NLWJC - Kagan
DPC - Box 065 - Folder-015

Welfare-Welfare to Work Generally

WR — WR-to-work generally

Thomas L. Freedman
01/09/98 07:48:03 PM

Record Type: Record

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

cc:
Subject: Tradeable Work Opportunity Tax Credits

Here's the premise, and here's the idea

Premises:
1. Businessniess don't actually hire people because of the tax credit. Its useless. When I talked to them, it generally seemed like they would hire the person and then claim the credit. The credit was never the deciding factor. If the person couldn't do the job, a tax credit wouldn't make them a desirable employee.

2. The market for intermediaries (the companeis doing the training and placement) is biased away from training people on public assistance. The return is low, the risks are higher-- they have less work experience and may be more difficult to place with employers.

Idea: Make the tax credit tradeable. A business could give the money to the intermediary after 6 months if the employee was still there. This increases the incentive for intermediaries to train people on public assistance, increases the number of folks getting trained, and uses federal dollars more wisely. A tax credit which is currently a reward for something companies were doing anyhow becomes a way of increasing the number of employable people. Besides, the companies could always keep the tax credit if they want. This really helps smaller businesses that wouldn't have time to train someone, but wouldn't mind hiring someone off welfare.

Paul and Mary and I had a meeting with some (not too knowledgable) folks pushing the idea. Whatcha think?

Bruce N. Reed
01/12/98 12:33:39 PM

Record Type: Record

To: Thomas L. Freedman/OPD/EOP

cc: Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP
Subject: Re: Tradeable Work Opportunity Tax Credits

I like the concept. What would the business get in return for trading away the credit?

Thomas L. Freedman
01/12/98 08:44:52 PM

Record Type: Record

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

cc:

Subject: Re: Tradeable Work Opportunity Tax Credits

You asked what the business would get for trading the credit to the intermediary: Essentially, it would give the hiring business the ability to increase the amount it would pay the intermediary for the finding and training of the new employee. If Company A would have been willing to hire WTW employee Ralph who had been through Intermediary B's training and placement but would have paid B only $2,000, this would supplement the amount A would be able to pay B, making it more likely B would take a chance on Ralph in the first place because B can get more $'s from A. Company A would pay B only after Ralph has stayed at Company A for 6 months.

It encourages intermediaries to train WTW employees. An economist would say except for lowering the transaction costs, this probably has no different effect than the employer tax credit, but I bet in the real world intermediaries would figure out the paperwork and be more efficient at using this tax credit.

often benefit from the relationships with managers and co-workers. "The fast-food industry is one of the few employers that stay in urban areas," says Bryna Shore Fraser, deputy director of the National Institute for Work and Learning. Newman agrees fast-food managers often make good role models. "In some neighborhoods, kids don't know a lawyer or a doctor," says Newman, "but they could know a manager at McDonald's."

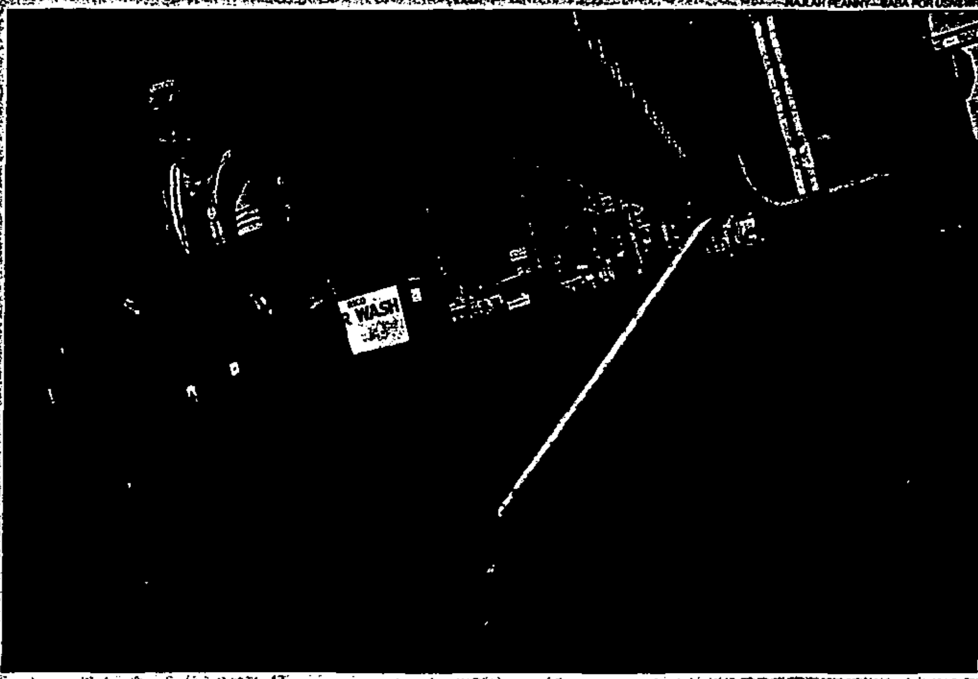
Walker, 47, refers to his 573 employees as "my children." Most of them, even those in their 30s and 40s, call him "Daddy." Many have little contact with their own fathers. An imposing, broad-shouldered man, Walker visits his 10 stores daily and often probes the lives of the employees, asking questions like: "How are your grades? What kind of friends are you hanging out with? Why are you wearing shoes like that?"

At one of Walker's franchises, Lawanda Ghoston, the manager, talks of the time she blew her savings at a riverboat casino. Walker gave her an advance to turn her electricity back on—but not before getting her to design a savings plan.

Stripping off uniforms. It's important not to overromanticize fast-food jobs, though. The wages are often at or near the $4.75 minimum wage, which may not be enough to support children. Newman

REFORM PARADOXES

Few on welfare will be forced to work



Saul Mercado sweeps a street in the Bronx as part of New York City's welfare-to-work program.

In the popular view, last year's controversial welfare reform had three big aims: Get people to work, save the government money, and transform the culture of poverty. With caseloads down 10 percent on the bill's first anniversary this month (23 percent since their 1994 peak), there appears to be a good start. But in reality, experts say, relatively few welfare recipients will be required to work, the government is spending more per recipient than ever before, and most of the drop in the welfare rolls is just a result of the booming economy.

According to a new study by the Urban Institute, the bill's "tough" work mandates will compel fewer than 200,000 of the 3.3 million adults on welfare to go to work each year. Why? In theory, the states are supposed to get a quarter of their caseloads working now, and half by 2002. But there are a host of exemptions. States whose rolls had been shrinking already don't have to push as many current recipients into the work force. Teenage mothers who stay in school don't have to work. Neither do pregnant women nor those in "job readiness" activities (like résumé writing). These loopholes were pushed especially by Republican governors, who know that moving welfare recipients into jobs is expensive.

Pressure from unions. New regulations, meanwhile, may make it hard for states to run real work programs. Bowing to pressure from unions, which fear competition for members' jobs, the Clinton Labor Department ruled in May that welfare recipients who are forced to work for their benefits must be subject to various labor laws. Conservative analysts say that companies could be forced to pay payroll taxes, making them less likely to offer such "workfare" slots.

But the news isn't all bad. Many experts had predicted that politicians wouldn't be willing to spend more in the short term to fund the child care and transportation needed to keep welfare moms on the job. But states have managed to increase spending per family because the law based federal block grants to states on the larger caseloads of earlier years. The result: more money for fewer families. Federal spending per family is up 27 percent since 1995, a windfall states are using partly to fund new welfare-related services.

Even if published work requirements are often toothless, experts add, caseworkers and welfare recipients are treating them as if they were real. In that sense, the law may be prodding welfare recipients to seek jobs.

The real test, though, will come when the next recession hits. While the number of people seeking help will increase, the money provided by the federal government won't. Eventually, too, limits on the number of years that people can receive welfare will take effect. Finally, it's unclear whether low-wage jobs will pay enough for welfare mothers to support their families. If they don't, welfare reform will likely fail.

—Matthew Miller

WR - WR-to-work

Wr - Wr-to-work

THE WHITE HOUSE

WASHINGTON

TO: Linda Hall / Bob Berger
Los Angeles Times
213-237-7930

FROM: Bruce Reed
Assistant to the President for Domestic Policy
202-456-6515

Ron Brownstein suggested that I send you the attached op-ed on the welfare reform law the President signed a year ago this week.

Thanks for taking a look. Let me know if you're interested.

cc:
Rahm Emanuel
Elena Kagan
Cynthia Rice

A Good Start for Welfare Reform

by Bruce Reed

8/18/97
900 words
tel. 202-456-6515

Perhaps nothing in the Clinton Presidency has prompted more division and debate than the new welfare law the President signed a year ago this week. Three Administration staffers resigned in protest; one sold the Atlantic Monthly a cover story on "The Worst Thing Bill Clinton Has Done." One national columnist wrote that giving the President a second term to restore the bill's cuts in immigrant benefits was like giving Jack the Ripper a scholarship to medical school.

A year later, welfare recipients are faring a lot better under the new law than welfare reform critics. A strong economy and aggressive state efforts to move people from welfare to work have helped produce a record drop in welfare caseloads. The percentage of Americans on welfare is the smallest since 1970. This month, the President signed a balanced budget law that restores $11.5 billion in immigrant benefits, as promised.

The conventional wisdom in elite circles has long been that signing the welfare bill was a cynical, heartless, poll-driven decision. The new law's early success suggests another possibility: that the President did the right thing, for the right reason.

When he signed the welfare law, President Clinton made two predictions that almost no one believed at the time. First, he said the immigrant benefits could be paid for with smaller tax cuts. Asked how he could get that through a Republican Congress, the President said, "It all depends on your priorities." A year later, that's exactly what happened: the President threatened to veto the entire budget agreement if it didn't do right by immigrants, and the same Republicans who had imposed the cuts found the money to fix them -- helping 350,000 elderly and disabled immigrants to be treated fairly.

Before the budget agreement, it was a close call whether the good in the welfare bill outweighed the harm from the immigrant cuts. Now, the budget has not only restored immigrant benefits, it provides work slots so hundreds of thousands of childless adults can now keep their food stamps, tax credits for businesses that hire people off welfare, and $3 billion to make sure long-term welfare recipients in depressed areas have jobs to go to.

The President's other prediction last August, also widely dismissed at the time, was that states and recipients alike might actually be up to the responsibilities the new law demands. Critics said that breaking the 61-year-old federal entitlement and turning welfare over to the states would produce a "race to the bottom," with every state rushing to throw poor people into the streets.

It turns out that not every state wants to be Mississippi. No longer able to blame Washington for failure, states are competing to show who can do the best job. Even conservatives seem willing to spend money now that the welfare system is about work. Child care spending is up everywhere, in many states by even more than the new law requires. Illinois increased its child care budget by 96%. Last week, California adopted a bipartisan welfare plan that increases overall welfare spending by $223 million in the first year, and budgets $1.8 billion a year for child care and work programs.

In fact, the new law is actually helping states be more generous. Critics had warned that states would have to cut back because they now get a fixed block grant instead of uncapped federal spending that goes up or down with caseload size. Instead, the block grant has proved to be a boon for states and recipients alike. Because the block grant was based on higher caseload levels, states are receiving about 25% more from the federal government than they would under the old law. That's at least $3 billion a year more that states can spend on moving people from welfare to work -- more than we proposed in the President's original 1994 bill, which Republicans attacked as a budget buster.

But the most impressive rebuttal to last year's dire predictions has come from recipients themselves, who are taking responsibility at a remarkable pace. Prior to the Clinton Administration, the welfare caseload had dropped by more than a quarter million only twice in six decades. Today welfare caseloads, which fell by a record 1.9 million in the President's first three-and-a-half years in office, are on course to have dropped by 2 million more in the year since he signed the law. These people aren't leaving because of time limits, which haven't gone into effect yet. Most of them are leaving on their own to build more self-sufficient lives.

The challenge of welfare reform is far from over. Making the leap from welfare to work is still an enormous personal struggle for everyone who goes through it. We need to do everything we can -- from providing hiring subsidies to making child care and transportation more affordable -- to help more businesses give people that chance and more recipients to take it. We also need to keep an eye on states to make sure they plow any savings from their success right back into putting even more people to work.

But on two points, the first year of this bold experiment leaves little room for debate: The old welfare system based on income maintenance was a dismal failure -- and the new system based on work and responsibility is off to a very good start.

WR - WR-to-work

The man was taken into custody and will be let out of jail only to go to work until his trial in November on contempt charges. "A lot of people don't get the message until they're sitting in a cell for a few days," Oostdyk said.

Virginia social service officials boast that their collection rates have improved 30 percent in the last two years and that the state is in the top tier in terms of collections. Even so, the rate is a dismal 25 percent, Oostdyk said. A 100 percent collection rate would bring in a whopping $ 1.2 billion a year, he said.

Vicki Turetsky, senior staff lawyer at the Center for Law and Social Policy, said states need to learn how to help poor parents improve their family involvement and payment rates "without setting up a situation that's impossible for the lowest-income fathers to meet."

Oostdyk cited a Culpeper program that helps low-income parents sharpen skills so they can find higher-paying jobs.

Virginia also began today suspending the hunting and fishing licenses of deadbeat parents and using cable company subscriber lists to find them. "For some reason, fathers are better at getting their new address to the cable companies than to us," Oostdyk said.

PRNewswire
Date: 97-07-01 20:59:49 EDT

Pennsylvania Gov. Ridge Administration Continues Welfare-To-Work Push

HARRISBURG, Pa., July 1 /PRNewswire/ -- As part of his continuing efforts to expand employment opportunities for welfare recipients, Gov. Tom Ridge today directed five state cabinet secretaries to explore the recommendations of a welfare-to-work Job Creation Task Force he formed last year.

The 42-member Job Creation Task Force, chaired by state Welfare Secretary Feather O. Houstoun and Community and Economic Development Secretary Samuel A. McCullough, delivered its recommendations to the Governor at a meeting this afternoon.

Governor Ridge convened the task force in October 1996 and charged it with developing strategies for linking welfare recipients to jobs. Task force members include business leaders, former welfare recipients, job trainers, community social-service and faith-based organizations, employment and training providers and elected officials.

"As we continue the important job of reforming our welfare system in Pennsylvania, it is critical that we have the input of those most directly involved in determining the success of this important initiative -- employers who provide the jobs and individuals within communities who work directly with our welfare families," Gov. Ridge said.

"The task force's recommendations include many concrete and practical suggestions that will not only help us link welfare recipients with jobs, but will enhance our broader workforce development delivery system."

Governor Ridge charged the cabinet secretaries of Education, Community and Economic Development, Labor and Industry, Welfare, and Transportation to report by September 1 on those recommendations that can be implemented in a timely manner.

In May 1996, Gov. Tom Ridge signed into law Act 35, a comprehensive welfare reform plan which promotes self-sufficiency through work. Most welfare recipients are required to undergo an 8-week job search and to work at least 20 hours a week within two years. Federal welfare reforms require most families to leave the welfare rolls within five years.

Since the state and federal reforms were implemented on March 3, more than 14,500 recipients have begun part and full-time employment. More than 5,000 of the 14,500 families have left the welfare rolls through their earnings.

Prior to developing its recommendations, the Job Creation Task Force surveyed 2,000 Pennsylvania employers on their hiring practices; interviewed national welfare-to-work leaders from the private and public sector; conducted six round tables with businesses, welfare recipients, work support and economic development organizations; and conducted on-site research at businesses that hire welfare recipients.

The task force recommendations include the following:

- The continuation of improvements to the Employer Incentive tax credit program that will make it easier for small businesses to apply for and receive up to $5,100 in state tax credits for hiring welfare recipients.
- The organization of a state-wide "business coalition" to promote the hiring of welfare recipients, including the development of marketing materials for use by employers and the creation of a 1-800 number and website.
- The development of a flexible incentive program for employers to hire welfare recipients that includes a special financing rate for welfare-to-work business projects; marketing of child care tax credits; creation of a tax credit for transportation investments; the building of a "workable" state contractor welfare hiring program; and development of a private-sector "supervisor training program" to assist companies in dealing with the special day care, transportation and other work-support needs of working welfare families.
- The expansion of demonstration projects with trade associations such as the National Retail Association's job training program at the King of Prussia Mall in Montgomery County.
- The creation of "Best Practice Centers" among employers that successfully train and hire welfare recipients.
- Providing "seed money" to support private sector Cooperative Hiring Centers that offer individuals full-time work by linking employers that can offer part-time jobs and benefit packages.
- The expansion of self-employment opportunities that enable welfare recipients to become self-sufficient, including streamlining access to public contracting for minority and women business owners.
- The development of local "partnership committees" at each of the County Assistance or welfare offices that bring together employers; job trainers; social services; state Job Centers and other resources to help recipients get and keep employment.

CO: Pennsylvania Department of Public Welfare
ST: Pennsylvania

WR - WR-to-work

U.S. Welfare System Dies As State Programs Emerge

Emphasis on Work Is the Common Thread in a Patchwork of Decentralization

A1

By JASON DePARLE

WASHINGTON, June 29 — The nation's 62-year-old welfare system, condemned last year by Federal law, will formally die on Tuesday, and a season of state legislative debate has brought new clarity to the decentralized system rising in its place.

If the emerging programs share a unifying theme, it can be summarized in a word: work. States are demanding that recipients find it faster, keep it longer and perform it as a condition of aid. Most states regard even a low-paying, dead-end job as preferable to the education and training programs they offered in the past. And recipients who break the rules are facing penalties of unprecedented severity.

But the hard edge also has a softer side. Operating on the assumption that work requires support, many states are investing in work-related services. Near-record increases for child care head the list, but states are also spending more on transportation, job placement and programs that let working recipients keep more of their benefits even while earning paychecks.

The result is a system evolving from a national safety net into a series of state trampolines: they are better equipped to lift the needy into the job market, but much less certain to catch them during the inevitable slips and falls. Wide-ranging in quality, some state programs can already boast of impressive achievements, while others are still being cobbled together in an atmosphere of conflict and doubt.

In at least one preliminary way, the interesting development is what has not taken place. Critics of a state-driven system have worried about a "race to the bottom," in which strapped state governments cut eligibility and benefits to drive the poor away. Although that remains a concern when the economy falters, it has not happened yet.

"Some people predicted it'd be a disaster, obviously," said Donna E. Shalala, the Secretary of Health and Human Services. "But I see governors taking the extra money they've

THE WELFARE EVOLUTION

A special report.

been given and using at least some of it to provide resources to help people work. Over all, I think there are more resources going into programs, not less."

In part the new investments may indicate that legislatures are quicker to spend money on needy people when they work. But there is also an old-fashioned fiscal lubricant involved: Federal dollars.

Though the new system has often been described as a cut, it will provide states with about $2 billion more this year than they otherwise would have had, according to a rough estimate by the House Ways and Means Committee. That is because Washington now sends the states fixed payments based on the welfare population of earlier years, even though the rolls are plummeting.

The Government is also giving

Continued on Page A11

Continued From Page A1

states an additional $600 million this year for child care. Added together, the new Federal money represents an increase of about 16 percent, or an additional $650 for every family in the program.

The program, which used to be called Aid to Families with Dependent Children, serves about four million adults, most of them single mothers, and more than seven million children. As of Tuesday, it takes on a new name to stress a new ethos of time limits and work rules: Temporary Assistance for Needy Families.

The combination of freedom, money and new expectations has produced a moment of dizzying change. Wisconsin is essentially abolishing cash aid, substituting a giant work program that will stretch from the sprawling ghettos of Milwaukee to the Minnesota border. Oregon is putting its hopes in intensified casework; Texas in private contractors. Illinois has put up $100 million of state money to offer child care to all low-income workers, whether they have been on welfare or not. New Jersey has created a $3.7 million transportation fund, to get poor people to far-away jobs.

And there are more modest innovations. An Episcopal diocese in Warren County, Tenn., has placed $10,000 in a revolving loan fund, to help a few welfare families buy used cars. A social worker in Manassas Park, Va., is collecting donated clothes, to help clients look better in job interviews.

But along with new opportunities, the poor face new perils. Bureaucratic errors in Milwaukee have withheld benefits from thousands of needy people, even though they complied with the work program as instructed. Mississippi punishes those who break the rules by withholding food stamps as well as cash, placing families at risk of complete destitution.

In many places, the passage of the Federal legislation last August did less to inaugurate a new era than to accelerate changes that had already begun. That is because 46 states were already running experimental programs under Federal waivers. From Oregon to Virginia, from Michigan to Mississippi the move toward an employment-focused system was well under way.

But the states with the three largest welfare populations — California, New York and Texas — have mostly been absent from the trend. By themselves, California and New York contain nearly a third of the country's recipients. In these two states, restrictive proposals from Republican governors are being contested by Democratic legislators. Until those disputes end, much of the welfare canvas remains unpainted.

And everywhere it is a work in progress.

New Work Rules

States Sharing A Work Philosophy

Work — it is an order to recipients, a philosophy for administrators and a mandate under Federal law. But the ways in which it is an actual program vary widely from state to state. Consider the differing emphases in Wisconsin and Michigan, whose Republican governors are typically considered leaders of stern reform.

In Michigan, Governor John Engler has invested in caseworkers to remove the "barriers" to work, like an inability to patch together child care or transportation. But he has been reluctant to create community service jobs for those who do not find work on their own. In Wisconsin, Governor Tommy G. Thompson has created thousands of workfare positions. But he has been quicker to assume that welfare recipients will find a way to hold them, and slower to emphasize the kind of home visits and casework that Michigan employs.

What virtually all states now share is a new philosophy, summarized in the phrase, "work-first." Though Federal law requires recipients to work within two years, few states are letting them wait that long. Education and training come later, if at all.

"It's no more, 'What am I going to be when I grow up?'" said Larry Temple, deputy director of the Mississippi Department of Human Services, which is paying private companies to place recipients in jobs. "If we've got a job that someone with a 10th-grade education can fill, and you've got a 10th-grade education — you're working."

To place people quickly, almost every welfare office runs some sort of job-search program, in which welfare recipients write resumes, practice interviews and get leads on possible openings. Almost two dozen states also have "diversion" programs, requiring needy people to put in as many as 20 or 30 job applications before they can receive benefits.

The tougher question is what comes next? What to do for those recipients — with little education or experience, and in some cases, bad attitudes and work habits — whom employers continuously turn away?

Some states will now pay businesses to hire them, converting welfare and food stamps into a subsidy for an employer. Oregon and Mississippi have pioneered the effort, but without great success. Most businesses, there and elsewhere, seem less interested in the temporary payments than in finding reliable help. In Tulsa, Okla., the Chamber of Commerce has gotten more directly involved in polishing work skills. It has helped create an intermediary corporation to give recipients entry-level work, like assembling fishing tackle for a local manufacturer. Those who perform well get recommended to area employers.

So far, only a few places seem willing to take the next step: creating large numbers of community service jobs. Though such efforts can be expensive, they may be what is needed to make work universally available, especially in areas where the economy sags.

Efforts are under way in Massachusetts and New York City, but the leader is Wisconsin. Beginning Sept. 1, virtually all of the state's 42,000 welfare families will have to work 30 hours a week to receive benefits. Though the emphasis is on placing them in private jobs, the state has vowed to create community service positions for those left behind.

That caps a remarkable reversal from the late 1980's, when investments in education and training were in vogue. Studies found that those programs had little effect while others that emphasized immediate job placement worked better. But some advocates worry that the pendulum has swung too far in a world of diminishing returns for unskilled workers. "You have lots of women in the welfare system who've had one crummy job after another," said Sharon Parks of the Michigan League for Human Services. "A lot of them are not going to be in a position to support themselves and their families."

New Services

Removing the Barriers That Prevented Work

For many women on welfare, finding a job is the easy part. Keeping it comes harder. Reliable child care and transportation are part of the solution, and many states are making new efforts to increase the supply of both, though formidable challenges remain.

"States are doing more than I expected," said Helen Blank, a child-care expert at the Children's Defense Fund. "The question is will it continue?"

A survey by the American Public Welfare Association found that 11 states had expanded the eligibility for child-care programs and 20 are putting in more state money than required. "The heat is on, people are watching," said Elaine Ryan, the organization's lobbyist. "It's becoming a kind of political imperative."

Though most have expanded child care for welfare families, a few have gone substantially farther. Wisconsin, Illinois and Rhode Island are pledging subsidized child care on a sliding scale to any low-income working family that needs it.

Perhaps no state has expanded its aid as

The New York Times, MONDAY, JUNE 30, 1997

1/2

"All the News That's Fit to Print"

The New York Times

Washington and Baltimore: Sunshine dimmed by high clouds. Highs in the 80's. Tonight, mostly cloudy. Lows in the 60's. Tomorrow, humid, showers. High in the 80's. Details, page A16

VOL. CXLVI . . . No. 50,839 Copyright © 1997 The New York Times MONDAY, JUNE 30, 1997 ONE DOLLAR

Thousands jammed Tiananmen Square in Beijing last night, before it was shut for the official celebration of Hong Kong's return to China. Page A6.

U.S. Welfare System Dies As State Programs Emerge

Emphasis on Work Is the Common Thread in a Patchwork of Decentralization

By JASON DePARLE

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THE WELFARE EVOLUTION

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Continued on Page A11

A Partly Alien Place Joins China Today

By EDWARD A. GARGAN

HONG KONG, Monday, June 30 — There is in all of China, from the Gobi Desert to Manchuria, from the Forbidden City to the cloud-wreathed peaks of Guilin, no place like Hong Kong.

It is a place with a press as wildly free as the markets that help fuel its growth, a place accustomed to its own mind, a place where people insist on controlling their own future.

And at midnight tonight, it is this British colony and its 6.3 million people, half of them refugees from the waves of political and economic chaos that marked the first three decades of Communist rule in China, that will be returned to the embrace of the motherland.

NOW FOR SOMETHING REALLY JUICY

History may be in the making in Hong Kong, but the newspapers are filled with tales of crime. Page A6.

Deng Xiaoping, the Chinese leader who died this year, appeared to recognize Hong Kong's distinctiveness, and in 1984 he said as much to Margaret Thatcher, who was then Britain's Prime Minister.

"We had to consider the actual situation of Hong Kong, China and Great Britain," Deng said the day that both countries agreed on Hong Kong's reversion to Chinese rule. "The resolution that all three parties would accept was 'one country, two systems,' which would allow Hong Kong to retain its capitalism, its status as a free port and its position as a financial center."

"There was," Deng intoned, "no other possible solution."

The formula, enshrined almost liturgically in the speeches of Beijing officials and of the man who will be Hong Kong's first post-colonial leader, the shipping magnate Tung Chee-hwa, is uttered to reassure Hong Kongers that things will not change too much, that the future is no cause for concern.

But words alone will not bridge the chasm between Beijing and Hong Kong, for many people here have lived in China. If, great numbers of people here believe, China so routinely lies to its own citizens about so much, why, they ask, would Beijing tell the truth to Hong Kongers?

"Let me tell you this," said a security guard at a housing project who gave only his surname, Ko, because

Continued on Page A6

CLINTON TAX PLAN BACKS G.O.P. IDEAS

But President to Seek Deeper Cuts for the Middle Class

By DAVID E. SANGER

WASHINGTON, June 29 — President Clinton will announce on Monday a revised tax-cutting proposal that his aides describe as an effort to give middle-class taxpayers somewhat deeper reductions than those passed overwhelmingly by the Senate on Friday, but one that accepts a number of the main concepts pressed by Republicans.

In a presentation at the White House, Mr. Clinton is expected to endorse, for the first time, tax proposals that would create education savings accounts that are similar to individual retirement accounts.

He is also expected to make proposals that edge toward a broader cut in capital gains taxes than he has previously endorsed, said officials who have been briefed on the broad outlines of Mr. Clinton's plan. But he will not agree — at least for now — on the House and Senate proposals to reduce those taxes to 20 percent, from 28 percent, the officials said.

Aides to Mr. Clinton declined today to provide details of his proposals, hoping that he will regain the public relations advantage for his tax plans by making the proposals at the start of a weeklong Congressional recess. But they said his broad effort would be toward pushing more of the $85 billion in net tax cuts down to the bottom 60 percent of taxpayers.

Under tax legislation passed on

Continued on Page A11

Cries of the Dying Awaken Doctors to a New Approach

By SHERYL GAY STOLBERG

WASHINGTON, June 29 — In a Baltimore neighborhood of simple brick houses, where geraniums edge the lawns in cheery bursts of pink and red, an old woman is dying. On a sweltering summer afternoon, she is in bed, frail and frightened, waiting for her doctor to arrive.

A white Mazda pulls up, and the doctor, Timothy Keay, emerges carrying a blue nylon satchel, the modern equivalent of the black bag. Dr. Keay, an associate professor of family medicine at the University of Maryland, is a rarity in this impersonal, technological era: a doctor who makes house calls.

In the house, the air is still. Dr. Keay walks upstairs to see his 84-year-old patient. Beneath her thin cotton nightgown, a cancerous tumor the size of a cantaloupe is growing on her left breast. She has refused treatment, save for the clear plastic tubes that pump two liters of humidified oxygen into her nostrils each minute.

"Some doctors would say to her, 'Look, either get this operated on or I can't help you,' " said Dr. Keay, an expert in the emerging field of palliative care. "That is a stark choice. I say to her: 'It's your life. How can I be of assistance to you?' "

Instead of seeking to cure a patient, palliative care addresses a range of problems, from intense pain to depression, that dying people and their loved ones suffer.

Last week, the Supreme Court settled one of the most contentious ethical, moral and legal questions of recent decades, deciding that states may ban doctor-assisted suicide. But the ruling does not settle one of the most pressing crises in modern medicine: inadequate care for patients at the end of life.

That is a problem for the health-care profession to solve, and while ethicists and lawyers have been de-

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Evander Holyfield after Mike Tyson bit his ear on Saturday night.

After Biting, Tyson Faces Trouble From All Corners

By TOM FRIEND

LAS VEGAS, Nev., June 29 — Mike Tyson bit a grown man Saturday night, and now his troubles are back in session. A boxing commission has suspended him, a district attorney may want to interview him, a doctor may want to [illegible] and [illegible] Evander Holyfield [illegible]

[illegible]

warning and then biting into his left ear.

The Nevada State Athletic Association has called a hearing for Tuesday to review the videotape and decide whether to pursue a long-term [illegible]

[illegible]

NEWS SUMMARY

[illegible]

Stirred by Her Life, Thousands Attend Service for Shabazz

By FRANK BRUNI

In a tribute that reiterated the degree to which the noble melodrama of Dr. Betty Shabazz's life and death touched so many people, thousands of mourners filled Riverside Church in Manhattan yesterday, with hundreds more spilling onto the sidewalks, to remember her as a brave widow, a loving mother and a tireless advocate for the oppressed.

The memorial, which followed Dr. Shabazz's private Muslim funeral on Friday, drew an eclectic assemblage of legislators, writers, ministers and entertainers.

There were brief testimonials about Dr. Shabazz, the widow of Malcolm X, not only from the current Mayor of New York City, Rudolph W. Giuliani, but from three of his predecessors, David N. Dinkins, Edward I. Koch and Abraham D. Beame. Gov. George E. Pataki spoke, as did Representative Maxine Waters, chairwoman of the Congressional Black Caucus.

The Secretary of Labor, Alexis Herman, attended on behalf of the Clinton Administration, reading a letter from the President that called Dr. Shabazz "a true heroine, a fine

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INSIDE

Mir Astronauts Now Facing Uncharted Territory

Aleksandr Lazutkin, Michael Foale and Vasily Tsibliyev yesterday, in their first television link since the crash.

By MICHAEL R. GORDON

MOSCOW, June 29 — Vasily Tsibliyev, the commander of the Mir space station, has had his brushes with danger. The veteran Russian Air Force pilot [illegible] space walks and spent long periods in space. [illegible]

[illegible] vehicle crashed into it.

"I have never done this kind of work," he bluntly warned officials at Russia's ground control center. "Without training, it will not be possible to do this job."

By all accounts, restoring Mir to a functioning space station is a tricky venture into uncharted territory. Not only has the crew never trained for the mission, but they will also use special equipment that is only now being built.

The job will also require unusual dexterity, including maneuvering through a narrow portal to the damaged module while wearing a bulky space suit.

To choreograph the intricate maneuvers, earth-based Russian astronauts will experiment on an underwater mockup at Star City, the astronaut training center outside Moscow. Their results will be transmitted to Mir so the crew can practice [illegible]

THE NEW YORK TIMES

CLINTON TAX PLAN BACKS G.O.P. IDEAS

But President to Seek Deeper Cuts for the Middle Class

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By DAVID E. SANGER

WASHINGTON, June 29 — President Clinton will announce on Monday a revised tax-cutting proposal that his aides describe as an effort to give middle-class taxpayers somewhat deeper reductions than those passed overwhelmingly by the Senate on Friday, but one that accepts a number of the main concepts pressed by Republicans.

In a presentation at the White House, Mr. Clinton is expected to endorse, for the first time, tax proposals that would create education savings accounts that are similar to individual retirement accounts.

He is also expected to make proposals that edge toward a broader cut in capital gains taxes than he has previously endorsed, said officials who have been briefed on the broad outlines of Mr. Clinton's plan. But he will not agree — at least for now — on the House and Senate proposals to reduce those taxes to 20 percent, from 28 percent, the officials said.

Aides to Mr. Clinton declined today to provide details of his proposals, hoping that he will regain the public relations advantage for his tax plans by making the proposals at the start of a weeklong Congressional recess. But they said his broad effort would be toward pushing more of the $85 billion in net tax cuts down to the bottom 60 percent of taxpayers.

Under tax legislation passed on

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Thursday by the House, roughly 18 percent of the $85 billion in tax cuts would go to the 1 percent of Americans with the highest family incomes, according to Treasury Department estimates.

The Senate bill, passed on Friday, would channel about 13 percent of the total tax cuts to the same group. Mr. Clinton's proposal, the officials said, would cut that 13 percent by more than half, though White House officials acknowledge that the figure is subject to change as the negotiations proceed next month.

Nonetheless, the concessions the White House has made so far — including virtual agreement to a sharp reduction in capital gains and estate taxes — make it clear that the final bill will reverse many of the effects of the major tax increase for the top 1.2 percent of taxpayers that Mr. Clinton pushed through in 1993.

Mr. Clinton's political strategists had guessed that the richest Americans would not battle higher income tax rates if one result was enough deficit reduction to send the country and the stock market into a prolonged economic expansion that disproportionately benefited the rich.

The bet paid off, though Mr. Clinton was roundly criticized last year by fellow Democrats who had voted for those increases after he suggested that he thought he had raised taxes on the rich too much.

Mr. Clinton's aides now argue that the tax increase cut the deficit sharply and helped pave the way for the Dow Jones Industrial Average to rise to 7,800, more than double the level in 1993. Whether he can rightly take credit for that increase, a practical result is that many wealthy Americans are now sitting on huge capital gains — which they are eager to liquidate at lower tax rates.

Although Mr. Clinton will not endorse a 20 percent capital gains tax rate on Monday, the body language given off by his aides in recent weeks suggests that he will ultimately agree to that figure. But they insist that he will veto any bill that also allows investors to subtract the effects of inflation on those capital gains. Such indexing is included in the House version of the tax bill, but not in the Senate version.

Mr. Clinton's proposal will open a round of three-dimensional chess on Capitol Hill that promises to dominate politics here for the next month. Starting a week from now, House and Senate negotiators will begin trying to work out differences between their respective tax bills. But because House and Senate leaders want to avoid a veto, the White House will play a major role in the negotiations.

Mr. Clinton's new proposal is described by aides as an effort to build on some provisions of those bills and limit the effects of others. The Senate tax bill, for example, creates classes of individual retirement accounts that are available to all taxpayers. Mr. Clinton's proposals will put income caps on those I.R.A.'s because Treasury officials argued that the Senate version would simply encourage rich Americans to move existing savings into tax-sheltered accounts.

Treasury Secretary Robert E. Rubin said in an interview today: "It's a question of how you look at the goals of tax relief. You could look at tax cuts as an effort to provide middle-class tax relief, or you could look at them as an effort to promote growth in the economy. What I have come to think in recent weeks is that those two criteria would lead you to roughly the same outcome."

Put another way, Mr. Rubin is arguing that the existing bills in Congress provide too many tax benefits to people who are rich enough to save anyway. The only way to encourage long-term savings for economic stimulus is to reorient those incentives to families making under $50,000 to $60,000 a year, the bottom three-quarters of the nation's taxpayers. Those are the families deciding between saving and spending.

Representative Bill Archer of Texas, the chairman of the House Ways and Means Committee and the principal author of the House tax bill, reiterated today in a letter to Mr. Clinton that the Administration was using figures that "artificially inflate people's incomes" to make it appear that too large a portion of the cuts were going to the rich. Mr. Archer argued that "71 percent of our tax relief goes to those who make between $20,000 and $75,000 a year."

Those statistical arguments stem from the fact that Mr. Archer's committee and the Administration are using very different measures of total income to make their case. The Treasury bases its estimates on a measure called family economic income, first put forward in the Reagan Administration. That measure takes into account not only salary and interest earned on savings but also pension benefits and other forms of remuneration that most families cannot immediately spend.

The Republicans are using more traditional measures of income. But in defining tax cuts, they are using statistics to make it appear that the wealthy do not benefit disproportionately. For example, they measure the effects of tax cuts only over the next five years, while many of the biggest gains for the wealthy would come after 2002.

Mr. Clinton is clearly hoping that at the end of the negotiations, he will be able to divert more of the tax cuts to families seeking to make use of education tax credits for attending community colleges. The Administration is also concerned that the education savings accounts that emerged from the House and Senate bills give too much aid to families that can save long in advance of college and too little aid to those who cannot afford such savings.

The White House also expects a long battle over the tobacco tax. The Senate plan would raise $15 billion over five years by increasing the tax on cigarettes by 20 cents a pack, to 44 cents, starting on Oct. 1. About $8 billion of those revenues would be committed to providing medical coverage for uninsured children. The House plan has no such provision.

The New York Times

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ddenly as Illinois, which has the nation's fourth-largest welfare population. A Republican governor, Jim Edgar, proposed adding $70 million in state money to the Federal pot, and a legislature split between a Republican-controlled Senate and a Democratic House added $30 million more.

Illinois said it can now offer a child-care subsidy to any family earning less than about $22,000 a year. "It doesn't matter if you're on welfare, used to be on welfare, almost on welfare," said Michele Piel, who runs the system for the Illinois Department of Public Aid. "We tried to wipe the slate clean, and envision a system as it ought to be."

But Ms. Piel warns that the increased financing has solved only part of the problem. Shift workers, mothers with infants, and parents in rural parts of the state — all may still find child care in short supply. Those shortages could grow even more intense as the new system puts more mothers to work. And the quality of care remains a concern.

States are also expanding transportation programs, but here the problem may be even more vexing. Many states offer public transit vouchers, but new jobs are often beyond the reach of bus and rail lines. Cars are often unaffordable, and van pools can be difficult to coordinate.

"I'm surprised at how much attention states are paying to the issue," said Mark Alan Hughes, a researcher at Public/Private Ventures in Philadelphia and a leading expert on the transportation problems of the poor. "But the next step's the harder part: How do you solve it?"

While welcoming this early expansion of services, skeptics worry that it will prove ephemeral. Even in these flush times, most states are not reinvesting their full Federal windfall, using part of it instead to offset other state spending. When the economy falters, the skeptics worry, the new services will disappear. "The time when a race to the bottom will happen is when a recession hits," said Wendell Primus, a former Federal welfare official who resigned to protest the new law and who now works as an analyst at the Center on Budget and Policy Priorities, a Washington advocacy group.

New Penalties

Toothless Rules, Then Painful Ones

Those who fear that the new system will harm poor families have typically focused on time limits. But most families are still years away from exhausting their eligibility. Meanwhile, about 20,000 have already lost their benefits under a different circumstance, for failing to comply with the work rules.

"Sanctions are a much bigger issue than time limits — much, much bigger," said LaDonna Pavetti of the Urban Institute, a Washington research group.

States have now made their penalties tougher than ever. In the past, welfare recipients who failed to report for work or training typically lost a third of their cash grant — about $125 a month in an average state. But as their income went down, their food stamps rose, compensating for two-thirds of the loss.

If that system was essentially toothless, the new one takes a painful bite. A recent survey by the General Accounting Office, an arm of Congress, found that 33 states now strip noncompliant families of all cash assistance. Some, like Michigan and Wisconsin, allow recipients to immediately re-enroll and cooperate. Iowa makes recipients wait six months before they can reapply.

In addition, all states bar food stamps from rising, and Mississippi goes even further — eliminating all cash and food stamps to those who do not comply with the work program. Of the 7,200 families in an experimental program there, as many as 19 percent temporarily lost all their aid. "We're talking about people who are refusing to go to work to feed their children," said Mr. Temple, the Mississippi official.

But in a time of sweeping bureaucratic change, mistakes are easily made. The G.A.O. report found that 44 percent of the penalties imposed in the first five months of Milwaukee's program were later overturned when officials discovered they had made errors. "That's outrageous," Ms. Shalala said. "The minimum we should expect is that we're not making mistakes with people's lives."

Avoiding mistakes may be harder than it seems. After starting a strict work program a few years ago, Utah officials began a study of about 100 families punished for failing to cooperate. In about half of those cases, the officials discovered factors that the social workers had not understood.

One woman who lost her benefits was already enrolled in a training program. Another had a phobia about leaving her home. "We found we were sanctioning people we shouldn't be sanctioning," said Bill Biggs, the Utah official who supervised the program before his recent retirement.

What happens to poor families that suddenly lose aid? No city has cut off as many families as Milwaukee, where the penalized seem to fall into several rough groups. Some have ignored the work rules because they had other options — a secret job, a boyfriend to support them, a child receiving a disability check. They have been able to replace, or even surpass, their lost welfare income. Others, befogged by drugs or depression, have crowded the shelters where the numbers of women and children are at record highs. Though small as a percentage of the declining caseloads there, these newly homeless families may well number in the hundreds.

The one quantitative study available points toward a similar pattern, of punished families falling into two broad categories. Mathematica Policy Research, a Princeton, N.J., consulting firm, recently tracked down 137 Iowa families that had lost their benefits.

Of them, 40 percent saw their incomes rise, by an average of $496 a month. But 49 percent lost an average of $384 a month, in incomes already low enough to put children at risk. "It's really hard to know what's the right thing to do," Ms. Pavetti said.

Time Limits

Many States Set Tighter Rules

As of Tuesday, states must start limiting most recipients to no more than five years of benefits in a lifetime. But a survey by the National Governors Association found at least 20 states imposing shorter limits on all or part of their caseload.

Texas has the shortest limit, of 12 months for those deemed most able to work. Tennessee has a limit of 18 consecutive months, and in Connecticut the limit is 21 months. Ten states, from Massachusetts to Oregon, have two-year limits, but the details vary widely.

Some states promise extensions to those trying to work. Others let recipients back on the rolls after an intervening period. So far, Michigan is the only state pledging to ignore the limits altogether. While states can use Federal money to provide extensions to 20 percent of the caseload, Michigan officials have said they will help any recipient who complies with the work rules.

Some states have considered letting individual counties set time limits of their own. Republicans in Colorado pushed such a plan, but they were thwarted by the state's Democratic Governor, Roy Romer. Critics of such local autonomy worry that localities will abuse it to drive poor families away. In Colorado, skeptics issued a warning: Welfare reform is not a bus ticket to Denver.

In at least one important, but little-noticed way, welfare policy is now at odds with itself. While time limits are in, so are state plans that let recipients keep benefits while they work — extending their stay on the rolls and further eating into the clock. "It may be that working families become some of the first casualties of time limits," said Mark Greenberg, a lawyer at the Center on Law and Social Policy, who is critical of the limits.

As states succeed in winnowing their rolls, they may also find that those left behind have especially difficult problems - problems that a time limit alone will not solve. That has been the case in Utah, where the rolls have fallen by 35 percent over the last four years. "We weren't prepared for the group left behind," said Mr. Biggs, the former Utah official. "Over time they can move off the rolls, but it's a much more gradual process."

What percentage of the caseload will remain behind is anyone's guess. While the law exempts 20 percent, Mr. Primus has estimated that as many as half of the families on the rolls may hit a five-year limit. So far, limits have elapsed only in one experimental program, in Pensacola, Fla., where about 130 families have been dropped from the rolls. To the surprise of local officials, recipients there largely ignored the two-year limit, regarding the deadline as a long way off.

Among them was Theresa Sledge, 22, who has a 7-year-old son, a toddler, and another baby on the way. At first her social worker urged her to join a training program, pledging the necessary child care and transportation. Then, as the clock ran down, the worker urged Ms. Sledge to find a job. Failing to do either, Ms. Sledge now lives in a rickety trailer, feeding her children on food stamps and scrounging underwear and toilet paper from friends. "Hardship is not the word for it," she said. "They had told me it was going to happen, but it just didn't sink in."

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MONDAY, JUNE 30, 1997

2/2

'Megan's Law,' Others Languish in D.C.

Council Members Complain That Barry Administration Ignores Their Wishes

By Vernon Loeb and Hamil R. Harris
Washington Post Staff Writers

Prompted by the 1994 rape and murder of a 7-year-old New Jersey girl, the D.C. Council approved a version of "Megan's Law" that requires city officials to create a registry of convicted sex offenders and tell communities in which they live of their presence.

But almost four weeks after it was supposed to take effect, nothing has happened: There is no registry of people convicted of sexual violence or crimes against children—and police officials said they have never even heard of the law.

"As soon as the law takes effect, they should have provisions in place to register these people," council member Jack Evans (D-Ward 2), chairman of the Judiciary Committee, said last week in an interview. "But there's no preparation, no process in place—no nothing. It is outrageous. But it's not surprising."

Evans and many of his council colleagues say the failure to follow through on the sex offender registry is sadly typical of a system in which ordinances they approve often are neither implemented nor enforced in timely fashion by the Barry administration.

Examples abound:

- The council passed a law requiring that all children entering school be screened for lead poisoning and mandated that doctors report the test results. But the 1993 law has been ignored: Children aren't being screened, and data isn't being reported.
- The council made headlines in 1995 by passing conservative welfare reform legislation well ahead of the federal government. The D.C. Department of Human Services, concerned about a lack of funding, waited 10 months before seeking required federal approval. The approval was denied.

See COUNCIL, A9, Col. 1

COUNCIL, From A1

- The council cracked down on unregulated mortgage lenders in 1996, passing strict legislation intended to keep homeowners from losing their homes at foreclosure. But the Barry administration provided no money to staff the banking office that was designated to implement the law, leaving the director crying for help as he relied on volunteers to stay in business.

Many current and former members of the council can cite pet bills that haven't proved worth the paper they were printed on.

Harry Thomas Sr. (D-Ward 5) bemoans the fact that Washington is the only major city in the United States with a law mandating curbside recycling and money in the budget to pay for it but no recycling program. Mayor Marion Barry (D) is using the money for other things.

Harold Brazil (D-At Large) rails about how the council passed a moratorium on late-night enforcement of minor parking infractions several years ago so that residents could park near their homes and avoid muggers—only to have the corporation counsel's office fight him "tooth and nail" and ultimately refuse to write necessary regulations.

And Bill Lightfoot, a former at-large council member, decries the demise of a law that required parents whose children are convicted of crimes to attend parenting classes. "To the best of my knowledge," Lightfoot said last week, "that has never been enforced."

Nor are council members the only ones upset.

Paul Offner, the D.C. commissioner of health care finance, tells of his crusade to save the city millions of dollars by implementing a 1992 law that permits nurses aides—instead of nurses—to dispense medication in group homes for the mentally retarded.

Although the law was passed five years ago, nurses continue dispensing pills at dozens of group homes. Despite repeated requests, Offner says, the city's Board of Nursing refuses to write regulations necessary to implement the law.

The board, Offner said, pleads poverty, saying it's too understaffed to write the regulations.

Council members say they hear that same refrain from managers in the executive branch.

"They never get around to writing regulations," Evans said.

And there's more than a little sentiment on the council that the stalling sometimes is deliberate, depending upon where a given law stands on Barry's list of priorities.

"It starts at the top," said Lightfoot, who is often included among a handful of possible challengers to Barry in next year's mayoral election. "Marion does not necessarily respect the system. He does what he wants to do."

Added Brazil, another possible challenger: "You have a breakdown of the rule of law in the most initial place, and if the executive branch doesn't follow the law, why should anybody else?"

City Administrator Michael C. Rogers, Barry's top aide, flatly denies any selective implementation of laws by the administration, noting that Barry has implemented laws ignored by his predecessor, Sharon Pratt Kelly.

Foremost among them, Rogers said last week in an interview, was a law mandating creation of a separate Department of Public Health, which the administration succeeded in carving out of the Department of Human Services earlier this year.

But Rogers doesn't deny that spotty implementation of the law remains a major problem. To the contrary, he said he intends to recommend that Barry establish a commission to review the status of all laws and determine what it would cost to implement them.

Rogers said he doesn't fault the council for "passing too many laws. That's what legislators do." But, he added, "there's a simple fact that every piece of legislation requires somebody to do something."

The council itself has not been immune from criticism for waiting too long to act and for failure to follow through on its actions.

In passing its version of "Megan's Law" late last year, the council waited until all 50 states had complied with a federal mandate to create a registry of sex offenders and to provide for limited public disclosure upon the release of sex offenders into communities.

Both the D.C. financial control board and Anthony A. Williams, the District's independent chief financial officer, have faulted the council for including money-saving reforms to balance the fiscal 1998 budget but not actually following up to enact those reforms.

And the council has long been criticized for passing "emergency" legislation that is effective for just 90 days. When the Home Rule Charter created the D.C. Council in the 1970s, it gave the council the power to act in emergencies, recognizing that a legislative process involving Congress would be cumbersome.

It has become more so since Congress created the control board two years ago to oversee city finances. Now, a law that's to be permanent must be passed by the council, signed by the mayor, approved by the control board and then sent to Congress for a review period lasting 60 legislative days.

Bob Berlow, a lawyer who represents welfare and low-income residents, recently calculated that in some recent years as much as half of all legislation passed by the council has been on an "emergency" basis.

Take the dog muzzling bill passed by the council more than a year ago, requiring owners of pit bull terriers and Rottweilers to register their dogs with the city and muzzle the pets in public.

The dog law was passed on an emergency basis and lapsed after 90 days. When it came time to consider making the law permanent, according to council member Frank Smith Jr. (D-Ward 1), the Barry administration said it would cost almost $1 million a year to implement.

The cost estimate was inflated, Smith contends, by officials who didn't want the bother of implementing the law. In fact, Smith said, one of the reasons he sponsored the bill was that city officials weren't enforcing an existing law that required dog registration.

In between the emergency and permanent versions of the muzzle law, the council passed a "temporary" version—yet another stopgap measure, which would have stayed in effect for 180 days. But the control board rejected the bill and insisted on something truly revolutionary in D.C. government: a mandatory estimate of how much it would cost to implement.

The board now requires such estimates before it will consider bills for approval.

The cost of implementing the local version of Megan's Law has never been an issue. The law was named after 7-year-old Megan Kanka, whose assailant was sentenced to death June 20 for her 1994 rape and murder. It's enactment is required by the federal government, and failure to implement the Sex Offender Registration Act by September could lead to the loss of some federal crime-fighting funds.

It is a complicated piece of legislation, requiring coordinated action by the mayor, the courts, the D.C. Board of Parole, the D.C. police and the D.C. Department of Corrections. Asked about implementation after a recent council hearing, Police Chief Larry D. Soulsby's shrug said it all.

He'd never heard of the bill.

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MONDAY, JUNE 30, 1997

WR - WR-to-work

In Welfare Decisions, One Size No Longer Fits All

By Barbara Vobejda
and Judith Havemann
Washington Post Staff Writers

As states propose their plans for implementing the welfare overhaul approved by Congress last year, it is clear that many of them have rethought a key principle of social policy: A welfare program that dispenses checks without reference to a recipient's personal circumstances is no longer suitable.

Caseworkers are being given the discretion to offer different kinds of assistance to different welfare families. In a number of states, for example, welfare offices and caseworkers are free to determine which welfare mothers must go to work, and how soon; which will be offered a one-time payment and which will be given ongoing benefits. In some states, caseworkers can decide how long a family can receive benefits.

This departure from a standardized system, like a flurry of other state activity in restructuring welfare, began to take root before passage of the federal law last summer, but it has accelerated enormously since—as states devise their plans to administer the welfare law in time to meet the July 1 deadline set by Congress.

The law required states to move half their caseloads into jobs within five years and set a time limit on how long any individual can receive benefits. And by ending the six-decade-old guarantee of benefits to eligible families, it signaled that no longer must states treat all needy people exactly the same.

The most obvious sign that the world of welfare is changing is a sharp decline in caseloads—9 percent since last July and 20 percent over four years—which experts believe is the result of a healthy economy and these policy changes.

Less apparent to the outside world are changes in welfare offices across the country, where workers are now being told they can make their own

See WELFARE, A8, Col. 2

WELFARE, From A1

decisions about what is best for an individual family.

- Twenty-five states are instituting "diversion" programs, one-time payments meant to keep families from ever coming onto the welfare rolls. In some states, the payments are uniform, but in others, caseworkers can determine for each family that comes before them how much cash to hand out and whether families should also receive child-care subsidies and other assistance. In some states, including Virginia, families who accept a lump sum for staying off the rolls are barred from receiving welfare for a certain period of time.
- Numerous states are requiring individualized "personal responsibility" contracts, written by recipients and caseworkers, that tailor the treatment of families by spelling out when adults must go to work and the length and type of training they will receive.
- Thirteen states plan to pay lower benefits to welfare families moving in from states that offer less assistance, according to the National Governors' Association. While these "two-tiered" systems were considered illegal under the previous federal law, Congress attempted to change that in the new measure. This approach too could make for situations in which welfare families of identical size living next door to each other could receive different benefits.

All of this essentially rejects recent decades of welfare practice, which was built on a philosophy that standardized treatment was the best way to ensure equity.

"Our zeal not to be unfair had driven judgment out of the process, and you ended up with a cookie-cutter mentality," said Don Winstead, Florida's welfare reform administrator. But the change has also drawn critics who worry that caseworkers may not receive enough training before wielding such power over people's lives. They argue that the new discretion could bring a return to days when some poor families were turned away because of race or other prejudices among caseworkers.

"My concern is not over different approaches for different people, but whether it's done in a system where there are standards, or where, willy-nilly, caseworkers can do what they like," said Henry Freedman, an attorney with the Welfare Law Center in New York.

The goal may be individualized treatment, Freedman said, but "the reports we get are that, in fact, caseworkers are overloaded, undertrained and pushing participants through in a hasty, arbitrary manner once again."

This debate over the proper balance of equity and flexibility is being played out in the lives of individuals across the country as states embrace this new approach to delivering social services.

For Theresa Brown in rural West Virginia, this new latitude made it possible for her to receive a one-time state payment of $603 for car repairs, allowing her to take a job as a cook and keeping her off the welfare rolls.

For welfare recipient Lori Charboneau, who lives in the Salt Lake City area, it meant she could receive a year and a half of state-financed counseling for depression before she was expected to look for a job.

But for Sara Wethall, another Utah resident, it brought confusion and anger: She has been told she can no longer attend college and receive benefits, while some others in the state are being allowed to finish school.

Under the previous system, caseworkers simply calculated how much a family could receive each month, rarely focusing on the specific problems that kept adults from working.

But now, workers must immediately look for individual circumstances that could entitle applicants to special services or exemptions: Are they victims of domestic abuse? Or drug users? Are they disabled? Are their skills so low they could never support themselves?

"That is a big change from the past," said Jason Turner, executive director of the Center for Self-Sufficiency in Wisconsin. Caseworkers, he said, "were told to shut up and be quiet and issue the checks." The new authority invested in workers, he predicted, will transform the culture of welfare offices.

Robert A. "Buz" Cox III, director of social services for the city of Charlottesville, said some of the efforts afoot do require that caseworkers be allowed wide latitude. "Some agencies may be reluctant. But you have to feel you hire good professional staff, train them well, then trust them," he said.

Freedman, from the Welfare Law Center, questions the wisdom of all that discretion, recalling anecdotes from earlier this century about East European immigrants who received lower benefits because caseworkers believed they were used to getting by on less than West Europeans.

"The big fear in my mind is that you could get many personal decisions based upon a personal dislike of the individual," he said. Caseworkers may be poorly trained, mean-spirited or simply overwhelmed from "dealing day after day with desperately needy, sometimes hostile people," he said.

Whether caseworkers have the training and time to handle the new demands has come up in Utah, which began experimenting four years ago with individualized plans to get every welfare recipient moving toward self-sufficiency.

"It is not even in the same universe what is expected of caseworkers" under the new individualized system, said Robin Arnold-Williams, director of the Utah Department of Human Services. "Some of our staff have not been able to make that transition."

She said the state has invested in extensive training for those caseworkers who are struggling with the new system, and it is now more likely to hire trained social workers than it was in the past.

Prim Burgie, a clinical social worker employed by the state of Utah, said she frequently sees caseworkers "from the old school. . . . Some people get into this kind of work because it's a power trip for them. They get these poor people in their office and put them down."

And the system allows inconsistency, said Gina Cornia, a welfare specialist at a Salt Lake City advocacy group known as Utah Issues. She said some caseworkers are telling recipients they must quit school and find a job, while others are allowing recipients to stay in school without losing benefits.

"They're telling them anything they want to tell them," Cornia said.

That new power rankles Sara Wethall, a 44-year-old mother who has been on welfare since 1993, when she and her husband divorced. Wethall, who has physical disabilities that limit her movement, just earned a two-year degree and wants to finish college and become a teacher. She said her caseworker initially told her she might be able to continue, but since has indicated she must find a job.

"To rip it away and say 'you take a minimum wage job' seems absurd," she said. "You can't go any further without a bachelor's."

Also, her caseworker has said the state would continue to subsidize her child care and medical coverage for three years while she is working. But if she could complete college, she argued, "I could be completely off the system in two years."

But that same kind of broad discretion allowed Lori Charboneau the time she needed to pull together psychologically and find a job.

Charboneau, a 34-year-old single mother, said she went through a period of "bad, deep depression," when "all I could do was to get out of bed." Her caseworker told her she could stay on welfare and postpone work while she received therapy.

So she began taking a drug to ease her depression and, for about 18 months, she saw her counselor once a week.

Eventually, she found an accounting job with the state and now is off welfare, but still receives a housing subsidy and help with child care.

"I wouldn't be where I am today" without the time for counseling, she said.

She figures even if she had been able to find work during that time, she would still be suffering from depression. "I would be worse off."

The Washington Post
Monday, June 30, 1997

WR - WR-to-work

Draft 7/2/97 7:00pm

PRESIDENT WILLIAM J. CLINTON
RADIO ADDRESS ON DECREASED WELFARE ROLLS
THE WHITE HOUSE
JULY 4, 1997

Good morning. We come together this weekend to celebrate Independence Day, our national heritage, and the fundamental values that unite us as one America: In America, everyone should have an equal chance to succeed. And everyone has an obligation to work hard, to give something back to their community, to earn in each generation the freedom that our Founders established.

These are the values that have guided our effort to end welfare as we know it. Today, I want to talk to you about the progress we have made over the past four and a half years, the changes now underway, and what we must all do to make sure that welfare reform honors those values, too.

For four years, my administration has been committed to putting an end to the old welfare system that trapped too many families in a cycle of despair. Working with the states we launched welfare reform experiments that brought nearly 75% of all welfare recipients under new rules that emphasize work and responsibility.

Then last summer, I signed historic legislation that revolutionized welfare. It was a dramatic step, but we knew that the time was right to put an end to a system that was broken beyond repair. This week, that old welfare system came to an end. Now a new system based on work is taking its place. This system demands responsibility, not only from the people we are requiring to work, but from every American.

We knew last August that the new welfare reform law was not a guarantee, but a bold new experiment. And so far, our experiment is working. **I am pleased to announce that today, there are 3 million fewer people on welfare than there were on the day I took office -- a remarkable 1.3 million since I signed welfare reform into law.** And a new study by the Federal Reserve Bank of San Francisco shows that 500,000 single mothers have joined the job market since I signed welfare reform into law last August. women Replace ?

We have proven that we can begin to put an end to the culture of dependency, and elevate our fundamental values of family and work and responsibility. Now we must continue to work together to meet our goal of moving one million more people from welfare to work by the year 2000.

Since I took office, the economy has added 12.8 million new jobs -- and economists believe that we will continue to produce the jobs we need to meet our challenge. But even so, it will not be easy. Some of the people who must move from welfare to work have poor job skills; some have never worked before; still others live in struggling communities, far from jobs. We cannot let these problems become barriers to our success -- instead, we must do everything we can to remove the barriers to work.

The national government will do its part. First, the balanced budget agreement we reached with Congress in May provides $3 billion for welfare-to-work efforts all over the country. It gives private employers tax incentives to hire long term welfare recipients. [And I believe that every one of those new workers should earn at least the minimum wage and receive the protections of existing employment laws.] ?

Second, we must help welfare recipients get to the new jobs which are overwhelmingly located in the suburbs. That is why I recently proposed legislation that provides $600 million to help states and local communities devise transportation strategies to move people ~~move~~ from welfare to work.

Third, we must make sure that mothers who must now go to work have good child care -- and adequate health care -- for their children. That is why I made sure that the welfare reform bill includes $4 billion in child care assistance. And that is why I fought for the balanced budget agreement to extend health care coverage to millions of uninsured children.

States must also do their part. From this week on, every state must have a place in plan to move people from welfare to work. Many of these plans are already working. Wisconsin and Florida are significantly increasing their investment in child care. In Oregon, they are providing health care and transportation support for welfare recipients, and subsidizing public and private sector jobs with money that used to pay for food stamps and other aid. And today, I want to encourage every state to use the authority the welfare reform law gives them, and take what had been welfare checks and turn them into paychecks. ?

But as much as the national and state goverments can do to move people from welfare to work, we know that the vast majority of the jobs must be created by private business. The most lasting way to bring people on welfare into the mainstream of American life is with a solid job in a private business. To every business person who ever criticized the old system, I say: the old system is gone. And it is up to you to help make the new system work.

This Independence Day, all Americans should be happy that 3 million of our fellow citizens are off the welfare rolls. As we celebrate our nation's past and the values that unite us, we must look forward to the future, and redouble our determination to put an end to the culture of dependence.

Thanks for listening.

PRESIDENT CLINTON ANNOUNCES PROGRESS ON
MOVING PEOPLE FROM WELFARE TO INDEPENDENCE

Today, in his weekly radio address to the nation, President Clinton cited new data showing that welfare caseloads have declined by more than 3.1 million or 22% since he took office in January 1993. The President also marked the July 1 implementation of the historic welfare reform law he signed last year, announcing that all states now have been certified to move forward with their plans to move more people from welfare to work. In celebration of Independence Day, he urged all Americans to do even more to fulfill the promise of welfare reform and help welfare recipients achieve self-sufficiency.

Moving Forward on the Promise of Welfare Reform
On July 1 the historic welfare law that the President signed last August went in to effect in every state, making work and responsibility the law of the land. As the President announced today, the Department of Health and Human Services has certified welfare plans for each state. In accordance with the welfare law, all plans require and reward work, impose time limits, and demand personal responsibility.

Even before welfare reform many states were well on there way to changing their welfare programs to jobs programs. By waiving certain provisions in federal statutes, the Clinton Administration allowed 43 states -- more than all previous Administrations combined -- to require work, time-limit assistance, make work pay, improve child support enforcement, and encourage parental responsibility. Nearly 90 percent of states have chosen to continue or build on their welfare demonstration project approved by the Clinton Administration. s

Largest Caseload Decline in 50 Years
According to the latest welfare caseload statistics released by the President today, great progress has already been made in moving people from welfare to self-sufficiency. The welfare caseload fell by 3.1 million recipients from 14.1 million recipients in January 1993 to 10.9 million in April 1997, a difference of 22% since President Clinton took office. Forty-seven out of fifty states have seen their caseloads decline, many by more than 25 percent. This is the largest welfare caseload decline in fifty years and the lowest percentage of the population on welfare since 1970.

The President also discussed a new study by the Federal Reserve Bank of San Franscisco, which found a dramatic increase in the number of single mothers entering the workforce -- 500,000 more since the President signed the welfare law in August. The study found that the percentage of single women entering the workforce grew by 2.4 percent between July 1995 and July 1996, to an annual rate of 6.5 percent since August.

In May, the Council of Economic Advisors (CEA) issued a report to explain some of the reasons for the dramatic decline in the welfare caseload during the last four years. According to CEA's analysis, over 40 percent of the reduction in the welfare rolls can be attributed to the strong economic growth during the Clinton Administration, nearly one-third can be attributed to waivers granted to states to test innovative strategies to move people from welfare to work, and the rest is attributed to other factors -- such as the Clinton Administration's priorities to increase the Earned Income Tax Credit, strengthen child support enforcement, and increase funding for child care.

Maintaining the Commitment to Make Welfare Reform Work

The President has pledged to make welfare reform a success and help move a million people on welfare into the workforce in the next four years. The balanced budget agreement includes the $3.6 billion that the President requested to help cities and states create and subsidize jobs for the hardest to employ welfare recipients and to provide tax credits and other incentives for businesses that hire people off welfare.

In addition, the President has enlisted key members of the business enlisted key members of the business community and solicited pledges of help from major CEOs and working to build a larger network of business people who will hire welfare recipients. To help former welfare recipients stay in the workforce and succeed, the Vice President has created a coalition of civic groups committed to helping people retain jobs. The Vice President is also overseeing the federal government's hiring initiative, in which under the President's direction, all of the Federal agencies have committed to directly hire at least 10,000 welfare recipients in the next four years.

DRAFT - Questions and Answers for POTUS Radio Address 7/5/97

Q Why do you think the caseload numbers are down?

A In May, the Council of Economic Advisors (CEA) issued a report to explain some of the reasons for the dramatic decline in the welfare caseload during the last four years. According to the CEA's analysis, over 40 percent of the reduction in the welfare rolls can be attributed to the strong economic growth during the Clinton Administration, nearly one-third can be attributed to waivers granted to states to test innovative strategies to move people from welfare to work, and the rest is attributed to other factors -- such as the Clinton Administration's priorities to increase the Earned Income Tax Credit, strengthen child support enforcement, and increase funding for child care.

Question: **If the welfare rolls were declining before the new welfare law, why did you need to sign it?**

Answer: The caseload reductions show <u>why</u> I signed the welfare law -- they're the best evidence that welfare reform works. As you know, this Administration granted welfare reform waivers to 43 states so they could impose tough work requirements and time limits and provide incentives that made work pay better than welfare. The 20 percent decline in welfare caseloads since January 1993 shows that these kinds of actions work. With the new law, governors can expand these welfare reform actions without having to petition Washington.

Q What is the significance of the July 1 implementation date?

A In accordance with the welfare law signed by the President last August, as of July 1 all states are now operating under the new Temporary Assistance of Needy Families (TANF) program. Aid to Families with Dependent Children (AFDC), the federal entitlement program for cash assistance, is now over. Welfare is now a truly transitional assistance program that requires work in exchange for time-limited assistance.

However, even before welfare reform many states were well on there way to changing their welfare programs to jobs programs. By waiving certain provisions in federal statutes, the Clinton Administration allowed 43 states -- more than all previous Administrations combined -- to require work, time-limit assistance, make work pay, improve child support enforcement, and encourage parental responsibility. Nearly 90 percent of states have chosen to continue or build on their welfare demonstration project approved by the Clinton Administration.

Related Q&As

Q Why did the President urge Congress to apply the minimum wage to welfare recipients in workfare or other subsidized employment programs? Won't this make work more expensive for states?

A The President believes strongly that everyone who can work must work, and everyone who works should earn at least the minimum wage and receive the protections of existing employment laws - whether or not they are coming off welfare. We will oppose legislation that flatly exempts welfare recipients from the minimum wage law.

Q The White House pledged to hire welfare recipients? Have any been hired?

A [get from WH]

WR - WR-to-work

Cynthia A. Rice 06/24/97 02:44:44 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP, Elisabeth Stock/OVP @ OVP

cc: Emil E. Parker/OPD/EOP, Christa Robinson/OPD/EOP
Subject: Engaging College Presidents

Emil and I had an interesting meeting today with the President of the University of Miami, Edward Foote. He thinks universities are a great untapped resource for the welfare to work effort. Not only are universities usually one of the largest regional employers, but they are well connected with local leaders and have an army of possible student volunteers.

Foote had met yesterday with Eli and Lyn and was familiar with our efforts to mobilize the business and non-profit sectors and he thinks that university presidents would respond to some sort of similar effort. (I understand that the Welfare to Work Partnership is considering whether or not to include large non-profit institutions in its fold. However, Foote thought that an effort more clearly targeted on universities which would recognize their roles as more than just employers might be more effective).

I think this is worth pursuing. Foote will be meeting during the next several days with some of his counterparts, and he'll try to get a read from them of their interest. We may then want to sit down with the relevant association (American Council on Education) and think about scheduling a working session with the President or Vice President for sometime in the fall. What do you think?

Bruce N. Reed
06/24/97 04:57:09 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc: See the distribution list at the bottom of this message
Subject: Re: Engaging College Presidents

Good idea. I always liked Jonathan Alter's proposal that colleges should take work-study students out of the kitchens and libraries and make them tutors in their communities, and then hire people off welfare to do those entry-level jobs on campus.

Message Copied To:

Elena Kagan/OPD/EOP
Diana Fortuna/OPD/EOP
elisabeth stock/ovp @ ovp
Emil E. Parker/OPD/EOP
Christa Robinson/OPD/EOP

Cynthia / Diana - cc: Bruce

Has this come out yet? If so, can one of you get a copy and review? Is it really this bleak? Let's think about doing a weekly item for the President

Elena

Prospects Dim For 'Workfare,' A Study Shows

Mountain, Sun Belt States To Create Lots of Jobs; Northeast Will Struggle

By FREDERICK ROSE
Staff Reporter of THE WALL STREET JOURNAL

Despite the nation's current economic strength, most states won't generate enough low-skilled employment to absorb the welfare recipients expected to need work this year and in 1998, according to a forthcoming study by Regional Financial Associates.

Just 13 states, led by fast-growing Nevada, will provide sufficient jobs to meet projected employment requirements imposed by welfare reform, while 21 states, including New York and California, are expected to generate less than half the needed positions, concludes the West Chester, Pa., economic consulting firm.

The study, slated for publication later this week, goes to the heart of a major worry about welfare reform: As the law increasingly requires that today's recipients be employed, will there be jobs for them? Regional Financial Associates' state-by-state economic analysis finds wide variations and, overall, raises questions about even a strong economy's ability to bring forth the kind of low-skilled jobs that welfare recipients likely can fill.

"The clearest finding is that only about half of the welfare caseload targeted to enter the work force over the next two years will find an opening," write authors, Steven G. Cochrane, Toni Horst and Sophia Koropeckyj. Other welfare recipients, unable to find ordinary, business-generated jobs will require special government and private industry-supported programs, the authors conclude. "What this means is that different states are going to be learning very different lessons and going through very different processes in welfare reform," Mr. Cochrane said in an interview.

States' expected experience with so-called "workfare" needs, where recipients must work to be eligible for support, as well as some legal immigrants who are being removed from welfare rolls, is affected by two trends: the projected local job growth and the states' recent welfare caseload.

The fast-growing Mountain and Sun Belt states, with relatively small welfare caseloads, generally will fare well, according to the study. Nevada, for instance, is expected to provide more than three times the number of jobs it needs to put welfare recipients to work. Utah and Idaho are projected to produce double the jobs they need. "These states may need to do little more than act as an employment agency," said Mr. Cochrane, who is director of regional forecasting at Regional Financial Associates.

But major, welfare-heavy states, many in the Northeast, will have a much harder time, the study says. New York, for example, is projected to create just 13% of the jobs it needs for welfare recipients. Rhode Island will have just 15% of the needed jobs and Pennsylvania just 33%. On the West Coast, California, with the nation's largest welfare population, is expected to come up with just 42% of the jobs needed. "These states will need to do far more," says Mr. Cochrane, "with training and special job-creation programs, as well as job placement."

Regional Financial Associates did the analysis by matching government data on state welfare caseloads and estimated new-job needs with its own projections of employment growth for each of the states. While considerable research has been done on many facets of welfare reform, the consulting group's study appears to be one of the few analyses of state-by-state job prospects for welfare recipients.

THE WALL STREET JOURNAL
TUESDAY, MAY 27, 1997

FCC Lawyer, Economist Nominated to Agency Seats

WASHINGTON (AP) – The chief lawyer for the Federal Communications Commission and an economist for a House committee were nominated by President Clinton to seats on the FCC.

Clinton nominated FCC General Counsel Bill Kennard to a Democratic seat that will become open in June. Harold Furchtgott-Roth, the House Commerce Committee's chief economist, was appointed to a Republican seat that has been vacant for more than a year.

The nominees, who are subject to Senate confirmation, have the backing of Senate Majority Leader Trent Lott (R., Miss.); Sen. John McCain (R., Ariz.), who heads the Senate Commerce Committee; and Rep. Billy Tauzin (R., La.), chairman of the House Commerce subcommittee on telecommunications.

Since Mr. Kennard joined the FCC as general counsel in 1993, the commission's win record in a federal appeals court here, where the vast majority of FCC challenges end up, went up to 85% from 55%. Mr. Kennard would replace Commissioner James Quello who is retiring in June after 23 years.

Mr. Furchtgott-Roth played a key role in crafting a telecommunications law enacted in 1996 that substantially deregulated the telephone, cable and media industries. He would fill the seat vacated by Andrew Barrett in March 1996.

Justice Department Urges Court to Hear Harassment Case

By EDWARD FELSENTHAL
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – The Clinton administration urged the Supreme Court to rule that federal law bars workers from sexually harassing members of their own gender.

The justices had asked the Justice Department for its advice on whether to hear a case brought by an oil-rig worker who claims he was harassed by his male supervisors. The main federal job-discrimination law clearly forbids harassment of workers of the opposite sex. But appeals courts are divided about whether it also applies to same-sex harassment.

Last week, the department filed a brief that not only encouraged the court to hear the case but also argued that the law protects all employees from sex discrimination, regardless of their gender or sexual orientation. For example, the department said, the law may be violated "if male supervisors are abusive toward male employees, but polite toward female employees."

Some labor lawyers say the administration has stretched the law, Title VII of the Civil Rights Act of 1964, well beyond its purpose. "It's a far cry from ensuring that men and women are treated fairly at work," said Dave Duddleston, a lawyer at Jackson, Lewis, Schnitzler & Krupman in Minneapolis. Under the administration's approach, he said, "every worker is now automaticallly a member of a protected class."

The Justice Department says its interpretation is based on the "plain language" of the statute and prior decisions of the Supreme Court. "If Congress had meant to limit the reach of Title VII to discrimination against the opposite sex, it easily could have said so," the department argues. Title VII explicitly forbids discrimination on the basis of sex; courts have interpreted that provision to include sexual harassment.

The case was filed by Joseph Oncale, who worked at an offshore drilling site by Sundowner Offshore Services Inc. He claims that supervisors restrained him several times while another worker sexually harassed him and that he had to quit out of fear of being raped. The company and the other defendants deny any harassment took place.

A lower court threw out Mr. Oncale's case, ruling that Title VII doesn't cover same-sex harassment, and the federal appeals court in New Orleans agreed.

The Supreme Court is likely to decide whether to take the case within the next six weeks. *(Oncale vs. Sundowner)*

THE WALL STREET JOURNAL
TUESDAY, MAY 27, 1997

WR – WR to Work

Document No.____________

WHITE HOUSE STAFFING MEMORANDUM

DATE: 5-21 ACTION/CONCURRENCE/COMMENT DUE BY: 5-23

SUBJECT: Shalala Welfare memo re State use of TANF funds

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☑	McCURRY	☐	☐
BOWLES	☐	☑	McGINTY	☐	☐
McLARTY	☐	☐	NASH	☐	☐
PODESTA	☑	☐	RUFF	☐	☐
MATHEWS	☑	☐	SMITH	☐	☐
RAINES	☐	☐	REED	☑	☐
BAER	☐	☐	SOSNIK	☐	☐
ECHAVESTE	☐	☐	LEWIS	☐	☐
EMANUEL	☐	☐	YELLEN	☐	☐
GIBBONS	☐	☐	STREETT	☐	☐
HALE	☐	☐	SPERLING	☐	☐
RADD	☐	☐	TARULLO	☐	☐
HIGGINS	☐	☐	VERVEER	☐	☐
HILLEY	☐	☐	KAGAN	☑	☐
KLAIN	☐	☐		☐	☐
BERGER	☐	☐		☐	☐
LINDSEY	☐	☐		☐	☐

REMARKS: Let me know if you have any comment.

RESPONSE:

Own memo: major speech on these themes to a state legislature – what we encourage/what we discourage – how to make it work.

Staff Secretary

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

MAY 16 1997
'97 MAY 20 PM6:06

MEMORANDUM FOR THE PRESIDENT

SUBJECT: State Use of "Excess" TANF Funds

Recent news stories have asserted that states have "excess" or "surplus" funds available to them under the new Temporary Assistance for Needy Families (TANF) block grant created by the welfare reform legislation. In fact, many states are receiving more federal funds in Fiscal Year (FY) 1997 under TANF than they received in the previous year under the predecessor programs (Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), and the Job Opportunities and Basic Skills (JOBS) Training program), largely due to setting the funding at historically high levels followed by dramatic caseload decreases. However, these extra funds are distributed very unevenly across states and may be only a first- and possibly second-year phenomenon. Given our commitment to moving welfare families to self-sufficiency, we must take advantage of every opportunity to urge Congress and the states to view these resources not as a "surplus," but rather as essential for making critical early investments to enable welfare families to transition to work.

We all must use every available occasion to strongly encourage states to invest these federal resources (along with state Maintenance of Effort resources) to support the welfare-to-work ~~goals~~ of the legislation. Based on what we know so far about the costs of reaching and serving the most disadvantaged welfare families, we need to ensure that states and cities receive the additional welfare-to-work resources provided in the new budget agreement, and states need to invest wisely to prepare all welfare families for self-sufficiency within the time limits in the statute.

The purpose of this memorandum is to:

- explain what we know now about the level of resources available to states for investment in welfare reform under TANF;
- describe what we know at this interim point in state legislative sessions about the choices that state legislatures are currently making about the use of these resources, and provide some examples both of promising state choices that seem likely to attain the goals of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), and of less promising choices that could undercut those goals;
- argue that achieving the goals of welfare reform, especially in high unemployment areas like inner cities and rural areas, requires <u>both</u> the additional welfare-to-work resources and tools provided in the new budget agreement <u>and</u> that states invest wisely the federal and state resources available to them; and

- highlight what you can emphasize in your speeches and meetings about this issue.

Resources Available to States

Since January 1993, the number of welfare recipients has dropped in nearly all states. However, the reductions have not been uniform, and the financial impact varies across states. Table 1 shows that all but four states have a smaller number of welfare recipients now than they did in January 1993, with 36 states experiencing at least 20 percent reductions. The welfare reform law provides fixed federal funding at historically high levels for child care, work programs, and other assistance; for FY 1997 TANF funding exceeds FY 1996 funding for AFDC and related programs by about 10 percent, or $1.5 billion. While the great majority of states are receiving more money under TANF than their combined federal funding for AFDC, EA, and JOBS in FY 1996, as Table 2 shows, 24 states are receiving only a modest increase, and seven states are actually receiving less federal funding.

States experiencing sizeable reductions in welfare caseloads and funding increases under TANF that have already made substantial investments in work and child care are in an especially good position to continue the historic transformation from welfare programs to job programs. On the other hand, states that have experienced smaller caseload reductions, have low benefit levels, or have unmet needs for supportive services face a tremendous challenge.

Child care is one of the most important services that families need in order to work. As ~~TANF's~~ work requirements (both participation rates and hours) increase, states must make more child care services available. Investments are also needed to provide child care for the working poor in order to enable those parents to sustain their employment and to ensure continuity of care for the children whose parents are making the transition from welfare to work. The PRWORA provides separate and enhanced funding to states for child care that allows them to pay for child care in any of a variety of ways: out of the Child Care Development Fund (CCDF), by transferring (up to 30 percent) TANF funds into the CCDF, or by paying for child care services directly out of TANF. States can also use their own state money on child care. Despite the child care funding increases, resources still may not be sufficient to meet the needs of both transitioning and low-income working parents. We will advise you as we get closer to the next budget cycle about the unmet child care needs and our deep concerns about quality standards.

There also are other important areas in which states must maintain or enhance their investment to help recipients move from welfare to work. One critical area is job creation and partnerships with the private sector, including subsidized workfare positions. In addition, it is generally accepted that after the most employable recipients have made the transition from welfare to work, the remaining adult participants will have more barriers to self-sufficiency and will require more intensive services. These supportive services run the gamut from expanded job readiness and job search programs, public sector jobs, literacy programs, and intensive case management services, to drug testing and treatment, services to address domestic violence, accommodating populations with special needs such as mental and physical disabilities, and rural transportation.

States are required to maintain only 80 percent (or 75 percent if the state meets its mandatory work participation requirements) of historic expenditures. Because the law permits states to disinvest up to 25 percent of their prior expenditures on needy families with children, there is some risk that some or all of these "surplus" funds will simply be used to substitute for state dollars, thereby effectively reverting to state treasuries. The initial choices that states make in spending their TANF funds and in providing child care and other supportive services to families are critical to their success in moving families from welfare to work and to the overall success of welfare reform.

What We Know

It is still too early for the Department to have a full picture of how states will decide to use these "surplus" funds. Many states have not yet made the funding and program design decisions that will shape their TANF programs, but from what we can tell now most changes are incremental. Many states appear to be basing their TANF programs on their welfare reform waiver demonstrations or the AFDC program, without making significant program design changes at this point. Therefore, from a budget perspective, most states are assuming that they will have to spend a certain amount of TANF money on cash assistance and existing job training programs. It should be noted that few state legislatures have completed their sessions for this year, so the information we do have on allocation of funds comes from several different stages in the decision-making process and may represent only preliminary steps in that process. Reports from the Department's Regional Offices and other sources have given us some information about what some states are proposing to do with "excess" TANF funding. Enclosure A includes a fuller discussion of the early information we have on state decisions and the critical investments they are making to spend "excess" TANF funds.

Welfare-to-Work Programs and Child Care: It is widely acknowledged that helping recipients move from welfare to work often requires up-front investments in training and supportive services. (Enclosure B provides some information on the costs associated with operating work programs and providing child care services. It should also be noted that the Congressional Budget Office (CBO) estimated that the state costs of meeting the PRWORA work requirements were underfunded in the TANF block grant. If the CBO were to re-estimate the costs of the work program, it is likely that the shortfall would be considerably smaller, given the larger-than-expected caseload decreases.) Many states are assuming that, as time goes on, the remaining adult participants will have more barriers to self-sufficiency than those who have already made the transition from welfare to work, and that such recipients will require more intensive services. As a result, states are also considering spending more money on drug testing and treatment, intensive case management services, rural transportation, job preparation, job training, and public sector jobs. Many states are also considering putting more money into child care services, although it is not yet clear if this represents simply the increased CCDF allocations states received under the PRWORA, plans to spend state "maintenance of effort" (MOE) dollars on child care, or shifts of TANF welfare funds for additional child care funding. We all need to encourage states to use any "excess" federal TANF funds to supplement rather than supplant state funding needed to access the CCDF.

Can they use it to supplant? How does this work?

Other TANF Purposes: States are also looking at the broad flexibility they have under the TANF block grant and are considering other types of programs, including juvenile justice and other services formerly funded under the Emergency Assistance program, housing and nutrition programs, teen pregnancy prevention initiatives, energy assistance, family planning, fatherhood conferences, and transfers to the Title XX social services block grant to offset previous federal reductions.

Rainy Day Funds: Notwithstanding the availability of the contingency fund, state allocations are fixed regardless of the state of the economy or caseload trends. Therefore, a number of states are considering building a reserve in the event of a recession, since there is no requirement that states spend their full federal allocations in the fiscal year in which they become available.

Services to Immigrants: Under the welfare law, qualified aliens are banned from receiving Food Stamps and SSI benefits, and qualified aliens who arrived in the United States after August 22, 1996 are banned from receiving assistance from federal TANF funds for a period of five years. A number of states have indicated that they expect to continue benefits for such aliens nonetheless, using state funds. States also have the option of continuing TANF benefits for immigrants who arrived before the bill's enactment. Only Alabama, South Carolina and Wyoming have indicated that they will not be continuing benefits for these aliens.

Choices that Undercut the Goals of PRWORA: Not all states, however, intend to reinvest their savings in welfare-related services or assistance for immigrants. In addition to authorizing federal TANF funding, the welfare reform law requires states to maintain a certain level of historic effort (MOE) in order to access the TANF block grant. Both TANF and MOE funds must be spent to provide assistance to needy families with children and to promote job preparation and work, among other purposes. Some states are treating the difference between the MOE requirement and the amount they would have spent in the absence of welfare reform as a general surplus, to be used for any purpose they desire. Proposed uses include dividing the funds between the state and local governments for unrestricted spending, allocating them to the state's general fund, and replacing state spending on child protection services and the elderly. The state funds thus freed can be used for any purpose including underwriting a tax cut, which has already been proposed in several states.

Do States Need More Funding?

In contrast to the increased child care funds and "excess" TANF funds many states currently have available, other provisions of PRWORA cut funding and increased demands on states. The new law significantly reduced federal funding for other programs serving low-income populations, in particular legal immigrants. It established increasingly tough work requirements within a framework of time-limited federal assistance for needy families with children. The requirement that families to achieve self-sufficiency within five years or less presents a tremendous challenge to states and demands a commitment to making critical investments as early as possible.

Moving families from welfare to work requires increased state investments in critical services such as child care, supports and subsidies for work, services to address barriers like substance abuse and domestic violence, literacy programs, expanded job readiness and job search programs and expanded case management. Some states have an especially great need for supportive services, have experienced smaller reductions in caseloads, or have other special circumstances (like inner city or rural areas of high unemployment and poverty or large numbers of noncitizen residents) which might necessitate costly investments in economic development or transportation. In addition, since the 80 (or 75) percent MOE requirement is based on FY 1994 expenditures, some states that have experienced significant caseload reductions since 1994 potentially could be required to commit larger sums of state funds under TANF than they would have spent under the predecessor programs. The wide variation in benefit levels across states (as illustrated in Table 3) highlights the difficulties some states will face. Clearly the states with higher benefit levels and a history of greater state effort on low-income assistance have more capacity to invest in additional services to help families move from welfare to work and sustain their employment.

States must begin now to make front-end investments if they are to have in place the programs they will need to move large numbers of single parents from welfare to work in the later years, when participation and hours of work requirements are higher and populations begin reaching state time limits. States must also obtain unprecedented commitment from business, non-profit organizations, and religious institutions. The so-called "excess" TANF funds are not a windfall, may be only temporary, and are not available to all states.

Getting Out the Message

The new budget agreement will enable us to ensure that needed funding is available to states and communities to achieve the goals of welfare reform, especially in areas with high unemployment. Three initiatives included in the new budget agreement have been and continue to be particularly important: enabling welfare families to transition to work, restoring unacceptable cuts in benefits to immigrants, and providing support for low-income working families to sustain their employment. As a result of your efforts, states and communities will have $2 billion over the next five years to spend on wage subsidies and job creation and retention activities to help the hardest-to-employ long-term welfare recipients find and keep jobs. An additional $500 million is available in the form of tax incentives to employers to create job opportunities for long-term welfare recipients and able-bodied childless adult food stamp recipients who face work and time limit requirements. Legislation to fulfill your goal of moving people from welfare to work must include the grants and tax incentives necessary to support states, cities, and the private sector in creating job opportunities for the hardest to employ welfare recipients.

The budget agreement will also protect the most vulnerable populations of legal immigrants -- children and individuals with disabilities -- from the restrictions placed on their receipt of Medicaid and SSI benefits. It helps to protect a minimal safety net for the most needy legal immigrants and supports our immigrant traditions and protects public health.

We are already taking the lead in reducing the number of children without health insurance, and this is one of the most important things we are doing. Twenty-three states currently have expanded transitional Medicaid benefits through waivers, some by extending the period of eligibility beyond 12 months and others by expanding who is eligible. Four additional waiver requests are under review, including two new states. In addition, the new budget agreement expands health coverage for millions of uninsured children, including a new grant program that provides additional dollars to supplement state efforts to cover uninsured children in working families.

As I indicated earlier in this memorandum, it is a little too early to know how short the states are on child care money. We are increasingly concerned about quality standards for child care. The recent White House Conference on the Brain highlighted the need for substantial quality investments and high standards. The White House conference planned for later this year will focus on quality child care.

We need your help to encourage states to make the right decisions for their needy citizens and taxpaying citizens alike. Your achievement of the recent historic budget agreement presents a particularly opportune time to take the lead and through your speeches and meetings with public and private sector leaders to encourage all states to make the serious investments that are needed to help move families from welfare to work and sustain their employment. These investments will require not only effective use of federal funding (including the new funds provided through the budget agreement) but also a commitment to continued state funding. The needs are great, as are our opportunities to make a difference in the lives of the nation's most vulnerable populations -- welfare families, children without health insurance, and legal immigrants.

I am sending a copy of this memorandum to Bruce Reed.

Donna E. Shalala

Enclosures

TABLE 1.

CHANGE IN WELFARE CASELOADS

Total AFDC/TANF recipients by State

State	Jan.93	Jan.94	Jan.95	Jan.97	Percent change '93-'97
Wisconsin	241,098	230,621	214,404	123,758	-49
Wyoming	18,271	16,740	15,434	10,117	-45
Oregon	117,656	116,390	107,610	66,919	-43
West Virginia	119,916	115,376	107,668	68,600	-43
Indiana	209,882	218,061	197,225	121,224	-42
Oklahoma	146,454	133,152	127,336	87,144	-40
Tennessee	320,709	302,608	281,982	194,860	-39
Mississippi	174,093	161,724	146,319	108,365	-38
Massachusetts	332,044	311,732	286,175	207,932	-37
North Dakota	18,774	16,785	14,920	11,904	-37
South Carolina	151,026	143,883	133,567	97,146	-36
Alabama	141,746	135,096	121,837	91,569	-35
Kansas	87,525	87,433	81,504	57,528	-34
Utah	53,172	50,657	47,472	35,442	-33
Michigan	686,356	672,760	612,224	460,793	-33
Florida	701,842	689,135	657,313	478,329	-32
South Dakota	20,254	19,413	17,652	14,050	-31
Virginia	194,212	194,959	189,493	135,908	-30
Colorado	123,308	118,081	110,742	87,074	-29
Kentucky	227,879	208,710	193,722	161,150	-29
New Hampshire	28,972	30,386	28,671	20,627	-29
Ohio	720,476	691,099	629,719	518,595	-28
New Jersey	349,902	334,780	321,151	256,000	-27
Arkansas	73,982	70,563	65,325	54,751	-26
Maine	67,836	65,006	60,973	51,031	-25
Montana	34,848	35,415	34,313	26,294	-25
Nebraska	48,055	46,034	42,038	36,490	-24
Georgia	402,228	396,736	388,913	305,732	-24
North Carolina	331,633	334,451	317,836	252,564	-24
Maryland	221,338	219,863	227,887	169,723	-23
Iowa	100,943	110,639	103,108	78,076	-23
Arizona	194,119	202,350	195,082	151,526	-22
Louisiana	263,338	252,860	258,180	206,582	-22
Texas	785,271	796,348	765,460	625,376	-20
Pennsylvania	604,701	615,581	611,215	483,625	-20
Missouri	259,039	262,073	259,595	208,132	-20
Vermont	28,961	28,095	27,716	23,515	-19
Nevada	34,943	37,908	41,846	28,817	-18
Minnesota	191,526	189,615	167,949	159,855	-17
Delaware	27,652	29,286	26,314	23,141	-16
Illinois	685,508	709,969	710,032	599,629	-13
Rhode Island	61,116	62,737	62,407	54,588	-11
New York	1,179,522	1,241,639	1,266,350	1,074,100	-9
Washington	286,258	292,608	290,940	263,792	-8
Idaho	21,116	23,342	24,050	19,925	-6
New Mexico	94,836	101,676	105,114	89,814	-5
Connecticut	160,102	164,265	170,719	155,578	-3
California	2,415,121	2,621,383	2,692,202	2,474,689	2
District of Columbia	65,860	72,330	72,330	67,871	3
Alaska	34,951	37,505	37,264	36,189	4
Hawaii	54,511	60,975	65,207	65,312	20
United States 1/	**14,114,992**	**14,275,877**	**13,918,412**	**11,359,582**	**-20**

1/ Includes Guam, Puerto Rico, and the Virgin Islands.

Source: U.S. Dept. of Health & Human Services, Administration for Children and Families, Office of Family Assistance, AFDC/TANF Flash Report, January 1997.

TABLE 2.

COMPARISON OF FEDERAL FUNDING FOR AFDC AND RELATED PROGRAMS AND FAMILY ASSISTANCE GRANTS UNDER PRWORA

(In thousands)

State	FY 1996 Grants for AFDC. EA & JOBS 1/	Fy 1997 State Family Assistance Grant 2/	Increase from FY 1996 Level	Percent Increase from FY 1996 Level
Indiana	$133,119	$206,799	$73,681	55.3
Wyoming	14,969	21,781	6,813	45.5
Louisiana	114,252	163,972	49,720	43.5
Tennessee	137,445	191,524	54,079	39.3
Ohio	543,666	727,968	184,303	33.9
Dist. of Columbia	70,813	92,610	21,796	30.8
Virginia	121,386	158,285	36,899	30.4
Massachusetts	353,060	459,371	106,311	30.1
West Virginia	87,683	110,176	22,493	25.7
Oklahoma	118,234	148,014	29,779	25.2
Connecticut	215,259	266,788	51,529	23.9
Mississippi	70,341	86,768	16,427	23.4
Alabama	$75,909	$93,315	17,406	22.9
Michigan	632,232	775,353	143,121	22.6
Minnesota	220,839	267,985	47,146	21.3
Utah	64,695	76,829	12,134	18.8
Oregon	142,045	167,925	25,879	18.2
Texas	419,021	486,257	67,236	16.0
Kentucky	157,238	181,288	24,050	15.3
Wisconsin	276,357	318,188	41,831	15.1
Georgia	288,410	330,742	42,332	14.7
Kansas	89,753	101,931	12,178	13.6
New York	2,160,652	2,442,931	282,279	13.1
Florida	497,539	562,340	64,801	13.0
Montana	40,391	45,534	5,143	12.7
Arizona	197,754	222,420	24,666	12.5
Vermont	42,378	47,353	4,975	11.7
Missouri	195,388	217,052	21,664	11.1
New Hampshire	34,677	38,521	3,844	11.1
Arkansas	51,854	56,733	4,879	9.4
Alaska	58,665	63,609	4,944	8.4
South Dakota	20,242	21,894	1,652	8.2
Maryland	214,292	229,098	14,806	6.9
Nevada	41,357	43,977	2,620	6.3
Rhode Island	89,479	95,022	5,543	6.2
South Carolina	94,401	99,968	5,567	5.9
New Jersey	383,177	404,035	20,857	5.4
Maine	74,786	78,121	3,335	4.5
Nebraska	56,014	58,029	2,015	3.6
California	3,622,756	3,733,818	111,062	3.1
North Dakota	25,660	26,400	740	2.9
Iowa	128,853	131,525	2,672	2.1
Idaho	31,297	31,938	641	2.0
Hawaii	97,908	98,905	997	1.0
Washington	415,384	404,332	-11,053	-2.7
Illinois	601,059	585,057	-16,002	-2.7
North Carolina	312,630	302,240	-10,390	-3.3
New Mexico	132,129	126,103	-6,025	-4.6
Pennsylvania	770,098	719,499	-50,599	-6.6
Delaware	35,190	32,291	-2,899	-8.2
Colorado	158,311	136,057	-22,255	-14.1
State Totals	**$14,931,044**	**$16,488,667**	**$1,557,623**	**10.4**

1/ Excludes IV-A child care. AFDC benefits include the Federal share of child support collections in order to be comparable to the Family Assistance Grant.
2/ Does not include additional funds authorized under P.L. 104-327.
Source: U.S. Dept. of Health & Human Services, Administration for Children and Families, Office of Financial Management.

TABLE 3.

Maximum AFDC Benefit for a Three-Person Family by State
July, 1996

State	Schedule/Geography	Monthly	Annual
Alaska	Statewide	$923	$11,076
Hawaii	Statewide	712	8,544
New York	Suffolk Co.	703	8,436
Guam	Statewide	673	8,076
Connecticut	Region A	636	7,632
Vermont	Chittenden	633	7,596
California	Statewide	596	7,152
New York	New York City	577	6,924
Utah	Statewide	568	6,816
Massachusetts	Statewide	565	6,780
Rhode Island	Statewide	554	6,648
New Hampshire	Statewide	550	6,600
Washington	Statewide	546	6,552
North Carolina	Statewide	544	6,528
Minnesota	Statewide	532	6,384
Wisconsin	Urban	517	6,204
Michigan	Region VI (Washtenaw Co.)	489	5,868
Oregon	Statewide	460	5,520
Michigan	Region IV (Wayne Co.)	459	5,508
Montana	Statewide	438	5,256
North Dakota	Statewide	431	5,172
South Dakota	Statewide	430	5,160
Kansas	Schedule 1	429	5,148
Iowa	Statewide	426	5,112
New Jersey	Statewide	424	5,088
Pennsylvania	Group 1	421	5,052
Maine	Statewide	418	5,016
District of Columbia	Statewide	415	4,980
New Mexico	Statewide	389	4,668
Illinois	Group 1	377	4,524
Maryland	Statewide	373	4,476
Nebraska	Statewide	364	4,368
Wyoming	Urban	360	4,320
Colorado	Statewide	356	4,272
Virginia	Group 3	354	4,248
Nevada	Statewide	348	4,176
Arizona	Statewide	347	4,164
Ohio	Statewide	341	4,092
Delaware	Statewide	338	4,056
Idaho	Statewide	317	3,804
Oklahoma	Statewide	307	3,684
Florida	Statewide	303	3,636
Missouri	Statewide	292	3,504
Indiana	Statewide	288	3,456
Georgia	Statewide	280	3,360
Kentucky	Statewide	262	3,144
West Virginia	Statewide	253	3,036
Virgin Islands	Statewide	240	2,880
Arkansas	Statewide	204	2,448
South Carolina	Statewide	200	2,400
Louisiana	Urban	190	2,280
Texas	Statewide	188	2,256
Tennessee	Statewide	185	2,220
Puerto Rico	Statewide	180	2,160
Alabama	Statewide	164	1,968
Mississippi	Statewide	120	1,440

Source: Congressional Research Service, Aid to Families with Dependent Children (AFDC): Program Benefit Rules, July 1, 1996.

ENCLOSURE A

EARLY INFORMATION ON HOW STATES ARE SPENDING "EXCESS" TANF FUNDS

Very Preliminary Indications

Information about how states propose to spend "excess" TANF funds is only preliminary. Most state legislatures are working out their welfare reform plans now, and are at different stages of decision making. Information from newspaper articles, state press releases, as well as early reports from HHS Regional Offices suggest that many states are making investments in child care, work programs, and supportive services while other states are putting money into less "desirable" practices such as supplanting state funds with federal dollars. At this stage, it is hard to get information on state expenditures and categories of spending. It is particularly difficult at this time to determine whether states will be spending federal TANF monies or state maintenance of effort (MOE) monies on an activity, and whether they are spending new monies or merely supplanting state funds with federal dollars. The following material summarizes our early information.

Welfare-to-Work Programs and Child Care

It is widely acknowledged that helping recipients move from welfare to work often requires up-front investments in training and supportive services. Many states are considering putting more money into child care services. Florida, Michigan and Tennessee reportedly are adding $60 million, $44 million and $25 million, respectively, to child care. It is not yet clear if this represents simply the increased CCDF allocations states received under the PRWORA or shifts of TANF welfare funds for additional child care funding. Georgia's budget includes $3.5 million in federal TANF funds to hire additional staff to coordinate and determine eligibility for child care services. Under the child care provisions of Wisconsin's W-2 program, the state intends to increase annual child care funding from $48 million in 1996 to $186.2 million in 1999. The state has requested legislative authority to transfer $63.637 million from TANF to child care in 1998. They believe that cash outlays originally targeted for assistance can, as a result of caseload decreases, be rebudgeted for child care, provided that their economy stays strong and their caseload trends continue. Among all states, Wisconsin has had the largest percentage drop in welfare caseloads. These state actions to increase child care subsidies may benefit the working poor as well as welfare recipients. For example, the Wisconsin legislature is considering expanding eligibility for child care by raising income eligibility limits from 165 percent of poverty to 200 percent.

In discussions with our Child Care Bureau, state officials have indicated orally that they are transferring TANF dollars to CCDF in order to invest in child care. States appear to be spending their own funds to draw down fully the CCDF funding as well. States report using these monies for welfare families, quality improvements and working poor families. Because of the multiple demands on TANF dollars, it is worrisome when states spend federal TANF funds on child care in lieu of state funds or without first having drawn down all of the child care funding to which they are entitled under the CCDF, which can be spent only on child care. If the Administration makes a concerted push to have states spend their excess TANF funding on child care, the message has to be that federal funds should supplement, rather than supplant, state funding needed to access the CCDF.

States are also considering spending more money on drug testing and treatment, intensive case management services, rural transportation, job preparation, job training, and public sector jobs. California, Indiana, Maryland and Massachusetts are reported to be considering these possibilities. These states are aware of the possibility that the remaining adult participants will have more barriers to self-sufficiency than those who have already made the transition from welfare to work, and thus that such recipients will require more intensive services. Georgia's budget includes $8 million in federal TANF funds to purchase job placement services for recipients who have traditionally been hard to place. New York's proposed budget would set aside $42 million for client work activity assessments, medical examinations, and incentive bonuses for local district performance, $45 million to expand work training activities, and $57 million for a variety of targeted initiatives involving work activities.

Other TANF Purposes

States are also looking at the broad flexibility they have under the TANF block grant and are considering other types of programs. California is considering putting $141 million into juvenile justice services formerly funded under the Emergency Assistance program. Indiana, whose welfare caseloads have dropped more than most other states, plans to use MOE monies to create more positions for child welfare workers and to increase funding for employment and training activities. Plans for the state's TANF funding include rural transportation, energy assistance, family planning, working with non-custodial parents, as well as employment services, child care, and data collection. Connecticut reports planning to put $24 million of TANF funding into programs such as housing and nutrition. Georgia's budget includes $3.5 million from the Indigent Care Trust Funds to implement teen pregnancy prevention initiatives in support of welfare reform. Indiana is considering funding energy assistance, family planning, and fatherhood conferences, among other services..

Rainy Day Funds

Because TANF is a block grant, state allocations will not increase in the event of a recession. Therefore, a number of states are considering building a reserve in case the economy cools down and caseloads increase. While only actual expenditures of state funds can count towards the TANF maintenance of effort requirement, there is no requirement that states spend their full *federal* allocations in the fiscal year in which they become available. Ohio, New York and Vermont are three states that are reportedly considering saving significant portions of their "excess" TANF funds.

Services to Immigrants

Under the welfare law, qualified aliens are banned from receiving Food Stamps and SSI benefits. Those qualified aliens who arrived after August 22, 1996 are banned from receiving assistance from federal TANF funds for a period of five years. A number of states have indicated that they expect to continue benefits for such aliens nonetheless, using state funds. For example, Massachusetts has estimated that it will spend $26 million on legal immigrants who are not citizens. In states with substantial immigrant populations, most notably California, continuing to provide services to qualified aliens is expected to be a significant financial burden.

Other Purposes

Not all states intend to reinvest their savings in welfare-related services. Some are treating the difference between their MOE requirement[1] and the amount they would have spent under prior law as a general surplus, to be used for any purpose they desire. For example, the Governor of New York has proposed to divide $416 million between the state and the local governments, to be spent without restrictions. California is considering allocating $562 million over two years into the state's general fund. Texas' Governor has proposed to use federal TANF funds and part of the state's required maintenance of effort expenditure to replace $190 million in state spending on child protection services and the elderly. The state funds thus freed can be used for any purpose including underwriting the Governor's proposed tax cut.

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1. Each state's maintenance of effort (MOE) level is set at 75 percent of the state's FY 1994 spending for AFDC, EA, JOBS and IV-A child care (80 percent if the state fails to meet TANF work participation rates).

ENCLOSURE B

INFORMATION ABOUT COSTS OF INVESTING IN WELFARE REFORM

It is difficult to estimate how much more it will cost states to operate welfare to work programs. Since the mid-1980's, MDRC and Abt Associates have evaluated numerous work-oriented demonstrations with relatively high participation rates, and the per recipient costs reported in their major studies have varied as the table below shows. The gross per person costs to the government range from about $2,200 (in FY 1997 dollars) under Florida's Project Independence to about $27,000 under the Supported Work program[1].

Estimated Gross Costs* Per Person for Selected Welfare to Work Programs

Program	Period of Costs	In 97 Dollars
Supported Work** *(many sites)*	27 months	$26,938
Homemaker- Home Health Aide** *(many sites)*	NA	14,588
Grand Rapids JOBS *(Labor Force Attachment)*	2 years	4,915
Atlanta JOBS *(Labor Force Attachment)*	2 years	3,695
Riverside GAIN	2 years	3,299
San Diego SWIM	2 years	2,272
Florida Project Independence	2 years	2,189

Source: MDRC [the Homemaker-Home Health Aide project was evaluated by Abt Associates.]
* Includes costs of job clubs, case managers, child care, and training. ** These costs include program wages paid to participants, but do not include non-welfare agency costs. Costs shown in this table are for single-parent AFDC recipients averaged across all experimental group members, including those who did and those who did not participate in program activities.

It should be noted that while each of these programs produced significant increases in employment and declines in welfare outlays, these outcomes do not replicate the work expectations and time limits of the PRWORA. Under the Riverside GAIN program which produced particularly impressive results, only 23 percent of the program participants were working and off AFDC at the end of the project's three-year follow-up period, indicating the challenges faced by these programs.

Some states have an especially great need for supportive services, have experienced smaller reductions in caseloads, or have other special circumstances (like large urban centers, significant areas of rural poverty, Indian reservations, and pockets of high unemployment) which might

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The Supported Work Demonstration provided work experience to hard-to-employ target groups including long-term AFDC recipients. To help them achieve self-sufficiency, participants worked in crews in closely supervised jobs with gradually increasing demands.

require that they make greater costlier investments in economic development or transportation. The wide variation in benefit levels across states (as illustrated in Table 3) highlights the difficulties some states will face. Under the AFDC program, the maximum annual benefit for family of three ranged from $1,440 in Mississippi to $11,076 in Alaska. Nationally the cost of a part-time child care slot is $3,160 a year; a full-time, full-year slot costs $4,406. In 11 states and territories the cost for part-time child care is greater than the welfare benefit.

More than in its predecessor programs, TANF requires that states deal with special needs populations. These include individuals who are substance abusers as well as those who are victims of domestic violence. Over a quarter of the AFDC caseload includes adults with disabilities and, under prior law, these individuals were exempted from the training and work requirements of the JOBS program. States have never addressed preparing recipients with disabilities for work including special case management, remedial services and accommodations.

WR - WR to work

Diana Fortuna
05/30/97 07:15:41 PM

Record Type: Record

To: Michelle Crisci/WHO/EOP

cc: Elena Kagan/OPD/EOP
Subject: 1 million vs. 2 million in welfare drop by the year 2000

In general, the 1 million refers to the number of people we want to see go to work by the year 2000, while the 2 million is how much we want the welfare caseload to drop by the year 2000. The 2 million includes kids, as well as the fact that people may leave welfare to get married. The average family size is roughly 2.3-2.8, so these numbers are far from exact. You could say they are rounded to the nearest million.

I am not sure we have always been precise in our language, so it's possible there are quotes out there that appear to contradict this. But this is roughly our situation.

WR - WR to work

THE PRESIDENT HAS SEEN
5-5-97

The New York Times
THURSDAY, APRIL 24, 1997

Bruce — We need to work w/ Sto to work thru these problems — BC

Working For My Welfare

By Donald Mackey

copied Reed COS

I am a participant in New York City's Work Experience Program, which requires welfare recipients to work for their monthly checks and food stamps. I am a 55-year-old divorced man with five dependent children I want to support. I am ready and willing to work. I think the city's program is basically fair, though it has some problems that need to be ironed out.

I have had full-time jobs for more than 35 years, earning as much as $47,000 a year. I have been an employment interviewer for the New Jersey Department of Labor, a control-room operator for the Passaic Valley Sewage Commission and an employment counselor at a private school in Manhattan.

But my life took an unfortunate turn after a serious back injury. I lost a job I loved — the one with the New Jersey labor department. I ended up on drugs and in a homeless shelter. I regret that chain of events, but with the help of my church, counseling and a writing workshop, I quit cold turkey and have been clean for three years. I rent a room in a brownstone in Brooklyn and receive $256 a month in welfare and food stamps.

I do not want to be an anonymous welfare statistic. I want more than anything to earn an honest living again, perhaps as a coordinator of church-related community programs. I have a lot to offer.

Looking for a decent job, I sent out many résumés, but got no response. In February, the Work Experience Program assigned me and about 30 other welfare recipients between the ages of 20 and 60 to a sanitation garage in Brooklyn.

The first day, I was given a broom and a dustpan and told I would be putting in 15 hours a week cleaning the garage. I couldn't hang up my coat because I shared a locker with nine other crew members, and it was already jammed with bottles of cleaning solution, toilet brushes and a plunger. The lock was broken. I couldn't put my bag lunch in the refrigerator because the full-time garbagemen had padlocked it.

New York City's program has some problems.

The next day I asked for a pair of gloves, but they didn't have any. When I said it was important because I had injured my hand at home, I was given a dirty, used pair. I was afraid my hand would get infected.

After a month, I was told that I would be working 46 hours a week, outside, sweeping the streets. When I asked for a dust mask, I was told they were on order. I was issued an army jacket, a knit cap and a new pair of gloves but wore my own sneakers because they were out of boots. Each morning we walked with our equipment to a cleaning area more than a mile away.

The program is intended to help 35,000 inexperienced workers enter the job force. The goal for 1999 is 100,000. It's a great idea that I hope will get and keep many New Yorkers off welfare. Yet in the rush to put people to work, confusion has ensued. The workfare program doesn't consider experience or education. I wish it provided for age and skill. And I wish the hours were more consistent. Now, for example, I am working 24 hours a week.

A woman I know had to stop going to college classes in order to get to her work assignment. A homeless man didn't come back to the garage because there was no place for him to shower. Full-time sanitation workers fear and resent us because they are afraid we'll steal their jobs.

The Work Experience Program has gotten some things right. We can take a day off to interview for jobs, as long as we present written verification, and some supervisors seem to be sincerely trying to help. I just hope the program will turn out to be a concerted effort to aid those who want to work, not just a political Band-Aid. □

Donald Mackey lives in Brooklyn.

welfare - welfare-to-work

→ Studies of transport

5-8-97 DPC Meeting

1. Budget summary - immigrants, food stamps, welfare-to-work

2. Yellen study on caseload reduction

3. Eli Segal - corporate org - Welf-to-Wk ~~fellowship~~ Partnership
100 companies at WH
800-#
database - cos that have successfully hired
+ info on services available

bridge from welfare office to private sector | income maint syst ⇒ job placement + production system

4. Alexis Herman - 4 roles for Dept
a) Job training programs
reform progs to target welf recips
b) One-stop career systems
c) Wk. Op. tax credit
d) Wk w/ Eli to communicate w/ ERs - spread the good news

5. Creamy - Transportation
less than 6% own own cars - $600 value average
hi-growth job mkt - outside of central cities
Also - lots of these jobs are in off-hours.
Also a rural problem.
Next ; interagency task force ; wkg w/ NGA on the pilot projects

6. HUD - 25% of fams in ass housing - will receipt

Three areas -

a) Job creati - i. EZs ii. leveraging 50,000 iii. Brownfields

(?) b) Housing Ass rent rules / additional vouchers & tied to PHAs + WR ays. - fight as part of approps bill.

c) Supportive Services - Linking Strategies -

Bridges to work strategies (pilots)

Start w/ where fams are

7. HHS.

8. SBA - Betsy

a) Cash flow probs for sm bus

b) entrepreneurs / home-based businesses

CBO MEMORANDUM

WR – WR-to-work and
family-child care

FEDERAL BUDGETARY IMPLICATIONS
OF THE PERSONAL RESPONSIBILITY
AND WORK OPPORTUNITY
RECONCILIATION ACT OF 1996

December 1996

CONGRESSIONAL BUDGET OFFICE

BOX 1.
COST OF MEETING THE WORK REQUIREMENTS

The welfare reform legislation requires that a large and increasing percentage of welfare recipients participate in work or training programs. The Congressional Budget Office (CBO) estimates that the cost of a work program that meets those requirements could involve as many as 1.7 million participants by 2002 and could cost as much as $21.2 billion over the 1997-2002 period (see the accompanying table). The estimate assumes that states maintain a level of quality in their work programs similar to the level that exists today, and that states do not attempt to avoid meeting the work requirements by transferring a large share of their current caseload in the Aid to Families with Dependent Children (AFDC) program to state-funded general assistance programs. Because the costs of meeting the work requirements are high, CBO's federal cost estimate assumes that states are more likely to accept penalties than to meet the requirements.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) does not specifically earmark any funding for work programs. Instead, the costs of work programs are one of the allowed expenditures under the Temporary Assistance for Needy Families (TANF) block grant. The block grant is set at $16.4 billion a year—a level similar to recent federal spending on the AFDC, Job Opportunities and Basic Skills Training (JOBS), and emergency assistance programs. In 1994, federal and state spending on JOBS amounted to $1.4 billion. If states continued to spend that amount on work programs, they would be underfunded by $13.1 billion over the 1997-2002 period. States could spend a larger share of the block grant on work programs, however, if they reduced other services.

The act prohibits a state from cutting off assistance for refusal to work if an individual is the single parent of a child under age 6 and if suitable and affordable child care is not available. As a result, a state must assist TANF recipients in obtaining child care if it is to meet the law's work requirements. The law provides $13.9 billion in federal funds for that purpose; together with the states' matching share, $24.0 billion would be available for child care over the 1997-2002 period. In comparison, CBO estimates that if states met the work requirements, the cost of providing work-related child care would total only $18.9 billion over the same period. However, if states provided child care to participants in work programs and maintained spending on the Transitional and At-Risk Child Care programs, which the new law repeals, they would have to spend a cumulative total of $25.4 billion.[1] CBO's estimate assumes that in order to meet the work requirements of the law, states would have to pay all the costs of caring for children under age 6 and most of the costs for older children.

1. The Transitional Child Care program guaranteed child care for up to 12 months for families

Attachment #3 THE PRESIDENT HAS SEEN
4-24-97

WR - Wk-to-work
[illegible] —
call [illegible] —
BC

MEMORANDUM TO THE VICE PRESIDENT
FROM: Elaine
RE: LUNCH WITH THE PRESIDENT
DATE: 4/18/97

At his last lunch the President asked you to ask me what states should be doing with the windfall that they are going to get from welfare reform given that their allocation is based on peak 1994 numbers and that their roles are falling.

Here are my thoughts.

There is a window of opportunity here in which this windfall must be used to reinvent each state's welfare bureaucracy. If the welfare bureaucracies survive as is until: 1) there is another economic downturn and the roles go up or until 2) the time limits kick in and people face being taken off the roles, welfare reform will be judged a failure. Right now the welfare bureaucracies spend most of their time and talent around the intake function. They see people, they judge their eligibility for AFDC, they fill out forms. The primary mission around which the talent is organized is intake.

In this interim period the welfare offices must make investments which will allow them to help people get work and, as we get closer to time limits, to diagnose why some people simply cannot work.

Here are a few strategies.

1) Automate the intake function. There is no reason why people trained as social workers should spend their time on eligibility determinations. The laws have been simplified, the regs have been simplified and the process is ripe for an interactive computer program which would allow people with community college level educations to do intake. AFSCME will not like this but to the extent that there is no net job loss and that the social workers are freed up to actually work with people AFSCME's opposition may drop off. (They always complain initially but their track record of responding positively to reinvention in the states has actually been pretty good.)

2) Privatize the easy work. As the President pointed out in the Cabinet meeting, about 50% of welfare recipients are on welfare for only a short period of time. In addition, the recently completed study of the drop in the welfare roles suggests that some portion of the hard core population will move off welfare given the right supports and incentives. It is this portion of the welfare population that we know how to serve. Private companies like America Works have developed the necessary programs. States should not be using their scarce resources to reinvent the wheel. If there is a private, cost effective alternative they should use it. AFSCME will probably not like this proposal but it is critical in order for states to take the next step.

3) Design a diagnostic tool and a plan for those who hit the limits and cannot work. This is the most critical challenge state's will face. From the earliest days of the welfare reform task force we knew that at some point time limits would leave us with an irreducible core of welfare recipients who simply cannot hold a job. Social workers and experts I have discussed this with indicate that these people will probably consist of hard core drug addicts, alcoholics, people with various mental illnesses and people with marginal intelligence. No one can say what percentage of the welfare population these people make up but the "guesstimates" range from 20% to 30%. Many of these people may qualify for other federal programs such as disability or SSI.

For state governments the challenge will be to deal with these people in as fair and humane a way as possible while building in safeguards so that people cannot "game" the system. This diagnostic ability currently is not a feature of state welfare offices. It will have to be built, people will have to be trained.

4) Move aggressively against fraud and abuse in the SSI and Disability programs in order to make room for welfare recipients who may, in fact, belong in these programs.

We know that these two programs are filled with fraud and abuse. Disability reviews are rarely done and people who are on disability but can do other kinds of work are not required to do other work or to be retrained for it. Many regard disability as a lifetime pension. Moving to clear out these rolls is controversial and difficult. However, the exponential growth in both programs over the last decade supports the suspicion that many people have found a good thing and are holding onto it.

Taking this on may not be worth the trouble but for the inevitable fact, expressed in Number 3 above, that many hard core welfare recipients may belong in these programs. If these programs are straightened out before time limits kick in and if states can develop some type of sophisticated and fair diagnostic, then these programs should be able to accommodate welfare recipients who reach their lifetime limit.

File welfare-to-work

COPIES FOR: Bruce
Elena
Cynthia
Lynn

THE WHITE HOUSE

WASHINGTON

February 27, 1997

Dear Mr. Chairman:

Thank you for writing to express your support for moving people from welfare to work. In recent meetings with concerned business leaders, I have had the unique opportunity to explore ways to encourage the hiring of those newly off the welfare rolls.

As you mentioned, one important incentive is the Work Opportunity Tax Credit that we worked together to enact last year. In addition, my recently released budget contains two new initiatives to help those hardest to employ move from welfare to work.

My Welfare-to-Work Jobs Challenge seeks to assist the States in moving welfare recipients into lasting jobs by the year 2000. It provides three billion in mandatory funding for job placement and job creation, which states and cities can use to provide subsidies and other incentives to private business. Under this program, the Federal Government will also encourage states and cities to use voucher-like arrangements to empower individuals with the tools and choices to assist them in getting and keeping good jobs.

In addition, I have proposed the Welfare-to-Work Tax Credit for private businesses, encouraging them to create new job opportunities for long-term welfare recipients. This credit would enable employers to claim a 50 percent credit on the first $10,000 of annual wages paid to long-term welfare recipients for up to two years. My budget also expands the existing Work Opportunity Tax Credit to include certain food stamp recipients who, under my Administration's new food stamp proposal, would face a more vigorous work requirement in order to continue receiving food stamps.

These incentives are critical to making welfare reform work. I share your desire that the jobs created by any new incentives not displace those held by other low-wage workers and I will work with you to prevent this from occurring. I encourage you to give our new employment incentives careful consideration as we continue to work to achieve our common goals of moving people from welfare to work and creating additional jobs for all Americans.

Please know that I have thoroughly enjoyed our recent discussions and look forward to continuing our work together on these and other issues of importance to the American people.

Sincerely,

Bill Clinton

The Honorable Bill Archer
Chairman
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6348

January 9, 1997

JAN 13 1997

The Honorable William J. Clinton
President
The White House
Washington, D.C. 20500

Dear Mr. President:

I commend you on your efforts in forging a partnership with business leaders to emphasize their role in helping to reform welfare. As we have learned, no one individual can single handedly improve the lives of the poor -- it takes the entire country. Without those who can supply the jobs, we cannot help those who need the jobs. Moving people from welfare to work is the number one priority of the welfare bill, which Congress passed last summer, and we need to get everyone involved.

As you speak with our nation's CEOs tomorrow, I am sure you will let them know that in return for the efforts to hire welfare recipients, Congress passed a law last year to provide them with the Work Opportunity Tax Credit. This credit has been designed to help businesses hire former welfare recipients and others in need by providing employers with a tax credit of up to $2100 for each worker they hire.

Mr. President, involving the private sector in welfare reform is a key to its success. However, we must proceed with caution. Welfare recipients should not be given jobs at the expense of the working poor who may not qualify for a corporate tax credit but who, nonetheless, still need jobs. I am sure you would agree that hard working people who never went on welfare should not be displaced because a business will receive a tax break if it hires a former welfare recipient.

To avoid the problems that may be caused by employers replacing workers for a tax break, you may want to consider the benefits of a broad-based cut in the capital gains tax rate as the fairest way to help create jobs for people on welfare, <u>and</u> all working Americans.

I laud you for your work on this important topic and I look forward to our continued cooperation in implementing the new welfare law.

Sincerely,

Bill Archer
Chairman

File -
WR-to-work

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

March 3, 1997

Memorandum to: Gene Sperling
Bruce Reed

From: Ken Apfel Ken

Subject: Welfare to Work in the Balanced Budget Bill

I need your concurrence on how we handle the "Welfare Jobs Challenge" in the Balanced Budget Bill.

I know that we are not being any more specific about the provisions of the "Welfare-to-Work Jobs Challenge" than appears in the Budget. However, in order to score the $3 billion the 1998 Budget includes for this proposal, we need to include language in the Balanced Budget Bill. If we don't do this, there will be a $3 billion hole in the bill. Therefore, I propose including the language below in the bill and in the section-by-section analysis for the Balanced Budget Bill.

The bill language is as spare as possible; it doesn't even suggest the Secretary of Labor will promulgate regulations to implement the program. The section-by-section analysis paragraph also is bland, essentially repeating the language in the FY 1998 Budget (page 106, right hand column), but not citing specific types of services, program structure, or who is targeted (i.e., the "hardest-to-employ" are not cited).

Please let me know if you have any objections to this or changes you wish to make to the language or explanation. We are trying to complete drafting by Thursday, so I would appreciate a response as soon as possible.

Bill Language:

Subtitle D - Welfare-to-Work Initiatives

SEC.____. For purposes of carrying out welfare-to-work initiatives --
(A) there are hereby appropriated to the Secretary of Labor, $750,000,000 for fiscal year 1998; $1,000,000,000 for fiscal year 1999; and $1,250,000,000 for fiscal year 2000.

Section-by-section analysis:

SEC ____, Welfare-to-Work Initiatives. This section makes $3 billion in mandatory funding available for the President's proposal to help States and cities move one million welfare recipients into lasting jobs by the year 2000 through job placement and job creation. More detailed legislative specifications for the program are not yet finalized.

File-W2R-
welfare-to-work

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

MEMORANDUM FOR BRUCE REED
GENE SPERLING

FROM: Ken Apfel

SUBJECT: Welfare-to-Work: Stenholm Proposal

As you know, the Administration will be including a $3 billion "placeholder" provision in its Balanced Budget Bill for the Welfare Jobs Challenge. In addition, one of the five working groups established by the Administration and Congress on the FY 1998 Budget will focus on welfare issues. In all likelihood, any welfare jobs program will be developed in that group. However, at the moment we have very few settled principles for our position on jobs issues going into the working group sessions. Some in Congress are beginning to develop their approaches.

Attached for your information, is a brief comparison of the outline (there is no bill language yet) of Congressman Stenholm's confidential Welfare-to-Work proposal to the Welfare Jobs Challenge principles included in the 1998 Budget and the design issues discussed and, in some cases, settled by the interagency working group on welfare jobs implementation last fall. I think this matrix may help us determine our principles as we prepare for the working sessions with the Congress. In the attached matrix, where the interagency working group did not resolve an issue, the primary options are listed.

We should probably hold a White House meeting on this soon, possibly followed by a meeting with HHS, DOL, and Treasury.

cc: Ann Lewis
Elena Kagan
Cynthia Rice

Program Feature	Stenholm	Interagency Working Group	Current Administration (Budget Bill)
Responsible Agency	HHS	DOL or HHS	DOL
Appropriation	FY 1998 -- 1999 $.350 B 2000 $1.0 B 2001 $1.1 B 2002 $1.125 B Total of $3.575 B in mandatory funding. Funds available until expended. Carry-over and redistribution authorized.	FY 1998 $.750 B 1999 $1.0 B 2000 $1.250 B 2001 -- 2002 -- Total of $3 B in mandatory funding. Available for obligation for 3 years. Outlays through 2002.	FY 1998 $.750 B 1999 $1.0 B 2000 $1.250 B 2001 -- 2002 -- Total of $3 B in mandatory funding. [In addition: $.552 B is provided for tax incentives to hire welfare and certain Food Stamp recipients. $100 million per year for DOT transportation services; $10 million per year for HUD transportation demo.]
Allocation	Formula Grants to States: 56% based on relative share of TANF recipients and Food Stamp recipients covered by work requirements. 20% State match required. Performance Bonuses to States: 24% for performance bonuses to States. Competitive Grants to Communities: 20% to communities for innovative programs; no grant greater than $10M; 25% reserved for cities of less than 250,000, 25% for cities between 25,000 and 1 million, 25% for cities greater than 1 million. No explicit relationship to state plans.	Formula grant: $750 M each year 1998-2000, allocated by formula to States based on proportionate share of eligible population (poverty and possibly other factors). Funds flow through the State by formula to the 100-150 cities with the highest number of individuals in poverty. States administer balance of State, or could designate a county to administer where appropriate. Assumes average expenditure of $2,250/person. Performance Bonuses: Balance of resources distributed to each grantee based on the actual number of successful placements up to maximum planned, at $750 per successful placement.	No position.
State, local Administration	Limited to "7% of total spending by the lead organization".	No position.	No position. However, Budget $6 million per year in discretionary funds for DOL administration.

Program Feature	Stenholm	Interagency Working Group	Current Administration (Budget Bill)
State Plan	Required to apply for funds; submitted for review to HHS and must: 1) Identify a public-private administering entity; 2) describe activities for placing welfare recipients into private sector jobs; 3) assure all recipients have job placement voucher option; 4) describe coordination with other programs; 5) identify population to be served; 6) identify areas to be served and assure high poverty areas are targeted; 7) include non-displacement assurances; and, 8) certify administering entity will consult with other jurisdictions and programs. Plans will be approved if they contain the above.	States and eligible cities submit a three year plan at the same time to the Secretary. The plan must: 1) Describe linkage and leveraging of other program resources, especially TANF, that will be used to achieve jobs goal; 2) describe stakeholder (CBOs, JTPA, private sector, etc.) participation in planning; 3) demonstrate satisfactory jobs goal progress to get 2nd and 3rd year formula grants; 4) include non-displacement assurances and application of other labor laws; and, 5) provide for public comment before submission. Relationship of the Mayor and the Governor, unresolved. Options: Since some Mayors will get resources directly, to balance control over the plans group considered: 1) Consultation (Mayor consults with Governor but need not incorporate comments); 2) joint responsibility (Mayors must have Governor approval); or, 3) Required interaction (six-step process to reach agreement, but Mayor preferences hold in the end). Federal role in plan approval, unresolved. Options considered: 1) TANF model (check for completeness), 2) JTPA model (Secretary approval).	No position.

Program Feature	Stenholm	Interagency Working Group	Current Administration (Budget Bill)
State Application	Application must: 1) Certify it needs additional funds to meet participation rates or employment for TANF/Food Stamp recipients; 2) certify it has met performance goals in the prior year (or if not, has a corrective plan in place); 3) certify funds will supplement other resources; and, 4) include number of projected private sector placements.	Included in State plan.	No position.
Eligible Individuals	Assumed to be TANF and Food Stamp Recipients.	Long-term welfare recipients, but undefined. Options: All tied to 18 months on welfare plus an additional factor such as lacking a diploma, residing in a high poverty area, etc.	No position in Budget bill. However, Budget cites "hardest-to-employ welfare recipients." [Budget, page 106.]
Use of Funds	Allowable uses: 1) Job placement vouchers, redeemable by job placement companies (or an employer) after recipient is employed for nine months (25% at placement; 75% after employed nine months); 2) contracts with job placement companies or public job placement programs (i.e. Riverside); 3) up to six months of work supple-mentation in private sector jobs; 4) grants to non-profits for job creation; 5) microenterprises; and, 6) supportive services for up to six months in private sector job. Prohibited uses: 1) For matching; 2) for displacement; and, 3) creating public sector jobs (exception: allowed on Native American reservations and in areas with 50% or more unemployment).	Allowable uses: Generally open-ended as long as plan makes clear it results in successful job placements. In addition, three broad types of activities cited: 1) Proven models of job creation and placement including subsidies to private companies; 2) jobs in expanded health care; and, 3) jobs created through cleaning up and rebuilding communities. Prohibited uses: 1) Workfare (general, but not unanimous agreement); and, 2) subsidized public jobs.	No position in Budget bill. However, Budget cites "Job placement and job creation... subsidies and other incentives to private business... voucher-like arrangements." [Budget, page 106.]

Program Feature	Stenholm	Interagency Working Group	Current Administration (Budget Bill)
Performance Bonuses	Basic allowance of $2,000 for each projected placement up to formula allocation amount. 5 bonus options of $500 or $1,000 per placement lasting nine months or more (assumed). Bonus depend on such features such as duration on welfare, low basic skill level, unemployment level, etc.; $500 provided if earnings exceed 130% of poverty.	Maximum allowance per placement is $3,000. State receives 75% ($2,250) up front, balance awarded for each successful placement to be defined in terms of duration of job and tied to an income threshold. Performance grants awarded quarterly beginning on October 1, 1998.	No position in Budget bill. However, Budget cites "performance-based" program. [Budget, page 106.]
Performance Goals	Secretary establishes for States including: 1) % of individuals receiving assistance to be placed in private sector jobs; 2) retention; and, 3) earnings.	For the purposes of awarding the bonus, the group considered: 1) Placement in a job lasting 1,000 hours over nine months. 2) An earnings standard of "economic self-sufficiency (wages plus EITC in relation to poverty level). 3) Only for unsubsidized jobs. Payoff for placement in a regular, unsubsidized public job unresolved.	No position.