NLWJC - Kagan
DPC - Box 066 - Folder-006

Welfare-Welfare to Work Legislation [6]

WR - WR-to-work legislation

Barry White
06/02/97 08:27:13 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: WTW Performance Fund draft

[Sent by FAX to Palast, Uhalde, Tarplin/Burdette, Barr]

Here's a first quick shot at what a Performance Fund might look like. For comments: My fax is 395-7752; phone -- 395-4532.

Elements:

Funds come from the reallocations. Or:

we could put in 1% off the top of each year's appropriation as well, or

we could add to the Performance Bonus Fund $200 million derived as follows: For FY 2000, reduce the amount for regular grants to $700 million (the same as 1998 and 1999); add $100 million to 2001 so it is the same $700 million level as 1998-2000, and make $200 million available to the Secretary beginning in 2000, by which time there will be performance to reward.

Thoughts?

Rewards are to States for their use of formula grants, or to recipients of competitive grants or to Indian grantees.

Rewards are for placements of the bill's Required Beneficiaries (30 months; within a year of termination; the "2 of 4" folk), except that as in that clause, 10% can be for placements of other welfare recipients.

Placements are 9 months (as in Daschle) and only for non-subsidized jobs (public, private, or non-profit), except that tax credits are okay.

Amounts are what the Secretary says, with the assumption of $1,000 per placement, if the Sec thinks there's enough money.

Extra credit for placments that result in incomes that move individual off welfare and for doing good in high unemployment areas.

As in Daschle, Bonus funds can only be used to support more Welfare to Work, are not matched, and can't be used to match other Federal programs.

June 2, 1997 I:\data\perform6.2

[Insert on page 16 after line 13]

"(d) PERFORMANCE FUND -- The Secretary shall make performance bonus grants from the Performance Fund to recipients of competitive and non-competitive grants under paragraph (a), and Indian tribes or organizations which receive grants under paragraph (b), whose use of such grants results in the highest level of qualified placements of qualified individuals eligible for assistance under Welfare to Work Grants made available in this section.

"(I) The Performance Fund shall be financed from:

"(I) funds allocated to States for non-competitive grants for which a State does not apply, or for which a State does not qualify, and which are returned to the Secretary in accord with subparagraph ???;

"(II) funds made available to States in non-competitive grants, and to eligible applicants in competitive grants which are not spent in accord with the State's or applicant's plan, and which are returned to the Secretary in accord with subparagraph ??

"(ii) Qualified individuals are those who meet the definition of Required Beneficiaries under section (5)(C)(ii) [ref. Page 10], except that not more than 10% of those for whom a State or other grantee applies for a performance bonus shall be other than those who meet the qualifications of (5)(C)(ii)(I)-(III).

"(iii) Qualified placements are placements of qualified individuals in jobs in the private, public, or non-profit sectors

"(I) for which no funds under this part, no other Federal funds, and no State or local government funds, are used to subsidize in whole or in part the compensation or benefits received by the individual from the employer; and

"(II) which the individual has held for at least nine months.

"As used in this clause, the term "Federal funds" does not include tax credits received by an employer as a result of employing an individual for whom a qualified placement is made.

"(iv) The Secretary shall announce a competition for Performance Bonus Grants whenever the Secretary determines that there is a sufficient amount of funds available in the Performance Fund to make Performance Bonus Grants of meaningful size. Applications for such Grants shall be made at such time and in such manner, and containing such information, as the Secretary shall determine and announce at least 90 days in advance of the application deadline. Performance Bonus Grants shall be made to those applicants who document the highest level of qualified placements. Applications must, at minimum, demonstrate to the Secretary's satisfaction how the applicant has determined that the level of qualified placements resulting from Welfare to Work Grants is in excess of the level that is occurring by virtue of use of basic TANF grants.

"(v) The amount of a Performance Bonus Grant shall be calculated at $1,000 per qualified placement, except that the Secretary may reduce the amount per placement consistent with the funds available.

"(vi) The Secretary shall give priority consideration to Performance Bonus Grants to applicants who document that their Welfare to Work programs have resulted in the largest number of qualified placements whose wage level, as defined by the Secretary, is an amount, sufficient on its own or in combination with Food Stamps, to make the individual and her family independent of public assistance.

"(vii) The Secretary may give priority consideration to applications that demonstrate high levels of qualified placements in areas of high unemployment.

"(viii) Performance Bonus Grants may only be used to add to the grants received by the recipients under subsections (a) or (b), except that no matching requirements shall apply to Performance Bonus Grants and such Grants may not be used to meet the matching requirement of Welfare to Work Grants or any other Federal program.

WR- Wel-to-wk legislation

Bruce N. Reed
06/03/97 07:23:57 AM

Record Type: Record

To: Barry White/OMB/EOP

cc: See the distribution list at the bottom of this message
Subject: Re: WTW Performance Fund draft

Looks good to me. I like using reallocations, but we should also make sure that if we don't get a performance bonus, those reallocations still get spent somehow.

Message Copied To:

Elena Kagan/OPD/EOP
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TITLE IX—COMMITTEE ON WAYS AND MEANS—NONMEDICARE

Subtitle A—TANF Block Grant

SEC. 9001. WELFARE-TO-WORK GRANTS.

(a) Grants to States.—Section 403(a) of the Social Security Act (42 U.S.C. 603(a)) is amended by adding at the end the following:

"(5) Welfare-to-work grants.—

"(A) Noncompetitive grants.—

"(i) Entitlement.—A State shall be entitled to receive from the Secretary a grant for each fiscal year specified in subparagraph (G) of this paragraph for which the State is a welfare-to-work State, in an amount that does not exceed the lesser of—

"(I) 2 times the total of the expenditures by the State (excluding expenditures described in section 409(a)(7)(B)(iv)) during the fiscal year for activities described in subparagraph (C)(i) of this paragraph; or

"(II) the allotment of the State under clause (iii) of this subparagraph for the fiscal year.

"(ii) WELFARE-TO-WORK STATE.—A State shall be considered a welfare-to-work State for a fiscal year for purposes of this subparagraph if the Secretary, after consultation (and the sharing of any plan or amendment thereto submitted under this clause) with the Secretary of Health and Human Services, determines that the State meets the following requirements:

"(I) The State has submitted to the Secretary (in the form of an addendum to the State plan submitted under section 402) a plan which describes how, consistent with this subparagraph, the State will use any funds provided under this subparagraph during the fiscal year.

[other elements of State addendum including allocation formula]

"(II) The State has provided the Secretary with an estimate of the amount that the State intends to expend during the fiscal year (excluding expenditures described in section 409(a)(7)(B)(iv)) for activities described in subparagraph (C)(i) of this paragraph.

"(III) The State has agreed to negotiate in good faith with the Secretary of Health and Human Services with respect to the substance of any evaluation under section 413(j), and to cooperate with the conduct of any such evaluation.

"(IV) The State is an eligible State for the fiscal year.

"(V) Qualified State expenditures (within the meaning of section 409(a)(7) are at least 80 percent of historic State expenditures (within the meaning of such section), with respect to the fiscal year or the immediately preceding fiscal year.

"(iii) ALLOTMENTS TO WELFARE-TO-WORK STATES.—The allotment of a welfare-to-work State for a fiscal year shall be the available amount for the fiscal year mutiplied by the State percentage for the fiscal year.

"(iv) AVAILABLE AMOUNT.—As used in this subparagraph, the term 'available amount' means, for a fiscal year, the sum of—

"(I) 50 percent of the sum of—

"(aa) the amount specified in subparagraph (G) for the fiscal year, minus the total of the amounts reserved pursuant to subparagraphs (E) and (F) for the fiscal year; and

"(bb) any amount reserved pursuant to subparagraph (E) for the immediately preceding fiscal year that has not been obligated;

"(II) any available amount for the immediately preceding fiscal year that has not been obligated by a State or sub-State entity, excluding any amount paid to a State or sub-State entity *[?]* and any amount described in subclause (III); and

"(III) any amount remitted pursuant to subparagraph (C)(v) that has not been obligated.

"(v) STATE PERCENTAGE.—As used in clause (iii), the term 'State percentage' means, with respect to a fiscal year, ⅓ of the sum of—

"(aa) the percentage represented by the number of individuals in the State whose income does not exceed the poverty line divided by the number such individuals in the United States;

"(bb) the percentage represented by the number of unemployed individuals in the State divided by the number of such individuals in the United States; and

"(cc) the percentage represented by the number of individuals who are recipients of assistance under the State program funded under this part divided by the number of individuals in the United States who are recipients of assistance under any State program funded under this part.

"(vi) INTRASTATE DISTRIBUTION OF FUNDS.—

"(I) IN GENERAL.—A State to which a grant is made under this subparagraph shall distribute not less than 85 percent of the grant funds among the service delivery areas in the State, in accordance with a formula which—

"(aa) determines the amount to be distributed for the benefit of a service delivery area in proportion to the poverty rate of the service delivery area relative to the poverty rates of the other service delivery areas in the State, and accords a weight of not less than 50 percent to this factor;

"(bb) may determine the amount to be distributed for the benefit of a service delivery area in proportion to the number of individuals residing in the service delivery area who have received assistance under the State program funded under this part (whether in effect before or after the amendments made by section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act first applied to the State) for at least 30 months (whether or not consecutive) relative to the number of such individuals residing in the other service delivery areas in the State; and

"(cc) may determine the amount to be distributed for the benefit of a service delivery area in proportion to the number of unemployed individuals residing in the service delivery area relative to the number of such individuals residing in the other service delivery areas in the State.

"(II) SPECIAL RULE.—Notwithstanding subclause (I), if the formula used pursuant to subclause (I) would result in the distribution of less than $100,000 during a fiscal year for the benefit of a service delivery area, then in lieu of distributing such sum in accordance with the formula, such such shall be available for distribution under subclause (III) during the fiscal year.

"(III) PROJECTS TO HELP LONG-TERM RECIPIENTS OF ASSISTANCE INTO THE WORK FORCE.—The Governor of a State to which a grant is made under this subparagraph may distribute not more than 15 percent of the grant funds (plus any amount required to be distributed under this subclause by reason of subclause (II)) to projects that appear likely to help long-term recipients of assistance under the State program funded under this part (whether in effect before or after the amendments made by section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act first applied to the State) enter the work force.

"(vii) ADMINISTRATION.—

"(I) IN GENERAL.—A grant made under this subparagraph to a State shall be administered by the State agency that is supervising, or responsible for the supervision of, the State program funded under this part, or by another State agency designated by the Governor of the State, subject to subclause (II).

"(II) SPENDING BY PRIVATE INDUSTRY COUNCILS.—The private industry council for a service delivery area shall have sole authority to expend the amounts provided for the benefit of a service delivery area under subparagraph (vi)(I), after consultation with the agency responsible for administering the State program funded under this part in the service delivery area, subject to subclause (III).

"(III) PROHIBITION AGAINST SELF-FUNDING.—A private industry council may not directly provide services using funds provided under this subparagraph *[clause? subparagraph? paragraph?]*

"(B) COMPETITIVE GRANTS.—

"(i) IN GENERAL.—The Secretary, in consultation with the Secretary of Health and Human Services, shall make grants in accordance with this subparagraph, in each fiscal year specified in subparagraph (G), to eligible applicants based on the likelihood that the applicant can successfully make long-term placements of individuals into the workforce.

"(ii) ELIGIBLE APPLICANTS.—As used in clause (i), the term 'eligible applicant' means a private industry council or a political subdivision of a State.

"(iii) DETERMINATION OF GRANT AMOUNT.—In determining the amount of a grant to be made under this subparagraph for a project proposed by an applicant, the Secretary shall provide the applicant with an amount sufficient to ensure that the project has a reasonable opportunity to be successful.

"(iv) TARGETING OF 100 CITIES WITH GREATEST NUMBER OF PERSONS BELOW THE POVERTY LINE.—The Secretary shall use not less than 75 percent of the funds available for a fiscal year for grants under this subparagraph to make grants to the 100 cities in the United States with the highest number of residents with an income that does not exceed the poverty line.

"(iv) FUNDING.—For grants under this subparagraph for each fiscal year specified in subparagraph (G), there shall be available to the Secretary an amount equal to the sum of—

"(I) 50 percent of the sum of—

"(aa) the amount specified in subparagraph (G) for the fiscal year, minus the total of the amounts reserved pursuant to subparagraphs (E) and (F) for the fiscal year; and

"(bb) any amount reserved pursuant to subparagraph (E) for the immediately preceding fiscal year that has not been obligated; and

"(II) any amount available for grants under this subparagraph for the immediately preceding fiscal year that has not been obligated.

"(C) LIMITATIONS ON USE OF FUNDS.—

"(i) ALLOWABLE ACTIVITIES.—An entity to which funds are provided under this paragraph may use the funds in any manner that moves into the workforce recipients of assistance under the program funded under this part of the State in which the entity is located, including for any of the following:

"(I) Job creation through public or private sector employment wage subsidies.

"(II) On-the-job training.

"(III) Contracts with job placement companies or public job placement programs.

"(IV) Job vouchers.

"(V) Job retention or support services if such services are not otherwise available.

"(ii) REQUIRED BENEFICIARIES.—An entity to which funds are provided under this paragraph shall expend at least 90 percent of the funds for the benefit of recipients of assistance under the program funded under this part of the State in which the entity is located who meet the requirements of any of the following subclauses:

"(I) The individual has received assistance under the State program funded under this part (whether in effect before or after the amendments made by section 103 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 first apply to the State) for at least 30 months (whether or not consecutive).

"(II) At least 2 of the following apply to the recipient:

"(aa) The individual has not completed secondary school or obtained a certificate of general equivalency.

"(bb) The individual requires substance abuse treatment for employment.

"(cc) The individual has low basic skills.

"(dd) The individual has worked for fewer than 3 of the most recent 12 months.

The Secretary shall prescribe such regulations as may be necessary to interpret this subclause.

"(III) Within 12 months, the individual will become ineligible for assistance under the State program funded under this part by reason of a durational limit on such assistance, without regard to any exemption provided pursuant to section

408(a)(7)(C) that may apply to the individual.

"(iii) LIMITATION ON APPLICABILITY OF SECTION 404.—The rules of section 404, other than subsections (b), (f), and (h) of section 404, shall not apply to a grant made under this paragraph.

"(iv) PROHIBITION AGAINST USE OF GRANT FUNDS FOR ANY OTHER FUND MATCHING REQUIREMENT.—An entity to which funds are provided under this paragraph shall not use any part of the funds to fulfill any obligation of any State, political subdivision, or private industry council to contribute funds under other Federal law.

"(v) DEADLINE FOR EXPENDITURE.—An entity to which funds are provided under this paragraph shall remit to the Secretary any part of the funds that are not expended within 3 years after the date the funds are so provided.

"(D) DEFINITIONS.—As used in this paragraph:

"(i) POVERTY LINE.—The term 'poverty line' means the poverty line as defined by the Secretary of Labor using the most recent data available from the Bureau of the Census.

"(ii) PRIVATE INDUSTRY COUNCIL.—The term 'private industry council' means, with respect to a service delivery area, the private industry council (or successor entity) established for the service delivery area pursuant to the Job Training Partnership Act.

"(iii) SECRETARY.—The term 'Secretary' means the Secretary of Labor, except as otherwise expressly provided.

"(iv) SERVICE DELIVERY AREA.—The term 'service delivery area' shall have the meaning given such term for purposes of the Job Training Partnership Act.

"(E) SET-ASIDE FOR INDIAN TRIBES.—1 percent of the amount specified in subparagraph (G) for each fiscal year shall be reserved for grants to Indian tribes under section 412(a)(3).

"(F) SET-ASIDE FOR EVALUATIONS.—0.5 percent of the amount specified in subparagraph (G) for each fiscal year shall be reserved for use by the Secretary of Health and Human Services to carry out section 413(j).

"(G) FUNDING.—To carry out this paragraph, there are authorized to be appropriated—

"(i) $700,000,000 for each of fiscal years 1998 and 1999;

"(ii) $1,000,000,000 for fiscal year 2000; and

"(iii) $600,000,000 for fiscal year 2001.

"(H) BUDGET SCORING.—Notwithstanding section 457(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this paragraph or under section 412(a)(3) after fiscal year 2001.".

(b) GRANTS TO INDIAN TRIBES.—Section 412(a) of such Act (42 U.S.C. 612(a)) is amended by adding at the end the following:

"(3) WELFARE-TO-WORK GRANTS.—

"(A) In general.—The Secretary shall make a grant in accordance with this paragraph to an Indian tribe for each fiscal year specified in section 403(a)(5)(G) for which the Indian tribe is a welfare-to-work tribe, in such amount as the Secretary deems appropriate, subject to subparagraph (B) of this paragraph.

"(B) Matching requirement.—The Secretary shall not make a grant under this paragraph to an Indian tribe for a fiscal year in an amount that exceeds 2 times the total of the expenditures by the Indian tribe (excluding tribal expenditures described in section 409(a)(7)(B)(iv)) during the fiscal year on activities described in section 403(a)(5)(C)(i).

"(C) Welfare-to-work tribe.—An Indian tribe shall be considered a welfare-to-work tribe for a fiscal year for purposes of this paragraph if the Indian tribe meets the following requirements:

"(i) The Indian tribe has submitted to the Secretary (in the form of amendments to the tribal family assistance plan) a plan which describes how, consistent with section 403(a)(5), the Indian tribe will use any funds provided under this paragraph during the fiscal year.

"(ii) The Indian tribe has provided the Secretary with an estimate of the amount that the Indian tribe intends to expend during the fiscal year (excluding tribal expenditures described in section 409(a)(7)(B)(iv)) for activities described in section 403(a)(5)(C)(i).

"(iii) The Indian tribe has agreed to negotiate in good faith with the Secretary of Health and Human Services with respect to the substance of any evaluation under section 413(j), and to cooperate with the conduct of any such evaluation.

"(D) LIMITATIONS ON USE OF FUNDS.—Section 403(a)(5)(C) shall apply to funds provided to Indian tribes under this paragraph in the same manner in which such section applies to funds provided under section 403(a)(5).".

(c) EVALUATIONS.—Section 413 of such Act (42 U.S.C. 613) is amended by adding at the end the following:

"(j) EVALUATION OF WELFARE-TO-WORK PROGRAMS.—The Secretary—

"(1) shall, in consultation with the Secretary of Labor, develop a plan to evaluate how grants made under sections 403(a)(5) and 412(a)(3) have been used; and

"(2) may evaluate the use of such grants by such grantees as the Secretary deems appropriate, in accordance with an agreement entered into with the grantees after good-faith negotiations.".

WR - WR-to-wk legislation

THE WHITE HOUSE

WASHINGTON

May 29, 1997

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Elena Kagan EK

SUBJECT: Welfare to Work Proposal

Attached is the one-pager we sent to the Hill late last week outlining the Administration's position on the design of the $3 billion welfare-to-work fund. Also attached are one-pagers we received this afternoon on the House Republican and Democratic proposals. The legislative process is moving quickly, with House Ways and Means Republicans planning to draft legislation this weekend, hold a subcommittee markup on Friday June 6, and hold a full committee markup early the next week.

We had a productive meeting this afternoon with the Departments of Labor, HHS, HUD, and Treasury. We agreed that we should emphasize the following list of priorities to House Ways and Means staff at our meeting tomorrow morning:

- Half of all welfare-to-work funds should go to directly to cities, with cities and states subject to identical rules and program requirements. (The House Republican proposal would give all the money to states for distribution.)

- All funds should be awarded competitively, to promising welfare-to-work projects -- not distributed based on a formula. Under this enterprise zone model, the grants would be awarded by the Department of Labor in consultation with HHS and HUD. (The House Republicans would distribute at least 80% of the funds on a formula basis.)

- A portion of the funds -- 20% in our proposal -- should be distributed as performance-based bonuses, to encourage the job placement and retention of long-term welfare recipients living in especially high poverty/high unemployment areas. (The House Republicans have no such provision.)

- States and cities should be permitted to use the funds to create public sector jobs in areas of high unemployment. (The House Republicans would not permit this use.)

- Strong language prohibiting worker displacement should be included. (The House Republican draft does not include such language.)

The House Democratic alternative is somewhat vague, but it basically comports with our views on all of these issues.

You should know how the exact language of the budget agreement reads on these issues. It states that the funds shall be "allocated to States through a formula and targeted within a State to areas" with high poverty and unemployment. It then states that "a share of the funds would go to cities/counties with large poverty populations commensurate with the share of long-term welfare recipients in those jurisdictions."

We still have a number of technical issues where we must clarify the Administration's position. In particular, we have not reached closure on (1) the precise manner in which the performance bonus would work, (2) whether job training is an allowable use of the funds, and (3) whether economic development projects that would employ welfare recipients would qualify for funding. Secretary Rubin may raise the first two issues tomorrow; Secretary Cuomo will raise the third.

The most important unresolved issue is one that Secretary Shalala will raise with you tomorrow. Now that we have clarified our position that the Department of Labor should administer this program, she does not believe that it should be part of the TANF welfare block grant. HHS staff have told us that Hill staff are willing to discuss this issue, even though the budget agreement specifically refers to these funds as part of TANF.

All participants in today's meeting (including Barry White from OMB) agreed that we should not try to produce additional paper (either a fuller summary, specs, or legislation) prior to the Ways and Means markup. Time is extremely short, and we have always found it exceedingly difficult to reduce a welfare-to-work plan to writing. The Treasury Department suggested revisiting the issue of sending up legislation after the Ways and Means markup.

Administration's Welfare to Work Jobs Challenge Proposal

Consistent with the budget agreement, this proposal would add $3.0 billion in capped mandatory spending to TANF for welfare-to-work in areas with high poverty and unemployment to help long-term recipients get and keep jobs.

Funding:

- Challenge grants would be awarded on a competitive basis to States, cities, and counties who have submitted applications for welfare to work programs for long term welfare recipients. Preference will be given to programs operating in areas with high poverty and unemployment rates.

- 50% of funds would be earmarked for States, and 50% for cities and counties. At least 20 percent of the total would be provided as performance-based bonus grants to reward success in placing and retaining long-term recipients in jobs. To apply, states must meet an 80 percent TANF maintenance of effort.

- Grants would be awarded by the Department of Labor in consultation with the Department of Health and Human Services and the Department of Housing and Urban Development.

Allowable uses:

- Private sector wage subsidies;

- Contracts with job placement companies or public job placement programs;

- Job vouchers;

- Job retention services;

- Job creation in high unemployment areas and on Indian reservations.

The program shall include strong assurances of nondisplacement and nondiscrimination.

5/23/97

Republican

Overview of Possible
$3 Billion Welfare-to-Work Funding
May 27, 1997

1. How divided among states. In proportion to poverty, unemployment, number on IV-A. States would have up to 3 years to spend each year's allocation.

2. How disbursed within states. Governors must distribute at least 80 percent of their funds to political subdivisions within their state based on a formula developed in collaboration with State Human Resource Investment Councils. Poverty levels must be the most important factor in the formula of every state; at least half the weight of the formula must be poverty. Other factors that governors may take into account include, but are not limited to, welfare use, long-term welfare dependency, and unemployment. At their option, governors may distribute up to 20 percent of the state allotment to projects, such as saturation grants for depressed areas, that have nationwide or statewide significance.

3. State administering agency. Funds must be administered through the state TANF agency but must be distributed to and spending approved by the Private Industry Councils (and successor organizations) at the local level.

4. What state must do to qualify:

--80% MOE
--1 for 2 state/federal match (cannot be used for any other federal match)
--submit plan as an amendment to their section 402 state plan
--agree to evaluation
--15% administrative cap

8. Eligible individuals. At least 80 percent of a state's funds must be spent on long-term recipients (18 months or more) and those with multiple barriers.

9. Evaluation set aside. The Secretary of HHS will receive funds equal to .5 percent of the annual amount and develop her own evaluation plan. The evaluation plan must be developed in consultation with the Secretary of Labor.

10. Allowable activities:

--Private sector wage subsidies;
--On-th-job training;
--Contracts with job placement companies or public job placement programs;
--Job vouchers;
--Job retention services.

11. Set-aside for Indians. 1%

12. Penalty. States that fail to meet the terms of their state plan will be required to return all misspent funds.

r\3billion

Democrat.

Democratic Principles for a Welfare-to-Work Initiative

May 28, 1997

Purpose.-- The budget agreement provides a total of $3 billion in capped mandatory funds for a welfare-to-work initiative. These funds should be used only to expand the supply of jobs for low-skilled workers at high risk of reaching welfare time limits.

Eligible participants.-- For this grant program, eligible participants should be limited to those TANF recipients who have had no significant work experience in the past 5 years, who have received cash assistance for more than 36 months, and who have participated in a structured job search program under TANF without securing employment.

Distribution of funds.-- Grants should be awarded by the Department of Labor, in consultation with the Departments of HHS and HUD, to both States and communities on the basis of merit to those proposing the most innovative and promising approaches to creating job opportunities for hard to employ welfare recipients. A substantial portion of all grants should be awarded to those areas of a State with the highest combination of poverty, unemployment, and job shortage, without unnecessary duplication of effort between the State and community grants. One percent of available funds should be reserved for evaluation. The remaining funds should be awarded on merit to the entity in the State responsible for meeting the TANF work requirements, with authority for that agency to contract for any allowable activity. Any unused funds should be reallocated to qualified applicants and grantees.

Allowable activities.-- Under these grants States and communities should be permitted to offer any combination of the following activities (1) wage subsidies to expand the supply of private sector jobs; (2) job creation in private nonprofit or public agencies designed to address pressing community needs; (3) contracts with job placement companies or public job placement programs; (4) job vouchers; and (5) job retention or support services for employment purposes. The program should include strong assurances of nondisplacement and nondiscrimination.

Performance bonuses.-- A portion of the funds should be set aside in later years for performance bonuses to States to reward placement and retention of long-term TANF/AFDC recipients in permanent jobs.

HHS role.-- Grants should be awarded to a State only if the Department of Health and Human Services determines that (1) the State cannot meet its TANF work requirements without additional funds; (2) total State spending on TANF work activities in the prior fiscal year exceeded State spending on JOBS programs in fiscal year 1996; (3) the State has met 100 percent of its maintenance-of-effort requirements under TANF; and (4) the State has the ability and resources to carry out the proposed project.

J:\DCOLTON\WP\Welfare 97\Work principles.wpd

WR - WR to Wk legislation

Elena Kagan
05/31/97 02:37:20 PM

Record Type: Record

To: Phillip Caplan/WHO/EOP

cc:
Subject: WTW -- Friday afternoon meeting

--------------------- Forwarded by Elena Kagan/OPD/EOP on 05/31/97 02:37 PM ---------------------------

Barry White
05/31/97 10:18:45 AM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Maureen H. Walsh/OMB/EOP, Jeffrey A. Farkas/OMB/EOP
Subject: WTW -- Friday afternoon meeting

These notes will supplement the phone call to Elena and staff briefings in passing.

Process. To recap expected timing of next steps:

Haskins expects his draft Monday morning. He will make it available to us through Palast, who takes responsibility for getting to HHS and us. If it doesn't come directly to DPC, I'll get it there, and will get it to Stegman at HUD and Barr at Treasury (who called about all this Friday night).

Haskins is open to meeting with a small group late Monday to provide comments and input to a second draft. AS noted below, he accepts that he needs some input on several issues.

Haskins expects to be able to circulate a draft Tuesday or Wednesday at the latest, with mark up scheduled for Friday, for WTW and other matters: immigrants (grandfathering all on the roles instead of the Agreement on new applicants; deportation; sponsorship at 150% of poverty eliminates benfits; no AIDs aliens; et al -- Tarplin has a complete list); FLSA; privatization; TANF transfers for Title XX and childcare; limiting amount of high school and voc ed that can count for TANF requirements; and UI (Pennington).

Colton provided a preliminary list of minority amendments to the expected bill. (Kagan has by fax; OMB staff: in your boxes).

Colton may want Administration people at meeting of Dem LAs; she will call WH and/or Palast and Tarplin.

W&M and E&W. Haskins reported that he and the Education and Workforce committee staff have been unable to agree on a WTW design. Haskins favors competition and qualitative judgements on plans. E&W favors including the WTW money in the broad block grant approach it has approved as the replacment for JTPA. Not clear how this will play out among the members, but Haskins is drafting his way for now.

What do the cities think. Not yet clear. Some think they would accept the pass through from States approach (see below), in lieu of direct grants from the Feds. Palast is to get a straight story from the Conf of Mayors.

Content.

Some mix of competitive and formula grants. Proportion likely to be a members issue. Formula will focus on poverty and unemployment and numbers on welfare.

DOL administers.

Split between States and cities, and degree of control over money by cities not clear, but may be achieved via a statutoriliy required pass-through from States, as in JTPA. Substate formula based on poverty plus welfare rolls, long term recipients. The Agreement says local areas must have poverty 20% above State average, but Haskins is sceptical of reality of that figure.

Funding from State or locals has to be approved by PICs. This is confused due to limited understanding of the JTPA/PIC structure; DOL will provide some drafting clarity

One/third State match ($1 State to $2 Fed), with State $ not usable to meet any other Federal match. States must meet TANF 80% MOE. 15% admin cap.

Eligible individuals are:

1. On welfare for 30 months; or
2. Have less than one year before mandatory TANF termination; or
3. Meet any two of the following four conditions (each to be defined by the Secretary):
   a. School dropout;
   b. Low skills;
   c. Less than 3 of the last 12 months in the labor force;
   d. Drug abuser.

Yellow

HHS (not DOL) receives .5% of the annual appropriation for evaluation, developed in consultation with DOL. (On $3 billion, this is $150 million, which has to be a typo; must be .05%).

? State legislature must appropriate the grant to States; role not clear for grants to cities.

Allowable activities:
- Job creation, through public or private sector wage subsidies;
- On-the-job training;
- Contracts with job placement companies or public job placement programs;
- Job vouchers;
- Job retention services or support services if not otherwise available.

No performance bonuses.

File- WR-to-wk legislation

To Bruce
Cynthia
Diana
(From Deborah Colton)

POSSIBLE SHAW MARK

TANF AMENDMENTS

1. FLSA - minimum wage
   - Workfare is not employment
   - States *must* count the value of food stamps and TANF cash assistance, divided by the minimum wage, toward the hours of participation rules
   - States *may* count the value of housing, child care, and Medicaid, divided by the minimum wage, toward the hours of participation rules
   - Once maximum workfare hours have been reached, States *may* count hours spent on other allowable activities (job search, education and training)

2. Welfare-to-work **(budget agreement)**
3. 20 percent - vocational education
4. Title XX transfer
5. Clarify pro-rata benefit reduction

SSI AMENDMENTS

1. McCrery - disabled child issue
2. California maintenance of effort
3. SSI fees **(budget agreement)**
4. Border Indians

LEGAL IMMIGRANTS

1. Grandfather those on the rolls as of August 22 but no new applicants (altered version of **budget agreement)**
2. Refugees - 7 years **(budget agreement)**
3. If the sponsor has income of 150 percent of poverty, the alien is not eligible for SSI or Medicaid
4. Public charge deportation
5. No welfare entry pledge
6. No one on welfare can be a sponsor
7. AIDS
8. Definition of means-tested programs

UNEMPLOYMENT COMPENSATION

1. Pennington
2. Actors
3. Christian schools
4. Poll workers
5. Trust fund ceiling **(budget agreement)**
6. Anti-fraud **(budget agreement)**
7. Indians

J:\DCOLTON\WP\Welfare 97\5-28 Shaw mark outline.wpd

POSSIBLE SUBCOMMITTEE AMENDMENTS
May 28, 1997

GENERAL AMENDMENT

1. **Limit the mark to items in the budget agreement**
   — Welfare-to-work
   — SSI fees
   — Restore benefits to legal immigrants, including new applicants present in the US on August 22, 1996
   — Refugees
   — UI trust fund ceiling
   — UI anti-fraud

TANF AMENDMENTS

1. **FLSA - minimum wage**
   — Work off benefit, then count job search and education
   — training for 12 months, then its wages
   — strike "workfare is not employment"

2. **Welfare-to-Work**
   — Modifications to Shaw mark
   — Blue Dogs proposal
   — Proposal based on Democratic principles

3. **Miscellaneous**
   — 20 percent - vocational education -- take out teen parents
   — Title XX transfer -- limit to 10 percent
   — Contingency fund -- Lift funding cap

SSI AMENDMENTS

1. **California maintenance of effort**
   — Strike ?

LEGAL IMMIGRANTS

1. **Restoration of benefits to aliens**
   — Pure budget agreement (include new applicants)
   — Add disabled after entry paid for (?) With extension of the FUTA tax
   — Small new entrants provision?

2. **Non-Ways and Means issues**
   — Strike ?

UNEMPLOYMENT COMPENSATION

1. **Pennington**
   — alternative?

J:\DCOLTON\WP\5-28 Subcommittee amendment list.wpd

File: WR - Wel to Wk legislation

cc: Bruce
Cynthia
Diana

Differences Between Blue Dog Welfare to Work Proposal and Proposal X

1. Performance bonus 30% of the funds allocated to states would be distributed based on successful placements of long-term welfare recipients. States would receive a basic bonus of $1000 for each successful placement, with larger bonuses for placements that required greater state effort (placements in areas of high unemployment; placements of individuals with barriers to employment; placements in new businesses created by leveraging public resources; placements that result in earnings above 130% of poverty, etc)

The performance grant structure will address concerns about "creaming" by giving states an incentive to target hard to place recipients without establishing federal requirements dictating the allocation of funds within the state. Performance grants will direct federal funds to the most effective programs by rewarding states with a proven record of success.

2. Allocation of funds within state / state delivery system. The state plan must provide assurances that high-poverty areas will be targeted, but does not mandate a formula for distribution of funds within the state. Likewise, the state plan must include provisions for consultation and coordination with local organizations involved in the workforce system, but does not mandate that funds be distributed through PICs. The program preserves the flexibility of states to allocate funds in the most appropriate manner for that state, and uses the performance grant structure to hold states accountable for the use of funds to prevent "creaming" or innefficient use of funds.

3. Performance goals States receiving funds under the program would be required to meet performance goals established by the Secretary regarding placement rates, retention rates and earnings for welfare recipients placed in private sector employment in order to receive federal funds in subsequent years, unless the state is implementing a corrective compliance plan approved by the Secretary or had an unemployment or poverty rate that met the requirements for the contingency fund in at least three months in the previous year. The performance goals complement the bonus structure to ensure that federal funds are directed to effective programs and hold states accountable for the use of federal funds.

4. Job placement vouchers States would be <u>required</u> to provide all individuals given assistance under the program with the <u>option</u> of receiving a job placement voucher that could be redeemed by accredited job placement companies or private sector employers based on both job placement and retention. Job placement vouchers would empower welfare recipients to find programs that best meet their individual needs and will encourage the creation of a competitive system of job placement organizations.

The vouchers could be redeemed based on placements, but a portion of the payment would be witheld until the recipient has held employment for nine months.

5. Grants to community based organizations 20% of the funds would be reserved for competitive grants to communities, counties or private community-based organizations (such as Community Development Corporations) for programs to help long-term welfare recipients obtain private sector employment. The grants would be distributed among small, medium-sized and large communities.

6. Use of funds for food stamp recipients States would be allowed to use up to 30% of its allocation to place food stamp recipients subject to the work requirements from the welfare bill in private sector employment. States should be allowed to use welfare recipients because this group is subject to much more stringent work requirements than TANF recipients and states receive less federal funding for food stamp employment and training programs than TANF funds for work programs. In order to prevent "creaming" requirements could be added that funds could only be used for individuals who met criteria regarding barriers to employment.

7. Job creation. States could use funds for programs to create jobs for long-term welfare recipients in areas of high poverty (either directly or through grants and contracts with non-profit organizations).

8. Job placement counted toward TANF participation rates Individuals who lose TANF as a result of earnings from private sector employment obtained because of this program would be counted in meeting TANF work participation rates for 12 months to give states credit for efforts to help TANF recipients obtain and keep private sector employment that provides earnings that allow the recipient to become self-sufficient.

9. Trigger for release of funds The funds would not be released unless ten or more states certify that they will need additional funds to meet TANF work participation rates to ensure that the funds will be spent only if necessary.

10. Distribution of funds among states 70% of the funds allocated to states would be distributed based on the number of individuals that the state must place in work activities to meet TANF participation rates so that federal funds are directly related to the federal mandates on states for work programs. The remaining 30% of funds allocated to states would be distributed based on the success of state programs through performance bonuses.

11. Administrative funds Provides separate discretionary appropriations for grants to states for administrative expenses instead of requiring states to fund administrative costs out of $3 billion mandatory funding.

12. State match Requires a 20% state match to require a state financial stake in the program without unduly discouraging states from participating in the program.

Blue Dog Welfare to Work Program

Section 1 Funding

(a) Mandatory Appropriation

(I) IN GENERAL. Out of money in the Treasury of the United States not otherwise appropriated, there are appropriated to the Secretary for fiscal years 1999, 2000, 2001 and 2002 such sums as are necessary for grants under this paragraph, in a total amount not to exceed $3,600,000,000 if more than ten states have certified that they will be unable to meet the requirements of section 407(a) of TANF in the upcoming year without additional funds.

(ii) BUDGET SCORING.-- Notwithstanding section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this paragraph after fiscal year 2002.

(b) Distribution of Funds 56% of the funds would be distributed to states based on the proportion of individuals that the state must have in work activities under the TANF participation rates and 24% would be distributed to states based on performance. The remaining 20% would be available for grants to cities, counties, communities and community-based organizations.

(c) Funds available until expended. The funds would be available until expended. If states or communities do not draw down the full amount allocated to them in any year, the funds would be carried over to the next year and redistributed based on the 80/20 split.

Section 2. Eligible states

(a) Eligible states. A state may receive funds if:

(1) The state has certified that it will not be able to meet the requirements of Section 407 without additional funds

(2) It has a state plan for welfare to work that meets requirement of Section 481,

(3) Total state spending on work programs in the prior fiscal year exceeded state spending on JOBS programs in fiscal year in fiscal year 1996.

(4) The state has met program performance goals in the prior year, or is implementing a corrective action plan unless the state met the definition of a needy state for at least three months in the preceding year.

(5) Certification that welfare to work funds will supplement, not supplant, state funds or funds from other federal grants.

(6) The state has provided an estimate of the number of projected placements of recipients in private sector employment with the grant by category

(b) **Contents of state plan.** The state shall submit to the Secretary of HHS a plan which includes the following:

(1) Identifies a lead agency or public-private partnership with an employment focus to administer welfare to work program

(2) Describe activities for placing welfare recipients into private sector employment

(3) Provide assurances that all recipients receiving assistance under the program have the option of receiving a job placement voucher and will be informed about their options for using a job placement voucher.

(4) Describe how welfare to work funds will be coordinated with other programs

(5) Identify populations to be served by the program

(6) Identify communities or regions within the state that will be served by the program and provide assurances that the state will target high poverty areas

(7) Certification that the administering entity will comply with non-displacement rules

(8) Certify that the administering agency will consult with local communities, counties, JTPA Service Delivery Areas, local employment agencies, etc. in administering the program.

Federal role. The Secretary shall review state plans to determine whether it complies with this section. All plans that contain the information required in subsection (a) shall be approved.

Section 3 Payments to states

(A) Placement grants:

(1) 56% of the funds would be allocated to states based on the states percentage of the national caseload of TANF recipients covered by work requirements. States that did not submit plans meeting the requirements of Section 2 would not be eligible for funds, with the funds allocated to these states redistributed among the remaining states.

(2) States would receive $2000 for each projected placement up to the state allocation.

(3) States must meet 20% match requirement for grants under this subsection. State match would not be counted toward TANF maintenance of effort.

(4) States could receive up to 30% of the state allocation for programs to place food stamp recipients subject to work requirements of Section 6(o) of the Food Stamp Act in private sector employment.

(B) Performance grants.

(1) In addition to the grants under subsection (c), the Secretary shall provide each state with an additional grant from the remaining 30% based on placements. The bonus payments will vary based on the unemployment rate in the area of the placement, the length of time the individual had been on assistance, barriers to employment, and the earnings of the individual. Bonus payments would be varied as follows:

(A) A basic $1000 bonus payment for each placement and retention of a long-term (18+ month) TANF recipient for at least nine out of twelve months in unsubsidized employment

(B) An additional $500 bonus payment for each placement if the individual has one of a list of barriers to employment (lack of high school education, lack of basic skills, mental illness, substance abuse problems)

(C) An additional $1000 bonus payment if the individual is in an area with unemployment above 7%.

(D) An additional $500 bonus payment if the earnings of the individual in the nine months following placement exceed 130% of the poverty level.

(E) An additional $1000 bonus for individuals placed in new businesses created in areas of high unemployment / high poverty by leveraging public and private resources

(2) States are not required to match bonus payments. Bonus payments must be used to help welfare recipients obtain or retain employment.

(3) If claims for performance bonuses exceeds the total amount of funds available for performance bonuses, the Secretary shall make a pro rata reduction in the amount of each performance bonus.

(c) Grants to communities

(1) In General . - The Secretary may make grants in accordance with this section to communities or community-based organizations for innovative programs to move recipients of public assistance programs into private sector work.

(2) Contents of application. Applications for funds under this section shall contain the following information:

(1) Information on how the funds will be used to move welfare recipients into private sector employment
(2) How the funds will be used to leverage private funds as well as state and local resources
(3) For communities that have received grants under this section in previous years, information regarding the success of the community program in moving welfare recipients into work

(3) Awarding of Grants . -

(1) In general . - The Secretary shall award grants based on the quality of applications, subject to paragraphs (2) and (3).

(2) Preference in awarding grants . - In awarding grants under this section, the Secretary shall give preference to organizations which receive more than 50 percent of their funding from State government, local government or private sources.

(3) Limitation on size of grant . - The Secretary shall not award any grants under this section of more than $10,000,000.

(4) Reservation of funds.

(1) 25% of the funds would be reserved for grants to cities with populations greater than 1,000,000.
(2) 25% of the funds would be reserved for grants to cities with populations between 250,000 and 1,000,000
(3) 25% of the funds would be reserved for grants to cities with populations under 250,000

Section 4 Use of funds

(a) In general. The funds shall be used to assist long-term (18+ months) TANF recipients in obtaining and keeping private sector employment.

(b) Job Placement Vouchers

(1) **Availability** All recipients would be eligible to receive a job placement voucher that could be redeemed by job placement agencies or employers who place the individual in private sector employment.

(2) **Accreditation** The administering entity would accredit placement agencies and employers that were eligible to redeem job placement vouchers. The entity would establish reasonable standards for accreditation, but could not establish standards that had the effect of limiting the choices available to recipients of job placement vouchers.

(3) **Voucher rates.** States would set their own voucher rates. If the state provides for placement through contracts or other means in addition to vouchers, the voucher rates must be comparable to the payments for placements through these other activities. The state would set the terms for redemption of vouchers, but no more than 25% of the voucher could be redeemed up front, and no more than 75% of the voucher may be redeemed until the recipient has been employed for nine months.

(c) Specific uses

(1) Job placement vouchers given directly to recipients that could be redeemed by job placement companies that successfully place the recipient in a private sector job that is held for at least nine months or by employers who employ the recipient for at least nine months.

(2) Contracts with placement companies or with public job placement programs (i.e. Riverside). The contract must provide that the majority of funds would be paid after the individual had been placed in unsubsidized private sector employment for nine months.

(3) Work supplementation in private sector jobs, with the subsidy period limited to six months.

(4) Activities designed to create private sector jobs for long-term welfare recipients in areas of high unemployment.

(5) Grants to non-profit organizations for job creation programs in areas with poverty rates above 20%

(6) Microenterprises and Individual Development Accounts

(7) Supportive services (transportation, counseling, etc) during the first six months of employment for former TANF recipients who obtained private sector employment.

(d) Administration

(1) **Authorization of appropriations.** Authorize such sums as may be necessary for grants to the administering agency in states for administrative costs. Each state's share of administrative funds shall be based on the state's share of total mandatory funds paid under Section 483(a).

(2) **Use of administrative funds.** Administrative funds could be used to develop and implement a job placement voucher program, administer contracts with job placement companies and non-profit organizations.

(e) Prohibited uses.

(1) Funds couldn't be used to satisfy matching requirements under other programs

(2) Funds couldn't be used to displace current workers

(3) Funds couldn't be used to create public service jobs, except for Indian reservations or counties with unemployment exceeding 50%

Section 5 Performance goals

The Secretary shall establish performance goals for states receiving assistance under this Part. The performance goals shall include:

(1) Goals for the percentage of individuals receiving assistance to be placed in private sector employment. The Secretary shall calculate the goal for each state after taking into account the unemployment and poverty rates in the state, the number of TANF recipients in the state, the work participation rate for the state (after the pro rata reduction in the rates for the state) and the size of the TANF grant to the state relative to the state's caseload.

(2) Goals for retention rates for individuals placed in private sector employment.

(3) Goals for earnings of TANF recipients placed in private sector employment.

Section 6 Job Placement counted toward TANF participation rates

(a) Individuals who are receiving assistance under this section who lost eligibility for TANF because of earnings from employment shall be counted in TANF participation rates.

(b) Assistance under this section shall not count toward TANF time limit

Section 7 Issuance of Regulations

Not less than 6 months after the date of the enactment of this section, the Secretary shall prescribe such regulations as may be necessary to implement this section.

To Bruce
Cynthia
Diana

File - Welfare to work legislation

THE WHITE HOUSE
WASHINGTON

May 29, 1997

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Elena Kagan EK

SUBJECT: Welfare to Work Proposal

Attached is the one-pager we sent to the Hill late last week outlining the Administration's position on the design of the $3 billion welfare-to-work fund. Also attached are one-pagers we received this afternoon on the House Republican and Democratic proposals. The legislative process is moving quickly, with House Ways and Means Republicans planning to draft legislation this weekend, hold a subcommittee markup on Friday June 6, and hold a full committee markup early the next week.

We had a productive meeting this afternoon with the Departments of Labor, HHS, HUD, and Treasury. We agreed that we should emphasize the following list of priorities to House Ways and Means staff at our meeting tomorrow morning:

- Half of all welfare-to-work funds should go to directly to cities, with cities and states subject to identical rules and program requirements. (The House Republican proposal would give all the money to states for distribution.)

- All funds should be awarded competitively, to promising welfare-to-work projects -- not distributed based on a formula. Under this enterprise zone model, the grants would be awarded by the Department of Labor in consultation with HHS and HUD. (The House Republicans would distribute at least 80% of the funds on a formula basis.)

- A portion of the funds -- 20% in our proposal -- should be distributed as performance-based bonuses, to encourage the job placement and retention of long-term welfare recipients living in especially high poverty/high unemployment areas. (The House Republicans have no such provision.)

- States and cities should be permitted to use the funds to create public sector jobs in areas of high unemployment. (The House Republicans would not permit this use.)

- Strong language prohibiting worker displacement should be included. (The House Republican draft does not include such language.)

The House Democratic alternative is somewhat vague, but it basically comports with our views on all of these issues.

You should know how the exact language of the budget agreement reads on these issues. It states that the funds shall be "allocated to States through a formula and targeted within a State to areas" with high poverty and unemployment. It then states that "a share of the funds would go to cities/counties with large poverty populations commensurate with the share of long-term welfare recipients in those jurisdictions."

We still have a number of technical issues where we must clarify the Administration's position. In particular, we have not reached closure on (1) the precise manner in which the performance bonus would work, (2) whether job training is an allowable use of the funds, and (3) whether economic development projects that would employ welfare recipients would qualify for funding. Secretary Rubin may raise the first two issues tomorrow; Secretary Cuomo will raise the third.

The most important unresolved issue is one that Secretary Shalala will raise with you tomorrow. Now that we have clarified our position that the Department of Labor should administer this program, she does not believe that it should be part of the TANF welfare block grant. HHS staff have told us that Hill staff are willing to discuss this issue, even though the budget agreement specifically refers to these funds as part of TANF.

All participants in today's meeting (including Barry White from OMB) agreed that we should not try to produce additional paper (either a fuller summary, specs, or legislation) prior to the Ways and Means markup. Time is extremely short, and we have always found it exceedingly difficult to reduce a welfare-to-work plan to writing. The Treasury Department suggested revisiting the issue of sending up legislation after the Ways and Means markup.

<u>Administration's Welfare to Work Jobs Challenge Proposal</u>

Consistent with the budget agreement, this proposal would add $3.0 billion in capped mandatory spending to TANF for welfare-to-work in areas with high poverty and unemployment to help long-term recipients get and keep jobs.

<u>Funding</u>:

- Challenge grants would be awarded on a competitive basis to States, cities, and counties who have submitted applications for welfare to work programs for long term welfare recipients. Preference will be given to programs operating in areas with high poverty and unemployment rates.

- 50% of funds would be earmarked for States, and 50% for cities and counties. At least 20 percent of the total would be provided as performance-based bonus grants to reward success in placing and retaining long-term recipients in jobs. To apply, states must meet an 80 percent TANF maintenance of effort.

- Grants would be awarded by the Department of Labor in consultation with the Department of Health and Human Services and the Department of Housing and Urban Development.

<u>Allowable uses</u>:

- Private sector wage subsidies;

- Contracts with job placement companies or public job placement programs;

- Job vouchers;

- Job retention services;

- Job creation in high unemployment areas and on Indian reservations.

The program shall include strong assurances of nondisplacement and nondiscrimination.

5/23/97

Republican

Overview of Possible
$3 Billion Welfare-to-Work Funding
May 27, 1997

1. How divided among states. In proportion to poverty, unemployment, number on IV-A. States would have up to 3 years to spend each year's allocation.

2. How disbursed within states. Governors must distribute at least 80 percent of their funds to political subdivisions within their state based on a formula developed in collaboration with State Human Resource Investment Councils. Poverty levels must be the most important factor in the formula of every state; at least half the weight of the formula must be poverty. Other factors that governors may take into account include, but are not limited to, welfare use, long-term welfare dependency, and unemployment. At their option, governors may distribute up to 20 percent of the state allotment to projects, such as saturation grants for depressed areas, that have nationwide or statewide significance.

3. State administering agency. Funds must be administered through the state TANF agency but must be distributed to and spending approved by the Private Industry Councils (and successor organizations) at the local level.

4. What state must do to qualify:
--80% MOE
--1 for 2 state/federal match (cannot be used for any other federal match)
--submit plan as an amendment to their section 402 state plan
--agree to evaluation
--15% administrative cap

8. Eligible individuals. At least 80 percent of a state's funds must be spent on long-term recipients (18 months or more) and those with multiple barriers.

9. Evaluation set aside. The Secretary of HHS will receive funds equal to .5 percent of the annual amount and develop her own evaluation plan. The evaluation plan must be developed in consultation with the Secretary of Labor.

10. Allowable activities:
--Private sector wage subsidies;
--On-th-job training;
--Contracts with job placement companies or public job placement programs;
--Job vouchers;
--Job retention services.

11. Set-aside for Indians. 1%

12. Penalty. States that fail to meet the terms of their state plan will be required to return all misspent funds.

r\3billion

Democrat

Democratic Principles for a Welfare-to-Work Initiative

May 28, 1997

Purpose.-- The budget agreement provides a total of $3 billion in capped mandatory funds for a welfare-to-work initiative. These funds should be used only to expand the supply of jobs for low-skilled workers at high risk of reaching welfare time limits.

Eligible participants.-- For this grant program, eligible participants should be limited to those TANF recipients who have had no significant work experience in the past [illegible] who have received cash assistance for more than 36 months, and who have participated [illegible] job search program under TANF without securing employment.

Distribution of funds.-- Grants should be awarded by the Department of Labor, in consultation with the Departments of HHS and HUD, to both States and communities on the basis of merit to those proposing the most innovative and promising approaches to creating job opportunities for hard to employ welfare recipients. A substantial portion of all grants should be awarded to those areas of a State with the highest combination of [illegible] unemployment, and job shortage, without unnecessary duplication of effort between the State and community grants. One percent of available funds should be reserved for evaluation. The remaining funds should be awarded on merit to the entity in the State responsible for meeting the TANF work requirements, with authority for that agency to contract for any allowable activity. Any unused funds should be reallocated to qualified applicants and grantees.

Allowable activities.-- Under these grants States and communities should be permitted to offer any combination of the following activities (1) wage subsidies to expand the supply of private sector jobs; (2) job creation in private nonprofit or public agencies designed to address pressing community needs; (3) contracts with job placement companies or public job placement programs; (4) job vouchers; and (5) job retention or support services for employment purposes. The program should include strong assurances of nondisplacement and nondiscrimination.

Performance bonuses.-- A portion of the funds should be set aside in later years for performance bonuses to States to reward placement and retention of long-term TANF/AFDC recipients in permanent jobs.

HHS role.-- Grants should be awarded to a State only if the Department of Health and Human Services determines that (1) the State cannot meet its TANF work requirements without additional funds; (2) total State spending on TANF work activities in the prior fiscal year exceeded State spending on JOBS programs in fiscal year 1996; (3) the State has met 100 percent of its maintenance-of-effort requirements under TANF; and (4) the State has the ability and resources to carry out the proposed project.

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WR - WR to Wk Legislation

Diana Fortuna
05/30/97 02:17:08 PM
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Record Type: Record

To: See the distribution list at the bottom of this message

cc: Elena Kagan/OPD/EOP, Emil E. Parker/OPD/EOP, cynthiarice @ thinline.com @ inet
Subject: Meeting with Haskins and groups on $3 billion

Here are a few tidbits from Haskins' meeting with all kinds of groups and us on his proposal on the $3billion welfare to work proposal. He did a side-by-side that I will circulate around.

Formula vs. competitive -- sounds like Haskins may do a split. Several parties favored a blend: Blue Dogs, Daschle, Center on Budget.

Job creation -- Haskins said he was open to this, but said he needed a definition. Labor said it should have a transition to unsubsidized jobs.

Worker displacement -- Haskins says Shaw won't allow anything stronger than current TANF displacement language; he said those who want more will have to seek an amendment.

Training -- Geri Palast said that we would favor training "directly related to employment" counting as an allowable activity. When I asked her why she said this immediately afterward, she asserted that this was agreed upon in the meeting this morning with Cabinet secretaries. But I am not so sure that is right; so we have to clarify.

Economic development -- People raised the HUD issue by asking whether a city could build a casino. People didn't seem to like the idea, but weren't sure what to do.

Who's eligible -- A lot of discussion on how to best target this, with everyone appearing to agree on the goal. People threw out those on benefits for 18 months or more plus multiple barriers and what those should be. A woman named Roxie from DOL criticized with the Ways and Means minority proposal that it be those on welfare over 36 months. Wendell suggested 30 months, but APWA pointed out that some states have time limits shorter than that. So people thought if you did 30 months, you could add in those who are within 6 months of a time limit. People also debated whether food stamp 18-50 people should be eligible.

Cities -- no one but us spoke out in favor of this. Haskins said this contradicted our desire that the money should be competitive, but I said you could have 2 competitive pots. He asked why PICs weren't good enough for cities.

Message Sent To:

Janet Murguia/WHO/EOP
Emily Bromberg/WHO/EOP
Kenneth S. Apfel/OMB/EOP
Barry White/OMB/EOP
Keith J. Fontenot/OMB/EOP
Jeffrey A. Farkas/OMB/EOP

Wr - Wr-to-work legislation

~~CONFIDENTIAL~~ DRAFT

December 10, 1996

WELFARE-TO-WORK JOBS PROGRAM DESIGN

The Welfare-to-Work Jobs Challenge Fund (WTW) is intended to provide incentives to States and cities to place long-term welfare recipients in jobs that lead toward self-sufficiency and reduce welfare dependency. It maximizes the flexibility and innovation of States and cities working in close cooperation with the private sector and the community by specifying measures of success and rewarding achievement, and giving States/cities complete freedom to design the services. The evidence of the ability of past Federally-designed job training and placement programs to achieve significant levels of success with this population is decidedly mixed, whether under JTPA, Welfare-JOBS, Food Stamps Employment and Training, or myriad other designs. WTW would be accompanied by a substantially enriched tax credit to employers who hire the target group. Although this proposed credit is much richer than the current credit, based on previous tax credit take up rates, the credit alone will not be sufficient to change the hiring practices of employers, or the employment prospects of long-term welfare recipients. However, the performance-based incentives of WTW coupled with the credit and with TANF's work focus and new child care funds, should, when combined into State and local strategies that integrate other resources, catalyze substantial new job creation to make lasting improvements in the lives of long-term welfare recipients.

Presented below is a working outline of how the Welfare-to-Work (WTW) Jobs $3 billion spending program could be designed. It is based on the parameters set in the August announcement of the initiative. While any aspect of the design can raise issues, the outline highlights eight major issues the WTW workgroup identified (a ninth, worker displacement, is presumed solved by DOL's proposed language, as indicated below):

1. City eligibility for direct grants
2. Definition of eligible individuals
3. Definition of earnings success for performance payments
4. Performance payments for public sector jobs
5. Mayoral control
6. Federal role in plan approval
7. Use of WTW funds for workfare and subsidized public sector jobs
8. Federal administration

One new element has been added to the August design for the content requirements of the state/city plan: A requirement that the applicant indicate how it would use voucher strategies to permit some or all of the target population to participate in selection of service options and providers. See Section K, "Use of funds".

The discussion of the WTW design is preceded by a discussion of an alternative model to the August parameters which has been suggested by CEA.

Alternative Design: Should all, or a significant portion, of the WTW $3 billion, or an additional amount, be made available to test and evaluate a variety of very intensive work-based welfare strategies in a small number of places?

An alternative approach would award on a competitive basis to perhaps 10 cities a sizeable amount of money ($1-$3 billion) for large-scale, rigorously-evaluated tests of different approaches to work-based systems. This will allow cities to experiment with more expensive, intensive programs that will be required to move hard-to-place welfare recipients move jobs.

TANF gives States roughly $1 billion more each year for at least the next four years for jobs programs, benefits, and increased child care than would have been available under the prior AFDC, JOBS, and child care structure. Most states are likely to use this additional money to introduce innovative programs that will assist welfare-recipients prepare for, and obtain, employment; those that are successful may be promoted elsewhere.

Yet, additional expenditures may be necessary to assist those who have serious difficulty in getting a job. If WTW money is distributed to all states and to many cities, the additional amount per entity to spend on hard-to-place welfare recipients will be modest. Such an approach may enhance the likelihood of reaching an announced goal of 1 million successful job placements. It will not, however, demonstrate on a large scale the efficacy of specific, intensive strategies that may be necessary to help the hard-to-place find jobs.

The problem is that we have limited experience implementing such strategies and the available evidence suggests it will be difficult and costly. One state, Wisconsin, has designed a radical, new substitute for welfare, called Wisconsin Works, that involves one vision of a work-based support program. Other states are not moving in that direction, however, in part because of insufficient funding. There is an urgent need to test and learn about different work-based strategies: What do they cost? Can they be operated on a large scale? Can they be structured as routes to unsubsidized work? If additional resources are to be spent on welfare reform, it would be important to seize the opportunity and support innovative cities (possibly paired with States) that want to develop different visions of work-based systems.

Each area would apply competitively to use these funds in concert with its TANF funds. Models could include: reliance on private, non-profit, or public sector job creation, work-for-benefits, or pay-for-performance. Sites would be selected to represent a range of local economies, but at least half would be in areas with above average unemployment. Part of the funding would be set aside for a formal evaluation of the program's success.

This alternative responds to concerns that TANF alone, or with WTW, will not advance our knowledge of how to implement work-based welfare successfully. Moving the hard-to-place into jobs will be a tough challenge and money needs to be spent on advancing this knowledge base.

THE AUGUST DESIGN, ISSUES, AND OPTIONS

A) Budget structure

- Budget structure. WTW will be a capped mandatory spending program.

- Fund availability. Funds will be available in the following amounts: FY 1998, $750 million; FY 1999, $1 billion; and FY 2000, $1.25 billion.

  For the purposes of making performance payments during FY 1998, the Secretary may draw funds from the amount for FY 1999. For the purpose of making performance payments during FY 1999, the Secretary may draw funds from the amount for FY 2000.

- Availability for obligation. Funds would be available for obligation in the year in which they are first available, and for two additional fiscal years. Funds would be available on a fiscal year basis, as in TANF (vs., for example, on a July-June program year basis as in JTPA), given the necessity for joint programming with TANF funds.

- Federal administration funds. Funds for Federal administration and for evaluation would be appropriated annually in the discretionary budget. The agencies suggest about $5 million per year to support 50 FTE, plus evaluation costs.

(B) Flow of funds; performance grants

- Total formula grants. In general, each eligible applicant (see below) with an approved plan would be eligible to receive amount equal to its percentage share of the eligible population, applied to the $3 billion, or $1 billion annually for three years.

- Annual formula grants. In general, for each of the fiscal years 1998 through 2000, each eligible applicant with an approved plan would receive an amount equal to its percentage share of the eligible population, applied to $750 million. After the FY 1998 grant, subsequent grants would be conditioned upon demonstration of satisfactory progress toward meeting the goals of the approved plan.

- Performance grants. The remaining funds ($250 million in 1998 and $500 million in each of fiscal years 1999 and 2000) would be distributed to each grantee based on its actual number of successful placements/retentions, up to the maximum for which it planned.

- Performance payments. The total Federal payment per placement -- regardless of the actual cost of placement -- is calculated to be $3,000. The formula grant provides three-fourths of the Federal share of each expected placement, or $2,250, up front, in order to support WTW's share of the grantee's approved plan,

For each successful placement, the grantee then earns an additional $750 performance grant. Failure to place as many individuals as its approved plan calls for does not result in State or city repayment of the grantee's formula grant, but it would trigger the necessity for corrective actions prior to receiving subsequent years' formula grant, and, in extreme cases, reallocation of funds to other areas.

- The actual cost per placement will be whatever the grantee chooses, and is financed by a combination of WTW funds, State TANF block grant funds, State job training funds, the private sector, and other funds in the plan. While WTW funds need not be spent in any specific amount or proportion on any one individual, the funds must be spent on activities intended to benefit the eligible population (vs., for example, the welfare population generally, or those with shorter durations on welfare).

- Timing of payment of performance grants. Beginning on October 1, 1998, performance grants will be awarded quarterly, based on grantee certification of successful placements to the Secretary. Certifications will be subject to audit and grantees liable for recovery of funds for improper certifications.

© Eligible applicants and share of funds

- States. Each State, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, and the Territories is eligible for a WTW grant. Grant funds within these entities would automatically pass through, by formula, to cities which are eligible applicants. The State administers the funds for parts of the State without cities that are eligible applicants.

- Cities. Cities with the highest number of individuals in poverty also receive and administer WTW grants. A city may, in its sole discretion, arrange for the State to administer funds the city would otherwise receive.

- Counties. [NOTE: this is the response to the August statement that "counties, as appropriate" could be grantees. The term "appropriate" is defined locally] The State may delegate administration of funds in areas for which a city is not otherwise an eligible applicant, to a county (or a city) of its choosing. In States where counties will be responsible for TANF administration, a State may find it appropriate to delegate its non-city WTW funds and responsibilities to the counties. Cities within or abutting a county with the necessary capability could arrange to have the county administer its WTW funds.

- Service Delivery Areas (SDAs) as eligible applicants. The Labor Department is exploring an option in which the 630 JTPA SDAs, comprised of cities, counties, and other units of local government, would constitute the eligible grantees. In this option, there would be no State grantees.

DESIGN ISSUE #1: 100 or 150 cities

Ideally, WTW would distribute funds on the basis of the relative numbers of long-term welfare recipients. There is no data base that does this, so the workgroup assumes WTW will use the distribution of people in poverty. The attached tables (Tab A) use 1990 Census data, but would need to be updated. They show the percentage and amount of funds which cities and States-less-cities ("Balance of States") would receive under the annual $750 million grant, and from the total $3 billion.

NOTE: The illustrative tables are from a data base that only has cities of 100,000 population or more. Thus it excludes cities with smaller total population that may have more poor people than cities that now show as being within either the 100 or the 150 list. East St. Louis, for example is not on the list, but may qualify when there is a list of cities by number of people in poverty without regard to total city population. Also, Puerto Rico and the territories are not shown and would change the numbers.

Each table set shows the cities in descending order of numbers in poverty, followed by the Balance of State amounts. The first set of tables is based on 150 cities qualifying; the second on 100 cities qualifying. Items for consideration:

- Where are the poor? Whether at the 100 or the 150 city level, roughly one-third of the poor are in the cities, two-thirds in the Balance of States (this would shift somewhat on the data base that ranks cities without regard to population size.) The task of moving welfare recipients into jobs is preponderantly a State task.

- Basis for deciding which cities should be eligible. There is no particular objective standard that leaps out for where to draw the line on the table. On an annual basis, only 22 cities would have to plan for more than 1,000 job placements per year. Only 46 cities would need to plan for more than 2,000 jobs over the three year period.

- There are 11 States with no cities that qualify. It is not uncommon in Federal programs to recognize this situation by qualifying "the largest city in a state with no otherwise eligible city."

The decision on how many cities to make eligible is a pure policy call. Given the preponderance of the poor in small cities, suburbs and rural areas, whether there are 100 or 150 or some other number of cities will not materially influence the overall success of WTW; State behavior will be the greatest determinant.

(D) WTW eligible individuals

The August outline names "long-term welfare recipients" who have been on the rolls for "at least" 18 months. The caseload of adults receiving welfare for 18+ months numbers about 2.2 million annually. Because of normal churning of the welfare population, about half of these individuals probably would get jobs without special State efforts. With only the 18+ months factor, WTW is susceptible to charges of creaming and having no net impact. In addition, as the tables indicate, the number of jobs a city or State needs to find to qualify for the full performance payment is not large. The combination of avoiding creaming and spending the $3 billion for people in the most need suggests the necessity for an additional individual targeting factor.

<u>DESIGN ISSUE #2</u>: Definition of eligible individuals

The workgroup identified two approaches to ensuring that the individuals for whom WTW makes performance payments are those more likely to need the extra effort that WTW implies, one based on the Federal government specifying an additional criterion beyond duration on welfare; the other requiring an additional criterion, but permitting each grantee to select the factor from a statutory list, or based on its own justification.

<u>Option A: Specify in law an additional factor, such as:</u>

(1) 18+ months on welfare and **lacking a high school diploma/GED**; about 900,000 eligibles;
(2) 18+ months on welfare and **lacking basic skills** -- about 900,000 eligibles.
(3) 18+ months on welfare and **lacking high school <u>and</u> basic skills** -- about 600,000.
(4) 18+ months on welfare and living **in high poverty areas** -- about 950,000 in areas of 20% poverty or greater; about 665,000 in 30% or greater poverty areas.
(5) 18+ months on welfare and **victim of domestic abuse, or other factor from a Federal list.**
(6) 18+ an **additional 6 months on welfare**; about 1.9 million eligibles.

<u>Option B: Let States and cities choose the additional factor</u>

Formula grants could only be used for, and payments from the 25% withheld funds could be awarded only for, individuals the State or city document are long-term recipients and from one of the groups above (including any other factor the State or city proposes and justifies in its plan).

Option A more closely resembles the current JTPA structure (although JTPA does include in its targeting menu a "local choice" option); cities and States are familiar with this approach. Option B is more consistent with the overall State flexibility principle of WTW and puts the onus of selecting the targeting factor more on the State or city, where it belongs.

(E) Hours worked/earnings standard for the performance payment

The August outline defined the condition for a performance payment for an eligible individual to be placement in a job that lasted for at least 1,000 hours during nine months. At the time, this definition was simply an intuitive judgement that it was long enough to demonstrate the desired focus on job retention and still seem achievable.

The workgroup questioned whether this goal was sufficiently ambitious: 1,000 hours at the minimum wage would qualify, but is not much of an achievement. Earnings for 1,000 hours at next year's minimum wage ($5.15/hour) would be $5,150, or $10,712 for a full year's work (2,080 hours). The poverty level for the typical welfare family of three is $12,980 now and will be higher in FY 1998, when WTW begins. This population is believed to churn in and out of minimum wage jobs, though it is noted that there is no systematic information available at HHS on the wage experiences of the target population.

Thus, if a WTW "success" is a job at minimum wage, the typical welfare family's full-time earnings would be about 17% below poverty. This level would be a significant improvement in earnings for many on welfare, but it should be achievable with relatively limited effort, such as might be available under TANF without WTW.

On the other hand, it is important not to have a measure of success so difficult to achieve as to doom WTW's likelihood of success. The JTPA National Study found that even though JTPA boosted welfare recipients' earnings by as much as 50 percent above control group member earnings, the program did not reduce welfare and food stamp dependency among treatment group members. The Study found that AFDC participants' average post-program 18-month earnings were about $5,200; average hours worked over that 18-month period -- a period double the August outline's 9-month standard for WTW -- were 1,072.

Notwithstanding the evidence that this is a hard group to place in better paying jobs, it is also important to keep in mind that TANF permits each State to exempt from time limits 20% of its welfare population, which should mean that the very hardest to employ likely will not be in the WTW population. Finally, as the illustrative tables at Tab A show, at least for the cities, the actual number of individuals that need to be placed to generate a performance grant in WTW is fairly modest, again suggesting that a more ambitious success measure is feasible.

The workgroup also determined that there is no administrative record series that tracks post-program hours worked. To do so would require a costly follow-up reporting system for each grantee. Quarterly Unemployment Insurance (UI) wage record data is available in each State and offers an objective way to document the earnings of individuals for whom performance payments are claimed. Therefore, an earnings standard -- rather than an hours worked standard -- would be adopted for WTW.

<u>DESIGN ISSUE #3:</u> Definition of earnings success for performance payments.

The work group suggests a policy goal that can be argued as "economic self-sufficiency" for long-term welfare recipients. It is exploring approaches linked rhetorically to the President's 1993 EITC and minimum wage goals.

In 1993, the President's Earned Income Tax Credit (EITC) and minimum wage policy goal was for levels that, when combined with Food Stamps, provided income sufficient for a female-headed family of three (the typical long-term welfare family) to escape poverty. At the 1996 poverty threshold for a family of three of $12,980, the "Minimum Wage + EITC + Food Stamps > Poverty" standard requires only 30 hours of work per week, or about 1,500 hours annually, for actual earnings of $7,725.

WTW could define its "self-sufficiency" earnings goal as --

- Option A: Wages + EITC > Poverty, excluding Food Stamp benefits from the calculation because they are another form of dependency. This would require annual earnings of about $10,300, or $5.15 per hour (the 1998 minimum wage) for a 2,000 hour job. Or,

- Option B: Wages + EITC > 130% Poverty. This option uses the standard that takes a family above the qualifying level for free lunch, or 130% of poverty. This formulation would require annual earnings of about $14,600, or $7.30 per hour for a 2,000 hour job.

Analysis is needed to determine whether Option B places the success goal so far out of reach as to be unrealistic, even in light of the 20% exemption and the modest job targets generated by the funding structure. Some effort in this direction, however, is desirable to justify the spending program and demonstrate that it is achieving something not otherwise likely to occur.

(F) Jobs for which WTW performance payments can be made

The workgroup generally agreed that WTW performance payments should be made only for jobs that are unsubsidized (except by WOTC) and that result in the requisite earnings level. (See also the discussion below on Use of Funds for consideration of whether WTW funds should support workfare or other forms of job subsidy, without regard to the basis on which performance payments are made.)

It should be noted that some Administration rhetoric since August could lead some to believe that WTW performance payments are for subsidizing private sector jobs. While WTW funds may certainly be used for this purpose (e.g., in the America Works approach), to make the performance payment for time spent in such jobs would be premature: there would be no basis for determining if the individual had really achieved a degree of independence and earnings. Permitting WTW performance payments for jobs for which employers are claiming WOTC should be the maximum degree of subsidization allowed.

Some in the workgroup and elsewhere have argued that especially in areas of local recession, WTW should make performance payments for subsidized jobs. Given how few jobs are needed to satisfy WTW requirements (see Tables at Tab A), this does not seem necessary. TANF and other funds can and will support workfare and subsidized jobs in any case. WTW performance payments should focus on an individual achieving employment status outside the welfare system.

The work group was, however, sharply divided over the question of paying performance grants for unsubsidized jobs in the public sector. The August design stressed private sector jobs but did not explicitly address whether performance payments could be made for regular, unsubsidized jobs in Federal, State, or local government. As the attached table (Tab B) notes, public jobs make up 15 to 25 percent of the job opportunities in most local labor markets, more in a few places. On the other hand, public agencies are not eligible for the WOTC and most employment growth is occurring in the private, not the public sector, so it is likely that most WTW job placements will be in the private sector. Paying off for public jobs could also raise the specter of the much-maligned CETA public service employment program.

DESIGN ISSUE #4: Performance payments for public jobs

The choices range from no public jobs, through a cap on public jobs, to total local discretion.

- Option A: No payments for public jobs. A complete bar on performance payments for such jobs. This may present difficulties in areas of high public employment.

- Option B: Cap on payments for public jobs. This could be an arbitrary cap, such as 10%, or a limitation based on the presence of public jobs in the local labor market: if the local labor market has 15% of its total employment in the public sector, only 15% of the jobs qualifying for performance payments could be in the public sector.

- Option C: No limit on payments for public jobs. Complete State and city discretion.

It is difficult to craft a credible argument that jobs in the public sector are somehow not real or appropriate jobs for long-term welfare recipients. Allowing public job placements to count does not necessarily weaken the private sector emphasis of the program, or somehow make it like CETA, though this criticism will be made. The issue of whether WTW is more like CETA with all is perceived faults, is more likely to arise with the use of WTW funds, as discussed below, not the basis upon which performance payments are made. If there has to be some limitation, doing it with reference to the share of public jobs in the area is defensible.

(G) Application process

- Process. States and eligible cities submit a plan at the same time to the Secretary, at a time and in the manner designated by the Secretary, for their share of the formula grant funds. Initial applications would be for the full program period (3 years of annual formula grants, plus the additional time needed to meet the job retention goal) with annual reporting, updates, and plan amendments. Plans would be modified by grantees as necessary, in accord with procedures the Secretary determines.

- Satisfactory progress. Grantees will be required to show satisfactory progress toward their jobs goal in order to receive second- and third-year formula grants. Failure to show such progress will result in required plan modification and, at the discretion of the Secretary, could lead to a reallocation of funds to other grantees with a greater likelihood of success.

- Public comment. Applications must be made available for public comment prior to admission to the Secretary. The final submission will indicate what public comments were received, and how they are reflected in the plan.

(H) Plan content

- Linkages and leveraging of resources. How the resources from State TANF, Child Care and Development Block Grant, JTPA, Work Opportunities Tax Credit (WOTC) and other sources will be used to help achieve the jobs goal.

- Stakeholder participation. How the TANF administering entity, the private sector, community-based organizations, labor representatives, EZ/EC plans, CDFI grantees, JTPA service delivery areas, educational institutions, the Employment Service, and other job training and placement entities and economic development activities have been brought together to plan the WTW activities, and how their participation will help achieve the jobs goal through use of their financial or in-kind resources, hiring commitments, or in other ways.

- Labor protections. How the job placements generated by WTW funds will be covered by the Fair Labor Standards Act and other labor protection laws, and will satisfy the nondisplacement, nondiscrimination, and wages and working conditions provisions of sections 142 through 144, and 167(a)(1) and (2) of the Job Training Partnership Act, as amended, and the additional labor protections included in the Administration's Work and Responsibility Act (see language at Tab C).

  Labor Department policy officials believe the language meets organized labor concerns.

  - Organized labor would welcome a requirement that would extend the labor protections described above to any programs (especially TANF) that grantees use in conjunction with WTW Jobs funds. However, such an extension could have the unintended effects of discouraging the merging of WTW and TANF funds and creating separate tracking of funds to avoid the additional labor protections.

- Job placements. The number of projected job placements consistent with the share of funds, and how these placements will occur in jobs that can be expected to continue after the retention period has expired.

(I) The relationship of the city to the State

Mayors of the largest cities will receive WTW Jobs funds directly and "control" their expenditure. At the same time, WTW funds must, to have a chance of being effective, be deployed locally in a manner that is fully consistent with State TANF and child care plans and spending. Under TANF, it is the State which is responsible for the welfare population, although States may devolve significant control to lower levels of government -- mainly counties. It is therefore not possible to give mayors totally independent control over WTW and still hope to have a successful program.

DESIGN ISSUE #5: **Mayoral control**

To balance mayoral control with necessary State coordination, the workgroup considered three options for local plan approval and funding arrangements.

- Option A: Consultation. Mayors must consult on their plans with Governors, but are not required to incorporate or report to the Secretary any comments received, or to secure Governor approval. This model assures the Governor the opportunity for input, but the degree to which his input is accepted is solely at the discretion of the mayor.

- Option B: Joint responsibility. Mayors must work with Governors to gain their approval prior to plan submission to the Secretary. Cities that could not secure Governor approval of their plans would be ineligible for WTW Funds. Their formula allotment would be reallocated among other eligible applicants in the State, including the Governor. This model maximizes the likelihood of close coordination between TANF and WTW, but at the expense of mayoral independence.

- Option C: Required mayor/governor interaction. A step-by-step process: (1) Mayors would develop their plans with Governors in whatever manner the two players work out. (2) The mayor's plan would, "to the greatest extent feasible," reflect Governor views in the plan. (3) If mayors cannot reach initial agreement with the Governor, they would be required to attach the Governor's comments to the application to the Secretary and to explain the areas of disagreement to the Secretary. (4) The Secretary could return the plan to the mayor to ask for additional explanation. (5) The Secretary could suggest alternatives to the mayor and the Governor, to help obtain a mutually satisfactory plan. (6) In the end, the mayor's preferences control. This model maximizes the opportunity for the mayor and Governor to work out their differences, but retains ultimate mayoral control.

The workgroup believes the third option strikes an appropriate balance between local control and the imperative of consistency with Statewide TANF strategies.

(J) Federal plan approval

As with virtually all Federal grants to States and cities, there needs to be a Federally-accepted plan upon which Federal funds flow to grantees. Federal programs offer a range of options for the degree to which the Government exercises control over the content of the grantee's plan as a condition for receipt of funds.

<u>DESIGN ISSUE #6</u>: The Federal role in WTW plan approval.

The workgroup identified two primary options for the Federal role, the TANF model and the JTPA model.

<u>Option A: TANF model</u>. Under TANF, the Federal role is limited to checking for completeness; guidance and oversight are minimal. The burden of design adequacy rests with the State. Funds are not conditioned on the quality of the plan or its likelihood of success, as judged by the Federal government.

<u>Option B: JTPA model</u>. In JTPA and many other Federal programs, the Federal government plays a more substantive role. With limited funds available to achieve the stated purpose, the Federal government is presumed to have a stake in, and expertise in, determining what approaches most effectively satisfy the requirements of the program statute. Under this approach, the Secretary would approve plan applications based on a "reasonable expectation of success."

Because WTW Jobs rewards activities primarily financed under TANF, departing from the "de minimus" TANF role would be difficult to justify, even though the JTPA model is more the Federal norm. Because the Secretary withholds 25 percent of WTW Jobs funds, the Federal leverage to encourage good performance is inherent in the WTW design, without regard to the plan approval process. Arguably, the carefully specified plan content requirements (above), coupled with full payment only for the showing of performance, can ensure accountability for WTW Jobs funds without a more meticulous plan approval process. It is likely, however, that a TANF-like approach will be criticized by some for failing to provide effective Federal oversight.

(K) Use of funds

States and localities are generally free to devise whatever program plan they choose, provided their plan makes clear that the result will be successful placement in jobs qualifying for the performance grant, up to the level determined in the formula allocation. In addition, three broad types of activities would be cited. They include:

(1) Proven models of job creation and placement. WTW may replicate programs which various localities have used successfully to place highly disadvantaged individuals.

(2) Jobs in expanded child care, through creation of jobs for eligible individuals in expanded community-based child care centers and other sources of affordable child care.

(3) Jobs created through cleaning up and rebuilding communities. Creation of jobs through environmental clean up; such as under Brownfields programs, and resulting economic development; EZ/EC incentives for new job creation in high poverty areas; and housing rehabilitation. Housing redevelopment programs, such as YouthBuild, also could be part of local community plans for these activities.

Applicants would be asked to show how they have provided for the use of voucher strategies that permit some or all of the eligible population to select or participate in selection of service options or service providers:

The most sensitive issue for use of funds is whether they may support workfare or other forms of job subsidization in the public sector. This issue is the forum for determining whether WTW is open to attack for being CETA in another guise.

DESIGN ISSUE #7: Use of WTW funds for workfare and subsidized public sector jobs.

The August outline is clear that the purpose of the program is to help create job opportunities in the private and non-profit sectors and that States and localities "would be granted maximum flexibility to develop job creation strategies -- including, where appropriate, in the public sector." While the language is ambiguous about using WTW funds specifically for "workfare," there was general (but not unanimous) agreement that WTW funds should not be used for workfare. In contrast, if "workfare" jobs are something local areas believe are warranted or necessary to prepare long-term welfare recipients for work, it might harm WTW's chances of success to bar its use for this purpose, even though TANF resources are already available for that purpose.

- Option A: Prohibit use of WTW funds for workfare or subsidized public jobs.

- Option B: Complete local discretion.

The issue here is not whether workfare or public jobs subsidization are valuable employability development tools, but rather whether WTW funds should be available for that purpose in addition to TANF and other funds. The key for WTW is the performance payment for regular, lasting employment, not the manner in which a long-term welfare recipient acquired the skills and knowledge needed to get and hold such a job. On the other hand, using WTW for workfare raises the unwelcome CETA issue. TANF already permits the use of its funds for such purpose.

(L) Accountability and evaluation

- The basic design of WTW -- rewarding only success -- ensures grantee accountability. It is also essential that the Federal government, and the States and cities, learn which WTW strategies work best, in what situations.

- WTW will require periodic reports from each grantee on progress toward meeting the plan goals, with analysis of successes and problems. In addition, the Secretary will establish an on-going evaluation capability that will establish baseline data at the outset and permit an assessment of whether the WTW strategy is working during its second and third years, and an overall assessment of its net impact on the long-term welfare population.

- The authorization for appropriations for WTW ends after the third year, in order to make clear that the decision on whether to seek additional appropriations beyond the initial $3 billion should turn on whether this program design has proved successful.

(M) Administering agency

The WTW workgroup did not address the issue of which Federal agency should be the lead administering entity for WTW Jobs. This issue was deferred in August. The discussion below is divided into two issues: 8(a), HHS or DOL; and 8(b) interaction between DOL and HHS, should one or the other be designated lead.

DESIGN ISSUE #8: Federal administration

8(a) Should HHS or Labor administer WTW?

OMB offers the following summary of this issue.

HHS and DOL can each make a strong case for assuming administrative responsibility. As administrator of TANF, HHS remains the principal source to the States on welfare policy. Administrative ease and efficiency, extensive knowledge of the welfare population, and the complex interactions between TANF and WTW's multiple sanctions and rewards, argue for a lead role for HHS in WTW Jobs.

On the other hand, DOL has a proven track record of working for decades with low-income adults; currently 35 percent of JTPA title II-A participants are AFDC recipients. Like WTW, JTPA stresses employment outcomes through a system of performance standards. JTPA also has strong ties to mayors, county commissioners, and local employers through its 600 business-led Private Industry Councils.

- Option A: DOL lead.

- Option B: HHS lead.

If DOL has the lead, States would deplore answering to two federal bureaucracies -- DOL for WTW and HHS for TANF -- as they administer their complementary, commingled welfare funds. Mayors would likely gladly accept DOL as lead agency for the WTW funds since they work with DOL on JTPA and have for many years.

It is possible to defer this issue past the Budget database lock in early January, by including in the Budget an "allowance" of $750 million in FY 1998 and $3 billion for FY 1998-2000 (plus administrative costs) that is not assigned to either agency. However, deferring this issue means losing the ability for the administering agency to work actively with key Congressional members to obtain the legislation and FY 1998 appropriation.

8(b) Interaction between HHS and Labor

Regardless of which agency has the lead, the programmatic interaction between TANF and WTW requires a close working relationship between HHS and DOL. This relationship could take various forms. Primary options are:

Option A: Consultation. Under this option, the lead agency would, by statute, be required to consult with the other agency on all aspects of WTW program administration, and its interaction with TANF. At a minimum, consultation would occur on standards for WTW plan content, review and approval of applications, progress reports, corrective action or funding reallocation, and the design and conduct of the evaluation. This option would provide a formal participatory role for the other agency, but ensure a clear line of responsibility to the lead agency.

Option B: Joint approval. Under this option, HHS and Labor would jointly administer WTW. This option would adapt the model included in the Clinton Administration's School-to-Work (STW) Opportunities Act, in which the Secretaries of Education and Labor "jointly provide for, and exercise final authority over, the administration of the Act" and have final authority to jointly issue whatever procedures, guidelines, and regulations the Secretaries consider necessary and appropriate to administer and enforce the Act. To avoid some of the complexity of STW, funds would be requested only in the lead Department, and the joint STW staffing pattern would not be followed. While this option is more complex than the consultation model, it ensures the administrative and policy strengths of both agencies will be brought to bear on WTW.

POVERTY LEVELS, RATES AND RANKS
(Places of at least 100,000; 1990 Census)

Rank	Cities	Persons in Poverty	150 Cities and 50 States: Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	100 Cities and 50 States: Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
City	U.S. Total......................................	31,699,669						30,692,487				
Rank	Cities	10,496,370				$993,358	331,119	9,489,188			$927,509	309,170
1	New York city	1,384,994	$43,691	14,564	$32,768	$131,073	43,691	$45,125	15,042	$33,844	$135,375	45,125
2	Los Angeles city	643,809	$20,310	6,770	$15,232	$60,929	20,310	$20,976	6,992	$15,732	$62,928	20,976
3	Chicago city	592,298	$18,685	6,228	$14,014	$56,054	18,685	$19,298	6,433	$14,473	$57,893	19,298
4	Houston city	332,974	$10,504	3,501	$7,878	$31,512	10,504	$10,849	3,616	$8,137	$32,546	10,849
5	Detroit city	328,467	$10,362	3,454	$7,771	$31,086	10,362	$10,702	3,567	$8,026	$32,106	10,702
6	Philadelphia city	313,374	$9,886	3,295	$7,414	$29,657	9,886	$10,210	3,403	$7,658	$30,630	10,210
7	San Antonio city	207,161	$6,535	2,178	$4,901	$19,605	6,535	$6,750	2,250	$5,062	$20,249	6,750
8	Dallas city	177,790	$5,609	1,870	$4,206	$16,826	5,609	$5,793	1,931	$4,344	$17,378	5,793
9	Baltimore city	156,284	$4,930	1,643	$3,698	$14,790	4,930	$5,092	1,697	$3,819	$15,276	5,092
10	New Orleans city	152,042	$4,796	1,599	$3,597	$14,389	4,796	$4,954	1,651	$3,715	$14,861	4,954
11	San Diego city	142,382	$4,492	1,497	$3,369	$13,475	4,492	$4,639	1,546	$3,479	$13,917	4,639
12	Cleveland city	142,217	$4,486	1,495	$3,365	$13,459	4,486	$4,634	1,545	$3,475	$13,901	4,634
13	Phoenix city	137,406	$4,335	1,445	$3,251	$13,004	4,335	$4,477	1,492	$3,358	$13,431	4,477
14	Memphis city	136,123	$4,294	1,431	$3,221	$12,882	4,294	$4,435	1,478	$3,326	$13,305	4,435
15	Milwaukee city	135,583	$4,277	1,426	$3,208	$12,831	4,277	$4,417	1,472	$3,313	$13,252	4,417
16	El Paso city	128,886	$4,066	1,355	$3,049	$12,198	4,066	$4,199	1,400	$3,149	$12,598	4,199
17	Miami city	109,594	$3,457	1,152	$2,593	$10,372	3,457	$3,571	1,190	$2,678	$10,712	3,571
18	Columbus city	105,494	$3,328	1,109	$2,496	$9,984	3,328	$3,437	1,146	$2,578	$10,311	3,437
19	Atlanta city	102,364	$3,229	1,076	$2,422	$9,688	3,229	$3,335	1,112	$2,501	$10,005	3,335
20	Boston city	102,092	$3,221	1,074	$2,415	$9,662	3,221	$3,326	1,109	$2,495	$9,979	3,326
21	District of Columbia	96,278	$3,037	1,012	$2,278	$9,112	3,037	$3,137	1,046	$2,353	$9,411	3,137
22	St. Louis city	95,271	$3,005	1,002	$2,254	$9,016	3,005	$3,104	1,035	$2,328	$9,312	3,104
23	San Francisco city	90,019	$2,840	947	$2,130	$8,519	2,840	$2,933	978	$2,200	$8,799	2,933
24	Indianapolis city (remainder)	89,831	$2,834	945	$2,125	$8,501	2,834	$2,927	976	$2,195	$8,780	2,927
25	Cincinnati city	85,319	$2,691	897	$2,019	$8,074	2,691	$2,780	927	$2,085	$8,339	2,780
26	Fresno city	83,108	$2,622	874	$1,966	$7,865	2,622	$2,708	903	$2,031	$8,123	2,708
27	Buffalo city	81,601	$2,574	858	$1,931	$7,723	2,574	$2,659	886	$1,994	$7,976	2,659
28	Austin city	80,369	$2,535	845	$1,901	$7,606	2,535	$2,619	873	$1,964	$7,856	2,619
29	Jacksonville city (remainder)	80,016	$2,524	841	$1,893	$7,573	2,524	$2,607	869	$1,955	$7,821	2,607
30	Tucson city	79,287	$2,501	834	$1,876	$7,504	2,501	$2,583	861	$1,937	$7,750	2,583
31	Denver city	78,515	$2,477	826	$1,858	$7,431	2,477	$2,558	853	$1,919	$7,674	2,558
32	Fort Worth city	75,597	$2,385	795	$1,789	$7,154	2,385	$2,463	821	$1,847	$7,389	2,463
33	Pittsburgh city	75,172	$2,371	790	$1,779	$7,114	2,371	$2,449	816	$1,837	$7,348	2,449
34	San Jose city	71,676	$2,261	754	$1,696	$6,783	2,261	$2,335	778	$1,751	$7,006	2,335
35	Newark city	70,702	$2,230	743	$1,673	$6,691	2,230	$2,304	768	$1,728	$6,911	2,304
36	Long Beach city	69,694	$2,199	733	$1,649	$6,596	2,199	$2,271	757	$1,703	$6,812	2,271

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POVERTY LEVELS, RATES AND RANKS

(Places of at least 100,000; 1990 Census)

			150 Cities and 50 States					100 Cities and 50 States				
		Persons in Poverty	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
37	Oklahoma City city	69,096	$2,180	727	$1,635	$6,539	2,180	$2,251	750	$1,688	$6,754	2,251
38	Oakland city	68,781	$2,170	723	$1,627	$6,509	2,170	$2,241	747	$1,681	$6,723	2,241
39	Minneapolis city	65,556	$2,068	689	$1,551	$6,204	2,068	$2,136	712	$1,602	$6,408	2,136
40	Kansas City city	65,381	$2,063	688	$1,547	$6,188	2,063	$2,130	710	$1,598	$6,391	2,130
41	Birmingham city	64,572	$2,037	679	$1,528	$6,111	2,037	$2,104	701	$1,578	$6,312	2,104
42	Nashville-Davidson (remaindr)	62,497	$1,972	657	$1,479	$5,915	1,972	$2,036	679	$1,527	$6,109	2,036
43	Toledo city	62,426	$1,969	656	$1,477	$5,908	1,969	$2,034	678	$1,525	$6,102	2,034
44	Sacramento city	62,232	$1,963	654	$1,472	$5,890	1,963	$2,028	676	$1,521	$6,083	2,028
45	Portland city	62,058	$1,958	653	$1,468	$5,873	1,958	$2,022	674	$1,516	$6,066	2,022
46	Seattle city	61,681	$1,946	649	$1,459	$5,837	1,946	$2,010	670	$1,507	$6,029	2,010
47	Louisville city	59,144	$1,866	622	$1,399	$5,597	1,866	$1,927	642	$1,445	$5,781	1,927
48	Baton Rouge city	54,669	$1,725	575	$1,293	$5,174	1,725	$1,781	594	$1,336	$5,344	1,781
49	Tulsa city	53,768	$1,696	565	$1,272	$5,089	1,696	$1,752	584	$1,314	$5,255	1,752
50	Albuquerque city	52,903	$1,669	556	$1,252	$5,007	1,669	$1,724	575	$1,293	$5,171	1,724
51	Tampa city	52,557	$1,658	553	$1,243	$4,974	1,658	$1,712	571	$1,284	$5,137	1,712
52	Rochester city	52,237	$1,648	549	$1,236	$4,944	1,648	$1,702	567	$1,276	$5,106	1,702
53	Santa Ana city	51,835	$1,635	545	$1,226	$4,906	1,635	$1,689	563	$1,267	$5,067	1,689
54	Corpus Christi city	50,525	$1,594	531	$1,195	$4,782	1,594	$1,646	549	$1,235	$4,939	1,646
55	Shreveport city	49,215	$1,553	518	$1,164	$4,658	1,553	$1,603	534	$1,203	$4,810	1,603
56	Dayton city	46,480	$1,466	489	$1,100	$4,399	1,466	$1,514	505	$1,136	$4,543	1,514
57	Laredo city	45,126	$1,424	475	$1,068	$4,271	1,424	$1,470	490	$1,103	$4,411	1,470
58	Akron city	44,544	$1,405	468	$1,054	$4,216	1,405	$1,451	484	$1,088	$4,354	1,451
59	St. Paul city	44,115	$1,392	464	$1,044	$4,175	1,392	$1,437	479	$1,078	$4,312	1,437
60	Stockton city	43,990	$1,388	463	$1,041	$4,163	1,388	$1,433	478	$1,075	$4,300	1,433
61	Norfolk city	43,944	$1,386	462	$1,040	$4,159	1,386	$1,432	477	$1,074	$4,295	1,432
62	Jackson city	43,216	$1,363	454	$1,022	$4,090	1,363	$1,408	469	$1,056	$4,224	1,408
63	Mobile city	42,838	$1,351	450	$1,014	$4,054	1,351	$1,396	465	$1,047	$4,187	1,396
64	Jersey City city	42,539	$1,342	447	$1,006	$4,026	1,342	$1,386	462	$1,039	$4,158	1,386
65	Charlotte city	42,312	$1,335	445	$1,001	$4,004	1,335	$1,379	460	$1,034	$4,136	1,379
66	Flint city	42,218	$1,332	444	$999	$3,995	1,332	$1,376	459	$1,032	$4,127	1,376
67	Omaha city	41,357	$1,305	435	$978	$3,914	1,305	$1,347	449	$1,011	$4,042	1,347
68	Richmond city	40,103	$1,265	422	$949	$3,795	1,265	$1,307	436	$980	$3,920	1,307
69	Wichita city	37,321	$1,177	392	$883	$3,532	1,177	$1,216	405	$912	$3,648	1,216
70	Hartford city	36,397	$1,148	383	$861	$3,445	1,148	$1,186	395	$889	$3,558	1,186
71	San Bernardino city	36,174	$1,141	380	$856	$3,423	1,141	$1,179	393	$884	$3,536	1,179
72	Lubbock city	34,593	$1,091	364	$818	$3,274	1,091	$1,127	376	$845	$3,381	1,127
73	Syracuse city	34,402	$1,085	362	$814	$3,256	1,085	$1,121	374	$841	$3,363	1,121
74	Providence city	34,120	$1,076	359	$807	$3,229	1,076	$1,112	371	$834	$3,335	1,112

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POVERTY LEVELS, RATES AND RANKS

(Places of at least 100,000; 1990 Census)

			150 Cities and 50 States					100 Cities and 50 States				
		Persons in Poverty	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
75	Gary city	33,964	$1,071	357	$804	$3,214	1,071	$1,107	369	$830	$3,320	1,107
76	Hialeah city	33,830	$1,067	356	$800	$3,202	1,067	$1,102	367	$827	$3,307	1,102
77	Montgomery city	32,778	$1,034	345	$776	$3,102	1,034	$1,068	356	$801	$3,204	1,068
78	Knoxville city	32,189	$1,015	338	$762	$3,046	1,015	$1,049	350	$787	$3,146	1,049
79	Columbus city (remainder)	31,811	$1,004	335	$753	$3,011	1,004	$1,036	345	$777	$3,109	1,036
80	St. Petersburg city	31,475	$993	331	$745	$2,979	993	$1,025	342	$769	$3,076	1,025
81	Springfield city	30,241	$954	318	$715	$2,862	954	$985	328	$739	$2,956	985
82	Lexington-Fayette	30,108	$950	317	$712	$2,849	950	$981	327	$736	$2,943	981
83	Colorado Springs city	29,973	$946	315	$709	$2,837	946	$977	326	$732	$2,930	977
84	Honolulu CDP	29,873	$942	314	$707	$2,827	942	$973	324	$730	$2,920	973
85	Spokane city	29,863	$942	314	$707	$2,826	942	$973	324	$730	$2,919	973
86	Savannah city	29,854	$942	314	$706	$2,825	942	$973	324	$730	$2,918	973
87	East Los Angeles CDP	29,355	$926	309	$695	$2,778	926	$956	319	$717	$2,869	956
88	Grand Rapids city	29,103	$918	306	$689	$2,754	918	$948	316	$711	$2,845	948
89	Las Vegas city	29,084	$917	306	$688	$2,752	917	$948	316	$711	$2,843	948
90	Madison city	28,640	$903	301	$678	$2,710	903	$933	311	$700	$2,799	933
91	Tacoma city	28,632	$903	301	$677	$2,710	903	$933	311	$700	$2,799	933
92	Anaheim city	27,933	$881	294	$661	$2,644	881	$910	303	$683	$2,730	910
93	Mesa city	27,087	$854	285	$641	$2,563	854	$883	294	$662	$2,648	883
94	Chattanooga city	26,803	$846	282	$634	$2,537	846	$873	291	$655	$2,620	873
95	Kansas City city	26,433	$834	278	$625	$2,502	834	$861	287	$646	$2,584	861
96	Riverside city	26,280	$829	276	$622	$2,487	829	$856	285	$642	$2,569	856
97	Amarillo city	26,058	$822	274	$617	$2,466	822	$849	283	$637	$2,547	849
98	Bakersfield city	25,782	$813	271	$610	$2,440	813	$840	280	$630	$2,520	840
99	Paterson city	25,677	$810	270	$608	$2,430	810	$837	279	$627	$2,510	837
100	Salt Lake City city	25,651	$809	270	$607	$2,428	809	$836	279	$627	$2,507	836
101	Tallahassee city	25,518	$805	268	$604	$2,415	805					
102	Glendale city	25,484	$804	268	$603	$2,412	804					
103	New Haven city	25,481	$804	268	$603	$2,411	804					
104	Little Rock city	25,193	$795	265	$596	$2,384	795					
105	Macon city	25,178	$794	265	$596	$2,383	794					
106	Fort Lauderdale city	24,793	$782	261	$587	$2,346	782					
107	Lansing city	24,513	$773	258	$580	$2,320	773					
108	Worcester city	24,228	$764	255	$573	$2,293	764					
109	Des Moines city	24,137	$761	254	$571	$2,284	761					
110	Orlando city	23,797	$751	250	$563	$2,252	751					
111	Pomona city	23,648	$746	249	$560	$2,238	746					
112	Beaumont city	23,494	$741	247	$556	$2,223	741					

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POVERTY LEVELS, RATES AND RANKS
(Places of at least 100,000; 1990 Census)

			150 Cities and 50 States					100 Cities and 50 States				
		Persons in Poverty	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
113	Bridgeport city	23,463	$740	247	$555	$2,220	740					
114	El Monte city	23,446	$740	247	$555	$2,219	740					
115	Springfield city	23,223	$733	244	$549	$2,198	733					
116	Newport News city	23,169	$731	244	$548	$2,193	731					
117	Raleigh city	22,942	$724	241	$543	$2,171	724					
118	Virginia Beach city	22,307	$704	235	$528	$2,111	704					
119	Arlington city	21,272	$671	224	$503	$2,013	671					
120	Modesto city	20,930	$660	220	$495	$1,981	660					
121	Winston-Salem city	20,713	$653	218	$490	$1,960	653					
122	Lincoln city	20,521	$647	216	$486	$1,942	647					
123	Peoria city	20,516	$647	216	$485	$1,942	647					
124	Yonkers city	20,436	$645	215	$484	$1,934	645					
125	Greensboro city	20,214	$638	213	$478	$1,913	638					
126	Erie city	20,192	$637	212	$478	$1,911	637					
127	Fort Wayne city	19,531	$616	205	$462	$1,848	616					
128	Durham city	19,163	$605	202	$453	$1,814	605					
129	Pasadena city	19,043	$601	200	$451	$1,802	601					
130	Tempe city	18,603	$587	196	$440	$1,761	587					
131	Eugene city	18,176	$573	191	$430	$1,720	573					
132	Rockford city	18,127	$572	191	$429	$1,716	572					
133	Huntsville city	18,093	$571	190	$428	$1,712	571					
134	Portsmouth city	17,920	$565	188	$424	$1,696	565					
135	Ontario city	17,853	$563	188	$422	$1,690	563					
136	Evansville city	17,812	$562	187	$421	$1,686	562					
137	Inglewood city	17,806	$562	187	$421	$1,685	562					
138	Oxnard city	17,608	$555	185	$417	$1,666	555					
139	Elizaberh city	17,451	$551	184	$413	$1,652	551					
140	Glendale city	16,756	$529	176	$396	$1,586	529					
141	Pasadena city	16,724	$528	176	$396	$1,583	528					
142	Salinas city	16,652	$525	175	$394	$1,576	525					
143	Aurora city	16,288	$514	171	$385	$1,541	514					
144	Irving city	16,209	$511	170	$383	$1,534	511					
145	Anchorage city	15,614	$493	164	$369	$1,478	493					
146	Reno city	15,085	$476	159	$357	$1,428	476					
147	South Bend city	14,854	$469	156	$351	$1,406	469					
148	Garden Grove city	14,652	$462	154	$347	$1,387	462					
149	Topeka city	14,292	$451	150	$338	$1,353	451					
150	Garland city	14,062	$444	148	$333	$1,331	444					

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POVERTY LEVELS, RATES AND RANKS

(Places of at least 100,000; 1990 Census)

State Rank		Persons in Poverty	150 Cities and 50 States: Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	100 Cities and 50 States: Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
	States/Balance of States (BOS)	**21,203,299**				$2,006,642	668,881				$2,072,490	690,830
1	California BOS	1,957,413	$61,749	20,583	$46,312	$185,246	61,749	$63,775	21,258	$47,831	$191,325	63,775
2	Texas BOS	1,749,675	$55,195	18,398	$41,397	$165,586	55,195	$57,007	19,002	$42,755	$171,020	57,007
3	Florida BOS	1,222,606	$38,568	12,856	$28,926	$115,705	38,568	$39,834	13,278	$29,876	$119,502	39,834
4	Pennsylvania BOS	874,891	$27,599	9,200	$20,700	$82,798	27,599	$28,505	9,502	$21,379	$85,515	28,505
5	Ohio BOS	839,288	$26,476	8,825	$19,857	$79,429	26,476	$27,345	9,115	$20,509	$82,035	27,345
6	Michigan BOS	766,397	$24,177	8,059	$18,133	$72,530	24,177	$24,970	8,323	$18,728	$74,911	24,970
7	Louisiana BOS	711,076	$22,432	7,477	$16,824	$67,295	22,432	$23,168	7,723	$17,376	$69,503	23,168
8	Georgia BOS	704,514	$22,225	7,408	$16,668	$66,674	22,225	$22,954	7,651	$17,215	$68,862	22,954
9	North Carolina BOS	704,514	$22,225	7,408	$16,668	$66,674	22,225	$22,954	7,651	$17,215	$68,862	22,954
10	New York BOS	703,626	$22,197	7,399	$16,647	$66,590	22,197	$22,925	7,642	$17,194	$68,775	22,925
11	Illinois BOS	677,978	$21,388	7,129	$16,041	$64,163	21,388	$22,089	7,363	$16,567	$66,268	22,089
12	Kentucky BOS	592,575	$18,693	6,231	$14,020	$56,080	18,693	$19,307	6,436	$14,480	$57,921	19,307
13	Mississippi BOS	587,813	$18,543	6,181	$13,907	$55,630	18,543	$19,152	6,384	$14,364	$57,455	19,152
14	Alabama BOS	565,333	$17,834	5,945	$13,376	$53,502	17,834	$18,419	6,140	$13,814	$55,258	18,419
15	South Carolina State (no cities)	517,793	$16,334	5,445	$12,251	$49,003	16,334	$16,870	5,623	$12,653	$50,611	16,870
16	Tennessee BOS	487,329	$15,373	5,124	$11,530	$46,120	15,373	$15,878	5,293	$11,908	$47,633	15,878
17	Missouri BOS	479,200	$15,117	5,039	$11,338	$45,351	15,117	$15,613	5,204	$11,710	$46,839	15,613
18	Virginia BOS	450,337	$14,206	4,735	$10,655	$42,619	14,206	$14,673	4,891	$11,004	$44,018	14,673
19	New Jersey BOS	416,783	$13,148	4,383	$9,861	$39,444	13,148	$13,579	4,526	$10,184	$40,738	13,579
20	Indiana BOS	415,452	$13,106	4,369	$9,829	$39,318	13,106	$13,536	4,512	$10,152	$40,608	13,536
21	Arkansas BOS	411,896	$12,994	4,331	$9,745	$38,981	12,994	$13,420	4,473	$10,065	$40,260	13,420
22	Washington BOS	397,757	$12,548	4,183	$9,411	$37,643	12,548	$12,959	4,320	$9,720	$38,878	12,959
23	Oklahoma BOS	386,990	$12,208	4,069	$9,156	$36,624	12,208	$12,609	4,203	$9,456	$37,826	12,609
24	Massachusetts BOS	362,778	$11,444	3,815	$8,583	$34,333	11,444	$11,820	3,940	$8,865	$35,459	11,820
25	West Virginia State (no cities)	345,093	$10,886	3,629	$8,165	$32,659	10,886	$11,244	3,748	$8,433	$33,731	11,244
26	Wisconsin BOS	344,322	$10,862	3,621	$8,147	$32,586	10,862	$11,218	3,739	$8,414	$33,655	11,218
27	Minnesota BOS	325,660	$10,273	3,424	$7,705	$30,820	10,273	$10,610	3,537	$7,958	$31,831	10,610
28	Arizona BOS	285,223	$8,998	2,999	$6,748	$26,993	8,998	$9,293	3,098	$6,970	$27,879	9,293
29	Iowa BOS	283,283	$8,936	2,979	$6,702	$26,809	8,936	$9,230	3,077	$6,922	$27,689	9,230
30	Oregon BOS	264,633	$8,348	2,783	$6,261	$25,044	8,348	$8,622	2,874	$6,467	$25,866	8,622
31	New Mexico BOS	253,031	$7,982	2,661	$5,987	$23,946	7,982	$8,244	2,748	$6,183	$24,732	8,244
32	Colorado BOS	250,438	$7,900	2,633	$5,925	$23,701	7,900	$8,160	2,720	$6,120	$24,479	8,160
33	Maryland BOS	229,012	$7,224	2,408	$5,418	$21,673	7,224	$7,461	2,487	$5,596	$22,384	7,461
34	Kansas BOS	196,577	$6,201	2,067	$4,651	$18,604	6,201	$6,405	2,135	$4,804	$19,214	6,405
35	Utah BOS	166,764	$5,261	1,754	$3,946	$15,782	5,261	$5,433	1,811	$4,075	$16,300	5,433

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POVERTY LEVELS, RATES AND RANKS

(Places of at least 100,000; 1990 Census)

		150 Cities and 50 States					100 Cities and 50 States				
	Persons in Poverty	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
36 Connecticut BOS	132,006	$4,164	1,388	$3,123	$12,493	4,164	$4,301	1,434	$3,226	$12,903	4,301
37 Idaho State (no cities)	130,588	$4,120	1,373	$3,090	$12,359	4,120	$4,255	1,418	$3,191	$12,764	4,255
38 Maine State (no cities)	128,466	$4,053	1,351	$3,039	$12,158	4,053	$4,186	1,395	$3,139	$12,557	4,186
39 Montana State (no cities)	124,853	$3,939	1,313	$2,954	$11,816	3,939	$4,068	1,356	$3,051	$12,204	4,068
40 Nebraska BOS	108,738	$3,430	1,143	$2,573	$10,291	3,430	$3,543	1,181	$2,657	$10,628	3,543
41 South Dakota State (no cities)	106,305	$3,354	1,118	$2,515	$10,061	3,354	$3,464	1,155	$2,598	$10,391	3,464
42 North Dakota State (no cities)	88,276	$2,785	928	$2,089	$8,354	2,785	$2,876	959	$2,157	$8,628	2,876
43 Nevada BOS	75,491	$2,381	794	$1,786	$7,144	2,381	$2,460	820	$1,845	$7,379	2,460
44 New Hampshire State (no cities)	69,104	$2,180	727	$1,635	$6,540	2,180	$2,251	750	$1,689	$6,754	2,251
45 Rhode Island BOS	58,550	$1,847	616	$1,385	$5,541	1,847	$1,908	636	$1,431	$5,723	1,908
46 Hawaii BOS	58,535	$1,847	616	$1,385	$5,540	1,847	$1,907	636	$1,430	$5,721	1,907
47 Delaware State (no cities)	56,223	$1,774	591	$1,330	$5,321	1,774	$1,832	611	$1,374	$5,495	1,832
48 Vermont State (no cities)	53,369	$1,684	561	$1,263	$5,051	1,684	$1,739	580	$1,304	$5,216	1,739
49 Wyoming State (no cities)	52,453	$1,655	552	$1,241	$4,964	1,655	$1,709	570	$1,282	$5,127	1,709
50 Alaska BOS	32,292	$1,019	340	$764	$3,056	1,019	$1,052	351	$789	$3,156	1,052

5/30/97

Comparison of Job Block Grant Proposals
May 1997

Category	House Democrats	Blue Dogs	Daschle	Administration	CBPP/Primus	Proposal X– Haskins
Allocation to states	Merit awards to cities and states (by the DOL in consultation with HHS and HUD); part set-aside in later years for performance grants	70% based on TANF and FS caseload covered by work requirements; 30% for performance grants based on placement of long-term recipients, with barriers, etc.	80% based on TANF and FS caseload covered by work requirements; 20% for performance grants based on placement of long-term recipients, with barriers, etc.	80% for States, cities, and counties, with preference to high poverty and unemployment; 20% for performance grants based on placement of long-term recipients, with barriers, etc.	60-85% distributed based on long-term recipients or poverty; 15-40% based on a competitive RFP process for 25-40 states and communities	100% distributed based on poverty, unemployment, and IV-A recipients; no performance grants
Allocation within states	"Substantial" portion to areas with high poverty and unemployment and job shortages	Each grant must be under $10 million: 25% of total for populations above 1,000,000; 25% for between 250,000 and 1,000,000; 25% for under 250,000	~~Grant must be spent in area with poverty and unemployment of at least 20%; must allocate a share to two cities with the largest poverty population~~ changing	50% of funds earmarked for States, 50% for cities and counties	Both competitive and formula grants must be spent in areas with poverty and unemployment above 20%	80% distributed by governor based mostly on poverty, plus welfare use, unemployment, and long-term dependency; 20% may go to other "saturation" projects
State agency	State TANF agency	Not specified	Not specified	Not specified	State TANF agency	State TANF agency or other agency designated by the governor
How state qualifies	HHS must determine that State can't meet TANF work requirements, maintains JOBS spending, meets 100% TANF MOE, and can carry out program	State must maintain JOBS spending, 20% State match for basic grant, and administrative spending is under 7% of total funds	Same as Blue Dogs	80% TANF MOE	Submit detailed State plan, plus State match is higher of Medicaid match rate or 75%	80% TANF MOE, 50% State match, agree to evaluation, and 15% administrative cap
Eligible individuals	36+ months on AFDC/TANF and no significant work experience, plus already participated in job search without getting job	~~Not specified~~ >18 mos 30% for FS 18-50	18+ months on AFDC/TANF, noncustodial parents with arrearages or support orders, or single FS recipients	Not specified	Recipients w. major barriers, in job search, or non-custodial fathers paying child support; 10% of formula grants are for childless FS recipients ages 18-50	80% must be spent on those on AFDC/TANF for 18+ months and those with multiple barriers
Evaluation set-aside	1%	Not specified	1% for multi-site evaluation of no more than 5 States; less intensive on other States	Not specified	Same as Daschle	0.5% to HHS, in consultation with Secretary of Labor
Allowable activities	Wage subsidies, job creation, job placement, job vouchers, and job retention services	Job placement vouchers to recipients, contracts with placement companies, work supplementation in private sector jobs, grants to non-profits for job creation, micro- enterprise and individual development accounts, and supportive services	Job retention assistance, wage subsidies to private employers, contracts to private nonprofit agencies, micro-enterprise, revolving loan funds, technical and financial assistance, job retention vouchers redeemed by private job placement agencies	Private sector wage subsidies, contracts with job placement companies or public job placement programs, job vouchers, job retention services, job creation in high unemployment areas and on Indian reservations	For competitive grants, may include wage subsidies, publicly funded jobs, improving participant skills, and pressing community needs; for formula grants, the same plus wage subsidies, transition from subsidized employment, or skills development for those at high risk of reaching time limits	Private sector wage subsidies, contracts with job placement companies or public job placement programs, job vouchers, on-the-job training, or job retention services
Set-aside for Indians	Not specified	Not specified	1%	1%	Not specified	1%
Penalty	Not specified	Not specified	Not specified	Not specified	Not specified	Misspent funds must be returned

WR - WR-to-work legislation

m/deal/work short

WR – WR-to-work legislation

Barry White
05/31/97 10:18:45 AM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Maureen H. Walsh/OMB/EOP, Jeffrey A. Farkas/OMB/EOP
Subject: WTW -- Friday afternoon meeting

These notes will supplement the phone call to Elena and staff briefings in passing.

Process. To recap expected timing of next steps:

Haskins expects his draft Monday morning. He will make it available to us through Palast, who takes responsibility for getting to HHS and us. If it doesn't come directly to DPC, I'll get it there, and will get it to Stegman at HUD and Barr at Treasury (who called about all this Friday night).

Haskins is open to meeting with a small group late Monday to provide comments and input to a second draft. AS noted below, he accepts that he needs some input on several issues.

Haskins expects to be able to circulate a draft Tuesday or Wednesday at the latest, with mark up scheduled for Friday, for WTW and other matters: immigrants (grandfathering all on the roles instead of the Agreement on new applicants; deportation; sponsorship at 150% of poverty eliminates benfits; no AIDs aliens; et al -- Tarplin has a complete list); FLSA; privatization; TANF transfers for Title XX and childcare; limiting amount of high school and voc ed that can count for TANF requirements; and UI (Pennington).

Colton provided a preliminary list of minority amendments to the expected bill. (Kagan has by fax; OMB staff: in your boxes).

Colton may want Administration people at meeting of Dem LAs; she will call WH and/or Palast and Tarplin.

W&M and E&W. Haskins reported that he and the Education and Workforce committee staff have been unable to agree on a WTW design. Haskins favors competition and qualitative judgements on plans. E&W favors including the WTW money in the broad block grant approach it has approved as the replacment for JTPA. Not clear how this will play out among the members, but Haskins is drafting his way for now.

What do the cities think. Not yet clear. Some think they would accept the pass through from States approach (see below), in lieu of direct grants from the Feds. Palast is to get a straight story from the Conf of Mayors.

Content.

Some mix of competitive and formula grants. Proportion likely to be a members issue. Formula will focus on poverty and unemployment and numbers on welfare.

DOL administers.

Split between States and cities, and degree of control over money by cities not clear, but may be achieved via a statutoriliy required pass-through from States, as in JTPA. Substate formula based on poverty plus welfare rolls, long term recipients. The Agreement says local areas must have poverty 20% above State average, but Haskins is sceptical of reality of that figure.

Funding from State or locals has to be approved by PICs. This is confused due to limited understanding of the JTPA/PIC structure; DOL will provide some drafting clarity

One/third State match ($1 State to $2 Fed), with State $ not usable to meet any other Federal match. States must meet TANF 80% MOE. 15% admin cap.

Eligible individuals are:

1. On welfare for 30 months; <u>or</u>
2. Have less than one year before mandatory TANF termination; <u>or</u>
3. Meet any <u>two</u> of the following four conditions (each to be defined by the Secretary):
   a. School dropout;
   b. Low skills;
   c. Less than 3 of the last 12 months in the labor force;
   d. Drug abuser.

HHS (not DOL) receives .5% of the annual appropriation for evaluation, developed in consultation with DOL. (On $3 billion, this is $150 million, which has to be a typo; must be .05%).

State legislature must appropriate the grant to States; role not clear for grants to cities.

Allowable activities:
Job creation, through public or private sector wage subsidies;
On-the-job training;
Contracts with job placement companies or public job placement programs;
Job vouchers;
Job retention services or support services if not otherwise available.

No performance bonuses.

Message Sent To:

Larry R. Matlack/OMB/EOP
Keith J. Fontenot/OMB/EOP
Elena Kagan/OPD/EOP
Kathryn B. Stack/OMB/EOP
Diana Fortuna/OPD/EOP

WR - WR-to-work legislation

Administration's Welfare to Work Jobs Challenge Proposal

Consistent with the budget agreement, this proposal would add $3.0 billion in capped mandatory spending to TANF for welfare-to-work in areas with high poverty and unemployment to help long-term recipients get and keep jobs.

Funding:

- Challenge grants would be awarded on a competitive basis to States, cities, and counties who have submitted applications for welfare to work programs for long term welfare recipients. Preference will be given to programs operating in areas with high poverty and unemployment rates.

- 50% of funds would be earmarked for States, and 50% for cities and counties. At least 20 percent of the total would be provided as performance-based bonus grants to reward success in placing and retaining long-term recipients in jobs. To apply, states must meet an 80 percent TANF maintenance of effort.

- Grants would be awarded by the Department of Labor in consultation with the Department of Health and Human Services and the Department of Housing and Urban Development.

Allowable uses:

- Private sector wage subsidies;

- Contracts with job placement companies or public job placement programs;

- Job vouchers;

- Job retention services;

- Job creation in high unemployment areas and on Indian reservations.

The program shall include strong assurances of nondisplacement and nondiscrimination.

5/23/97

Overview of Possible
$3 Billion Welfare-to-Work Funding
May 27, 1997

1. How divided among states. In proportion to poverty, unemployment, number on IV-A. States would have up to 3 years to spend each year's allocation.

2. How disbursed within states. Governors must distribute at least 80 percent of their funds to political subdivisions within their state based on a formula developed in collaboration with State Human Resource Investment Councils. Poverty levels must be the most important factor in the formula of every state; at least half the weight of the formula must be poverty. Other factors that governors may take into account include, but are not limited to, welfare use, long-term welfare dependency, and unemployment. At their option, governors may distribute up to 20 percent of the state allotment to projects, such as saturation grants for depressed areas, that have nationwide or statewide significance.

3. State administering agency. Funds must be administered through the state TANF agency but must be distributed to and spending approved by the Private Industry Councils (and successor organizations) at the local level.

4. What state must do to qualify:
--80% MOE
--1 for 2 state/federal match (cannot be used for any other federal match)
--submit plan as an amendment to their section 402 state plan
--agree to evaluation
--15% administrative cap

8. Eligible individuals. At least 80 percent of a state's funds must be spent on long-term recipients (18 months or more) and those with multiple barriers.

9. Evaluation set aside. The Secretary of HHS will receive funds equal to .5 percent of the annual amount and develop her own evaluation plan. The evaluation plan must be developed in consultation with the Secretary of Labor.

10. Allowable activities:
--Private sector wage subsidies;
--On-th-job training;
--Contracts with job placement companies or public job placement programs;
--Job vouchers;
--Job retention services.

11. Set-aside for Indians. 1%

12. Penalty. States that fail to meet the terms of their state plan will be required to return all misspent funds.

r\3billion

Democratic Principles for a Welfare-to-Work Initiative

May 28, 1997

Purpose.-- The budget agreement provides a total of $3 billion in capped mandatory funds for a welfare-to-work initiative. These funds should be used only to expand the supply of jobs for low-skilled workers at high risk of reaching welfare time limits.

Eligible participants.-- For this grant program, eligible participants should be limited to those TANF recipients who have had no significant work experience in the past [illegible], who have received cash assistance for more than 36 months, and who have participated in [illegible] job search program under TANF without securing employment.

Distribution of funds.-- Grants should be awarded by the Department of Labor, in consultation with the Departments of HHS and HUD, to both States and communities on the basis of merit to those proposing the most innovative and promising approaches to creating job opportunities for hard to employ welfare recipients. A substantial portion of all grants should be awarded to those areas of a State with the highest combination of poverty, unemployment, and job shortage, without unnecessary duplication of effort between the State and community grants. One percent of available funds should be reserved for evaluation. The remaining funds should be awarded on merit to the entity in the State responsible for meeting the TANF work requirements, with authority for that agency to contract for any allowable activity. Any unused funds should be reallocated to qualified applicants and grantees.

Allowable activities.-- Under these grants States and communities should be permitted to offer any combination of the following activities (1) wage subsidies to expand the supply of private sector jobs; (2) job creation in private nonprofit or public agencies designed to address pressing community needs; (3) contracts with job placement companies or public job placement programs; (4) job vouchers; and (5) job retention or support services for employment purposes. The program should include strong assurances of nondisplacement and nondiscrimination.

Performance bonuses.-- A portion of the funds should be set aside in later years for performance bonuses to States to reward placement and retention of long-term TANF/AFDC recipients in permanent jobs.

HHS role.-- Grants should be awarded to a State only if the Department of Health and Human Services determines that (1) the State cannot meet its TANF work requirements without additional funds; (2) total State spending on TANF work activities in the prior fiscal year exceeded State spending on JOBS programs in fiscal year 1996; (3) the State has met 100 percent of its maintenance-of-effort requirements under TANF; and (4) the State has the ability and resources to carry out the proposed project.

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Pres budget
background

WR - WR-to-Wk Legislation 4 pages

HIGHLIGHTS OF THE PRESIDENT'S WELFARE TO WORK INITIATIVE AND PROPOSALS TO CHANGE FOOD STAMPS AND BENEFITS FOR LEGAL IMMIGRANTS

Cost of the Proposals

Welfare to Work Initiatives: $3.6 billion over 5 years
Changes to Food Stamps and Benefits for Legal Immigrants: $17.9 billion over 5 years
Health Care for SSI Children: $0.3 billion over 5 years

Welfare to Work Initiatives

The Welfare to Work proposal is a comprehensive approach to helping States and cities create new jobs and prepare individuals for them including a new, enhanced tax credit that provides employers with incentives to create new job opportunities for long term welfare recipients.

Incentives for States and Cities

Creates the Welfare to Work Jobs Challenge. The Jobs Challenge, which will be administered by the Department of Labor, is designed to help States and cities move the harder to employ welfare recipients into lasting jobs by the year 2000.

The proposal provides $3 billion in mandatory funding for job placement and job creation over three years. States and cities can use these funds to provide subsidies and other incentives to encourage private business to hire welfare recipients. States and cities will also have the option to encourage the growth of intermediaries as job readiness and job placement agents and may use voucher like arrangements, to empower individuals with the tools and choices to help them get jobs and keep them.

Offers Better Access to Jobs and Training. An important element of moving people from welfare to work is assisting them to get to work. The FY98 budget provides $100 million for a new Access to Jobs and Training Initiative within the Department of Transportation. This new activity will offer Federal Transit Administration grants to states and local entities for new or modified transportation services that target low income individuals, including current welfare recipients.

Expands Bridges to Work. This comprehensive initiative also expands the Department of Housing and Urban Development's (HUD) Bridges to Work demonstration Project, which links low-income people in central cities to job opportunities in surrounding suburban communities by providing services such as job placement, counseling and transportation. In addition, HUD will award new portable rental assistance to localities that link their housing assistance with their efforts to move welfare recipients to work.

Access to Credit

Increases the Community Development Financial Institutions Fund. The Administration proposes to increase the Community Development Financial Institutions Fund to $1 billion over the next five years thereby expanding the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities.

Incentives for Employers

Enhances the Work Opportunity Tax Credit. The Administration would provide further incentives to create new job opportunities for long-term welfare recipients by enriching the current Work Opportunity Tax Credit (WOTC) for this group. This enhanced credit focuses on those who need the most help -- long term welfare recipients. The new credit would let employers claim a 50% credit on the first $10,000 a year of wages, for up to two years, for workers they hire who were once long term welfare recipients. In addition, the existing WOTC would be expanded to include able bodied childless adults aged 18-50 who are subject to a rigorous work requirement under the Administration's food stamp legislative proposal.

Restoring Fairness to the Federal Safety Net Programs

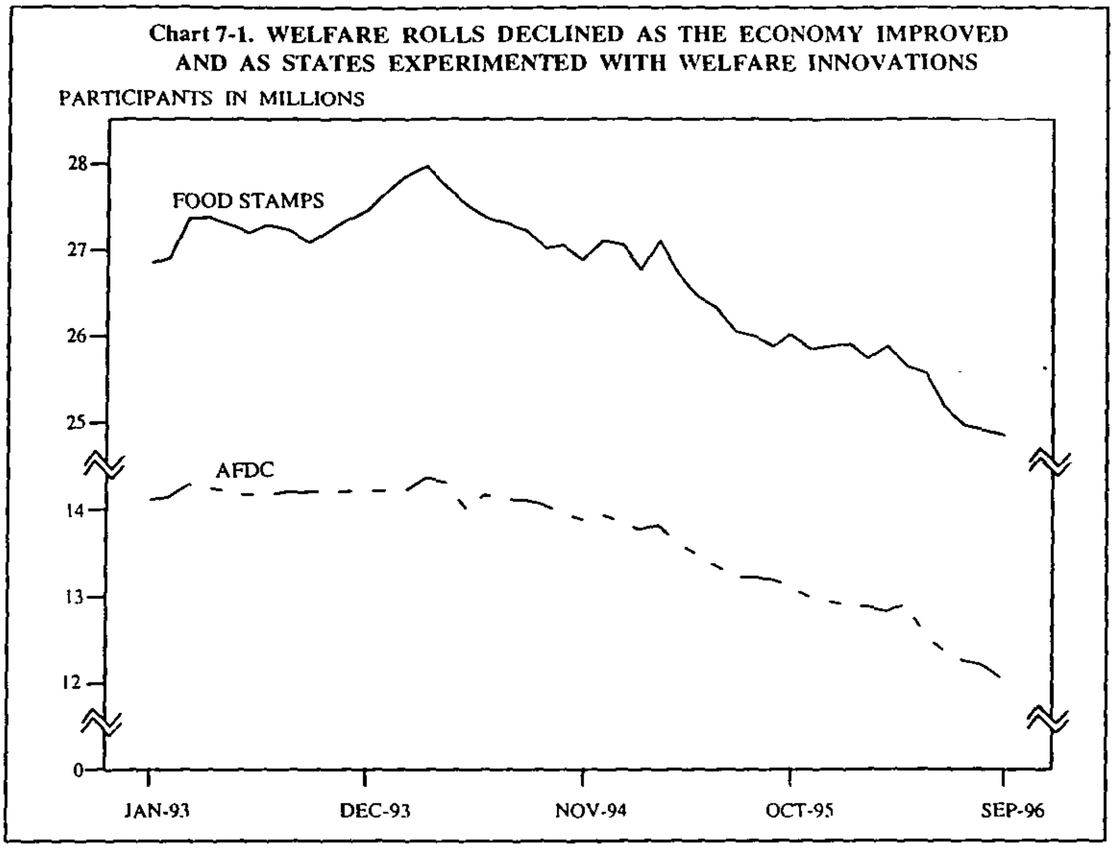
Several provisions in last year's Personal Responsibility and Work Opportunities Act have nothing to do with the goals of welfare reform -- moving people from welfare to work. Rather, they were misguided cuts in Federal support to vulnerable populations, including the elderly and people with disabilities.

Food Stamps

Creates and Funds a Real Food Stamp Work Requirement. The President proposes a real and tough work requirement without arbitrary cuts-offs for able-bodied childless adults between the ages of 18 and 50. The welfare bill's harsh and unreasonable time limit of 3 months in 36 cuts off people who want to work but can't find jobs. Under this proposal, those who refused to work or refused to take advantage of a work opportunity would face tough new penalities. This policy would encourage work while giving those out of work the transitory help they need to get back on their feet. New funding and a wage supplementation option are expected to expand the number of work slots available to this group by 380,000 over five years.

Pres budget

WR - WR-to-wk legislatic



nizes that State welfare systems need an incentive to focus on the central goal of moving people from welfare to work. Consequently, the law provides $800 million in performance bonuses by the year 2002 to reward States that best achieve that goal.

Moving From Welfare to Work

To help welfare recipients move from welfare to work, and to help communities help them do so, the President proposes two new initiatives:

- a performance-based Welfare-To-Work Jobs Challenge to help States and cities create job opportunities for the hardest-to-employ welfare recipients; and
- a greatly-enhanced and targeted Work Opportunity Tax Credit (WOTC) to provide powerful new, private-sector financial incentives to create jobs for long-term welfare recipients.

Welfare-to-Work Jobs Challenge: The Jobs Challenge is designed to help States and cities move a million of the hardest-to-employ welfare recipients into lasting jobs by the year 2000. It provides $3 billion in mandatory funding for job placement and job creation. States and cities can use these funds to provide subsidies and other incentives to private business. The Federal Government also will encourage States and cities to use voucher-like arrangements to empower individuals with the tools and choices to help them get jobs and keep them.

Work Opportunity Tax Credit: For States and cities, TANF and the Jobs Challenge provide new resources to create jobs and prepare individuals for them. For employers, the budget proposes incentives to create new job opportunities for long-term welfare recipients. The budget would first create a much-enhanced credit that focuses on those who most need help—long-term welfare recipients. The new credit would let employers claim a 50-percent credit on the first $10,000 a year of wages for up to two years, for workers they hire who were long-term welfare recipients. In addition, the budget expands the existing WOTC tax credit by including able-bodied childless adults aged 18 to 50 who, under the Administration's Food Stamp proposal, would face a more rigorous work requirement in order to continue receiving Food Stamps. These changes to the credit would cost $552 million from 1998 to 2002.

Additional Support: The budget also proposes additional support to help move people from welfare to work.

- *Transportation:* The budget proposes to expand programs that will transport thousands of welfare recipients to jobs and training. It provides $100 million for a new Access to Jobs and Training initiative in the Transportation Department. The Administration also will propose legislation to offer grants to States and local entities for new or modified transportation services that ensure access to work for low-income individuals, especially current welfare recipients.
- *Housing:* The budget proposes $10 million to expand the Department of Housing and Urban Development's (HUD) Bridges-to-Work demonstration project, which links low-income people in central cities to job opportunities in surrounding suburbs. In addition, HUD will award new portable rental assistance to localities that link their housing assistance with their efforts to move welfare recipients to work.
- *Adult Education:* The budget proposes to increase funding by more than 50 percent over the 1996 level for basic skill, high school equivalency, and English classes for disadvantaged adults—helping to meet demands for literacy training stimulated by last year's welfare and immigration reforms.
- *Community Development:* The budget also proposes to expand the Community Development Financial Institutions Fund, thereby expanding the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. (For more information about the Fund, see Chapter 6.)

Helping To Make Work Pay

Earned Income Tax Credit (EITC): As an important component of helping people move from welfare to work, the Federal Government can help ensure that those who work can support their children. The EITC, a 20-year-old Federal program, supplements earnings to meet this goal. In 1993, the President proposed, and Congress enacted, legislation to substantially expand the EITC, helping 40 million Americans in 15 million lower-income working families (see Chart 7–2). The welfare law maintains these gains for hard-working, low-income families.

Minimum Wage: President Clinton consistently supported an increase in the minimum wage for all low-wage earners. Before he took office, the last increase came in 1991. Due to inflation, the minimum wage shrank in value by 13 percent from 1991 to 1996. As a result, Congress responded to the President's request last year by raising the minimum wage from $4.25 to $5.15 an hour over two years—in two steps. The first step of 50 cents went into effect in October 1996; the second step of 40 cents will occur in October 1997.

This 90-cent rise means over $1,800 a year in higher earnings for full-time, full-year minimum wage workers, who previously earned less than $9,000 a year. By October 1997, nearly 10 million working Americans will have received an immediate pay raise. Millions of other low-wage workers making slightly more than the new minimum also may benefit if employers raise their paychecks in step with the minimum wage increase—as employers have done in the past.

Protecting the Most Vulnerable

Several provisions in last year's Personal Responsibility and Work Opportunity Act have nothing to do with the goals of welfare reform—moving people from welfare to work. Rather, they were misguided cuts in Federal support to vulnerable populations, including the elderly, children, and people with disabilities. To address them, the President proposes to better protect children, people with disabil-

WR - WR-to-wk legislation

Barry White
05/30/97 01:47:55 PM

Record Type: Record

To: Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP, Gene B. Sperling/OPD/EOP, Janet Murguia/WHO/EOP

cc:

Subject: DOL report on Today's WTW large meeting on the Hill

My staff's pick up from Kamela, who works for Palast.

---------------------- Forwarded by Barry White/OMB/EOP on 05/30/97 01:46 PM ---------------------------

Maureen H. Walsh
05/30/97 12:43:08 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Joseph M. Wire/OMB/EOP

Subject: Today's WTW meeting on the Hill

I just spoke with Bill Kamela about the meeting. He told me:

* **Gary Fisher**. Works for Ballenger and Fawell on the House Education committee. He's been around a long time; is a mover and shaker on the ED committee. However, his influence over WTW policy probably is not strong. Fisher advocates formula over competitive grants because he believes the latter preclude the money going through the workforce development system. He did not [cannot!] substantiate this assertion.

The following is based on Kamela's *gut feelings* (he attended both meetings this morning on the Hill).

* **Responsible Federal agency.** House Republicans will give DOL the money.

* **City-State split.** While they discussed an 80-20 split, Bill's best guess is that R's will endorse 70% formula grants to cities; 30% competitive grants to States. R's are uncomfortable with the Secretary doling out the competitive grants. Instead, they probably will give this authority to Governors.

* **Performance bonuses**. R's aren't too enamored with this aspect of WTW. If there is a performance pot, it probably would be permissible in the 30% competitive grants.

* **Timing**. Bill thinks W&M will have a draft on Monday *or Tuesday*. The subcommittee will mark up on Friday, June 6th. Full committee markup will occur the following week. Archer wants to move a bill quickly to preclude groups from organizing opposition and taking pot shots.

Convention
paper

Wr - Wr - to - wk Legislation

PRESIDENT CLINTON'S WELFARE-TO-WORK JOBS CHALLENGE

Providing Opportunity For All, Demanding Responsibility From All

> *"This is not the end of welfare reform, this is the beginning. And we have to all assume responsibility. Now that we are saying with this bill we expect work, we have to make sure the people have a chance to go to work."*
>
> -- President Bill Clinton

PRESIDENT CLINTON BEGINS THE PROCESS OF MOVING PEOPLE FROM WELFARE TO WORK. The goal of welfare reform is to move people from welfare to work and President Clinton is committed to ensuring that there are job opportunities for welfare recipients. President Clinton is proposing a Welfare-To-Work Jobs Challenge -- a three-pronged $3.4 billion initiative to create job opportunities for the hardest-to-employ welfare recipients. This initiative is fully paid for with the elimination of corporate subsidies: not one penny of this challenge is paid for with savings from welfare reform. The three components of the Welfare-To-Work Jobs Challenge are:

1. **TARGETED WELFARE-TO-WORK TAX CREDIT.** Building off of the Work Opportunity Tax Credit (WOTC) -- signed into law by President Clinton on August 20, 1996 -- President Clinton proposes a targeted Welfare-To-Work Tax Credit to create new job opportunities for long-term welfare recipients. This proposal costs $383 million.

   - **New Tax Credit To Help Move People From Welfare To Work.** The targeted Welfare-to-Work Tax Credit would enable employers to claim a 50 percent credit on the first $10,000 of wages for long-term welfare recipients, claim this tax credit for up to two years, and treat employer-provided education and training assistance, health care, and dependent care spending as wages.

   - **Expanded Work Opportunity Tax Credit.** The Work Opportunity Tax Credit -- which is currently funded through the end of September 1997 -- would be expanded to include adults age 18 to 50 who are no longer eligible for food stamps because they did not satisfy the work requirements under the welfare reform bill.

2. **TAX INCENTIVES TO INCREASE INVESTMENT IN DISTRESSED AREAS.** President Clinton has a comprehensive strategy to increase investment in distressed communities. Today, President Clinton expands on his strategy to propose a new tax credit to investors in qualified community financial institutions and venture capital funds.

   - **CDFI Initiative.** The Community Development Banking and Financial Institutions Act of 1994 created a Federal CDFI Fund to provide grants, loans, and technical assistance to qualifying lenders. Today, President Clinton proposes to provide nonrefundable tax credits to equity investors in qualified CDFIs. This proposal will cost $48 million between FY 97 and FY 2002. Currently, the CDFI Fund has $45 million in assistance to provide to various qualified institutions. President Clinton's balanced budget proposes to expand the CDFI Fund to $125 million next year, and continue to increase it each year thereafter.

- **Empowerment Zones/Enterprise Communities.** In his current balanced budget, President Clinton proposed a second round of Empowerment Zones (EZs)/Enterprise Communities (ECs) that would designate 20 additional EZs (15 urban, 5 rural or Indian nation) and 80 ECs (50 urban, 30 rural or Indian nation). For EZs, the Federal government provides tax benefits for businesses that set up shop, and grants to community groups for job training, day care, and other purposes. For ECs, the Government provides grants to community groups for the same array of purposes. EZs and ECs both can apply for waivers from Federal regulations, enabling them to better address their local needs.

- **Brownfields Initiative.** Yesterday, the President called for an expansion of the Brownfields initiative by increasing EPA grants to communities for site assessment and redevelopment planning, and support for revolving loans to finance brownfields cleanup efforts at the local level. In his 1996 State of the Union, President Clinton challenged Congress to enact a Brownfields tax incentive which would provide incentives to businesses to clean up abandoned, contaminated industrial properties in distressed communities.

3. **WELFARE-TO-WORK JOBS INITIATIVE.** President Clinton's Welfare-To-Work Jobs Initiative is designed to help communities move one million of the hardest-to-employ welfare recipients into jobs by the year 2000. This proposal will cost $3 billion over three years.

- **Targeting Long-Term Recipients.** Funds will be targeted to areas with the basis of hard-to-employ welfare recipients. Funds will flow through state governments, but the proportionate share of the funds will flow automatically to the 100-150 cities -- and where appropriate counties -- with the largest number of long-term welfare recipients. These cities (and counties) would be required to coordinate their plans with the States. States will receive and directly administer funds for all other cities and localities.

- **Flexibility.** The emphasis of this initiative is to provide assistance to help create new job opportunities in the private and non-profit sectors for long-term welfare recipients. State and localities, however, would be granted maximum flexibility to develop job creation strategies -- including, where appropriate, in the public-sector. There will be strict anti-displacement provisions and all jobs would be covered by the Fair Labor Standards Act and all other relevant labor laws.

- **Performance and Accountability.** This initiative will *only* provide full funding upon a showing of successful placements of the target population into jobs lasting at least nine months. The funds used by states and localities would go to assist employers -- who would also be eligible for using the targeted Welfare-to-Work Tax Credit -- to create lasting job opportunities for long-term welfare recipients. And the states or localities, working with employers, would have to show that for each $3,000 they receive one long-term welfare recipient is being placed in a new job that lasts at least nine months. To ensure accountability, 25 percent of the funds will be withheld until there is a substantial showing that the new job opportunities promised are being delivered.

- **Building On What Works.** This initiative relies on proven job creation/job placement models, such as the San Jose Center for Employment and Training (CET), which provides highly structured basic education, skill training and work experience leading to job placement in the private sector; America Works, a successful private job placement firm for hard-to-place recipients in New York, Indiana, and Connecticut; and the welfare-to-work program in Riverside, California, which provides intensive job search and private sector job placement to move recipients into jobs as quickly as possible. Local communities could also focus on creating jobs through cleaning up the environment such as under Brownfields programs and rebuilding communities through housing redevelopment programs such as YouthBuild, or expanding child care opportunities so there are new jobs for welfare recipients and a place for their children if they find other work.

THE TARGETED WELFARE-TO-WORK TAX CREDIT

TARGETED WELFARE-TO-WORK TAX CREDIT -- EXPANDING NEW JOB OPPORTUNITIES. Building off of the Work Opportunity Tax Credit (WOTC) -- signed into law by President Clinton on August 20, 1996 -- President Clinton proposes a targeted Welfare-To-Work Tax Credit to create new job opportunities for those on welfare for at least 18 months.

- **A $5,000 Tax Credit For Businesses That Create New Jobs For The Hardest-To-Employ Welfare Recipients.** The targeted Welfare-to-Work Tax Credit would enable employers to claim a 50 percent credit on the first $10,000 of annual wages paid to long-term welfare recipients. The business could claim this tax credit for up to two years, and would be able to treat education and training assistance, health care, and dependent care expenditures as eligible wages.

    - Long-term welfare recipients are defined as (1) members of families that have received family assistance (AFDC or its successor program) for at least 18 consecutive months ending on the hiring date; (2) members of families that have received family assistance for at least 18 months after the date of enactment and who are hired within two years of the time the 18-month total is reached; and (3) members of families who are no longer eligible for family assistance because of Federal or state time limits and who are hired within two years of the date that they become ineligible for family assistance.

- **President Clinton Proposes To Expand The Work Opportunity Tax Credit.** When President Clinton signed the minimum wage increase into law, he also signed into law a reformed tax credit to encourage businesses to hire economically disadvantaged workers -- the Work Opportunity Tax Credit. President Clinton proposes to expand this tax credit to adults age 18 to 50 who are no longer eligible for food stamps under the new welfare reform bill.

    - **The Work Opportunity Tax Credit.** The Work Opportunity Tax Credit will enable employers to claim a 35 percent credit on up to $6,000 of first-year wages paid to a qualifying individual. This credit is effective October 1, 1996 and expires on September 30, 1997. Members of families receiving welfare assistance for more than 9 months; qualified veterans; qualified ex-felons; 18-24 year olds who live in an Empowerment Zone or Enterprise Community; vocational rehabilitation referrals; qualified food stamp recipient who are 18 to 24 years old and a member of a family receiving food stamps for a six-month period; and qualified summer youth employees.

    - **President Clinton Proposes To Expand The Work Opportunity Tax Credit -- To Create More Opportunity And More Jobs.** President Clinton's proposal would expand the Work Opportunity Tax Credit to include adults age 18 to 50 who are no longer eligible for food stamps because they did not satisfy the minimum work requirements under the Welfare Reform Act of 1996.

TAX INCENTIVES FOR COMMUNITY DEVELOPMENT: PRESIDENT CLINTON'S CDFI INVESTMENT INITIATIVE

PRESIDENT CLINTON ANNOUNCES NEW TAX INCENTIVES TO INCREASE INVESTMENT IN DISTRESSED AREAS. In his current balanced budget, President Clinton proposes to more than double than the current Community Development Financial Institution (CDFI) Fund. Today, President Clinton announces a new tax credit to investors who are investing in community development institutions and venture capital funds. These initiatives -- along with the second round of Empowerment Zones and Enterprise Communities and President Clinton's Brownfields initiative -- should help leverage billions of dollars of private-sector investment in community development and distressed areas.

- **Expand The CDFI Fund to $125 Million Next Year.** Currently, the CDFI Fund has allocated $45 million in assistance to qualified community development institutions, even though it received applications for over $300 million this year. Now, President Clinton proposes to nearly triple the CDFI Fund next year, increasing it to $125 million as part of the FY 1997 Budget.

- **Create Tax Incentives to Increase Investment in Distressed Areas.** This initiative will provide $100 million in nonrefundable tax credits that would be made available to the CDFI fund to be allocated among equity investors in community development banks and venture capital funds..

  - **Allocation.** The allocation of credits would be determined by the CDFI Fund using a competitive process similar to the one used to allocate the $45 million in assistance. The maximum amount o credit allocable to a particular investment would be 25% of the amount invested, though a lower percentage could be negotiated. The full credit would be available the year the investment is mad

  - **How Does It Work?** The investor's tax basis in the equity interest would then be reduced by the amount of the credit -- having the effect of increasing any capital gain, or reducing any capital loss -- in the event the investor sells the interest in the CDFI. In order to ensure long-term investments, the credit would be recaptured if the investment is sold or redeemed within 5 years.

PRESIDENT CLINTON'S CDFI INITIATIVE IS DESIGNED TO EXPAND THE AVAILABILITY OF CREDIT, INVESTMENT CAPITAL, AND FINANCIAL AND OTHER DEVELOPMENT SERVICES IN DISTRESSED URBAN AND RURAL COMMUNITIES.

- The President's historic reform of the Community Reinvestment Act has already focussed the nation's major banks and thrifts on performance rather than paperwork and thereby unleashed billions of dollars in private capital to help rebuild low and moderate-income communities throughout the country.

- In 1994, President Clinton signed the Community Development Banking & Financial Institutions Act which created the CDFI Fund. The Fund is designed to expand the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. The CDFI Fund provides grants, loans, and technical assistance to qualifying financial institutions.

- CDFIs include a wide range of financial institutions -- community development banks, and venture capit funds, community development credit unions, community development loan funds, and microenterprise loan funds. CDFIs provide such services as mortgages for first-time homebuyers, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing, and basic financial services.

- In July, out of nearly 270 applications, 31 community development organizations were chosen to receive $35.5 million in financial and technical assistance. These funds are expected to leverage at least $350 million in private lending and investment in distressed communities.

WELFARE-TO-WORK SUCCESS STORIES

THE CENTER FOR EMPLOYMENT TRAINING -- San Jose, CA

- Founded in 1968, the Center for Employment Training (CET) provides 3-6 months of occupational skill training to disadvantaged adults and youth.

- Two separate studies have confirmed that *CET dramatically raises participants earnings* -- the Minority Female Single Parent demonstration, conducted by Mathematica Policy Research and the JOBSTART demonstration, conducted by the Manpower Demonstration Research Corporation (MDRC).

  - The Mathematica study concluded that by the fourth quarter after program entry, *CET had large positive impacts on the proportion of participants who were working, their monthly earnings, and their hourly wages.* Five years after beginning the program, women who had enrolled in the program earned 16% more than a control group.

  - The MDRC study concluded that *CET's impacts on earnings totaled more than $6,000 in the final two years of follow-up.* [George Cave et. al., "Jobstart: Final Report on a Program for High School Dropouts," MDRC, Oct. 1993.]

- CET is exceptional in its strong ties to the private sector. Instructors all have private sector experience in the fields they are teaching; training is conducted as if it were a private sector workplace; and all training is geared toward private sector placement. An industrial advisory board consisting of area employers is set up to assist in the selection of skills in which training will be offered and review curricula.

- Training is in medium-paying technical jobs such as shipping and receiving, building maintenance and automated office work. Participants start occupational training immediately on entering the program. Since there are no entry requirements, some CET entrants have difficulty with reading or math. They receive individual assistance in conjunction with their occupational skills training.

- Because of its strong record, CET has become the model for the Department of Labor's efforts to restructure job training programs for out-of-school youth. Currently, CET has been replicated with the Department's support in ten cities across the country (New Haven, CT; Chicago, IL; Baltimore, MD; Piedmont, NC; Orlando and Ft. Lauderdale, FL; Newark and Camden, NJ; Newport News, VA; and New York, NY). Replication will soon begin in five other cities.

Contact: Max Martinez
800-533-2514, 408-287-7924
701 Vine Street
San Jose, California 95110

RIVERSIDE GAIN PROGRAM – Riverside, CA

- Participants in the Riverside GAIN program – long-term welfare recipients – *increased their annual earnings by over 40%*, according to a study by the Manpower Demonstration Research Corporation. The program returned $2.84 for every dollar spent on it. [James Ricco et. al., "GAIN: Benefits, Costs and 3-year Impacts of a Welfare-to-Work Program." MDRC, 1994.]
  - ► Key factors in Riverside's success include a strong emphasis on finding employment, a balance between basic education and job search assistance, and sufficient resources and community support to extend participation to all eligible welfare recipients.
- While Riverside was the most successful program, the five other California GAIN program sites studied also produced gains in earnings and employment for long term welfare recipients, although they results were more modest.
- Riverside is a large county in southern California encompassing both urban and rural areas. The program enrolls a broad cross-section of the county's welfare population. Over 60 percent of enrollees are in need of basic education. Most are minorities.
- Riverside emphasizes job placement. In part this is achieved by assigning case managers job placement standards. Supervisory units and district offices are assigned job placement goals as well, culminating in a county wide goal. Job placement effectiveness is an important factor in staff evaluations.

Contact: Larry Townsend
County Welfare Director
909-275-3300 (GAIN)
909-358-3000

WOMEN'S SELF-EMPLOYMENT FUND (WSEP) – Chicago, IL

- The Women's Self-Employment Fund (WSEP) is a non-profit financial services and entrepreneurial training program that helps low and moderate-income women become economically independent through self-employment.
- WSEP offers women twelve weeks of entrepreneurial training during which they must produce a realistic business plan to begin a small or micro business, also called a microenterprise. Following training, the "graduates" have access to a revolving loan fund offering $100 to $25,000 in capital to actually begin their micro businesses. Women's welfare benefits are not reduced until they earn enough money from their business to move off of welfare. The fund has distributed over $1 million in small, short-term loans and provided business tools and information to over 5,000 women.

Goodwill Job Connection Success Stories

- ► Arinez Gilyard, a mother of three, was on welfare for five years. With training and a loan from WSEP, she started and now operates Child Care Crew, a successful day care center across the hall from her current residence. She now earns over $40,000 a year.
- ► Desiree Stewart also moved off of welfare with the help of the WSEP. After successfully completing the WSEP entrepreneurial training program, she received a loan to start her own hair salon. She now owns and operates Desiree Stewart Hair Systems in Chicago, IL and has hired three additional employees.

AMERICA WORKS — New York, NY, Indianapolis, IN, & CT

- America Works is a for-profit placement and support organization that has placed more than 10,000 welfare recipients in full-time private sector jobs. Recipients are placed in permanent jobs, at an average wage of $16,000 per year, including health benefits.
- America Works typically charges a state about $5,400 per placement, and is paid in full only once a recipient is placed and remains in an unsubsidized job for seven months. The state of New York found that 81 percent of those placed by America Works are still off the rolls after two years.
- Prof.'s Steven Cohen and William Eimicke of Columbia University confirmed the program's effectiveness in their study, "Assessing the Cost Effectiveness of Welfare to Work Programs: A Comparison of America Works and Other Job Training Partnership Act Programs".

America Works Success Stories

- ▸ Valerie Smith, a mother of one who had been on welfare for over 10 years was placed by America Works in a full-time job with health benefits at ARAMARK, a national food services company based in Philadelphia. She makes $8.50 an hour as a floor supervisor and has been working since Sept. 1994.
- ▸ Patricia Hines, a mother of six who was on welfare for 17 years, now works at a full-time job with health benefits at Comstock, a start-up finance firm in New York. She began working in 1995 as a data entry clerk for $6.75 an hour. After several raises, she now earns $17,000 a year plus an annual bonus.
- ▸ Janice McPherson (who asks that her last name not be used), a welfare mother with one child who had never worked before, was placed by America Works in a full-time job with health benefits at Rosenman & Colin Law Firm in New York. Janice, who started as a mail clerk at Rosenman & Colin, has worked there for seven years and now runs the supply room for an annual salary of $17,914.

THE GOODWILL JOB CONNECTION — Sarasota, FL & Lafayette, LA

- Founded in 1987, the Goodwill Job Connection offers job placement and support services to chronically unemployed members of the Sarasota and Lafayette communities.
- The Goodwill Job Connection spends about $1,500 per job placement. In its nine years, it has placed more than 1,000 people in jobs. Goodwill works to build relationships with local employers and, after providing its clients with basic job readiness and on-the-job work skills, places them permanently into unsubsidized jobs and offers follow-up support to make sure they stay employed.

Goodwill Job Connection Success Stories

- ▸ Mary Brown, a mother of four, had received welfare on and off for years. After receiving basic job readiness and some on-the-job training, she was placed full-time (with benefits) as the head housekeeper for The Courtyard Retirement Center in Bradenton, Florida. She has been working there for 18 months.
- ▸ In 1993, Maria Valesquez, a mother of one, lost her job to downsizing and ended up on welfare. She searched unsuccessfully for full-time work for two years before joining the Goodwill program. Now, she has a full-time job with benefits as a sales associate with Target in Bradenton, Florida.
- ▸ Norma Davenport, a recovering drug addict and mother of four, had been jobless and on and off welfare for years. She went to the Goodwill program as a last resort and found the skills and motivation to find work. She was placed as a full-time receptionist at the Manatee Opportunity Council in Manatee, Florida. After a year, she was promoted to outreach worker. She now works 40 hours a week at $8.00 an hour and receives full benefits. She credits Goodwill for helping put her on the right track.

Immigration, Nutrition Assistance and Work

(outlay increases in billions of dollars)

	1998	1999	2000	2001	2002	5-Year Spending	10-Year Spending
Immigrants	2.2	2.1	2.0	1.6	1.6	9.7	16.5
Nutrition Assistance	0.3	0.3	0.3	0.3	0.3	1.5	3.1
Welfare to Work	0.7	0.7	1.0	0.6	---	3.0	3.0
Total	3.2	3.3	3.4	2.5	2.0	14.2	22.5

Immigrants

- Eligibility for legal immigrants. Restore SSI and Medicaid eligibility for all disabled legal immigrants who are or become disabled and who entered the U.S. prior to August 23, 1996. Those disabled legal immigrants who entered the U.S. after August 22, 1996, and are on the rolls before June 1, 1997 shall not be removed.

1) dis ≥ entry;
2) new entrants?

- Refugees and asylees. Lengthen the exemption for refugees and asylees from the first 5 years in the country to 7 years in order to provide SSI and Medicaid.

Nutrition Assistance

- Redirect existing food stamps employment and training funds and add $750 million in new capped mandatory funding to create additional work slots for individuals subject to the time limits.
- Permit States to exempt 15 percent of the individuals who would lose benefits because of the time limits (beyond the current waiver policy), at a total cost of $0.5 billion.

Welfare to Work

- Add $3.0 billion in capped mandatory spending through 2001 to TANF, allocated to States through a formula and targeted within a State to areas with poverty and unemployment rates at least 20 percent higher than the State average. A share of funds would go to cities/counties with large poverty populations commensurate with the share of long-term welfare recipients in those jurisdictions.

from Daschle

WP - wp-to-wk hybrid

05/16/97 10:55 AM

WR - WR-to-work legislation

Diana Fortuna
05/29/97 07:37:44 PM

Record Type: Record

To: Elena Kagan/OPD/EOP, cynthiarice @ thinline.com @ inet

cc:

Subject: talked to Emil P.

He says he never ran any state numbers on how well targeted the "20% above the state average for unemployment and poverty" is. He said it was just common sense that if a state unemployment rate is 5%, a 20% increase is just 6% -- not that much higher.

WR - wr-to-work legislation

Bruce N. Reed
05/23/97 06:33:02 PM

Record Type: Record

To: Elena Kagan/OPD/EOP

cc:
Subject: Re: Welfare-to-Work

--------------------- Forwarded by Bruce N. Reed/OPD/EOP on 05/23/97 06:38 PM ---------------------------

Bruce N. Reed
05/23/97 06:17:50 PM

Record Type: Record

To: Ron Klain/OVP @ OVP

cc:
Subject: Re: Welfare-to-Work

I talked to Archer and told him where we were, how hard we were trying to make good on the Pres's commitment, how we were trying to structure this like empowerment zones, etc. I think he'll be OK. He would prefer a 60-40 split like CDBG rather than 50-50 -- but as I tried to explain to him, in CDBG the states don't have to spend any of their 40 in cities, whereas in our proposal the states have to spend all of their $ in areas with unemployment and poverty rates 20% above the state average -- which is going to mean a good chunk goes to cities.

I think I'll have Andrew talk to him too (and Rendell, who's making them all nervous) -- and I'll call him again soon. Archer did say he would be happy to unleash the mayors on Capitol Hill, which I told him would be a very good idea. In any case, he said he was working hard on 1998 and laying the groundwork for the VP in 2000, so I think you're doing fine.

WR - WR-to-work legislation

Bruce N. Reed
05/23/97 04:22:59 PM

Record Type: Record

To: Ron Klain/OVP @ OVP

cc: Gene B. Sperling/OPD/EOP
Subject: Re: Welfare-to-Work

I've been working with Andrew Cuomo and Gerry Shea on the design, and they think what we're proposing is a good deal for the cities. I'll e-mail it to you. The basic notion is to structure this $3 billion like the empowerment zones, awarded by DOL in consultation with HUD and HHS (AFSCME insisted that we at least try to get DOL as the lead agency, even though the budget agmt has the money as a TANF (HHS) set-aside). The cities (and urban counties) get 50%, the states get the other 50% -- but all the money has to be spent in areas with unemployment and poverty 20% above state average, so the states will end up spending a good chunk of their share in cities.

This arrangement should compare favorably to the two Democratic proposals already up there -- a Stenholm bill that gives states 70% and cities and rural areas 20%, and a Daschle proposal that sends all the money to the states to pass through to areas with above avg unemployment and poverty, and pass through another portion to the 2 largest cities in the state. Andrew says cities don't like state pass-throughs, and picking the 2 largest cities in each state (obviously a Senate formula) is great for Boise and Pierre, but a very bad deal for Oakland and Gary, Indiana.

When Gene outlined this proposal in the campaign, he always described it as 50-50 -- and when an interagency group led by OMB tried to flesh it out last fall, they noted that two-thirds of the poor people we're trying to reach with this initiative live outside the cities.

Andrew has promised to start selling this to mayors. Organized labor is very happy. (The governors continue to think we're nuts.) I'll also put a call into Mayor Archer this afternoon; he tried to reach POTUS earlier today.

In the off-chance our proposal actually passes this way, Andrew and I thought the real decisions would be made through the Enterprise Board, so you would have a big say in making sure the cities get what they need.

Additional Weekly Item
Cynthia Rice
May 23, 1997

although the Repubs. insisted that the money be a set-aside of the TANF block grant rather than a new program.

Welfare to Work Jobs Challenge
As you know, in the budget negotiations we succeeded in obtaining the full $3 billion for welfare to work. This week, we held a series of discussions with Secretaries Shalala, Herman, and Cuomo about what guidance to provide Congressional committees who will begin drafting legislation soon. The guidance we've developed is consistent with our long-standing goals to provide funds for work for long-term recipients in high unemployment/high poverty areas and to make funds available to cities and counties who want to run work programs.

The basic structure is like the empowerment zones -- grants would be awarded on a competitive basis by the Department of Labor in consultation with HUD and HHS. 50% of these "challenge grant" funds would be awarded to states and 50% to cities and counties, based on their proposed welfare to work programs for long-term recipients. Funds could be used for private sector wage subsidies; contracts with job placement companies or public job placement programs; job vouchers; job retention services; and job creation in high unemployment areas and on Indian reservations.

~~Some mayors may be unhappy that 100% of funds wouldn't go the cities, but~~ This proposal is consistent with our description during the campaign as a 50-50 split designed to help long-term recips in cities and poor rural areas ~~both a city and state program~~. (While much of the most visible welfare dependency is in the cities, two thirds of the poor ~~people~~ live outside urban areas ~~the cities~~.) ~~and we wanted to make funds available for them too.~~

Mayors may not be totally satisfied, but this proposal is ...

given budget agreement's cancellation of funding as good as giving to us — a good deal (fact that it's a proposal)

signal — may not be ecstatic

Damage Control —
1) Keep DOL people shut down

Secy. Cuomo believes this proposal makes good on our promises to the mayors, and they will work to ~~get~~ enlist their help on Capitol Hill. ~~Republicans will try to~~ Repubs will probably ~~...~~ push to run a larger share through the states. The Blue Dog bill gives only 20% to cities.

File:
WR -
WR-to-work
legislation

Mayors / States
demp - 80-80

Now -
In TANF - set-aside

But Ag TANF set aside
Areas of hi pov + unemp
share to cities

Initial: 16-cities 2 6 to states - interagency process by OMB
but then retreated to principles

thru HHS Bd of 70% states - by formula (mostly the same perf bond)
20% cities/rural areas - as challenge grants

Dash 80% states to be passed thru to areas of unemp/pov
thru Labor 20% above st average (same to 2 largest cities in any st)
20% - perf bond

Andrew + Bruce -
Mayors portion should go directly as challenge grants - make them put together proposal.
weeks / divide ~~Formula to states~~ challenge grants also to states (otherwise cities would take umbrage) - ~~20% as~~
CG's - decided by DOL in consult w/ HHS + HUD - similar to the way the EZs worked

city / state
DOL / HHS
but capped 16 - took umbrage

Mayors - haven't given us much credit for getting us $ in 1st place
think they should get even more 40/40

Govs - Nuts. They have 2/3 of poor people; mayors don't run WR; # challenge grants

Allowable uses this is not a training program - it is a jobs program - check w/ DoT. (Pub job creation included - we're the only supporters)

WR - WR-to-work legislation

Administration's Welfare to Work Jobs Challenge Proposal

Consistent with the budget agreement, this proposal would add $3.0 billion in capped mandatory spending to TANF for welfare-to-work in areas with high poverty and unemployment to help long-term recipients get and keep jobs.

Funding:

- Challenge grants would be awarded on a competitive basis to States, cities, and counties who have submitted applications for welfare to work programs for long term welfare recipients. Preference will be given to programs operating in areas with high poverty and unemployment rates.

- 50% of funds would be earmarked for States, and 50% for cities and counties. At least 20 percent of the total would be provided as performance-based bonus grants to reward success in placing and retaining long-term recipients in jobs. To apply, states must meet an 80 percent TANF maintenance of effort.

- Grants would be awarded by the Department of Labor in consultation with the Department of Health and Human Services and the Department of Housing and Urban Development.

Allowable uses:

- Private sector wage subsidies;

- Contracts with job placement companies or public job placement programs;

- Job vouchers;

- Job retention services;

- Job creation in high unemployment areas and on Indian reservations.

The program shall include strong assurances of nondisplacement and nondiscrimination.

WR - WR to wk legislation

Cynthia A. Rice 05/14/97 09:29:33 AM

Record Type: Record

To: Kenneth S. Apfel/OMB/EOP
cc: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP
bcc:
Subject: Re: wtw wins

Ken -- are you saying there's a "final" budget agreement that includes $3 billion for welfare to work and $1.5 billion for 18 to 50s? Is there a year by year stream for the $3 billion? How many work slots and related benefits will $1.5 billion buy?
From: Kenneth S. Apfel on 05/13/97 11:52:44 PM

From: Kenneth S. Apfel on 05/13/97 11:52:44 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc:
Subject: wtw wins

and 18-50 loses. $3B for wtw and $1.5B for 18-50.

From: Kenneth S. Apfel on 05/14/97 10:53:03 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP
Subject: Re: wtw wins

nearing final agreement - - the spread is still being played with, to see what can fit given overall budget totals by year. The BA will be a little higher in the in-years, with corresponding outlays likely close to the following:
'98: $650M
'99: $850M
'00: $1050M
'01: $550M
'02: zippo

I don't think were gonna specifically say in the agreement how many 18-50 slots, but it looks like $1B will mean about 100,000 slots (and related food stamps) and the $0.5B for the proposed 15% exemption will keep another 70,000 on the rolls. Given where we started politically on this issue and given kasich's very hard line position, I'd say were doing pretty well if we sign legislation along these lines. We originally thought last year that almost a million folks would lose benefits. Our expansive disability exemptions and waiver policies as well as projections of state work programs cut that number about in half. Now we're talking about exemptions and work slots potentially helping a third of the remaining half million affected folks. That may not be a grand slam home run, but it's a double with the bases loaded.

WR- WR-to-work legislation

8-1-97 Welfare council mtg.

Nancy? 1. Accountability / flexibility

2. Serving hardest-to-serve.

High poverty formula

3. Channeling down into localities.

Need for specificity about issues we care about.

Need for Labor centers to be centers of jurisdiction

WR - WR-to-work legislation

**COMPARISON OF KEY FEATURES
OF DRAFT BLUE DOG AND DASCHLE
WELFARE TO WORK PROPOSALS**

	Blue Dogs	**Daschle Staff Draft**
Funding	$3.575 billion '99-'02	$3.575 billion '99-'02
Responsible Agency	HHS	Labor
Formula	56% State Grants 24% State Performance Bonuses 20% Competitive Grants to Communities	80% to States • Must be spent in high poverty/unemployment "qualifying communities"; • Allocation to two largest cities based on proportion of long term caseload; • 1% allocation to tribes that run own programs. 20% State Performance Bonuses
Use of Funds	• Job placement vouchers; • Contracts with job placement companies or organizations; • Wage subsidies; • Grants to non-profits for job creation; • Microenterprises; • Supportive services.	• Job placement vouchers; • Wage subsidies; • Job retention services.
Eligible Groups	• Long-term welfare recipients; • 18 to 50 years olds in danger of losing food stamps.	• TANF recipients; • Food stamp recipients.
Bonuses Reward Placement of Long-Term Recipients	Yes.	Yes.

3/26/97 DRAFT

WR - WR-to-work legislation

Agreement on Principles in Congressional Welfare-To-Work Proposals

Since the President's August 1996 call for a Welfare-to-Work Jobs Challenge, Congress has developed two preliminary draft proposals to provide additional incentives to move welfare recipients into work. One of these draft proposals has been developed by Rep. Charles Stenholm, and the other by the staff of Senate Minority Leader Tom Daschle.

While the proposals differ in certain details, they embrace key Administration principles for moving welfare recipients into lasting jobs. The Administration looks forward to working with Congress to build on these principles and to develop a Welfare-to-Work Jobs Challenge that can be enacted with broad bipartisan support. .Key features supported by the Administration include:

- **Resources to Create New Incentives for States, Communities, and Employers**. New funding in concert with TANF is needed to establish a coordinated effort offering strong incentives for States, communities, and businesses to move welfare recipients into work. Both Congressional proposals would provide more than $3 billion to help meet the challenge of placing welfare recipients in lasting jobs.

- **Emphasis on Long-Term Welfare Recipients**. Welfare reform's success hinges on the ability to help the hardest-to-employ people -- long-term recipients -- get and keep jobs. The Welfare-to Work Jobs Challenge must place a specific emphasis on moving long-term welfare recipients into jobs and providing the incentives and supports to keep them off welfare in the long run. Both Congressional proposals strongly support the goal of targeting long-term welfare recipients.

- **Assistance to Large Urban Areas**. Cities and communities must be a part of efforts to create jobs and place welfare recipients in work. The Congressional proposals build in mechanisms to ensure that funds flow to urban areas where assistance is needed most.

- **Bonuses to Encourage and Reward Performance**. States and communities must be given incentives to develop high performing welfare-to-work initiatives. A bonus system will encourage States to move more welfare recipients into long-lasting jobs. Both proposals establish bonus systems to reward the successful placement of long-term welfare recipients.

- **Flexibility for States and Communities to Design Programs Tailored to Their Own Needs**. One-size-fits-all programs will not work. States and communities need flexibility to develop innovative job placement and job creation strategies that reflect their own needs and circumstances. The Congressional proposals give States and communities wide latitude to design welfare-to-work strategies best suited to local needs.

- **Labor protections**. Welfare reform must be implemented in a way that respects the rights of all workers. The Congressional proposals include strong assurances of nondisplacement, nondiscrimination, and grievance procedures.

- **Vouchers**. The Administration supports voucher-like arrangements to empower welfare recipients with the tools and choices to help them get jobs and keep them. Both Congressional proposals include vouchers to help individuals become employed in the private sector.

The Administration strongly supports these principles and looks forward to working with Congress to develop broad bipartisan support for the Welfare-to-Work Jobs Challenge.

WR - WR to wk legislation

Work Opportunity Tax Credit Proposals

($ in millions)

	1998	1999	2000	2001	2002	'98-'02
Current law:	147	87	29	9	1	273
Welfare-to-Work Proposals, 3 Years:						
Long-term welfare	32	68	84	67	36	287
Food stamps, 18-50	36	69	79	55	26	265
Total	68	137	163	122	62	552
Extension of Core WOTC, 1 Year:	128	157	93	31	10	419
Total, Proposals:	196	294	256	153	72	971

As a complement to the additional spending proposed for helping welfare recipients with job training and for job creation, the Budget proposes several changes to the Work Opportunity Tax Credit (WOTC). The WOTC is one tool in a diverse toolbox of flexible strategies designed to help people move from welfare to work and gain on-the job experience. The WOTC initiatives proposed by the Administration join other education and job initiatives that will help welfare recipients make the transition to gainful employment. These changes provide tax incentives for employers to create new job opportunities for long-term welfare recipients and certain recipients of Food Stamps.

Welfare-to-Work Proposals:

- Long-Term Welfare Recipients. The Budget would create a much-enhanced credit that focuses on those who most need help -- long-term welfare recipients. The new credit would allow employers to claim a 50% credit on the first $10,000 in wages paid to an eligible hire for the first two years on the job. Wages include the costs of training, health benefits, and child care. The credit would be available for three years, through September 30, 2000.

- Food Stamp Recipients. The Budget also expands the existing WOTC tax credit by including able-bodied childless adults who, under the Administration's Food Stamp proposal, would face a more rigorous work requirement in order to continue receiving Food Stamps. This credit also would be available for three years and would be the same as the existing WOTC -- 35% of the first $6,000 of first-year wages.

Extension of the Core WOTC:

- The Budget includes a 1-year extension through September 30, 1998, of the core WOTC. This extension provides a transition between the current tax credit to the expansion for the population affected by welfare reform noted above.

Improvements in the WOTC:

The WOTC, authorized in the Small Business Job Protection Act of 1996, replaced the Targeted Jobs Tax Credit (TJTC) and includes many changes that will make it a better and more effective job creation credit. These include:

- Reducing potential windfalls to employers by increasing the pre-screening of applicants. Employers and job applicants must sign a form which acknowledges that pre-screening for WOTC eligibility has occurred before the job offer was made. Employers are required to seek certification for the tax credit within three weeks of the hiring date. Under the TJTC, pre-screening was not required.

- Reducing job churning by increasing the time an individual must be employed. Under the TJTC, the minimum employment period required before an employer could claim the credit was 120 hours. Under WOTC, it is 400 hours. This longer retention increases the prospect of a long-term attachment to the employer, provides more on-the-job experience, and is beneficial to both the employer and employee.

I:\DATA\WTWJOBS\WOTC_1.WPD

WR - welfare to work legislation
and
WR - legal alien provisions
and
WR - budget negotiations

April 25, 1997

MEMORANDUM FOR: BRUCE REED, ELENA KAGAN, DIANA FORTUNA

FROM: CYNTHIA RICE

SUBJECT: BUDGET NEGOTIATIONS

Attached is paper describing the next planned counter-offer for welfare to work, legal immigrants, and food stamps. This paper is close hold; it has not been shared outside the building yet nor do many people inside have it. Changes are all along the lines we've discussed:

- Folding $3 billion welfare to work into TANF, but continuing to earmark it for work in high unemployment/high poverty areas;
- Trimming our legal immigrants proposal by lowering and time limiting benefits for disabled immigrants with sponsors who applied for benefits after August 1996;
- Modifying our food stamp proposal to increase funding for food stamp work slots but restoring current law's "3 in 36" month time limit, even if a job is unavailable.

Welfare to Work Proposals In the FY 98 Budget

CBO/JCT Estimates (outlays in billions)

25-Apr-97

Welfare to Work	1998	1999	2000	2001	2002	5 Year
Welfare to Work Jobs Challenge.	0.6	1.0	1.0	0.4	0.0	3.0

Instead of a new program, this incorporates funds in TANF. Formula grants would be allocated to States, with funds used in areas with poverty and unemployment rates at least 20% higher than the State average. A share of funds go to cities with large poverty populations commensurate with the share of long-term welfare recipients in those cities. Activities include job retention services; job retention or creation vouchers; and private sector wage subsidies for new jobs lasting 9 months.

Enhance and Expand WOTC*	0.1	0.1	0.2	0.1	0.1	0.6

The budget proposes tax incentives to create new job opportunities for long-term welfare recipients. It would create a much-enhanced credit targeted at those who need help most -- long-term welfare recipients. The new credit would give employers a 50% credit on the first $10,000 a year of wages for up to 2 years. The budget also expands the existing WOTC to able-bodied childless adults ages 18-50 who face work and time limit requirements.*

Subtotal, Welfare to Work*	**0.7**	**1.1**	**1.2**	**0.5**	**0.1**	**3.6**

*Five-year WOTC total could increase by $0.1-$0.2 billion based on proposal to modify the Food Stamp 18-50 provisions.

Changes to Food Stamps Proposals
In the FY 98 Budget

25-Apr-97

CBO Estimates (outlays in billions)

	1998	1999	2000	2001	2002	1998 - 2002
Food Stamps						
18-50's Work Requirement.	0.3	0.3	0.3	0.3	0.3	1.5

The Administration's proposal retains the "3 in 36" time limit in the welfare statute but redirects $470 million in existing Food Stamp Employment and Training Program funds and adds $550 million in new funding to create an additional 150,000 work slots monthly for individuals who are subject to the time limits. In total, this proposal would enable States to provide work slots to approximately 1/3 of those losing benefits due to the time limits. The proposal includes the cost of providing on-going benefits to individuals fulfilling the work requirements.

	1998	1999	2000	2001	2002	1998 - 2002
18-50's Work Requirement--20% waiver	0.1	0.1	0.1	0.2	0.2	0.7

The proposal permits States to exempt up to 20% of the individuals who would lose benefits because of the time limit. In total, it would enable States to exempt up to 80,000 individuals who want to work but are unable to find a job within the three month time limit.

	1998	1999	2000	2001	2002	1998 - 2002
Shelter Deduction.	0.1	0.0	0.1	0.0	0.4	0.6

The Administration's proposal would accelerate planned increases in the excess shelter deduction and would eventually eliminate the cap on the deduction in FY02, allowing low-income families with high housing costs to deduct the full cost of their housing expenses when calculating their net income. 80% of the benefit of this proposal is to households with children.

	1998	1999	2000	2001	2002	1998 - 2002
Vehicle Asset Limit.	0.0	0.1	0.1	0.1	0.1	0.5

The welfare bill froze the Food Stamps vehicle asset limit at $4,650 (the maximum value of a car a household may own) which had previously been indexed. The Administration's proposal would increase and reindex the Vehicle Asset Limit, which has virtually been at the same level since 1977 even though the CPI for used cars has risen by 125%.

	1998	1999	2000	2001	2002	1998 - 2002
Subtotal, Food Stamps	**0.5**	**0.6**	**0.6**	**0.8**	**0.8**	**3.4**

Changes to Benefits to Immigrants Proposals In the FY 1998 Budget

25-Apr-97

CBO Baseline. OMB estimates of CBO scoring (outlays in billions)

	1998	1999	2000	2001	2002	1998 - 2002
Restore Benefits for Immigrants						
Benefits for Disabled Immigrants.						
SSI Costs	1.7	1.6	1.6	1.1	1.2	7.4
Medicaid Costs*	0.8	0.8	0.7	0.7	0.7	3.7
Total	2.5	2.4	2.3	1.8	1.9	11.1

new cohorts don't get

This policy would restore SSI benefits for all legal immigrant adults who are currently receiving SSI who have become disabled after entering the U.S. It would also provide access to SSI for all legal immigrants admitted to the country prior to August 22, 1996 ("new applicants"). The Medicaid costs for this policy are from the SSI recipients who would lose their Medicaid when they lose their SSI. Estimate assumes a Medicaid per capita cap policy and assumes CBO would not change its scoring to reflect pending regulations that enable more states to provide Medicaid to immigrants who lose SSI.

	1998	1999	2000	2001	2002	1998 - 2002
Deem for New Entrants, Net of Benefit Reductions	(0.0)	0.1	0.2	0.3	0.3	0.7

This option would retain access to SSI and Medicaid for new entrants who become disabled after entering the U.S. but with three restrictions. First, all new entrants and new applicants already in the country who have sponsors would have their SSI benefits reduced by one third. The one third reduction would represent an allowance for financial support from their sponsor. Second, new entrants who apply for disability benefits after age 65 would have the income of their sponsor deemed to them. For almost all of these elderly immigrants, deeming of sponsor's income would cause the immigrant to lose SSI and Medicaid benefits. Third, the disability exemption for new entrants would be limited to the first 7 years an immigrant is in the country.

	1998	1999	2000	2001	2002	1998 - 2002
Benefits for Immigrant Children.	0.1	0.1	0.1	0.1	0.1	0.3

again no new entrants

This policy would restore SSI benefits for approximately 6,000 legal immigrant children who are currently receiving SSI. It would also provide access to SSI for legal immigrant children admitted to the country prior to August 22, 1996 ("new applicants") who are not currently receiving benefits. These children will also retain their ~~Medicaid under this policy~~.

	1998	1999	2000	2001	2002	1998 - 2002
Extension for Refugees and Asylees.	0.04	0.04	0.04	0.04	0.04	0.2

The welfare bill exempted refugees and asylees from the benefit restrictions for their first five years in the country. The budget would lengthen the exemption for refugees and asylees from 5 to 7 years to provide a more appropriate time for refugees and asylees to become citizens.

	1998	1999	2000	2001	2002	1998 - 2002
Subtotal, Benefits for Immigrants	**2.6**	**2.6**	**2.6**	**2.2**	**2.3**	**12.3**

*(Medicaid costs would drop by about half if policy was scored without a Medicaid per-capita cap policy OR if CBO changed its scoring to reflect pending regulations that enable more states to provide Medicaid to immigrants who lose SSI.)

Immigrant Policy
(1998-2002 Totals, in billions)

	Current Recipients	New Applicants[1]	New Entrants[2] (Disabled Only)
Under Age 65	continue benefits for disabled	1/3 reduction in benefits for disabled	1/3 reduction in benefits 7 year time limit
	(+4.4)	(+0.9)	(+1.3)
Over Age 65	continue ban for non-disabled continue benefits for disabled	continue ban for non-disabled 1/3 reduction in benefits for disabled	1/3 reduction in benefits 7 year time limit deeming sponsors income
	(+4.3)	(+0.9)	(+0.1) effectively cuts

[1]All immigrants with sponsors in the country prior to August 22, 1996, but not currently receiving disability benefits.

[2]All immigrants with sponsors entering the country after August 22, 1996.

Immigrant Policy Regarding Benefits for New Entrants[1] and New Applicants[2]

This policy would retain access to SSI and Medicaid for some new entrants and all new applicants who become disabled after entering the U.S. However, the policy would have several important and significant limitations:

For Immigrants over age 65:

1) Ban for non-disabled elderly: New applicants who are elderly but not disabled would continue to be banned from SSI as under current law. New entrants who are elderly but not disabled would continue to be banned from SSI and Medicaid as under current law.

2) Deeming Sponsor's Income: All entrants over age 65 who apply for the disability exemption after age 65 would have the income of their sponsor deemed to them for purposes of determining eligibility for SSI and Medicaid. For almost all of these elderly immigrants, deeming of sponsor's income causes the immigrant to lose SSI and Medicaid benefits. This policy would make clear to sponsors that the rules have changed. When an immigrant enter the country near the retirement age, the sponsor is expected to plan for the immigrant's retirement needs, even if the immigrant becomes disabled.

3) Benefit Reductions: For SSI, all new entrants as well as new applicants who become disabled after entry and who have sponsors would have their SSI benefits reduced by one third. This provides an allowance for financial support the sponsor should provide.

4) Time Limits: For all new entrants, the disability exemption would only be available for the first 7 years an immigrant is in the country. Seven years provides enough time for immigrants to complete the naturalization process, even in parts of the country with significant processing backlogs.

For Immigrants under age 65:

1) Benefit Reductions: For SSI, all new entrants as well as new applicants who become disabled after entry and who have sponsors would have their SSI benefits reduced by one third.

2) Time Limits: For all new entrants, the disability exemption would only be available for the first 7 years an immigrant is in the country.

This policy substantially limits the access of new entrants to SSI and Medicaid while at the same time providing important safety net protections for working age immigrants who may become disabled in the future. It reduces benefits for families with sponsors but continues the full benefit level for those without sponsors. In the first five years this policy would cost approximately $0.7 billion[3]. Over time it would provide significant protections. By 2002, about 50,000 immigrants who would be denied under current law would have access to SSI and Medicaid.

---

[1]All immigrants with sponsors entering the country after August 22, 1996.

[2]All immigrants with sponsors in the country prior to August 22, 1996, but not currently receiving benefits.

[3]Assumes a Medicaid per capita cap policy. Costs would drop by about $0.4 billion without a per capita cap.

Summary of Discussions on Various Benefits for Immigrants Options

In initial discussions with Republican budget staff, they proposed a compromise immigrants policy that would continue to provide SSI and Medicaid to all immigrants who are currently receiving benefits and who have become disabled after entering the country. They proposed no restorations of benefits for refugees, beyond the protections the current disability policy would provide these groups.

They thought CBO would score the policy at $7.4 billion over five years. This cost estimate is reasonable, if the policy is considered in isolation. However, when included with our Medicaid per capita cap policy, CBO would probably estimate it to be $9.4 billion.[1] The policy is more expensive in the context of a per capita cap because CBO assumes states will be able to game the per capita cap which results in lost savings to the Federal government.

Recently we have been told that the original Republican offer is changed in two important ways. First, the disability protections would be limited to immigrants who are currently receiving benefits on the basis of disability. Immigrants who are elderly SSI recipients could not requalify for SSI disability benefits, even if they had the same disability as non-elderly disabled immigrants. Second, they would propose to adopt the Administration's policy on refugees and asylees (i.e., extending the refugee and asylee exemption from the first five years in the country to the first seven years.). The second change is good but is more than offset by the tougher disability policy. They estimate their revised offer would cost $6.5 billion in isolation. We estimate CBO would score it at around $8 billion in the context of a per capita cap.

The revised offer regarding disabled immigrants has a number of serious problems. It would restore benefits to significantly fewer people than the Administration's proposal. SSA's actuaries estimate that approximately 420,000 immigrants (of which 260,000 are elderly) will lose SSI benefits and the Administration's policy would restore benefits for 310,000 immigrants (of which 170,000 are elderly), whereas the Republican offer who not help any of these elderly immigrants.

The new offer is inequitable. For example, it would not be unusual to find two immigrants receiving SSI and Medicaid who have both become disabled from a stroke. The first immigrant had the stroke at age 57 and is protected by both the Administration's proposal and the revised Republican offer. The second started receiving SSI elderly benefits at age 65 and had a stroke at 67. The second immigrant would be protected by the Administration's proposal but would lose SSI and potentially Medicaid under the Republican offer. This inequitable treatment is simply an accident of the fact that today a disabled elderly person has no need to tell SSA that they are disabled in order to receive benefits. The Republican position is not sustainable.

---

[1]CBO scored the Administration's proposal as costing $14.9 billion over 5 years in the context of the Administration's overall budget proposal, which includes a Medicaid per-capita cap policy. CBO scores the Administration's proposal as a stand alone option at $11.9 billion over 5 years. The $3 billion difference is the interaction with the per-capita policy.

Waiving the Food Stamp Three Month Time Limit

- The recently enacted welfare reform legislation limits Food Stamps for certain childless adults. These individuals may only receive Food Stamps for 3 months in a 36 month period unless they are working 20 hours per week or the State has provided them with a work slot which meets the requirements of the law. CBO estimates that in FY98 approximately 600,000 poor unemployed individuals will be ineligible to receive food stamps in any given month due to this provision.

- The statute provides States with the ability to seek a waiver from this provision for certain areas within the State. There are two types of waivers: areas with unemployment in excess of 10%, and areas with too few jobs.

- The Secretary of Agriculture established broad guidelines for areas with too few jobs, but it is up to the Governors to request a waiver. The Secretary cannot unilaterally grant a waiver or require its implementation. The State of Ohio, for example, has been approved for a waiver, but has not implemented it -- even in counties with unemployment in excess of 10%.

- The waiver provision cannot adequately address the problems created by this provision. CBO's estimate of 600,000 poor unemployed individuals losing Food Stamps already factors in the effect of the waivers. <u>This means each month 600,000 are made ineligible because they live in areas that cannot be exempted from the time limits by waiver</u>.

- There are hundreds of thousands of individuals living in areas with low unemployment who are unable to find work after three months. Jobs simply may not be available to suit their skills causing their search to take longer than the three month limit allows. The current waiver authority neither gives States, nor the Secretary, the ability to help these people. Providing a 20% exemption from the time limits, as TANF does, would be an important improvement.

- The solution to the inadequacies of the current law provisions is not just broader waiver authority, but better structured work requirements. The three month time limit is too harsh and harms individuals who want to work and will find work, but not within three months.The Administration's budget proposal addresses these problems by focusing on three principles: First, no one should be denied basic food assistance if they cannot find work and are not offered a work opportunity by the State. Second, childless able-bodied adults should be working and face stiff penalties if they fail to do so. Third, States should be provided with the resources to help move people to work.

Retargeting Food Stamp Employment and Training to 18-50s

Employment and Training Program Background Since the late-1980s States have been required to operate an Employment and Training (E&T) program to ensure that able-bodied food stamp recipients (including those with children) participate in meaningful work related activities. States have been required to serve at least 10% of their work registrants. A wide variety of activities have been permissible including job search, education and training classes as well as work fare.

To meet these requirements, States have consistently relied on job-search as their primary employment services for E&T participants. Job search has accounted for over one-half of all E&T components. Employment and training costs have tended to vary by activity, State and individual. They can range from $300 annually to as high as $3,000. Several individuals can cycle through on slot in a single year.

Current Funding The existing program has two funding components -- $ 80 million in 100% Federal dollars (FY 1998) and opened ended 50% Federal matching of State contributed funds at a ($111 million Federal share in FY 1998). Total combined Federal and State spending is estimated to be about $300 million in FY98.

18-50 Provisions In combination with the three month time limit for able-bodied childless adults, PRWORA created a much more intense work requirements for this group. These individuals are limited to three months of food stamp participation in a three year period unless they are working 20 hours of week or participating in rigorous, time-consuming work related activities. The number of hours required is greater and job search is no longer an allowable activity. States, therefore, not only have to create many more employment and training slots due to the time limit but the slots are much more expensive.

Proposal This proposal would: 1.) earmark all existing 100% Federal funds and 30% of State-Federal dollars to be spent only on 18-50s, 2.) Add $520 million in new Federal funding, and 3.) create a maintenance-of-effort requirement to ensure that State dollars are not withdrawn and replaced with new Federal funds.

Need to Target 18-50s States need additional resources to meet the new, more expensive work requirements for 600,000 18-50's who will hit the time limit each month. These requirements are more stringent and time-consuming than those for other food stamp recipients. The requirements cannot be met with less expensive alternatives, like structured job search. Additional funds are required to ensure that recipients comply with work requirements, and that work activities are meaningful.

According to CBO States are unlikely to focus all existing E&T resources on 18-50s. CBO estimates that the baseline for Federal E&T program to be $1.6 billion over the next 5 years. Of that they project that States will spend only $230 million on 18-50s, creating about 100,000 slots annually, causing 520,000 people to lose benefits each month in FY 1998.

The proposal ensures that the number of work slots can be increased substantially with modest increases in Federal expenditures for E&T. By requiring an MOE, and setting aside all 100% Federal funds and a 30% set-aside of State/Federal funds we estimate that an additional $470 million could be made available over 5 years. This would create an average of about 60,000 more slots per month, lowering the number of people losing benefits to 460,000. Because the need for slots would still be significant, the proposal would add $520 million in new Federal-only money. Money would be targeted to those States with the greatest number of recipients subject to the time limits. Approximately another 80,000 slots would be available on average each month due to the new money leaving 380,000 individuals without slots each month. Funds would be targeted at those States with the largest caseload of 18-50's subject to the time limit and not exempted by waivers.

The proposal could potentially divert resources from non-TANF mothers with children over the age of 6, who are subject to the basic E&T work requirements. However, States can still target State monies to these individuals and receive matching Federal funds. TANF households will be served through TANF work programs.

Wtr-to-wk legislation

Lyn A. Hogan
03/05/97 02:55:36 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP

cc: Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Diana Fortuna/OPD/EOP
Subject: The Youth Corps and Welfare Reform

I spoke today on welfare reform to the National Association of Service and Conservation Corps, the membership organizations for the youth corps program (your friend Andrew Moore says hi and wants to know if you still call yourself a prairie liberal as you did in your Princeton days!!).

A couple of good questions came up at the meeting that we should all think about:

1) Are we going to do anything so that nonprofits can take advantage of the existing tax credit and the new credit if it passes? Bruce, the idea you and Paul Dimond talked about in the past -- creating a secondary market for the tax credits to enable nonprofits to sell the credits to the private sector -- is a really good one. Are we doing anything on that or should we be? wtw

2) Approximately 25% of corps participants receive public assistance. (There are over 120 Youth Corps programs in 37 states that offer youth --ages 16-25--community-based work experience and job placement.) How can we help the Youth corps sites become more involved in welfare reform? Youth corps are logical placements for state and local welfare agencies trying to meet work requirements. The corps can contract with state welfare agencies to take on welfare recipients. Should we/can we encourage and publicize this?

WR-to-wk legislation

Bruce N. Reed
02/25/97 09:36:01 AM

Record Type: Record

To: Lyn A. Hogan/OPD/EOP

cc: Elena Kagan/OPD/EOP
Subject: Re: Blue Dog Proposal

We agreed to go with principles rather than our own bill, and to work off the Blue Dog bill as much as we can. I'll let you know more after our meeting with Hilley and Erskine this afternoon, where we'll discuss the bipartisan working groups on 5 issues including WTW. We'll work out a process from there.

WR to wh - legislation

Lyn A. Hogan
02/24/97 10:50:46 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP

cc: Elena Kagan/OPD/EOP
Subject: Blue Dog Proposal

Bruce,

Did you, Ken and Gene come to any decisions on the welfare to work proposal? As I mentioned in the Blue Dog summary memo I sent to you, Grace, Chad and Ed are anxious for some direction from us. I expect them to begin calling again mid-week. (I think the Blue Dog proposal is pretty good now. I'm just not sure about a state-by-state public/private entity running it -- it may end up adding another layer of bureaucracy instead of preventing bureaucracy.)

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