TANF requirements. HHS believes that they can defend all or most of the data required for TANF as being required by the statute, which is not the case for separate state programs. This is an issue we will have to address in the final rule. However, we need to address this now because states are currently making decisions about whether to compete for the high-performance bonus.)

Decision to be Made:

We must decide whether we will continue to insist on all the data now required, either because we believe this data is critical for us to evaluate TANF, or because we believe it is a legitimate way to discourage separate state programs. We recommend Option 1.

Option 1: Agree to HHS's proposal that we will consider exceptions to the data reporting requirements for separate state programs on a case-by-case basis. When full data submission is not possible, we would require the state to submit the data they do have with a full explanation of why the complete data set is not possible.

Pro:

- Responds moderately to a reasonable request by the states.
- We/HHS would retain control over the ultimate decision in any individual case.
- Our key goal is to prevent states from gutting the work requirements or time limits by segregating certain people in separate state programs. This goal is best served by the requirements we were able to impose to discourage bifurcation -- eligibility for the caseload reduction credit, penalty reduction, and high-performance bonus. Requiring states to report reams of data in order to discourage them from establishing these programs is a much clumsier way to accomplish this goal. This is particularly true if we only exempt programs like EITC, which we favor, and which go only to working TANF recipients, and by definition can't be used to segregate those who are not working.

Con:

- We are caving in too hastily on our hard-won victory on separate state programs by agreeing to treat these programs differently than TANF programs. A concession here will set us up to make further, more damaging concessions as we develop the final TANF rule, such as removing more critical requirements on separate state programs; or removing data requirements on TANF programs.

Note: To be consistent, if we agree to this provision for the purpose of the high-performance bonus, we would make the same concession on our requirement that states report this same data for the caseload reduction credit and to qualify for penalty relief.

Option 2: Exempt EITC programs from the full data reporting requirements, but impose a lesser, more reasonable requirement on such programs.

Pro:

- Provides a clean solution to the problem by singling out EITC, a strategy to support work that we favor.

Con:

- Option 1 may give us more control over the outcome, and would allow us to be involved in HHS's decision-making on these matters.
- While HHS is using EITC as its best example, they believe that there are other separate state programs that could make similar compelling arguments.

Option 3: Continue current policy.

Pro:

- Preserves victory we have won to date.

Con:

- Takes the unreasonable position that states may not compete for the high-performance bonus if they have an EITC, or else must undertake burdensome reporting requirements.

Data Reporting Required by TANF NPRM

The TANF rule requires states to report on 178 data elements for TANF families, and 160 data elements for separate state program families. States must report monthly data on a quarterly basis. Examples of data required for TANF families are below. There is an asterisk next to items where data is not required for separate state program families.

- Composition of family
- Whether person is a new applicant*
- One or two parent family
- Whether the family benefits from public housing or HUD or other rent subsidy
- Whether family gets Medicaid
- How much the family gets in food stamps, including wage subsidy under food stamps
- How much the family gets in subsidized child care, including the size of any disregard
- How much child support the family got that month
- Amount of family's cash resources that month
- Amount of educational benefits, employment services, work subsidies, transportation assistance, home heating assistance, contributions to IDA's that month
- Amount family was sanctioned, and which of 10 possible reasons
- Whether person was in a waiver control or experimental group
- Whether the family is exempt from the 5-year time limit, and why*
- Head of household's date of birth, SSN, race, gender, marital status
- Whether person in family is getting federal disability benefits, and what type
- For teen parents, highest education level attained
- Data on citizenship, including whether a naturalized citizen; legal permanent resident who has worked 40 quarters in the U.S.; alien who is a veteran; refugee; Cuban or Haitian entrant; eligible for TANF per state option
- Number of months used toward the 5-year time limit to date in own state; in other states*
- Whether employed; which of 18 categories (e.g., exempt because child under 1; sanctioned; tribal exemption; child under 6 and no child care available; caring for a disabled child; temporary good cause domestic violence waiver; state waiver; teen head-of-household going to school; working but not at minimum participation requirements)
- Average number of hours per week of work participation in each of the statute's work activities: unsubsidized employment, subsidized employment, work experience, on-the-job training, job search/job readiness, community service, voc ed, job skills training directly related to employment, etc.
- Amount of earned and unearned income, including EITC, Social Security payments, SSI, workers' compensation, and other (e.g., veterans benefits, unemployment compensation, housing subsidy, public assistance, educational grants/scholarships/loans)
- For up to 10 children in the family: relationship in family and to head of household, date of birth, SSN, race, gender, receipt of disability benefits, citizenship, whether cooperating with child support, unearned income such as SSI, type of child care* (licensed or not; in-home, family, group home, center-based; by relative or non-relative), amount charged for child care* and hours provided in the month*
- For the month after someone leaves TANF, 53 data elements, including many of the above, plus reason for case closure
- For separate state programs, most of the above, plus whether the family got TANF assistance within the prior 6 months

February 13, 1998

NOTE TO ELENA

FROM: CYNTHIA

RE: HIGH PERFORMANCE BONUS

Melissa suggested, and Bruce agreed, that we should leak high performance bonus alone. McCurry agreed to a Post leak for Tuesday. Bruce suggested I give Melissa backup so she could make the case that this is something the President fought for.

Attached are:

1. The information I gave Melissa;
 2. The Q&As for our press office for Tuesday -- please review this weekend.
Thanks.
-

P.S. Sally Katzen agreed to our change in the title of the rule, with one minor change --

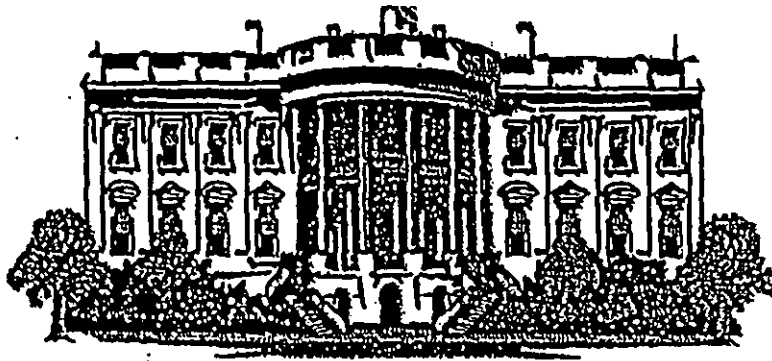
They proposed: Bonus to Reward Decrease in Out of Wedlock Births Ratio to Total Births

We proposed: Bonus to Reward Decrease in Illegitimacy Ratio

We agreed on: Bonus to Reward Decrease in Illegitimacy

Bruce said he was willing to combine if need be, i.e., Bonus to Reward Decrease in Illegitimacy, the Ratio of Out of Wedlock Births to Total Births, so I think we did okay.

We made changes throughout the preamble and sent back to HHS Friday afternoon. If HHS agrees (Katzen's office strongly suggested they should), it will go the Register early next week and be published the week after. I told the President in my draft weekly that we were not planning to do any press on ~~the~~^{it}, but that we were leaking high performance.



THE WHITE HOUSE

Domestic Policy Council

DATE:

2/13/98

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Melissa Skolfield c/o Ellen Dahl

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NUMBER OF PAGES (INCLUDING COVER):

7

COMMENTS:

Here's the key info -- including Havemann's story from last July. She may ask why teen births were dropped as a measure. The simple answer is that 76 percent of teen births are out of wedlock, and we will be providing \$100 million a year to states that reduce the percentage of children born out of wedlock in a forthcoming rule. Thus, we focused on promoting work in the high performance bonus.

(In 1996, 386,371 unmarried teens and 119,142 married teens gave birth.)

I gave Bruce a set too - if he has anything to add, he'll call you this weekend.

High Performance Bonus

Talking Points

- This high performance bonus will provide states with a powerful incentive to move even more people from welfare to work -- something the President fought hard for during the welfare reform debate.
- In fact, the President told the National Governors' Association as far back as June of 1995 "If we're going to change the culture of welfare, we have got to reward success, we've got to depart from the status quo. I want a performance bonus...that will force the welfare bureaucracy...to focus on work." When he signed the legislation into law in August of 1996 he praised the bill for giving states "powerful performance incentives to place more people on welfare in jobs."
- The performance bonus will spur states to continue welfare reform's stunning success -- welfare caseloads have declined by 2.4 million in the first 13 months of the new law.
- The new high performance bonus rules will award \$200 million a year to states that do the best job of placing welfare recipients into jobs and helping them succeed in the work place.
- HHS will shortly be releasing formal guidance to the states -- described in the attached summary dated 2/10/98 -- which defines the measures of success on which the bonuses will be awarded. Sixty percent of the funds will be distributed based on states' success in placing people in jobs and forty percent of the funds will be distributed based on how well former recipients succeed in the work place, a measure based on job retention and earnings.

Key Facts about the Bonus Competition

- A total of \$80 million would be awarded to the 10 states that are able to move the highest percentage of their welfare population into jobs.
- An additional \$50 million would go to the 10 states with the best records of helping welfare recipients achieve success in the work force. To measure this, HHS will examine each state's success in ensuring that welfare recipients keep jobs once they get them, and helping their earnings to climb over time.
- Finally, \$70 million will be distributed to the 20 states that show the most improvement in these measures over time. The Administration felt it was important to include these measure to spur improvement in states that have only just begun to reform welfare.
- The Administration developed this proposal after extensive consultation with states on these measures. Details will be released to states in the form of state guidance, applicable to the first year of the competition, to be followed by a regulation that will govern future years. States must submit relevant data to HHS to enter the competition, but participation in the high performance bonus competition is voluntary. The first awards are expected to be made in mid-1999.

**High Performance Bonus
Statements by President Clinton**

"Welfare reform should have real incentives to reward the states who do succeed in putting people to work, not for cutting them off...If we're going to change the culture of welfare, we have got to reward success, we've got to depart from the status quo. I want a performance bonus, but one that will force the welfare bureaucracy and the welfare recipients to focus on work."

June 6, 1995 remarks to the National Governors Association National Summit on Young Children

"The final welfare reform legislation should provide sufficient child care to enable recipients to leave welfare for work; reward States for placing people in jobs; restore the guarantee of health coverage for poor families; require States to maintain their stake in moving people from welfare to work; and protect States and families in the event of economic downturn and population growth."

January 9, 1996 message to House of Representatives

"As you know, Congress sent me a welfare reform bill last year that fell short of my principles as well as those expressed by the NGA in your February resolution. After my veto and your unanimous resolution, I am pleased that the Congressional leadership has made several significant improvements that have made this a much better bill. They've added \$4 billion in child care, included a \$1 billion work performance bonus to reward states for moving people from welfare to work. They removed the spending cap on food stamps so that states don't come up short in tough times. Their original bill made cuts in structural changes that were tough on children -- a school lunch block grant, a 25 percent cut in SSI for disabled children, cuts in foster care. The current bill drops all these provisions."

July 16, 1996 statement to the National Governors Association

"The new bill restores America's basic bargain of providing opportunity and demanding in return responsibility...It requires states to maintain their own spending on welfare reform and gives them powerful performance incentives to place more people on welfare in jobs."

August 12, 1996 statement at welfare bill signing ceremony

DRAFT POTENTIAL SPECIFICATIONS FOR
INTERIM AWARD OF HIGH PERFORMANCE BONUS (FY 1999)

- A. \$200 million in High Performance Bonus funds to States would be awarded in FY 1999 for performance in FY 1998.
- B. Funds would be awarded to States on the basis of their rankings on four work-related measures - job entry rate, a success in work force measure, increase in job entry rate and increase in the success in work force measure. The first two measures will address State performance, and last two will address improvement in State performance.
- 1) Job Entry Rate - the ranking of the percentage of the unduplicated number of FY 1998 adults receiving assistance who entered employment for the first time in FY 1998 (whether or not they remain on TANF).
 - 2) Success in the Work Force Measure (a composite ranking of two weighted rates) - the ranking of the sum of two times the Job Retention rate ranking plus the Earnings Gain rate ranking of FY 1998 newly employed adult recipients.
 - a) Job Retention Rate - the ranking of the percentage of all FY 1998 adult recipients who were newly employed in one quarter and were also employed in the first subsequent quarter. (At this point, they might be former recipients.)
 - b) Earnings Gain Rate - the ranking of the percentage gain in earnings between the initial quarter and the second subsequent quarter of FY 1998 newly employed adult recipients employed in both quarters. (At this point, they might be former recipients.)
 - 3) Increase in Job Entry Rate - the ranking of the percentage change between FY 1997 and FY 1998 of the unduplicated number of recipients who entered employment.
 - 4) Increase in the Success of the Work Force Measure - the ranking of the sum of two times the percentage change in the Job Retention rates ranking plus the percentage change in the Earnings Gain rates ranking between FY 1997 and FY 1998 of newly employed adult recipients.

- a) Increase in Job Retention Rate - the ranking of the percentage change between FY 1997 and FY 1998 in the job retention rate of newly employed adult recipients in one quarter who were also employed in the first subsequent quarter. (At this point, they might be former recipients.)
- b) Increase in Earnings Gain Rate - the ranking of the percentage change between FY 1997 and FY 1998 in earnings gain of newly employed adult recipients employed in both the initial and the second subsequent quarter. (At this point, they might be former recipients.)

In the case of the first two measures, State rates would be ranked on absolute performance in FY 1998; for the latter two measures, State rates would be ranked based on the extent to which their performance in FY 1998 exceeded their performance on that same measure in FY 1997.

- C. Ten States with the highest scores on each of the four measures would be eligible for bonus monies. For each measure, the percent and total amount of the available \$200 million award money will be as follows:

Job Entry Rate	40%	(\$80 million)
Success in the Work Force	25%	(\$50 million)
Increase in Job Entry Rate	20%	(\$40 million)
Increase in Success in the Work Force ...	15%	(\$30 million)

Each State's share of the total bonus amount cannot exceed 5 percent of the basic TANF grant, known as the Family Assistance Grant (or SFAG).

- D. To avoid bias due to seasonal differences, performance over the course of an entire year would be included.
- E. In all cases, State performance would be computed only with respect to families that: (1) are receiving assistance [as defined in the policy guidance we issued January 31, 1997 (TANF-ACF-PA-97-1)], and (2) include an adult. In order to compete for the High Performance Bonus, States must report comparable data for families receiving assistance in separate State programs for FY 1997 and 1998.
- F. States would submit the best data they have available on each measure. Thus, they may use matches with quarterly Unemployment Insurance (UI) data, surveys, administrative records or a combination of these data sources.
- G. Along with aggregate reporting on the measures, each State would be required to: 1) specify the data sources and methodology it has used to determine the aggregate numbers;

2) include a certification that it has provided the best data available on the measures in the formula; 3) maintain records that adequately document the derivation of its performance data; and 4) provide access to such records, for validation purposes, upon request.

H. A State would not need to submit data if it did not want to compete on any particular measure. However, as indicated previously, States would need to submit comparable performance and caseload characteristics data for separate State programs in order to qualify for a High Performance Bonus. (A State would still be able to compete in the Success in the Work Force measure even if data for only one of the two measures were submitted. The rank assigned to the measure to each State for which no data were submitted would be the number following the number of States that submitted data for the measure.)

The tobacco industry yesterday offered its first detailed defense of the proposed nationwide legal settlement, warning Congress and the White House that the deal could be lost if they dally too long over changes.

In a briefing for a small group of reporters, two tobacco industry representatives rebutted criticisms of the most controversial elements of the deal, including a provision restricting the federal government's authority to regulate nicotine that President Clinton has called "totally unreasonable." The briefing—set up by the industry's Washington public relations firm with the proviso that the two representatives not be identified by name—was held after portions of the proposed \$368.5 billion settlement had been lam-

every part of the political spectrum.

Clinton and an administration task force, which is reviewing the proposed deal, have taken particular aim at a provision that sets a high bar before the Food and Drug Administration could limit the amount of nicotine or other components in cigarettes. The settlement must be approved by Congress and the White House.

The White House, however, did not budge from its position that the settlement will have to be rewritten to protect the FDA's authority and perhaps elsewhere. "We're not negotiating with them," said Bruce Reed, the president's domestic policy adviser. "We're going to review this, we'll make our recommendations and then it will be up to Congress."

Yesterday's two-hour briefing was a departure for industry representatives,

The agreement moves all of the warring parties "decades down the road and makes it possible to have solutions to some of these problems that are just not achievable" without a negotiated settlement, one of the representatives said. "It's not perfect, but it's far better than what the alternatives are."

During the session, the sources said the FDA provision is "critical" to the nation's major cigarette companies, part of a package that could be undone by too much tinkering. The critics, they said, have overlooked accompanying parts of the deal that would have far more potential than a ban on nicotine "to move the market" toward less hazardous tobacco products.

For instance, under the agreement, the FDA could mandate the introduction of less hazardous tobacco products

would be required to get a license that technicians so they too could produce cigarettes. The FDA would promote the sale of the cigarettes by exempting them from restrictions that the companies agreed to under the settlement.

These are powerful tools that the firms to produce safe cigarettes, representatives said, and to heavy-handed regulation which the companies must mount to a ban that could market in unregulated tobacco. While they did not request changes in the deal, the critics did not indicate

"There may be more that we can accomplish the same thing everybody's position,"

July 18, 1997

Proposed Welfare Bonus Rules Put Emphasis on Jobs, Earnings

What Happens to People Leaving Aid Rolls Is Focus

By Judith Havemann
Washington Post Staff Writer

States that want to collect part of \$1 billion in future federal bonuses for top performance would have to do more than decrease their welfare rolls. They would have to show that recipients have kept jobs and increased their earnings, according to a proposal being circulated by the Clinton administration.

The proposed rules would redefine the measure that the White House and many states have used to gauge success of welfare reform—the reduction in caseloads. Critics have long said that caseloads, which already are dramatically declining, are a poor measure of achievement because it is unclear whether impoverished families who leave welfare have become self-sufficient or whether they have fallen into greater poverty.

In circulating a "preliminary concept" paper, the Department of Health and Human Services is seeking to motivate states to answer what has been a central question since passage of welfare reform last summer: As caseloads have fallen in 48 of the 50 states—and by a total of 1.2 million nationwide since August, as President Clinton boasted two weeks ago—what has happened to the former recipients?

But the response to urgings from Clinton and the nation's governors to the private sector to hire former welfare recipients has been spotty and hard to document.

In mandating that welfare recipients be moved into jobs, the new welfare law also authorized

distribution of up to \$200 a year from 1999 to 2003 in bonuses to states with high performances. The HHS draft proposal attempts to define high performance so that all states have a chance at winning a bonus, not just those that began their welfare reform before the new federal law.

The bonus proposal would rank states for both improvement and achievement in four areas:

- employment
- job retention
- earnings progression
- teenage births

It calls for using state unemployment insurance records to determine whether welfare recipients are getting jobs, how long they keep them, and whether their earnings increase from year to year.

States also would be judged on whether they reduce the number of births among girls 15 to 17, whether or not they are on welfare.

The idea of bonuses marks an important departure from traditional federal practice in the social welfare field. Under the old federal-state welfare system, Washington officials issued finely detailed rules, and a quality control system held the states to account for following them. Under the new system, states design their programs, and Washington will reward the successful with bonuses and punish those who fail with the loss of federal funds.

The HHS "concept" paper has been developed with extensive input from states and the American Public Welfare Association, the organization of the nation's top welfare officials, as

required by the federal law. But neither group has endorsed the proposal.

"It is wrong to say that this is a sea change away from just focusing on caseload reduction," said Evelyn Ganzglass, director of employment and social services policy studies for the National Governors' Association. "States would never have said caseload reduction is the only measure of success." Furthermore, said Andrea Kane of the NGA, "the governors have always been very interested in putting people to work and having them become self-sufficient."

The bonus issue stirred controversy last year when Olivia A. Golden, HHS acting assistant secretary for children and families, asked state officials to suggest criteria. Officials from Wisconsin, where caseloads have fallen 52 percent since 1993, pressed for caseload reduction as the single measurable standard.

"You want to have a simple measure that can be put into operation and understood by everyone from the caseworker to the commissioner," Jason Turner, the former Wisconsin official who raised the issue with Golden, said yesterday. He said a welfare manager would have a hard time figuring out what to do to help the state win the bonus, and therefore it was unlikely to have an effect on states. Other officials questioned whether unemployment data was complete enough to judge if states were succeeding in putting welfare recipients into work. Such data differs from state to state, measures only about 90 percent of the jobs and would leave out recipients in workfare programs.

But Mark Greenberg, an attorney at the Center for Law and Social Policy, said "at this point the single biggest focus of a number of states seems to be caseload reduction. Welfare reform is about much more than getting people off the rolls. If the high performance bonus can bring back a focus on work and employment and the well-being of families, that might help bring better balance to state approaches."

**High Performance Bonus
Internal Q&A
February 17, 1998 -- DRAFT**

Question: Is today's Washington Post story true? Is the Administration about to release state guidance on high performance bonuses?

Answer: Yes. This high performance bonus will provide states with a powerful incentive to move even more people from welfare to work. The President fought hard it during the welfare reform debate. In fact, the President told the National Governors' Association as far back as June of 1995 "If we're going to change the culture of welfare, we have got to reward success, we've got to depart from the status quo. I want a performance bonus...that will force the welfare bureaucracy...to focus on work." When he signed the legislation into law in August of 1996 he praised the bill for giving states "powerful performance incentives to place more people on welfare in jobs."

HHS will shortly be releasing formal guidance to the states which defines the measures of success on which the \$200 million a year bonuses will be awarded. Sixty percent of the funds will be distributed based on states' success in placing people in jobs and forty percent of the funds will be distributed based on how well former recipients succeed in the work place, a measure based on job retention and earnings.

Question: What's new here? Wasn't this bonus part of the 1996 welfare law?

Answer: It was part of the 1996 law, but the law gave the Administration discretion to define high performance, and determine how the \$1 billion in bonuses should be distributed. The law calls for state performance to be measured starting this fiscal year, so HHS's guidance is needed at this point.

Question: What exactly will the bonuses be based upon?

Answer: The new high performance bonus rules will award \$200 million a year to states that do the best job of placing welfare recipients into jobs and helping them succeed in the work place. A total of \$80 million would be awarded to the 10 states that are able to move the highest percentage of their welfare population into jobs. An additional \$50 million would go to the 10 states with the best records of helping welfare recipients achieve success in the work force. To measure this, HHS will examine each state's success in ensuring that welfare recipients keep jobs once they get them, and helping their earnings to climb over time. Finally, \$70 million will be distributed to the 20 states that show the most improvement in these measures over time. The Administration felt it was important to include these measure to spur improvement in states that have only just begun to reform welfare.

Question: Why did you choose these measures of performance? Did you consider other ones?

Answer: After consulting extensively with the states on this important question, we decided it was best to focus on success in moving people from welfare to work, and to use measures that are universally regarded as reliable with a long history of measurement by researchers and experts in this field. HHS may choose to add other factors in later years.

Question: Didn't the goals of the welfare law include discouraging out of wedlock births and encouraging two-parent families? Why aren't you measuring state performance in those areas?

Answer: HHS and the President both felt that work is the linchpin of welfare reform, and that the law's emphasis on work should be reflected in measuring high performance. The states concur with this assessment. In addition, HHS is readying an additional, separate \$100 million a year bonus fund for states that reduce illegitimacy, i.e., the ratio of out of wedlock births to total births, so it seemed appropriate to focus on work in distributing these bonus funds.

Question: The Washington Post reported last July that teen births would be one of the measures -- why did you drop that measure?

Answer: The Administration thinks reducing teen births is critically important, and we're proud that we've reduced the teen birth rate five years in a row. You may know that three-quarters of teen births are out of wedlock, and we will be providing \$100 million a year to states that reduce the percentage of children born out of wedlock in a forthcoming rule. Thus, we focused on promoting work in the high performance bonus.

Question: How much is the average state likely to get from this bonus?

Answer: We won't know that until we see which states win in each category. It is possible for a state to win in all four bonus categories, or in any one of the four. Funds will be distributed based on the size of a state's welfare program.

Question: According to states, the Administration's plan does not count workfare as a job under this bonus. Doesn't that undermine the Department of Labor's stand that workfare is like any other job?

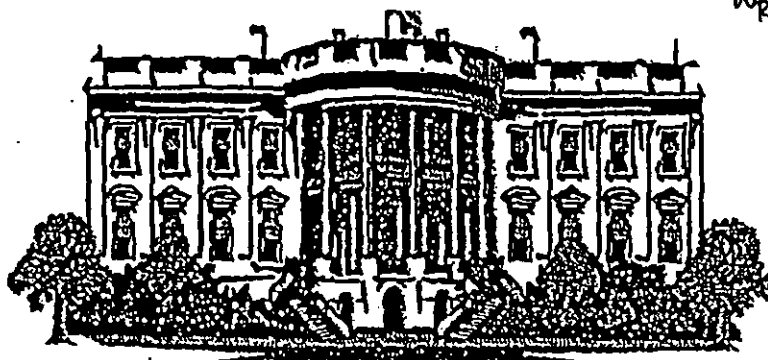
Answer: No. The Administration feels strongly that the minimum wage and other worker protection laws, such as the FLSA, should apply to workfare participants in the same way they apply to other workers. If a workfare participant counts as an "employee" under these laws, then she should get protection. However, these bonus funds are designed to reward states for high performance. We don't believe that high performance should include jobs that are entirely funded by welfare payments. Instead, we would reward states for placing people in private or public sector jobs that are either unsubsidized or only partially subsidized by welfare.

Question: The states claim that HHS is requiring them to report massive amounts of data in order to qualify for this bonus, and that much of this information is unrelated to their performance. Is that true?

Answer: No. First, entering the competition for the bonus is voluntary for states, so states that don't want to provide the data don't have to. Second, the data HHS is seeking from states is essential to determine state performance. While there is always a tension between the federal government and the states over data collection, the bargain in the welfare law was to allow states tremendous flexibility in exchange for accountability for performance. We can't truly measure state performance without data.

go back - last part
back to his brother

WR - performance bonus



THE WHITE HOUSE

Domestic Policy Council

DATE: 2/13/98

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FAX: 690-5673
PHONE: 690-7850

FACSIMILE FROM: Cynthia Rice, Special Assistant to the President for Domestic Policy

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NUMBER OF PAGES (INCLUDING COVER): 7

COMMENTS: _____

Here's the key info -- including Havemann's story from last July. She may ask why teen births were dropped as a measure. The simple answer is that 76 percent of teen births are out of wedlock, and we will providing \$100 million a year to states that reduce the percentage of children born out of wedlock in a forthcoming rule. Thus, we focused on promoting work in the high performance bonus.

(In 1996, 386,371 unmarried teens and 119,142 married teens gave birth.)

I gave Bruce a set too - if he has anything to add, he'll call you this weekend.

High Performance Bonus

Talking Points

- This high performance bonus will provide states with a powerful incentive to move even more people from welfare to work -- something the President fought hard for during the welfare reform debate.
- In fact, the President told the National Governors' Association as far back as June of 1995 "If we're going to change the culture of welfare, we have got to reward success, we've got to depart from the status quo. I want a performance bonus...that will force the welfare bureaucracy...to focus on work." When he signed the legislation into law in August of 1996 he praised the bill for giving states "powerful performance incentives to place more people on welfare in jobs."
- The performance bonus will spur states to continue welfare reform's stunning success -- welfare caseloads have declined by 2.4 million in the first 13 months of the new law.
- The new high performance bonus rules will award \$200 million a year to states that do the best job of placing welfare recipients into jobs and helping them succeed in the work place.
- HHS will shortly be releasing formal guidance to the states -- described in the attached summary dated 2/10/98 -- which defines the measures of success on which the bonuses will be awarded. Sixty percent of the funds will be distributed based on states' success in placing people in jobs and forty percent of the funds will be distributed based on how well former recipients succeed in the work place, a measure based on job retention and earnings.

Key Facts about the Bonus Competition

- A total of \$80 million would be awarded to the 10 states that are able to move the highest percentage of their welfare population into jobs.
- An additional \$50 million would go to the 10 states with the best records of helping welfare recipients achieve success in the work force. To measure this, HHS will examine each state's success in ensuring that welfare recipients keep jobs once they get them, and helping their earnings to climb over time.
- Finally, \$70 million will be distributed to the 20 states that show the most improvement in these measures over time. The Administration felt it was important to include these measure to spur improvement in states that have only just begun to reform welfare.
- The Administration developed this proposal after extensive consultation with states on these measures. Details will be released to states in the form of state guidance, applicable to the first year of the competition, to be followed by a regulation that will govern future years. States must submit relevant data to HHS to enter the competition, but participation in the high performance bonus competition is voluntary. The first awards are expected to be made in mid-1999.

**High Performance Bonus
Statements by President Clinton**

“Welfare reform should have real incentives to reward the states who do succeed in putting people to work, not for cutting them off...If we're going to change the culture of welfare, we have got to reward success, we've got to depart from the status quo. I want a performance bonus, but one that will force the welfare bureaucracy and the welfare recipients to focus on work.”

June 6, 1995 remarks to the National Governors Association National Summit on Young Children

“The final welfare reform legislation should provide sufficient child care to enable recipients to leave welfare for work; reward States for placing people in jobs; restore the guarantee of health coverage for poor families; require States to maintain their stake in moving people from welfare to work; and protect States and families in the event of economic downturn and population growth.”

January 9, 1996 message to House of Representatives

“As you know, Congress sent me a welfare reform bill last year that fell short of my principles as well as those expressed by the NGA in your February resolution. After my veto and your unanimous resolution, I am pleased that the Congressional leadership has made several significant improvements that have made this a much better bill. They've added \$4 billion in child care, included a \$1 billion work performance bonus to reward states for moving people from welfare to work. They removed the spending cap on food stamps so that states don't come up short in tough times. Their original bill made cuts in structural changes that were tough on children -- a school lunch block grant, a 25 percent cut in SSI for disabled children, cuts in foster care. The current bill drops all these provisions.”

July 16, 1996 statement to the National Governors Association

“The new bill restores America's basic bargain of providing opportunity and demanding in return responsibility...It requires states to maintain their own spending on welfare reform and gives them powerful performance incentives to place more people on welfare in jobs.”

August 12, 1996 statement at welfare bill signing ceremony

DRAFT POTENTIAL SPECIFICATIONS FOR
INTERIM AWARD OF HIGH PERFORMANCE BONUS (FY 1999)

- A. \$200 million in High Performance Bonus funds to States would be awarded in FY 1999 for performance in FY 1998.
- B. Funds would be awarded to States on the basis of their rankings on four work-related measures - job entry rate, a success in work force measure, increase in job entry rate and increase in the success in work force measure. The first two measures will address State performance, and last two will address improvement in State performance.
- 1) Job Entry Rate - the ranking of the percentage of the unduplicated number of FY 1998 adults receiving assistance who entered employment for the first time in FY 1998 (whether or not they remain on TANF).
 - 2) Success in the Work Force Measure (a composite ranking of two weighted rates) - the ranking of the sum of two times the Job Retention rate ranking plus the Earnings Gain rate ranking of FY 1998 newly employed adult recipients.
 - a) Job Retention Rate - the ranking of the percentage of all FY 1998 adult recipients who were newly employed in one quarter and were also employed in the first subsequent quarter. (At this point, they might be former recipients.)
 - b) Earnings Gain Rate - the ranking of the percentage gain in earnings between the initial quarter and the second subsequent quarter of FY 1998 newly employed adult recipients employed in both quarters. (At this point, they might be former recipients.)
 - 3) Increase in Job Entry Rate - the ranking of the percentage change between FY 1997 and FY 1998 of the unduplicated number of recipients who entered employment.
 - 4) Increase in the Success of the Work Force Measure - the ranking of the sum of two times the percentage change in the Job Retention rates ranking plus the percentage change in the Earnings Gain rates ranking between FY 1997 and FY 1998 of newly employed adult recipients.

- a) Increase in Job Retention Rate - the ranking of the percentage change between FY 1997 and FY 1998 in the job retention rate of newly employed adult recipients in one quarter who were also employed in the first subsequent quarter. (At this point, they might be former recipients.)

- b) Increase in Earnings Gain Rate - the ranking of the percentage change between FY 1997 and FY 1998 in earnings gain of newly employed adult recipients employed in both the initial and the second subsequent quarter. (At this point, they might be former recipients.)

In the case of the first two measures, State rates would be ranked on absolute performance in FY 1998; for the latter two measures, State rates would be ranked based on the extent to which their performance in FY 1998 exceeded their performance on that same measure in FY 1997.

- C. Ten States with the highest scores on each of the four measures would be eligible for bonus monies. For each measure, the percent and total amount of the available \$200 million award money will be as follows:

Job Entry Rate	40%	(\$80 million)
Success in the Work Force	25%	(\$50 million)
Increase in Job Entry Rate	20%	(\$40 million)
Increase in Success in the Work Force ...	15%	(\$30 million)

Each State's share of the total bonus amount cannot exceed 5 percent of the basic TANF grant, known as the Family Assistance Grant (or SFAG).

- D. To avoid bias due to seasonal differences, performance over the course of an entire year would be included.

- E. In all cases, State performance would be computed only with respect to families that: (1) are receiving assistance [as defined in the policy guidance we issued January 31, 1997 (TANF-ACF-PA-97-1)], and (2) include an adult. In order to compete for the High Performance Bonus, States must report comparable data for families receiving assistance in separate State programs for FY 1997 and 1998.

- F. States would submit the best data they have available on each measure. Thus, they may use matches with quarterly Unemployment Insurance (UI) data, surveys, administrative records or a combination of these data sources.

- G. Along with aggregate reporting on the measures, each State would be required to: 1) specify the data sources and methodology it has used to determine the aggregate numbers;

2) include a certification that it has provided the best data available on the measures in the formula; 3) maintain records that adequately document the derivation of its performance data; and 4) provide access to such records, for validation purposes, upon request.

H. A State would not need to submit data if it did not want to compete on any particular measure. However, as indicated previously, States would need to submit comparable performance and caseload characteristics data for separate State programs in order to qualify for a High Performance Bonus. (A State would still be able to compete in the Success in the Work Force measure even if data for only one of the two measures were submitted. The rank assigned to the measure to each State for which no data were submitted would be the number following the number of States that submitted data for the measure.)

The tobacco industry yesterday offered its first detailed defense of the proposed nationwide legal settlement, warning Congress and the White House that the deal could be lost if they dally too long over changes.

In a briefing for a small group of reporters, two tobacco industry representatives rebutted criticisms of the most controversial elements of the deal, including a provision restricting the federal government's authority to regulate nicotine that President Clinton has called "totally unreasonable." The briefing—set up by the industry's Washington public relations firm with the proviso that the two representatives not be identified by name—was held after portions of the proposed \$368.5 billion settlement had been lam-

every part of the political spectrum.

Clinton and an administration task force, which is reviewing the proposed deal, have taken particular aim at a provision that sets a high bar before the Food and Drug Administration could limit the amount of nicotine or other components in cigarettes. The settlement must be approved by Congress and the White House.

The White House, however, did not budge from its position that the settlement will have to be rewritten to protect the FDA's authority and perhaps elsewhere. "We're not negotiating with them," said Bruce Reed, the president's domestic policy adviser. "We're going to review this, we'll make our recommendations and then it will be up to Congress."

Yesterday's two-hour briefing was a departure for industry representatives,

posed deal directly with reporters.

The agreement moves all of the warring parties "decades down the road and makes it possible to have solutions to some of these problems that are just not achievable" without a negotiated settlement, one of the representatives said. "It's not perfect, but it's far better than what the alternatives are."

During the session, the sources said the FDA provision is "critical" to the nation's major cigarette companies, part of a package that could be undone by too much fudging. The critics, they said, have overlooked accompanying parts of the deal that would have far more potential than a ban on nicotine "to move the market" toward less hazardous tobacco products.

For instance, under the agreement, the FDA could mandate the introduction of less hazardous tobacco products

would be required to, and license that technology so they too could cigarettes. The FDA would promote the sale of the by exempting them from restrictions that the agreed to under the settlement. These are powerful firms to produce safe representative said, and to heavy-handed regulation which the companies amount to a ban that could market in unregulated tobacco. While they did not changes in the deal, the tatives did not indicate. "There may be more to accomplish the same thing everybody's position," o

July 18, 1997

Proposed Welfare Bonus Rules Put Emphasis on Jobs, Earnings

What Happens to People Leaving Aid Rolls Is Focus

By Judith Havemann
Washington Post Staff Writer

States that want to collect part of \$1 billion in future federal bonuses for top performance would have to do more than decrease their welfare rolls. They would have to show that recipients have kept jobs and increased their earnings, according to a proposal being circulated by the Clinton administration.

The proposed rules would redefine the measure that the White House and many states have used to gauge success of welfare reform—the reduction in caseloads. Critics have long said that caseloads, which already are dramatically declining, are a poor measure of achievement because it is unclear whether impoverished families who leave welfare have become self-sufficient or whether they have fallen into greater poverty.

In circulating a "preliminary concept" paper, the Department of Health and Human Services is seeking to motivate states to answer what has been a central question since passage of welfare reform last summer: As caseloads have fallen in 48 of the 50 states—and by a total of 1.2 million nationwide since August, as President Clinton boasted two weeks ago—what has happened to the former recipients?

But the response to urgings from Clinton and the nation's governors to the private sector to hire former welfare recipients has been spotty and hard to document.

In mandating that welfare recipients be moved into jobs, the new welfare law also authorized

distribution of up to \$200 a year from 1999 to 2003 in bonuses to states with high performances. The HHS draft proposal attempts to define high performance so that all states have a chance at winning a bonus, not just those that began their welfare reform before the new federal law.

The bonus proposal would rank states for both improvement and achievement in four areas:

- employment
- job retention
- earnings progression
- teenage births

It calls for using state unemployment insurance records to determine whether welfare recipients are getting jobs, how long they keep them, and whether their earnings increase from year to year.

States also would be judged on whether they reduce the number of births among girls 15 to 17, whether or not they are on welfare.

The idea of bonuses marks an important departure from traditional federal practice in the social welfare field. Under the old federal-state welfare system, Washington officials issued finely detailed rules, and a quality control system held the states to account for following them. Under the new system, states design their programs, and Washington will reward the successful with bonuses and punish those who fail with the loss of federal funds.

The HHS "concept" paper has been developed with extensive input from states and the American Public Welfare Association, the organization of the nation's top welfare officials, as

required by the federal law. But neither group has endorsed the proposal.

"It is wrong to say that this is a sea change away from just focusing on caseload reduction," said Evelyn Ganzglass, director of employment and social services policy studies for the National Governors' Association. "States would never have said caseload reduction is the only measure of success." Furthermore, said Andrea Kane of the NGA, "the governors have always been very interested in putting people to work and having them become self-sufficient."

The bonus issue stirred controversy last year when Olivia A. Golden, HHS acting assistant secretary for children and families, asked state officials to suggest criteria. Officials from Wisconsin, where caseloads have fallen 52 percent since 1993, pressed for caseload reduction as the single measurable standard.

"You want to have a simple measure that can be put into operation and understood by everyone from the caseworker to the commissioner," Jason Turner, the former Wisconsin official who raised the issue with Golden, said yesterday. He said a welfare manager would have a hard time figuring out what to do to help the state win the bonus, and therefore it was unlikely to have an effect on states. Other officials questioned whether unemployment data was complete enough to judge if states were succeeding in putting welfare recipients into work. Such data differs from state to state, measures only about 90 percent of the jobs, and would leave out recipients in workfare programs.

But Mark Greenberg, an attorney at the Center for Law and Social Policy, said "at this point the single biggest focus of a number of states seems to be caseload reduction. Welfare reform is about much more than getting people off the rolls. If the high performance bonus can bring back a focus on work and employment and the well-being of families, that might help bring better balance to state approaches."



04:09:27 PM

Record Type: Record

To: Elena Kagan/OPD/EOP

cc: Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP

Subject: Report on meeting with states on high performance bonus

FYI, I sat in on HHS's meeting with state groups, chaired by Howard Rolston, to unveil the high performance bonus guidance. It went pretty well. Howard stuck pretty closely to what we would have wanted him to say. The states had no strong reaction, but definitely seemed to view it as being credible and reasonable. Howard made it clear that we've made up our minds on the specific measures and the distribution of the pot, so we don't want them to re-litigate that.

One problem was that we asked them to give us their comments quickly (next Tuesday) and they balked at that. They complained that we've taken months on this, that comments on the big TANF reg are due next Wednesday, and that NGA has its big meeting coming up. They said maybe they'd have a read by Thursday. We pushed them, but it wasn't too easy since we have no firm deadline (and I couldn't say we want it in our hip pocket for a possible presidential announcement).



Record Type: Record

To: Bruce N. Reed/OPD/EOP
 cc: Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP
 Subject: High performance bonus options

Elena, Cynthia, and I just met with Olivia, OMB, and NEC on the high performance bonus. It ended inconclusively -- we moved very close to each other, but adjourned when we said we could move no further without checking. Olivia is very anxious to resolve this, so the wait may work on our behalf. Could you let us know whether you think we should stick with our last offer or accept the HHS or NEC versions?

One clear and good development is that HHS and OMB agreed to our idea of a composite measure for retention and earnings gain, rather than 2 separate measures.

	<u>Absolute Performance</u>		<u>Improvement</u>	
	<u>Job Entry</u>	<u>Reten/Earnings Gn</u>	<u>Job Entry</u>	<u>Reten/Earnings Gn</u>
<u>Before the Meeting:</u>				
HHS Original meas.)	17%	34% (2 sep. meas.)	17%	34% (2 sep.
DPC Original	50%	25% (retention only)	12.5%	12.5%
DPC Modified	40%	40%	10%	10%
<u>During the Meeting:</u>				
DPC Offer	40%	25%	20%	15%
OMB/NEC	35%	30%	20%	15%
HHS Offer	35%	25%	25%	15%

Improvement was the key sticking point. Olivia didn't want to go any lower than 40% for improvement, while we said we couldn't go higher than 35%.

Monday - Saturday -
don't have members
to debate

need some time
can hold all of our people

need support now

↓
NORM

need pos. that

Telecon w/ Olivia



- What we're about to do

starts w/ 40-

(Barbara - not
completely conceded)

Go to states - not give states any promises

Can't say they won't take into acct. in NPRM.

"Proposing to go ahead w/ guidance" - this fiscal yr.

The NPRM - for following fiscal year

Go thru specifics deeper.

Actively solicit comments on: what kinds of data to submit

Wait to see if choose to comment on other areas.

Say - "That's interesting - much discussion - went into these."

Wp - performance bonus



Cynthia A. Rice

01/20/98 04:05:06 PM

Record Type: Record

To: Elena Kagan/OPD/EOP, Laura Emmett/WHO/EOP
cc: Diana Fortuna/OPD/EOP
Subject: High performance bonus & child support issues

I spoke to Barbara Chow this afternoon, and she is still insisting on a separate measure for earnings gain (not combined with job retention for a "success in the workplace" measure). Thus, we are at loggerheads, and, as Diana has outlined below, after we have moved to try to accomodate their concerns.

In the meantime, OIRA is suggesting we have an Elena-Olivia-Barbara Chow meeting tomorrow to discuss this -- i.e, see if we can all work this out without having an EOP position. This is a bit dangerous, because OMB and HHS agree here, but it could also move the ball forward. What do you think?

On another matter, Barbara Chow is also holding firm on changing the child support budget language -- as you suggested, I made a pitch for --

"The Administration will hold a dialogue with the stakeholders of the child support program to look at ways to address these problems, and work with members of Congress to prepare legislation." or work with members of Congress on legislation

instead of "in working with members of Congress, will prepare legislation."

----- Forwarded by Cynthia A. Rice/OPD/EOP on 01/20/98 04:02 PM -----



03:14:27 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc:
Subject: hi perf notes -- as an attachment and attached

Attached is a straight chronology, followed by an attempt (after the asterisks) to lay out an argument: that we've moved to implement the deal we struck with them (they would drop welfare exit if we would drop earnings gain), and they still won't compromise. Charts are slightly hard to do because most of the time there is no OMB position to measure ourselves against. But I think the best argument is that we agreed on a trade and that we have delivered on it. Now we are arguing about window-dressing.

Chronology:

HHS Position	JE	16%
	JR	16%
	EG	16%
	Improv -- JE	16%
	Improv -- JR	16%
	Improv -- EG	16%

Original DPC Position	JE	50%
	JR	25%
	Improv -- JE/JR	25%

OMB Response: Desire for earnings gain
 Desire to count only those exiting welfare
 Willingness to compromise on #2 if we compromise on #1

DPC 2nd Position:	JE	50%
	JR/EG	25%
	Improv -- JE	12.5%
	Improv -- JR/EG	12.5%

OMB Response:	JE	30%
	JR	20%
	EG	20%
	Improv -- JE	10%
	Improv -- JR	10%
	Improv -- EG	10%

DPC 3rd Position:	JE	40%
	JR/EG	40%
	Improv -- JE	10%
	Improv -- JR/EG	10%

OMB Response: No, still want separate measure for JR and EG

Measure	DPC Original Pos.	DPC Current Pos.	HHS
JE	50%	40%	16%
JR	25%	20%	16%
EG	0%	20%	16%
Improv -- JE	12.5%	10%	16%

Improv -- JR	12.5%	5%	16%
Improv -- EG	0%	5%	16%

OMB stated that they would compromise on welfare exit if we compromised on earnings gain. The following chart shows that we did so, but it is still unacceptable to OMB.

Measure	HHS Position	DPC Original Pos.	DPC Current Pos.
Earnings Gain	16%	0%	20%
Improv -- Earnings Gain	16%	0%	5%
Total Earnings Gain	32%	0%	25%

Talking Points on High Performance Bonus Guidance

I. Distribution of Funds

- Our preference is Option 1 -- 50% job entry, 25% job retention, and 25% for improvement in these two measures.
- Problems with the HHS proposal (Option 3):
 - It creates too many winners -- 60. This is too complex and will not send a clear message about what we consider to be high performance (10 notes - six categories)
 - It overemphasizes improvement by awarding 50% of the money that way. Absolute performance is far more important than improvement.
 - It overemphasizes earnings gain, particularly at this early point in the process of moving people from welfare to work. We do not know how reasonable it is to expect increases in earnings only six months after people start work.

We do agree that we need to go beyond job entry and include some measure of continuing success in the workplace. However, we can use job retention for this purpose. We know that job retention after 3 months is a good predictor of long-run job retention.

- If we must include earnings gain, our preference is to combine it into one measure with job retention -- a "Success in the Workforce" measure (Option 2). Under Option 2, we would award 40% of the money for this combined measure, equally weighted between job retention and earnings gain, plus an additional 10% for improvement in this measure.
 - Option 2 awards a very significant portion of the bonus based on earnings gain -- 25%, between both absolute performance and improvement. HHS's Option 3 would award 33% for earnings gain. Since our opening position was not to include any earnings gain measure (Option 1), we have already moved most of the way to HHS's position.
 - Option 2 also reduces the number of bonus winners from 60 to 40. OMB argues that we could reduce the number of winners by dropping the number of winners in each category to 6 or 7, but six measures of success still sends out a muddled message.

II. Treatment of Workfare

- Guidance should tell states to exclude workfare from definition of success, by counting all jobs except those funded 100% by TANF. (OMB agrees with us on this.)

III. Reference to Upcoming Regulation

- Guidance should drop speculation on what regulation will include. (OMB agrees with us on this.)

**High Performance Bonus
Issues**

Decisions

Measures of High Performance

	Option 1	Option 2	Option 3
Job Entry	✓	✓	✓
Job Retention	✓	✓ Combined as one "success in the workforce" measure	✓
Earnings Gain			✓
Increase in Job Entry	✓	✓	✓
Increase in Job Retention	✓	✓ Combined as one "success in the workforce" measure	✓
Increase in Earnings Gain			✓

Weighting Measures of High Performance

	Weigh Absolute Performance More	Weigh Absolute Performance and Improvement the Same
Weigh job entry more than job retention/earnings gain	Option 1	
Weigh job entry the same as job retention/earnings gain	Option 2	Option 3

*Combined
if less used*

Examples

①

Job entry rate	50%	
Job retention rate/ <i>earnings</i>	25%	<i>/earnings</i>
Increase in Job entry rate	12.5%	
Increase in Job retention rate	12.5%	

Job entry rate	30%
Job retention rate	20%
Earnings gain rate	20%
Increase in Job entry rate	10%
Increase in Job retention rate	10%
Increase in Earnings gain rate	10%

op. No. 2

Job entry rate	40%
Combined measure for Job retention/Earnings gain	40%
Increase in Job entry rate	10%
Increase in combined measure for Job retention/Earnings gain	10%

*MS-3
op. No. 3*

Job entry rate	16.7%
Job retention rate	16.7%
Earnings gain rate	16.7%
Increase in Job entry rate	16.7%
Increase in Job retention rate	16.7%
Increase in Earnings gain rate	16.7%

WR-performance bonus

70 - 30

$\begin{matrix} 60 & & 40 \\ \wedge & & \wedge \\ 30-30 & | & 20-20 \end{matrix}$ Gmit
 $35-35-15-15$
 $40-40-10-10 \leftarrow$

??

$40-20-15-15$
 $40-20-20-10$
~~40-20-20-10~~

$\begin{matrix} 65 & & 20 & 35 \\ \wedge & & \wedge \\ 40-25 & - & 20-15 \\ \wedge & & \wedge \\ 40 & & 40 \end{matrix}$
 $35-25-25-15$

simplify
clear msg - ^{all} ~~mean~~ combined
 - not good measure ~~over~~
 - makes no sense done

$40-20-25-15 \leftarrow$
 \checkmark \checkmark
 40 40

$30-25-25-20$
 \checkmark \checkmark
 55 45

$\frac{20}{30}$
 $40/30/15/15$

1590 ~~4000~~
 $35-30-20-15$

30
 30
 20
 20

Ann scales 857-5125

~~TTTT~~
 - level playing field
 - politics
 - incentives



Cynthia A. Rice

01/29/98 11:23:03 AM

Call
Cynthia

Record Type: Record

To: Laura Emmett/WHO/EOP
cc: Diana Fortuna/OPD/EOP
Subject: Ask Elena to call me and/or look at this

Questions re: high performance bonus --

1) When Olivia said she'd give us five points in exchange for her process, did she mean the process whereby any of the three of us (DPC, OMB, HHS) could veto a proposed change? If she did, that sounds worth taking.

2) We want 40/25/20/15 but said we could take 35/30/20/15. Would we take it with no minimum threshold for improvement -- i.e., no 10% or no 15%? I think we should chuck the improvement threshold idea, because no matter where we set it, we look like wimps. So, maybe we can get Olivia to take our numbers if we give up the threshold.



Record Type: Record

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

cc: Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP, Laura Emmett/WHO/EOP

Subject: High performance bonus

The high performance bonus regulation is not ready yet. HHS is concerned that we are now in the first year whose performance is supposed to be measured ('99 grants will be based on '98 performance), and states have nothing to go on. Even if the reg is published in the next few months, it will be "proposed" and therefore not binding in any way.

Therefore, HHS wants to issue guidance very soon that will govern this year, but not later years. They have sent us a draft and want our comments ASAP.

They propose 6 measures -- actually 3 items where they would measure both absolute performance and improvement in performance:

- | | |
|-----------------------|------------------------------|
| 1. job entry rate | 4. increase in job entries |
| 2. job retention rate | 5. increase in job retention |
| 3. gain in earnings | 6. improved earnings gains |

HHS would let states use whatever data they had handy to measure these. They still want to pursue requiring UI data, but acknowledge that that will have to be part of the reg. These are basically the same measures they developed this summer with NGA, etc., minus teen pregnancy. Any guidance? HHS is pushing us hard for a reaction. I know you had earlier raised points about whether workfare counts as a job (we'll check), were skeptical about the earnings gain measure, and thought simpler was better.

Wp-performance bonus

FYI-



National Performance Review
750 Seventeenth Street, NW, Box 101, Suite
200
Washington, DC 20006

Voice: 202-632-0150
Fax: 202-632-0390

FAX COVER SHEET

To: Diana Fortune / Cynthia Rice *456-2878*
Jeff Farkas 395-4875

Telephone Number: _____ Fax Number: _____

From: Bev Godwin

Telephone Number or Ext.: _____

Date: _____ Number of Pages Including Cover: _____

Special Message or Comments: _____

"2-pager" received today from ACF

DRAFT--FOR DISCUSSION ONLY--7/31/97

Employment as a Measure of Successful Welfare Reform

Work

- o Work has been the centerpiece of the President's commitment to welfare reform.
- o The PRWORA's consistent focus on work also reflects the fact that Congress viewed employment as central to welfare reform.
- o That states also view work as the dominant feature of welfare reform is shown by their making it the key aspect of the NGA/APWA proposal on the High Performance Bonus as well as states' own intra-state systems of program management and performance measurement.
- o Because the public views employment as the key goal of welfare reform, a strong and visible emphasis on work can capture the public's (and the employer community's) imagination as truly bold.
- o However, good data for measuring the movement of welfare recipients to work have not been available.
- o The High Performance Bonus potentially gives us the opportunity to develop uniform nationwide and state specific data on the movement of welfare recipients to employment.
- o If the High Performance Bonus system could be linked to a clearly and consistently articulated national result, it would be a truly bold and effective way to dramatically strengthen welfare reform.

Caseload

- o While caseload reduction has served as a reasonable measure of success in the past, its value will decrease as states use their new found flexibility under TANF to devise different ways of supporting low-income families.
- o Unlike AFDC, TANF is primarily a funding stream and not a program; this has several important consequences.
- o First, under AFDC, states had to put their money into the program to get federal dollars; under TANF states can choose to put their state dollars either into TANF or into another (or several other) programs--the result is that state TANF caseloads will vary dramatically based on whether they put their state MOE dollars into TANF or into separate state programs.

- o Second, AFDC was a federally-defined program (especially prior to the proliferation of waivers) with strict resource limits and rules about counting income with the primary state flexibility relating to the setting of benefit levels; TANF gives states much greater flexibility, for example, to use some of its TANF funds for traditional welfare benefits (not easily defined), and other TANF dollars to provide supports for working families, including cash earnings supplements similar to the EITC, child care or transportation.
 - from a policy perspective, states' using their TANF funds innovatively to support working-families is very appealing;
 - however, an emphasis on caseload reduction would discourage these innovative approaches, because families receiving these forms of worker support would count as cases under TANF.
- o Primarily for the above two reasons, states have generally resisted using caseload as a High Performance Bonus measure, because they believe it would work against their flexibility in accomplishing the goal of moving recipients into work and sustaining them in it.
- o Third, AFDC was an individual entitlement which entailed that states could not directly limit the number of families that were served; under TANF a state could for budgetary or other purposes simply pick the number of families it would serve and create waiting lists for other eligibles who applied--setting caseload reduction as a TANF goal would provide additional incentives for states to adopt such policies which would be detrimental to children.