file welfare reform

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Welfare reform and marriage

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WELFARE reform has traditionally focused on helping single mothers get jobs, perhaps with the help of government-funded job training and child care. But such efforts are expensive and have shown only modest results. Recently, long-overdue efforts to reduce out-of-wedlock births have been made. But, again, results have been largely unimpressive. What about marriage as a route off welfare? Despite the hopes of feminists that women will become economically independent of men, marriage remains a major source of economic security for women with children, especially if they have few job skills. In fact, many divorced and unwed mothers escape welfare (and poverty) only through marriage. Hence, encouraging such unions ought to be as important an issue in welfare reform as job training and work.

Current welfare law, however, discourages marriage by imposing steep financial penalties on couples that wed. The poorest welfare mothers, disproportionately African American, suffer the stiffest "marriage penalties." The evidence suggests that these penalties, by poisoning attitudes about marriage and reducing the marriageability of many black men, are implicated in the low rates of marriage—and high rates of illegitimacy—across the African-American community.

Marriage pays

At any given time, 62 percent of welfare recipients are in the midst of a series of welfare spells that will eventually last a total of nine or more years, according to estimates by the Urban Institute's Ladonna Pavetti. Many mothers, especially older ones with better job skills or work experience, find jobs and leave welfare relatively quickly. But others, especially younger mothers who dropped out of high school or have little work experience, find it much more difficult to work their way off welfare.

It is easy to see why. Nationally, the total benefit package for a mother on welfare with two children is worth upwards of $8,500, with another $4,500 worth of Medicaid benefits, and, for the 30 percent lucky enough to receive them, about $5,000 in housing benefits. Most long-term welfare recipients simply cannot earn this much in their first jobs, but, even for those who can, work often "does not pay." They end up working 40 hours a week for the same money that the welfare system provides them for staying at home. And they have precious little time and energy left for their children. Job-training programs simply don't equip women with the skills needed to earn enough to escape this trap.

These realities are what make marriage such an important antipoverty mechanism. The economics is simple enough. The addition of a husband adds another wage earner to the household, reducing the need for paid child care or making it easier for the mother to work. Although income statistics by family structure also reflect underlying differences in who gets married, they make the point: In 1994, the median income for female-headed families with children was $14,902, compared to $47,244 for a married couple with children. About one-half of all single-mother households have incomes below the poverty line, compared to only 8 percent of married couples. Married couples also have sharply lower rates of dependence on government programs: In 1991 and 1992, about one-third

of all single mothers participated in a major means-tested government-assistance program (such as welfare or Food Stamps) for the entire two years, compared to only 4 percent of married couples.

The role of marriage as a route off welfare is, however, easily underrated. For example, Kathleen Mullan Harris of the University of North Carolina at Chapel Hill found that about two-thirds of the monthly exits from welfare were because of a new job or a pay increase at an existing job. Only about 5 percent were due to marriage. But, as she notes, most of the mothers who leave welfare for work soon return to the rolls.

Indeed, the story is quite different for more lasting welfare exits. Mary Jo Bane and David Ellwood, then both at Harvard University, studied exits that lasted for at least one year. For these women, exits due to work and marriage were roughly equal. Marriage also helps many mothers escape poverty altogether. Greg Duncan of the University of Michigan studied the economic impact of both marriage and work on female-headed families. He found that, in seven years, the incomes of the poor mothers who married rose 50 percent faster than those of the single mothers who started working without marrying. It is true that Bane and Ellwood and Duncan relied heavily on data from the 1970s, before the importance of work increased for women (as more joined the labor force and their jobs paid better). Nevertheless, the continued centrality of marriage to the economic well-being of many mothers (and children) is evidenced by the data on income and program participation cited above, as well as in more recent data on welfare exits analyzed by Duncan.

Marrying with children

There are basically two groups of single mothers on welfare: divorced mothers and never-married ones. In 1994, two-thirds of the children on Aid to Families with Dependent Children (AFDC) had mothers who were never-married, compared to only 30 percent who were the children of divorced or separated mothers. The remainder were widows, the temporarily disabled, and "unknown."

In years long past, relatively few divorced mothers remarried, and few unwed mothers who kept their children married.

But, as both divorce and illegitimacy increased in prevalence, and as the stigma associated with both declined, the likelihood of subsequent marriage has also increased. Larry Bumpass, James Sweet, and Teresa Castro Martin of the University of Wisconsin at Madison estimate that 72 percent of women who divorced between 1980 and 1984 will ultimately remarry, one-half within seven years.

If divorced mothers frequently marry, what about unwed mothers, especially those who had their first babies as teenagers? We could find only one study on the subject, so we decided to explore this question ourselves using the National Longitudinal Survey of Youth (NLSY). The NLSY began in 1979 as a national sample of 12,686 males and females, ages 14 to 22. The NLSY collects longitudinal data on both the fertility and marriage of young women and tracks enough unwed teenage mothers to allow for statistically reliable analyses of various social, economic, and demographic factors. Importantly, it contains a relatively recent cohort of unwed mothers.

We created a subsample of young women whose childbearing and marital histories we could follow: 2,783 women who were still participating in the survey in 1993 and who, at the time of the first interview in 1979, were under 20, had never been married, and had never given birth. Starting with 1979, we followed each of these women through subsequent surveys until they were 28 years old, between 1988 and 1993.

Almost 7 percent of the young women in our subsample had babies as unwed teens. Compared with the others in our subsample, the unwed teen mothers were much more likely to be African American, to have grown up in poverty, and to have scored lower on the available measures of human capital. Surprisingly, 54 percent of the unwed teen mothers in our subsample had married by age 28. (We capped our analysis at this age because it was the oldest point that all the women in our subsample reached.) Most of these marriages took place when the women were between 20 and 24 years old. The most frequently observed pattern was that of a young woman who was 15 at the first survey (1979), gave birth at age 19 (1983), and married at age 24 (1988).

This 54 percent marriage rate for the unwed teen mothers, however, is about one-fourth lower than that of the women

who did not have babies as unwed teens—almost 70 percent of whom had married by our cut-off age of 28. And this disparity will probably grow over time as the more middle-class and better-educated women in our subsample, who tend to marry later in life, do so in greater numbers.

Marriage, of course, is only part of the story. It does an unwed teen mother little good to marry and then quickly divorce. Unfortunately, the marriages of unwed teen mothers appear substantially less stable than those of other women: By age 28, about 47 percent of the unwed teen mothers who had married were subsequently divorced, compared to 31 percent for the married women who were not unwed mothers.

Despite the higher divorce rate for unwed teen mothers, marriage remains a valuable institution for many. Robert Lerman of the Urban Institute has translated the NLSY's cold data into actual case histories. Here is one:

> Diana managed against the odds. As a black high school dropout with very poor academic skills, she became an unwed mother at age 18 in 1981. For the first year of motherhood, she received AFDC, Food Stamps, and child support, but was poor with an income of only about $4,000. She married the following year and her family income rose to about $14,000. In 1983, when she started working extensively in the labor market, family income doubled to $28,000, ranged from the high $20s to mid $30s through the late 1980s, and reached $41,000 in 1989.

The racial gap

Aggregate statistics about marriages among divorced and unwed mothers, however, mask important racial differences. According to Bumpass and his colleagues, three-quarters of white divorcees will eventually remarry, one-half within six years. But one-third fewer black women will remarry, and it will be eight years before even one-quarter do so. We found a similar racial gap in marriages among women who had their first babies as unwed teens.

In our subsample, the eventual marriage rates of white and Hispanic unwed teen mothers were sharply different from African-American ones: 76 percent of white unwed teen mothers had married by age 28, compared to 65 percent of Hispanics (not a statistically significant difference) and only 46 percent of African Americans. Thus the 23 percent difference in marriage rates between the unwed teen mothers and the other women in our subsample is an artifact of the composition of the two groups: The disproportionate number of unwed teenage mothers who are African American brings down the overall marriage rate of unwed teen mothers.

Within each racial and ethnic group, cumulative marriage rates were roughly equal by age 28. The non-Hispanic whites and the African Americans showed a steady rate of accumulating marriages, but the Hispanics seem to delay marriage until age 23 or 24 when there is a spurt of marriages. This would be consistent with ethnographic studies reporting that Hispanic unwed teen mothers tend to wait a few years after their children's birth before marrying and that, unlike mothers in the other two groups, they tend to marry the fathers of their children.

The only other major research on the subject is consistent with our findings. Neil Bennett of Yale University, David Bloom of Harvard University, and Cynthia Miller of Princeton University estimated the marriage rates of women using the 1987 version of the same NLSY data set that we used, as well as three additional data sets. Parallel to our findings, they documented substantially lower marriage rates for black unwed mothers than for white ones.

Their research also suggests that the gap between the marriage rates of unwed mothers and other women, although large, may be smaller than in the past. When Bennett and his colleagues used the NLSY data set that we used, they, too, found that unwed teen mothers have marriage rates roughly equivalent to those of other women of the same race. They found substantially lower marriage rates for unwed mothers compared to other women of the same race only in the other data sets—involving older women, many of whose marriages would have occurred a decade or more earlier. This change over time makes sense. If one of the reasons for the increase in out-of-wedlock births is a decrease in the stigma associated with them, then it stands to reason that unwed teen mothers are at less of a disadvantage in the marriage market. And, if unwed parenthood is more common, there may be less adverse selection to it, thereby making the overall pool of unwed mothers more marriageable.

This does not mean, however, that young women pay no price for having a baby out of wedlock. Our data is what statisticians call "right censored." Because our last observations involve women who were only 28 years old, we are comparing the marriage rates of relatively young women. By that age, only three-fourths of the women who are expected to marry have already done so. Thus, as mentioned above, the marriage rate for the other women in our subsample should continue to climb, as more middle-class and better-educated women marry in greater numbers, while the rate for unwed mothers may have plateaued. For example, although many of the women in our subsample were older than 28 at the last interview in 1993 (with some as old as 34), few of the unwed teen mothers married after age 28, while many of the others did.

The persisting cost of out-of-wedlock parenthood is also revealed by racially disaggregated divorce rates. The white unwed teen mothers in our subsample had a divorce rate almost twice as high as that of the other white women (50 percent versus 28 percent), while the black divorce rates were 52 percent and 39 percent, and Hispanic ones about 30 percent and 34 percent (a statistically insignificant difference).

The marriage penalty

We found one factor that powerfully explained marriage patterns among the women of our NLSY subsample: AFDC recipiency. We calculated year-to-year probabilities of marriage based on the woman's age, years of education, race, urban or rural status, number of children, AFQT score (a measure of skill level and intelligence), income, poverty status as a teenager, marital expectations as a teenager, teen motherhood, and AFDC recipiency. Controlling for all of these factors, AFDC recipiency stood out as the predominant factor (other than race) associated with non-marriage. A woman receiving AFDC was about 30 percent less likely to marry in the ensuing year than a woman who was not.

This finding points to the penalties for marriage that permeate American welfare laws. Marriage automatically disqualifies a single mother from many programs, and, where it does not, even relatively low earnings by a new husband rapidly reduce benefits in a host of programs, including Food Stamps, school meals, and child care. The basic AFDC program, for example, is limited to single mothers and their children. Married couples are not eligible, and, if a welfare mother marries, she is removed from the program. (Married couples can only receive benefits under AFDC-UP, the "UP" standing for "Unemployed Parent." As we will describe later, however, the UP program does not erase the marriage penalty.)

The Urban Institute's Eugene Steuerle calculated the marriage penalty faced by a couple consisting of a man who is working full time at the minimum wage and a mother on welfare with two children. He concluded that, if they marry, the new family's combined earnings plus benefits would be $16,194, or $3,862 (almost 20 percent) less than the couple's premarriage income.

Steuerle's calculation was a theoretical illustration of how large the marriage penalty might be. Recent work by Stacy Dickert-Conlin of the University of Kentucky and Scott Houser of California State University at Fresno begins to explicate the actual scope and distribution of the penalty. They identified a systematic relationship between a wife's characteristics and her husband's earnings, documenting, in effect, patterns of assortive mating. For example, wives with higher than average levels of education tended to marry men with higher than average earnings. Similar relationships were found between the husband's earnings and the wife's age, race, place of residence, and other characteristics. Using this information, they developed a model that predicts the earnings of the men who would likely marry the women in their sample, if the latter were to marry.

Once they had the likely incomes of potential couples, Dickert-Conlin and Houser calculated the effect of marriage on the new family's income, taking into account changes in state and federal income taxes (including the Earned Income Tax Credit), AFDC, Food Stamps, and Supplemental Security Income. They concluded that most couples would lose money by marrying, with the median marriage penalty for a single mother under age 45 being $1,701—about 6 percent of the potential couple's total premarriage income.

But this is the penalty for all couples and essentially reflects the relatively modest impact of the income tax, more than compensated for by other economic and emotional benefits of marriage. Marriage penalties were much stiffer for poor women and women on AFDC, whose median penalties were about $3,000—or about 15 percent of the couples' premarriage income. Moreover, those were the medians; 25 percent of the couples would have suffered penalties of more than $4,800—or 23 percent. And even this estimate does not include the loss of other benefits, such as child-care subsidies, housing assistance, school lunches, and so forth. Where cohabitation rather than marriage is an option, penalties of this magnitude certainly discourage marriage.

The divorce premium

Dickert-Conlin applied this model to the actual behavior of couples to see whether the marriage penalty affected matrimonial decisions. Although she was unable to find an association between the penalty and the decision to marry (perhaps because of her small sample), she did find that the marriage penalty encouraged marital separations, especially among poor couples. She found that halving the penalty for couples in their early thirties who face the largest reductions in income would reduce the likelihood of annual separation by 36 percent (from 4.2 percent to 2.7 percent).

Significantly, this effect on separations echoes findings by Bane and Ellwood from two decades ago. In a widely cited study of the impact of welfare on family structure, they used data from the 1976 Survey of Income and Education to conclude that benefit levels have no impact on out-of-wedlock births. Less noted was their finding of a correlation between benefit levels and marital dissolution. Bane and Ellwood found that high benefit levels had only a slight effect on the decision of older mothers to divorce or separate but a large impact on younger mothers. They estimated, for example, that, for both white and non-white mothers under 24, a 50 percent increase in monthly AFDC benefits could "increase the number of divorced and separated mothers by as much as 50%." Speculating about why this might be, the authors suggest that young women's marriages may be less stable than those of older women and, therefore, more susceptible to the impact of a marriage penalty. As they put it: "Welfare may offer an alternative to an unhappy early marriage."

In a separate analysis, Bane and Ellwood also found the effect to be greater for non-whites. For a white mother who married before age 20, that same 50 percent increase in monthly benefits raised the probability of divorce or separation by age 20 from about 8 percent to 12 percent. For a non-white mother, the probability rose from 15 percent to 25 percent.

Blacks suffer greater harm

This brings us back to the question of race. One reason for the racial differences in marriage rates could be that, although similarly situated black and white AFDC recipients suffer equal marriage penalties, the marriage penalty has a far greater impact on the black community. Because black single mothers are one-third more likely than whites to be on AFDC (38 percent versus 28 percent), they face much steeper marriage penalties. According to Dickert-Conlin and Houser, the median single black mother will suffer a marriage penalty of nearly $1,900, compared to the white median of $1,575. Significantly, this represents almost 9 percent of the black couple's earnings, compared to only 4.6 percent of the whites. Again, these are only medians and do not reveal the full force of the penalty on poor black single mothers. More tellingly, black single mothers are 50 percent more likely than white ones to face a marriage penalty that exceeds 10 percent of their income (46 percent versus 31 percent).

These racial differences are magnified among AFDC recipients. The median recipient, of either race, faces a marriage penalty that is about 15 percent of total income, with more than one-fourth of all recipients, of both races, facing marriage penalties that exceed 23 percent of their income. Black women (ages 15 to 44), however, are 5.5 times more likely to be receiving AFDC than white women (20 percent versus 3.5 percent). This means that, across the board, the proportion of all black women facing a substantial marriage penalty is quintuple that of white women.

This finding sheds light on why the overall African-American marriage rate is one-half that of whites, and why, although rates in both groups have been declining in recent years, the black rate has been declining faster. The most popular explanations are the lack of marriageable black males and different attitudes about marriage and responsibility in the African-American community. Our findings lend support to both propositions.

According to the lack-of-marriageable-males argument, a variety of forces—including low earnings, unemployment, incarceration, and death—conspire to reduce the ratio of eligible black men to black women. A man's marriageability embraces his ability to contribute to an economically advantageous union. As we have seen, marriage penalties have their greatest impact on black women, which, in turn, would make black men disproportionately less marriageable (compared to white men) than they might otherwise be. (Although this would be expected to result in lower marriage rates for all black women, its greatest effect would be on never-married teen mothers, since their potential mates are likely to be low earners or unemployed.)

Our findings also suggest that the marriage penalties could be having an effect on attitudes toward marriage across a large swath of the black community. Steuerle describes how government policies can have "signaling" effects beyond the individual financial incentives that they create. He points out that, despite the fact that American workers might be expected to want to retire at different ages, they tend to retire at about the same age—partly because of the signals they receive from the Social Security program. Similarly, if marriage is penalized by the welfare system, and a large enough portion of the community feels the bite, then rearing children outside of wedlock could more easily become the norm. Our analysis reveals just such a signal from AFDC against marriage—heard five times louder in the black community. That cohabitation is more accepted in many black communities only accentuates this effect.

Welfare for married couples?

Marriage is, of course, no panacea: Too many disadvantaged women are already exploited and abused by the men in their lives. But, given the importance of marriage to the economic well-being of so many disadvantaged mothers, one would think that welfare policy would at least not discourage it. But, during the last decade of welfare reform, it has hardly been mentioned. Perhaps it is just too politically incorrect to suggest that mothers should trade dependence on welfare for dependence on a husband.

In any event, the marriage penalty can be reduced in two basic ways: (1) allow married couples to receive welfare or welfare-like benefits, or (2) make welfare less attractive to mothers. Any combination of the two will lower the costs of leaving welfare for marriage.

Expanding AFDC-UP, the welfare program for couples, is frequently suggested as the best way to pursue the first option. About 4.5 million female-headed households are on "basic" welfare, compared to only 350,000 couples on the UP program. One reason is UP's restrictive eligibility rules: The couple's principal wage earner (the parent with the highest earnings) must work no more than 100 hours per month. He (or she) must also demonstrate an attachment to the work force by either (1) having earned at least $50 in each of six or more of the previous 13 quarters, or (2) being eligible for unemployment compensation. In addition, the couple must wait 30 days after the principal wage earner becomes unemployed before receiving benefits and, in many states, benefits are limited to six months a year.

It is widely believed that these rules encourage unemployed fathers to leave home (or claim to leave) so that their wives and children can receive AFDC benefits after their UP benefits run out or they become ineligible because they are working more than 100 hours a month. Recently, more than 30 states have requested, and most have received, federal welfare waivers to lift one or more of these eligibility rules. Such changes may reduce the pressure unemployed husbands feel to abandon their families, but they are unlikely to encourage marriages. The reason is that UP eligibility depends not on marriage but on parenthood. That is, a couple can receive benefits without marrying. Moreover, the UP marriage penalty does not derive so much from work-rule ineligibility as it does from the high marginal tax on the new spouse's earnings (in the form of reduced benefits from AFDC, Food Stamps, and so forth).

Lessons from New Jersey's reform

Recognizing this underlying disincentive, New Jersey obtained a federal welfare waiver in 1992 which allows it to exclude some of the income of new spouses from the computation of AFDC benefits. When a New Jersey welfare mother now marries someone other than the father of her children, she loses her benefits, but her children can continue receiving all of theirs—so long as the new spouse's income does not exceed 150 percent of the poverty line for the number of persons in the resulting family. This means that the children's benefits do not completely phase out until family income exceeds $25,000 a year. And, as an incentive for the mother to work, only some of her earnings are counted against her children's benefits.

Unfortunately, New Jersey's innovative approach seems to have had little immediate effect on marriages among welfare recipients. Perhaps more time is necessary for recipients to appreciate these changes. More likely, the reason for so little apparent impact is that New Jersey has only gone half way toward removing the marriage penalty: The couple loses the mother's AFDC benefit, and the Food Stamp phaseout for additional family earnings is not changed.

As suggested by New Jersey's UP program, however, fixing these problems would require a very long phaseout of benefits, reaching beyond families earning $30,000. This would entail astronomical increases in spending and would likely reduce the work effort of all those receiving the benefit.

Another way to reduce the marriage penalty is to change the basis of eligibility for benefits from its present emphasis on family structure to either a children's allowance or a wage supplement. But each alternative would create a new entitlement, itself perhaps a fatal weakness, as well as posing its own particular problems. Basing benefits on the number of children might avoid a marriage penalty but would create an incentive to have children (regardless of marriage) which is even greater than that under current law. A wage supplement would be fraught with design and implementation problems. Not only would the program need to specify who is eligible, the amount of the subsidy, and method of payment, but it would also have to guard against potential windfalls to employers who might lower the wages they pay in response to the subsidy.

These dangers might be acceptable if the changes involved were more likely to increase marriage. But the plain fact is that, although we know that the present system discourages marriage, we do not know the degree to which other social or demographic factors have contributed to the process or would mitigate the impact of changing it. As many have observed, whatever originally caused the decline in marriage, it may have taken on a life of its own.

Measuring marriage

The second way to reduce the marriage penalty is to make welfare less attractive. A smaller benefit package gives a single mother less to lose by marrying. If the right man is available and willing, and has sufficient earnings, a mother who prefers to stay home with her children rather than work might trade her now lower-value benefit package for the role of housewife, caregiver to her children, and, perhaps, part-time worker.

The most obvious way to reduce the value of the mother's benefit package, of course, is simply to cut its dollar amount. But there are more subtle ways, including work requirements and time limits: Mandatory work decreases the mother's ability to stay home or to work without telling the welfare agency. Time limits take away her benefits in the future.

These and other measures are imposed in the recently enacted welfare reform law, on the premise that they will encourage mothers to leave welfare for work. But, if the marriage penalty is as real as the data presented above suggest, such measures should also increase the welfare exits due to marriage, perhaps substantially.

Until now, however, evaluations of welfare programs have focused on whether employment increased. Evaluations of the new welfare regime should also gauge its impact on marriage. If this reform of welfare not only increases employment but also leads to more marriage, that would be frosting on the (wedding) cake.

file welfare reform

TO: Melanne Verveer
FROM: Pauline Abernathy
DATE: November 15, 1996
RE: Memo to the President on welfare reform administrative issues

Attached is the welfare decision memo that Nicole mentioned to you. We thought you would be interested in seeing it. The President is expected to receive it over the weekend.

Please let us know if you want to discuss it or if you would like anyone else to see it. Also attached is a recent *New York Times* editorial on the SSI issue discussed in the memo.

I hope you are enjoying your well deserved vacation.

Attachments

THE WHITE HOUSE

WASHINGTON

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November 15, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Franklin D. Raines
Carol H. Rasco

SUBJECT: Welfare Reform Administrative Issues in Food Stamps, Supplemental Security Income (SSI) and Medicaid with Significant Budgetary Impact

One of the most difficult resource decisions you will make in the 1998 budget is how to correct the problems you identified in the enacted welfare reform bill within an aggregate spending path that leads to a balanced budget in 2002. The overarching decision is whether to spend more or less for welfare reform fixes than the $13 billion over 5 years now in our 1998 budget planning. This reserve roughly corresponds to the savings from the bill above and beyond the Administration's proposal.

Potential Legislative Fixes. In the near future, we will discuss with you a number of legislative proposals that address the concerns you articulated when you signed the bill. While it is possible to address, in part, all the issues you raised within the $13 billion, more expansive proposals could easily cost much more. For example, bridging the differences on immigrants and Food Stamps could cost as much as $22 billion over five years and $5 billion in 2002.

Additional Near-Term Administrative Issues. In addition to the broader question of aggregate welfare spending, we are raising to your attention three potential -- and time-sensitive -- administrative fixes for Food Stamps, SSI children, and Medicaid. All three decisions are on a faster track because they have an immediate impact on benefits to individuals, are subject to statutory deadlines, and/or are important to the state planning process. However, a decision to implement all three at this time would require substantial budgetary resources (ranging from $1 to $10 billion over 1998-2002) and reduce funding available for later legislative changes. In addition to cost, there are political implications to softening the impact of the welfare bill administratively in the near-term. These decisions -- in particular a decision on SSI children -- may raise advocates' expectations for the welfare fixes the Administration will later propose through legislation, and, at the same time, jeopardize the Administration's ability to sell our future legislative proposals to Congress -- such as fixes to the immigrants provisions and welfare-to-work proposals. This memo seeks your decisions on the three near-term administrative issues in the context of overall funding for welfare reform fixes in your 1998 balanced budget.

A. NEAR TERM ADMINISTRATIVE DECISIONS

1. Food Stamp Time Limits for Childless Adults

Current Law. The welfare reform bill limited Food Stamps for childless adults to 3 months in 3 years. Individuals are exempt from the time limit if they are: under 18 or over 50 years of age; responsible for the care of a child or incapacitated household member; medically certified as physically or mentally unfit for employment; pregnant; or exempt from the Food Stamp work requirements. This provision is estimated to save approximately $3 billion over 1998-2002. When States fully implement this provision in 1997, almost 800,000 individuals will be ineligible to receive Food Stamps each month. These individuals may only stay on the program if they are working over 20 hours per week or participating in an intensive workfare program. We do not expect States to establish costly workfare slots for this group, given limited State resources and pressures to create jobs for the welfare population. About half of these individuals have no other income other than Food Stamps, putting their average monthly income at $171 or 28% of the poverty level. Over 40% of this group is made up of women.

The law provides an exemption for cities, counties, or states with unemployment rates above 10%, at State request, and allows States to request waivers for any group of individuals residing in an area that "does not have a sufficient number of jobs to provide employment for the individuals." The Administration assumed a very strict interpretation of "insufficient jobs" when the bill passed, but we have the ability to define the criteria for areas with insufficient jobs more broadly as a part of implementation. Since there is substantial latitude in the law for how the Administration interprets exemptions and waivers, the Administration can substantially reduce the numbers of individuals actually denied benefits. You indicated that you would work to fix this provision when you signed the legislation.

The Food Stamp issue is very time-sensitive because the time limit goes into effect on November 22, 1996, at which time people subject to the time limit will receive notices stating that they are subject to a 3-month clock. If we do not have a final decision very soon on areas to be exempted from the time limit, several hundred thousand people will be threatened with a loss of benefits unnecessarily. States are already preparing their internal guidance and formulating waiver requests. Oregon, Louisiana, West Virginia, and Washington have already submitted requests.

Option #1 -- Provide waivers only for areas with serious impediments to employment, such as a rural town with only one major employer. While employment may be below 10%, no jobs may be available if the major employer is not hiring. This option would provide relief to few areas. The baseline assumes *de minimis* use of the waiver authority, and this option roughly corresponds to the baseline (i.e., it would not have any costs over 1998-2002). Options #2 and #3 below propose waiver policies that would exempt more people and therefore add costs over 1998-2002.

Option #2 -- Limit waivers to broader geographic-based criteria, such as areas defined as "labor surplus areas" by the Department of Labor (DOL). These are areas with at least two years experience of unemployment 20% higher than the national average. This interpretation could exempt up to 30% of those subject to the time limit who are living in areas with historically high unemployment, albeit under the threshold in the bill. Geographic-based exemptions are arguably an appropriate exercise of the discretion Congress granted. This option would cost $1 billion over 1998-2002 and $0.18 billion in 2002.

Option #3 -- Establish broad waiver criteria in addition to geography. The Department of Agriculture (USDA) and some outside groups have proposed guidance that ranges from exempting areas heavily dependent on declining industries, such as coal mining, to providing waivers to groups of individuals who face fewer employment opportunities due to insufficient job skills, for example, persons without a high school education. The proposed guidance would exempt an individual without a high school diploma from the time limit if she lives in an area where the unemployment rate for people without a high school diploma exceeds 10% -- effectively exempting an individual without a high school diploma from the time limit even though she lives in an area with only 4.3% overall unemployment. Another way of formulating the option would be to exempt anyone without a high school diploma who has actively tried to find employment but who has been unsuccessful. The theory would be that if they are unable to find a job appropriate to their skill level, then there must be insufficient jobs available.

Exempting entire classes of individuals goes beyond what Congress contemplated in providing exemptions to the provisions. While individuals without a complete high school education do face a tougher labor market than others, it is not reasonable to assume that they cannot find employment without regard to local economic circumstances. In addition, some might perceive an exemption for this group to be an education disincentive. Highly preliminary estimates show that exempting persons without a high school diploma could exclude 45% of those subject to the time limit. In total, USDA's proposed guidance could exempt between 65 to 75% of those subject to the time limit and therefore cost as much as $2 billion over 1998-2002 and $0.33 billion in 2002. It is unlikely that all States will take full advantage of such broad exemption criteria; however, the Administration would have to defend the position that lack of a high school diploma is a qualification for Food Stamps.

[***Recommendation.*** We recommend Option #2, which would allow States to exempt areas with historically high unemployment relative to the national average, even though it is below the threshold in the bill.

Advocates will argue that Option #2 is not broad enough because it fails to address the particular difficultly individuals with limited skills face in finding employment. Many will lose their food stamps even though they are looking for but cannot find work. Rather than administratively exempting a specific group of individuals from this policy, we could consider exploring a legislative solution -- similar to the Administration's proposal last year -- for those who are looking for work but cannot find jobs.]

2. Extension of Waivers Granting Transitional Medicaid Benefits

At the time you signed the welfare reform bill, 20 States had waivers that included authority to extend transitional Medicaid benefits beyond the normal 12 months (in some cases up to 36 months). Six more requests are pending. Before welfare reform, the Administration's policy was to establish budget neutrality across the AFDC, Medicaid and Food Stamps programs over the lifetime of the waiver. Typically, costs from additional Medicaid and Food Stamps benefits were offset by expenditure reductions projected to result from decreases in the AFDC caseload.

Since welfare reform replaced AFDC with a block grant, we can no longer project Federal savings resulting from lower AFDC caseloads. OMB and HHS agree that past Medicaid expenditures related to welfare waivers should be forgiven. OMB and USDA also agree that all past and future Food Stamps waivers should continue to be budget neutral. At issue is whether the future costs of extended transitional Medicaid benefits for current and pending Medicaid waivers should continue to be held to a budget neutrality standard. This issue is a priority because pressure is growing from 26 States on waivers given enactment of welfare reform. Absent a timely decision, some States could opt to suspend their expanded transitional benefits.

Option #1 -- Require States to adhere to budget neutrality for current waivers. The Administration could require States that want to continue their waivers to establish that the extension of transitional Medicaid benefits is budget-neutral. Because there are no longer any savings to the Federal government from the block-granted AFDC program, budget neutrality would require that the Federal government pay 0% of the costs (i.e., provide no Federal match) for the extended transitional benefits.

It is likely that States will continue to provide the transitional benefits waivers only if they believe they can finance them through State savings from the new welfare reform block grant. If transitional Medicaid really has the desired effect, however, States will reap substantial benefits from lower welfare benefits costs.

States may argue that requiring them to re-establish budget neutrality is a "breach of the contract" under which their waivers were granted. However, all Federal Medicaid waivers provide for renegotiation if a change in Federal law occurs. Moreover, this policy is consistent with the consensus policy to enforce budget neutrality in the Food Stamps program after the enactment of welfare reform.

Option #2 -- Modify the budget neutrality policy for the 26 States with waivers or pending applications. The Administration wants to promote welfare-to-work initiatives, of which extended transitional Medicaid benefits policy has been a cornerstone in the past. This option would effectively grandfather all states that were trying to do this prior to welfare reform. This would increase the likelihood that the 20 states with current waivers will continue the extended transitional benefits and that another six would begin them. The Health Care Financing Administration (HCFA) actuaries have not completed their estimate of the costs of this option; however, early information suggests that this option could cost between $160 million and $200 million over 1998-2002.

Option #3 -- Propose legislation. Should the Administration be accused of treating waiver and non-waiver states inequitably, we could propose legislation to create a new optional Medicaid benefit to allow all states to provide extended transitional benefits. In combination with the forgiveness of budget neutrality for grandfathered states, such a legislative proposal could cost between $1.0 billion and $1.4 billion between 1998 and 2002, and between $.2 and $.3 billion in 2002.

[***Recommendation.*** We recommend Option # 2, to grandfather the 26 states that have waivers administratively. We also recommend that you consider *all* welfare reform legislative fixes at the same time, and thus we do not at this time recommend legislation to create a new optional Medicaid benefit for extended transitional benefits.]

3. SSI Childhood Disability Definition

Current Law. The welfare reform bill provided a new, tightened definition of childhood disability for the Supplemental Security Income (SSI) program, consistent with the Administration's proposal. However, the statutory language is not precise, and the Social Security Administration (SSA) has substantial discretion in drawing the eligibility line to implement the new law. The Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) scoring was based on a similar understanding of the impact of the provision at the time of enactment. The SSI childhood disability provision in the final welfare reform bill was scored at $8.4 billion in savings over 6 years and $1.9 billion in 2002, and was estimated to remove 190.000 children out of 1 million from the rolls by September 1997. Since enactment, advocates and some Senate moderates have argued for an implementation policy that is significantly less restrictive. We are asking for your decision on this issue soon so that SSA may begin processing the approximately 7,000 new cases a week that they have held since August.

Option #1 -- Implement the law consistent with the scoring assumptions and general understanding at time of passage. This would significantly tighten eligibility compared to the law before the enactment of welfare reform. Under this option, 190,000 of the 1 million children now on the rolls would become ineligible for SSI. Most of the children who would lose eligibility under this option have mental impairments, including the behavioral disorders that were the impetus for the changes to the program, such as conduct disorder, learning disabilities, or Attention Deficit Hyperactivity Disorder (ADHD). A greater number are mentally retarded. Others have a chronic physical disease that is episodic, or is fully or partially controlled by medication, such as asthma, epilepsy, or hemophilia. Still others have a condition such as cerebral palsy that, in that child's case, does not seriously impair more than one area of the child's functioning. This option does not add costs to the baseline.

Option #2 -- Modify the disability determination process to (a) limit the impact of tightened eligibility requirements on children with multiple physical impairments, and (b) require adjudicators to complete a standard form that will promote greater uniformity in decision making and lead to more allowances than would otherwise occur. Both of these changes can be accomplished administratively, were suggested by SSA, and make programmatic sense. Under this option, 145,000 children would be removed from the rolls by next September -- 45,000 fewer children than under Option #1.

To ameliorate the hardship for these children's families, under Option #2 we would also seek legislation to retain Medicaid eligibility for all children now on the rolls who lose SSI. OMB estimates that, under current Medicaid law, 77% of the children who lose SSI would retain Medicaid because of other qualifying factors; new legislation would provide for those children not covered under current Medicaid law. Option #2 would cost $2.4 billion over 1998-2002, including less than $0.5 billion for the legislative proposal. The 2002 cost would be $0.5 billion.

Note that Option #2 is a more lenient policy than the one the Administration and Congress proposed. If we choose this option, we will have to justify changing our policy post-enactment.

Option #3 -- Further ease standard by greater recognition of chronic illness and re-assessment of borderline cases. Option 3 would add to Option 2 two features that are intended to preserve benefits for the children with the most serious disabilities not covered by Option 2: additional recognition of children with chronic or episodic illnesses such as AIDS, and an added assessment of children on the borderline. While SSA believes adjudicators will be able to learn the new procedures, this option would be more administratively difficult, time-consuming, and costly for SSA to implement than Option 2. Under this option, 100,000 children would be ineligible for SSI -- 90,000 fewer than under Option #1. Option #3 would cost $4.2 billion over 1998-2002 and $0.9 billion in 2002.

Option #4 -- Provide for a significantly lower severity standard in determining eligibility. This option is supported by advocates, Senator Daschle, and some Senate moderates from both parties. The Senate moderates argue that their explicit legislative strategy during the welfare reform negotiations was to insist on a definition that was ambiguous enough to satisfy the Republican leadership but would still give SSA the latitude to use a more lenient definition. Given that SSI cash benefits link these children to Medicaid coverage, and that the welfare reform bill simultaneously makes many other changes to the welfare system that could affect these families, advocates argue that it is appropriate to err on the side of SSA using its legal discretion to keep more children on the rolls. Under this option, 45,000 children would become ineligible for SSI -- 145,000 fewer than under Option #1.

There would undoubtedly be significant negative reaction to this option from the Republican majority, and it could be represented as negotiating in bad faith. Option #3 would cost $6.4 billion over 1998-2002 and $1.5 billion in 2002.

Option #5 -- Defer the SSI decision and make it with other 1998 budget decisions in December. Unlike the relatively inexpensive and uncontroversial recommendations on the Food Stamps and Medicaid issues, action on the SSI proposals will have significant budgetary and political impact. Choosing a spending option now will reduce the funds available for other welfare fixes by 20-30%, may disappoint advocates, and/or may portray the Administration as undermining the intent of the welfare bill -- thus threatening the success of future legislative changes to the welfare bill in Congress. Therefore, a decision could be delayed until the end of December when the Administration will be closer to defining an entire welfare reform fixes agenda. Within the context of a broader welfare reform package, this decision may be less vulnerable to criticism and give the Administration additional time to build Congressional support. However, there are a number of very compelling reasons to make a timely decision -- the Administration is required by statute to provide guidance on November 22, 300,000 current recipients will be notified about potential changes in eligibility this month, and 7,000 SSI applications per week will continue to go unprocessed.

[***Recommendation.*** OMB recommends Option #2, using administrative discretion to moderately soften the original policy and retain SSI eligibility for 45,000 children who would otherwise lose benefits, and at the same time seek Congressional support for retaining Medicaid for all children now on the rolls.

DPC staff recommends Option # 3. This option would use administrative discretion to further expand the number of children who could meet the standard, and provide special protections for children on the borderline. SSA has had difficulty giving us a clear profile of these children, and it is difficult to be confident that SSA's rules reliably discern the most severe impairments. This option would provide extra assurance that children on the borderline will be properly evaluated. The disability community, members of Congress like Senators Daschle and Chafee, and leading editorial writers have made this a major issue, and might not even see this standard as taking adequate advantage of our latitude to assist children with impairments. We should also consider the challenges that many of these low-income families will face under welfare reform.]

B. THE OVERALL 1998 BUDGET ISSUE

In the context of a five-year balanced budget, any resources allocated to welfare reform make the task of reaching balance more difficult. Since the current plan for reaching balance by 2002 is already challenging our ability to find the necessary savings with acceptable policies, it is important to recognize that a decision to spend more than $13 billion over five years will require further offsetting savings. The fact that administrative actions drive up spending in no way diminishes the need to find more offsets if we want to balance in 2002. At the same time, whether you decide to spend more or less than $13 billion to fix the welfare bill will influence your options on the immediate administrative issues.

Option #1 -- Limit welfare resources to $13 billion. The recommendations in this memo would spend about $3.6 - $5.4 billion over five years on the three near-term administrative issues. With the $8-$10 billion remaining in the $13 billion reserve, you would have sufficient resources to propose a repeal of most of the Food Stamp and Medicaid immigrant bans (but not SSI), a legislative fix for the Food Stamp 18-to-50s provision, other changes to mitigate the deep Food Stamp cuts, and expanded contingency funding.

On the other hand, if you choose the highest cost options on the administrative issues, you would spend $10 billion before even discussing the larger legislative fixes. This would leave about $3 billion to address the other problems with the bill. These resources would be exhausted by an exemption for immigrant children from the Food Stamp ban and a limited relaxing of the cap on the Food Stamp shelter deduction. You would not be able to make other legislative fixes within this total.

Option #2. Do not limit resources for welfare reform fixes to $13 billion at this time. If you choose to spend more than the $13 billion reserve, you will sharply limit your ability to meet demands for spending in other areas. Our current outline of the 1998 budget spends $284 billion on non-defense discretionary programs in 1998, about half of which is for your priorities. For every additional $2 billion you choose to spend on welfare fixes over five years, we would either need to increase the non-priority cut by 1% in 1998 (and freeze that level in the out-years), or selectively reduce priority programs. The non-priorities include important government functions such as Veterans Affairs (VA) medical care, tax collection, aviation safety, and the administration of Social Security benefits. Even if we protect your highest priorities -- say, in education and the environment -- we are left with programs such as Ryan White AIDS treatment, the National Institutes of Health, and Women, Infants and Children (WIC). If we look outside discretionary spending for these offsets. we face similarly unpalatable choices in Medicare and Medicaid. farm entitlements. civil service retirement, and veterans benefits.

C. DECISION ON OVERALL BUDGET STRATEGY

______ Option #1. The maximum available for welfare reform fixes is $13 billion, including the decisions below. **(Recommendation)**

______ Option #2. Spend in accord with the administrative decisions below. Revisit the overall funding levels for welfare reform when we make final 1998 budget decisions.

D. DECISIONS ON NEAR TERM ADMINISTRATIVE ISSUES

1. Food Stamp Waiver Guidance

______ Option #1. Provide waivers only for areas with serious impediments to employment. No additional cost.

______ Option #2. Limits waivers to geographic-based criteria. Cost: up to $1 billion over 1998-2002; up to $0.2 billion in 2002. **(Recommendation)**

______ Option #3. In addition to exemptions for geographic-based criteria, exempt all persons without a high school education from time limits. Cost: up to $2 billion over 1998-2002; up to $0.3 billion in 2002.

2. Transitional Medicaid Benefits

___ Option #1. Budget neutrality for current and pending transitional Medicaid benefit waivers. No additional costs.

___ Option #2. Modify budget neutrality policy for the 26 states with ongoing or pending waivers. Cost $0.2 billion over 1998-2002; $0.04 billion in 2002. **(Recommendation)**

___ Option #3. Propose legislation to create a new optional Medicaid benefit to allow all States to provide extended transitional benefits. Cost: $1.0-$1.4 billion over 1998-2002; $0.2- $0.3 billion in 2002.

3. SSI Childhood Disability Definition

______ Option #1. 1997 Administration policy. No additional cost.

______ Option #2. Relax eligibility requirements relative to the Administration's proposals (Option #1) and propose legislation to ensure that all children currently on SSI rolls retain Medicaid coverage. Cost: $2.4 billion over 1998-2002; $0.5 billion in 2002. **(OMB Recommendation)**

______ Option #3. Further ease standard by greater recognition of chronic illness and re-assessment of borderline cases than under Option # 2. Cost: $4.2 billion over 1998-2002 and $0.9 billion in 2002. (**DPC Recommendation**)

______ Option #4. Significantly lower standard of severity than options 1 or 2. Cost: $6.4 billion over 1998-2002; $1.5 billion in 2002.

______ Option #5. Defer SSI decision until December. No immediate cost, but 7,000 applications per week continue to go unprocessed.

NYT 11/11/96

The President's Next Welfare Test

President Clinton will have to work with the Republican Congress to keep his promise to fix the welfare law that he signed over the protests of many Democrats. But his Administration has sole control of the implementation of a potentially punitive provision of the new law. That provision would knock children off disability rolls. How well Mr. Clinton protects those children will provide the first post-election test of his resolve to block Congress's worst impulses.

About one million poor children receive Federal money under the Supplemental Security Income program. Most recipients suffer from well-defined physical or mental handicaps that are so severe that no one disputes their eligibility. But about 300,000 of these children qualify for S.S.I. because of a combination of functional impairments, no one of which may be severe. It is this group that some members of Congress want to drive off the rolls, even though no Federal study has shown a pattern of abuse. They have accused parents of abusing the program, coaching their children to feign "maladaptive behavior" and other handicaps.

The new law eliminates maladaptive behavior as a qualifying handicap. It also vaguely calls for an overall tightening of standards. But, in a flash of good judgment, Congress left the task of issuing new guidelines — due in the next few weeks — to the Administration. That means Mr. Clinton has the authority to protect these children.

The question before the Administration is how many of these 300,000 children with a combination of functional impairments are truly disabled. Within this group, the children the Administration is most likely to rule ineligible are an estimated 50,000 who are less dramatically impaired. They qualify for S.S.I. under current rules because they suffer a combination of three "moderate" functional impairments. The Administration will be tempted to throw all these children out of S.S.I. just to appease Congress's intent to tighten eligibility.

The temptation should be resisted. Jonathan Stein, the general counsel of Community Legal Services, an advocacy group in Philadelphia, points out that these supposedly moderate handicaps can be severely debilitating. As one of many examples, he cites a 6-year-old child with a very low I.Q. of 72 and a mild case of cerebral palsy who cannot walk or talk well. By S.S.I. standards, no one of these mental or physical handicaps is severe. But the combination surely is.

A blanket rejection of aid for children with three non-severe handicaps would cruelly leave the poor parents of these severely handicapped children to fend for themselves. The Administration needs to make finer distinctions rather than simply sweep out broad categories.

The rules that the Administration will soon issue will determine how many vulnerable children are stripped of Federal benefits. Mr. Clinton's obligation, no matter how much anger he provokes on Capitol Hill, is to make sure that every child he separates from S.S.I. is undeserving. Appeasing Capitol Hill's need to find abuse where it may not exist or, worse, saving money on the backs of the disabled might be politically expedient, but it is unfair.

Welfare Reform Bill

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STATEMENT BY THE PRESIDENT

The Briefing Room

2:27 P.M. EDT

THE PRESIDENT: Good afternoon. When I ran for President four years ago, I pledged to end welfare as we know it. I have worked very hard for four years to do just that. Today, the Congress will vote on legislation that gives us a chance to live up to that promise -- to transform a broken system that traps too many people in a cycle of dependence to one that emphasizes work and independence; to give people on welfare a chance to draw a paycheck, not a welfare check.

It gives us a better chance to give those on welfare what we want for all families in America, the opportunity to succeed at home and at work. For those reasons I will sign it into law. The legislation is, however, far from perfect. There are parts of it that are wrong, and I will address those parts in a moment.

But, on balance, this bill is a real step forward for our country, our values and for people who are on welfare. For 15 years I have worked on this problem, as governor and as a President. I've spent time in welfare offices, I have talked to mothers on welfare who desperately want the chance to work and support their families independently. A long time ago I concluded that the current welfare system undermines the basic values of work, responsibility and family, trapping generation after generation in dependency and hurting the very people it was designed to help.

Today we have an historic opportunity to make welfare what it was meant to be -- a second chance, not a way of life. And even though the bill has serious flaws that are unrelated to welfare reform, I believe we have a duty to seize the opportunity it gives us to end welfare as we know it. Over the past three and a half years I have done everything in my power as President to promote work and responsibility, working with 41 states to give them 69 welfare reform experiments. We have also required teen mothers to stay in school, required federal employees to pay their child support, cracked down on people who owe child support and crossed state lines.

As a result, child support collections are up 40 percent, to $11 billion, and there are 1.3 million fewer people on welfare today than there were when I took office. From the outset, however, I have also worked with members of both parties in Congress to achieve a national welfare reform bill that will make work and responsibility the law of the land. I made my principles for real welfare reform very clear from the beginning. First and foremost, it should be about moving people from welfare to work. It should impose time limits on welfare. It should give people the child care and the health care they need to move from welfare to work without hurting their children. It should crack down on child support enforcement and it should protect our children.

This legislation meets these principles. It gives us a chance we haven't had before -- to break the cycle of dependency that has existed for millions and millions of our fellow citizens, exiling them from the world of work that gives structure, meaning, and dignity to most of our lives.

We've come a long way in this debate. It's important to remember that not so very long ago, at the beginning of this very Congress, some wanted to put poor children in orphanages and take away all help for mothers simply because they were poor, young and unmarried. Last year the Republican majority in Congress sent me legislation that had its priorities backward. It was soft on work and tough on children. It failed to provide child care and health care. It imposed deep and unacceptable cuts in school lunches, child welfare and help for disabled children. The bill came to me twice and I vetoed it twice.

The bipartisan legislation before the Congress today is significantly better than the bills I vetoed. Many of the worst elements I objected to are out of it. And many of the improvements I asked for are included. First, the new bill is strong on work. It provides $4 billion more for child care so that mothers can move from welfare to work, and protects their children by maintaining health and safety standards for day care. These things are very important. You cannot ask somebody on welfare to go to work if they're going to neglect their children in doing it.

It gives states powerful performance incentives to place people in jobs. It requires states to hold up their end of the bargain by maintaining their own spending on welfare. And it gives states the capacity to create jobs by taking money now used for welfare checks and giving it to employers as income subsidies as an incentive to hire people, or being used to create community service jobs.

Second, this new bill is better for children than the two I vetoed. It keeps the national nutritional safety net intact by eliminating the food stamp cap and the optional block grant. It drops the deep cuts and devastating changes in school lunch, child welfare and help for disabled children. It allows states to use federal money to provide vouchers for children whose parents can't find work after the time limits expire. And it preserves the national guarantee of health care for poor children, the disabled, pregnant women, the elderly and people on welfare.

Just as important, this bill continues to include the child support enforcement measures I proposed two years ago, the most sweeping crackdown on deadbeat parents in history. If every parent paid the child support they should, we could move 800,000 women and children off welfare immediately. With this bill we say to parents, if you don't pay the child support you owe, we will garnish your wages, take away your drivers license, track you across state lines and, as necessary, make you work off what you owe. It is a very important advance that could only be achieved in legislation. I did not have the executive authority to do this without a bill.

So I will sign this bill. First and foremost because the current system is broken. Second, because Congress has made many of the changes I sought. And, third, because even though serious problems remain in the non-welfare reform provisions of the bill, this is the best chance we will have for a long, long time to complete the work of ending welfare as we know it by moving people children.

However, I want to be very clear. Some parts of this bill still go too far. And I am determined to see that those areas are corrected. First, I am concerned that although we have made great strides to maintain the national nutritional safety net, this bill still cuts deeper than it should in nutritional assistance, mostly for working families with children. In the budget talks, we reached a tentative agreement on $21 billion in food stamp savings over the next several years. They are included in this bill.

However, the congressional majority insisted on another cut we did not agree to, repealing a reform adopted four years ago in Congress, which was to go into effect next year. It's called the Excess Shelter Reduction, which helps some of our hardest pressed working families. Finally, we were going to treat working families with children the same way we treat senior citizens who draw food stamps today. Now, blocking this change, I believe -- I know -- will make it harder for some of our hardest pressed working families with children. This provision is a mistake, and I will work to correct it.

Second, I am deeply disappointed that the congressional leadership insisted on attaching to this extraordinarily important bill a provision that will hurt legal immigrants in America, people who work hard for their families, pay taxes, serve in our military. This provision has nothing to do with welfare reform. It is simply a budget-saving measure, and it is not right.

These immigrant families with children who fall on hard times through no fault of their own -- for example because they face the same risks the rest of us do from accidents, from criminal assaults, from serious illnesses -- they should be eligible for medical and other help when they need it. The Republican majority could never have passed such a provision standing alone. You see that in the debate in the immigration bill, for example, over the Gallegly amendment and the question of education of undocumented and illegal immigrant children.

This provision will cause great stress for states, for localities, for medical facilities that have to serve large numbers of legal immigrants. It is just wrong to say to people, we'll let you work here, you're helping our country, you'll pay taxes, you serve in our military, you may get killed defending America -- but if somebody mugs you on a street corner or you get cancer or you get hit by a car or the same thing happens to your children, we're not going to give you assistance any more. I am convinced this would never have passed alone and I am convinced when we send legislation to Congress to correct it, it will be corrected.

In the meantime, let me also say that I intend to take further executive action directing the INS to continue to work to remove the bureaucratic roadblocks to citizenship to all eligible, legal immigrants. I will do everything in my power, in other words, to make sure that this bill lifts people up and does not become an excuse for anyone to turn their backs on this problem or on people who are generally in need through no fault of their own. This bill must also not let anyone off the hook. The states asked for this responsibility, now they have to shoulder it and not run away from it. We have to make sure that in the coming years reform and change actually result in moving people from welfare to work.

The business community must provide greater private sector jobs that people on welfare need to build good lives and strong families. I challenge every state to adopt the reforms that Wisconsin, Oregon, Missouri and other states are proposing to do, to take the money that used to be available for welfare checks and offer people, to give them a chance to build their families and build their lives. All of us have to rise to this challenge and see that -- this reform not as a chance to demonize or demean anyone, but instead as an opportunity to bring everyone fully into the mainstream of American life, to give them a chance to share in the prosperity and the promise that most of our people are enjoying today.

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And we here in Washington must continue to do everything in our power to reward work and to expand opportunity for all people. The Earned Income Tax Credit which we expanded in 1993 dramatically, is now rewarding the work of 15 million working families. I am pleased that congressional efforts to gut this tax cut for the hardest pressed working people have been blocked. This legislation preserves the EITC and its benefits for working families. Now we must increase the minimum wage, which also will benefit millions of working people with families and help them to offset the impact of some of the nutritional cuts in this bill.

Through these efforts, we all have to recognize, as I said in 1992, the best anti-poverty program is still a job. I want to congratulate the members of Congress in both parties who worked together on this welfare reform legislation. I want to challenge them to put politics aside and continue to work together to meet our other challenges and to correct the problems that are still there with this legislation. I am convinced that it does present an historic opportunity to finish the work of ending welfare as we know it, and that is why I have decided to sign it.

Q Mr. President, some civil rights groups and children's advocacy groups still say that they believe that this is going to hurt children. I wonder what your response is to that. And, also, it took you a little while to decide whether you would go along with this bill or not. Can you give us some sense of what you and your advisers kind of talked about and the mood in the White House over this?

THE PRESIDENT: Sure. Well, first of all, the conference was not completed until late last evening, and there were changes being made in the bill right up to the very end. So when I went to bed last night, I didn't know what the bill said. And this was supposed to be a day off for me, and when I got up and I realized that the conference had completed its work late last night and that the bill was scheduled for a vote late this afternoon, after I did a little work around the house this morning, I came in and we went to work I think about 11:00.

And we simply -- we got everybody in who had an interest in this and we went through every provision of the bill, line by line, so that I made sure that I understood exactly what had come out of the conference. And then I gave everybody in the administration who was there a chance to voice their opinion on it and to explore what their views were and what our options were. And as soon as we finished the meeting, I went in and had a brief talk with the Vice President and with Mr. Panetta, and I told them that I had decided that, on balance, I should sign the bill. And then we called this press conference.

Q And what about the civil rights groups --

THE PRESIDENT: I would say to them that there are some groups who basically have never agreed with me on this, who never agreed that we should do anything to give the states much greater flexibility on this if it meant doing away with the individual entitlement to the welfare check. And that is still, I think, the central objection to most of the groups.

My view about that is that for a very long time it's hard to say that we've had anything that approaches a uniform AFDC system when the benefits range from a low of $187 a month to a high of $655 a month for a family of three or four. And I think that the system we have is not working. It works for half the people who just use it for a little while and get off. It will continue to work for them. I think the states will continue to provide for them.

For the other half of the people who are trapped on it, it is not working. And I believe that the child support provisions here, the child care provisions here, the protection of the medical benefits -- indeed, the expansion of the medical guarantee now from 1998 to 2002, mean that on balance these families will be better off. I think the problems in this bill are in the non-welfare reform provisions, in the nutritional provisions that I mentioned and especially in the legal immigrant provisions that I mentioned.

Q Mr. President, it seems likely there will be a kind of political contest to see who gets the credit or the blame on this measure. Senator Dole is out with a statement calling -- saying that you've been brought along to sign his bill. Are you concerned at all that you will be seen as having been kind of dragged into going along with something that you originally promised to do and that this will look like you signing onto a Republican initiative?

THE PRESIDENT: No. First of all, because I don't -- you know, if we're doing the right thing there will be enough credit to go around. And if we're doing the wrong thing there will be enough blame to go around. I'm not worried about that. I've always wanted to work with Senator Dole and others. And before he left the Senate, I asked him not to leave the budget negotiations. So I'm not worried about that.

But that's a pretty hard case to make, since I vetoed their previous bills twice and since while they were talking about it we were doing it. It's now generally accepted by everybody who has looked at the evidence that we effected what the New York Times called a quiet revolution in welfare. There are 1.3 million fewer people on welfare today than there were when I took office.

But there are limits to what we can do with these waivers. We couldn't get the child support enforcement. We couldn't get the extra child care. Those are two things that we had to have legislation to do. And the third thing is we needed to put all the states in a position where they had to move right now to try to create more jobs. So far -- I know that we had Wisconsin and earlier, Oregon, and I believe Missouri. And I think those are the only three states, for example, that had taken up the challenge that I gave to the governors in Vermont a couple of years ago to start taking the welfare payments and use it for wage subsidies to the private sector to actually create jobs. You can't tell people to go to work if there is no job out there.

So now they all have the power and they have financial incentives to create jobs, plus we've got the child care locked in and the medical care locked in and the child support enforcement locked in. None of this could have happened without legislation. That's why I thought this legislation was important.

Q Mr. President, some of the critics of this bill say that the flaws will be very hard to fix because that will involve adding to the budget and in the current political climate adding to the expenditures is politically impossible. How would you respond to that?

priorities are. For one thing, it will be somewhat easier to balance the budget now in the time period because the deficit this year is $23 billion less than it was the last time we did our budget calculations. So we've lowered that base $23 billion this year. Now, in the out years it still comes up, but there's some savings there that we could turn around and put back into this.

Next, if you look at -- my budget corrects it right now. I had $42 billion in savings, this bill has about $57 billion in savings. You could correct all these problems that I mentioned with money to spare in the gap there. So when we get down to the budget negotiations either at the end of this year or at the beginning of next year, I think the American people will say we can stand marginally smaller tax cuts, for example, or cut somewhere else to cure this problem of immigrants and children, to cure the nutritional problems. We're not talking about vast amounts of money over a six year period. It's not a big budget number and I think it can easily be fixed given where we are in the budget negotiations.

Q The last couple days in these meetings among your staff and this morning, would you say there was no disagreement among people in the administration about what you should do? Some disagreement? A lot of disagreement?

THE PRESIDENT: No, I would say that there was -- first of all, I have rarely been as impressed with the people who work in this administration on any issue as I have been on this. There was significant disagreement among my advisers about whether this bill should be signed or vetoed, but 100 percent of them recognized the power of the arguments on the other side. It was a very moving thing. Today the conversation was almost 100 percent about the merits of the bill and not the political implications of it. Because I think those things are very hard to calculate anyway. I think they're virtually impossible.

I have tried to thank all of them personally, including those who are here in the room and those who are not here, because they did have differences of opinion about whether we should sign or veto, but each side recognized the power of the arguments on the other side. And 100 percent of them, just like 100 percent of the Congress, recognized that we needed to change fundamentally the framework within which welfare operates in this country. The only question was whether the problems in the non-welfare reform provisions were so great that they would justify a veto and giving up what might be what I'm convinced is our last best chance to fundamentally change the system.

Q Mr. President, even in spite of all the details of this, you as a Democrat are actually helping to dismantle something that was put in place by Democrats 60 years ago. Did that give you pause, that overarching question?

THE PRESIDENT: No. No, because it was put in place 60 years ago when the poverty population of America was fundamentally different than it is now. As Senator Moynihan -- you know, Senator Moynihan strongly disagrees with me on this --but as he has pointed out repeatedly, when welfare was created the typical welfare recipient was a miner's widow with no education, small children, husband dies in the mine, no expectation that there was a job for the widow to do or that she ever could do it, very few out-of-wedlock pregnancies and births. The whole dynamics were different then.

So I have always thought that the Democratic party should be on the side of creating opportunity and promoting empowerment and responsibility for people, and a system that was in place 60 years ago that worked for the poverty population then is not veto previous bills. That does not mean I think we can walk away from the guarantee that our party gave on Medicaid, the guarantee our party gave on nutrition, the guarantee our party gave in school lunches, because that has not changed. But the nature of the poverty population is so different now that I am convinced we have got to be willing to experiment, to try to work to find ways to break the cycle of dependency that keeps dragging folks down.

And I think the states are going to find out pretty quickly that they're going to have to be willing to invest something in these people to make sure that they can go to work in the ways that I suggested.

Yes, one last question.

Q Mr. President, you have mentioned Senator Moynihan. Have you spoken to him or other congressional leaders, especially congressional Democrats? And what was the conversation and reaction to your indication?

THE PRESIDENT: Well, I talked to him as recently, I think, as about a week ago. When we went up to meet with the TWA families, we talked about it again. And, you know, I have an enormous amount of respect for him. And he has been a powerful and cogent critic of this whole move. I'll just have to hope that in this one case I'm right and he's wrong -- because I have an enormous regard for him. And I've spoken to a number of other Democrats, and some think I'm right and some don't.

This is a case where, you know, I have been working with this issue for such a long time -- a long time before it became -- to go back to Mr. Hume's question -- a long time before it became a cause celeb in Washington or anyone tried to make it a partisan political issue. It wasn't much of a political hot potato when I first started working on it. I just was concerned that the system didn't seem to be working. And I was most concerned about those who were trapped on it and their children and the prospect that their children would be trapped on it.

I think we all have to admit here -- we all need a certain level of humility today. We are trying to continue a process that I've been pushing for three and a half years. We're trying to get the legal changes we need in federal law that will work to move these folks to a position of independence where they can support their children and their lives as workers and in families will be stronger.

But if this were an easy question, we wouldn't have had the two and a half hour discussion with my advisers today and we'd all have a lot more answers than we do. But I'm convinced that we're moving in the right direction. I'm convinced it's an opportunity we should seize. I'm convinced that we have to change the two problems in this bill that are not related to welfare reform, that were just sort of put under the big shade of the tree here, that are part of this budget strategy with which I disagree. And I'm convinced when we bring those things out into the light of day we will be able to do it. And I think some Republicans will agree with us and we'll be able to get what we need to do to change it.

Thank you.

THE PRESS: Thank you.

END 2:52 P.M. EDT

file welfare reform

Testimony Regarding the Welfare Reform Proposal of the National Governors Association

Presented to
Subcommittee on Human Resources
Committee on Ways and Means
United States House of Representatives
February 20, 1996

by Sharon M. Daly
Deputy to the President for Social Policy

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Testimony Regarding the Welfare Reform Proposal of the National Governors Association

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by Sharon M. Daly
Deputy to the President for Social Policy
Catholic Charities USA

Thank you for this opportunity to testify before this Subcommittee on the recent welfare proposal of the National Governors Association.

Catholic Charities USA is the national association of 1,400 local Catholic Charities agencies and institutions with 234,000 staff and volunteers. Catholic Charities programs served over 11 million people in 1994. People of all religions and of no religion and of every racial, social, and economic background come to us for help.

Through home health care and Meals on Wheels, we help elderly and disabled people stay in their homes and out of nursing homes.

We resettle refugees from every part of the world and help them to become productive Americans.

We sponsor affordable housing for low- and moderate-income families and individuals.

We help to form families through adoption.

We keep families together through marital and family counseling.

We reunite families through services to refugees and immigrants.

We rebuild families torn apart by substance abuse or domestic violence.

We help families get back on their feet when floods, earthquakes, fires, plant closings or downsizings leave them jobless or homeless.

And over the past 15 years, our agencies have tried to cope with a steady increase in hunger and homelessness in their communities. In 1981, fewer than one million people came to our agencies for emergency food and shelter. By 1994, that number grew to over seven million people who received emergency help. For example, bags of groceries for 60 year old grandmothers;

As the bishops said in their 1986 pastoral letter, *Economic Justice for All,*

> "The responsibility for alleviating the plight of the poor falls on all members of society. As individuals all citizens have a duty to assist the poor through charity

We should not allow states to forget about these very young mothers and babies. It's wrong to give them a check and leave them alone, and it's equally wrong to deny them a check and leave them alone. In our experience, most teen mothers are the victims not of passion, but of exploitation and abuse. These girls need to be rescued and protected, rather than lectured and shamed.

No institution in the United States is tougher on sex outside marriage than the Catholic Church. If there were convincing evidence that irresponsible sexual behavior could be curbed by the "family cap" or denial of aid to teenagers without causing worse problems, we would be first in line to advocate those policies.

Before closing, I would just like to say a word about assistance for immigrants. Apparently the governors could not reach consensus on the treatment of legal immigrants in federally funded programs. In the religious community, however, I believe there is a consensus. Religiously affiliated groups that receive federal funds are alarmed by provisions in the welfare, reconciliation, and immigration bills that would not only make immigrants ineligible for most federally-supported programs, but would require private non-profit agencies to screen their clients for citizenship and immigration status.

We can only imagine what new bureaucratic nightmares will face public agencies such as housing authorities, welfare departments and school systems if they have to make eligibility and benefit decisions based on the highly complex and confusing vagaries of immigration law. They have our sympathy.

What we cannot imagine is how local churches, charities , shelters, soup kitchens, and day care centers will be able to meet the requirements of the proposed changes in the law. How will homeless shelters or shelters for battered women turn people away because in their pitiful plastic garbage bags, containing only a few possessions, there is no birth certificate? Battered women seldom appear at our offices with any kind of documents because they are running for their lives. If we are forced to screen for citizenship or legal residence, many native-born Americans could be turned away.

Moreover, our religious traditions do not allow us to turn away people in need. From the Hebrew Scriptures through the New Testament, we are commanded to "welcome the stranger." I believe the religious groups will continue to serve immigrants through private donations, so if the goal is to discourage illegal immigration or even legal immigration by poor people, this tool of public policy will fail.

But the necessity to hire and train staff to screen for immigration status and to keep records showing that no federal money was used to help the ineligible immigrants and to provide separate programs will hamstring the very private agencies that Congress is relying on to help the poor. At the least, non-profits and religious groups will have to become more like the bureaucracy at the welfare departments. At the worst, some American citizens will not get the help they need because of the expense of implementing these new requirements.

There is one element of the National Governors Association plan that we can endorse wholeheartedly: limiting cuts in the Earned Income Credit to not more than $10 billion over seven years. Scaling back both eligibility and the amount of the credit (as in the reconciliation bill) would punish the very families that can be role models for families on welfare. Our agencies work with many of those families earning $18,000 to $25,000 per year who earn too much for Food Stamps or Medicaid, don't get health insurance through their jobs, and aren't eligible for subsidized child care. These same families earn too little to take full advantage of the dependent care credit and are not eligible for the home mortgage deduction. Even with the most frugal and careful budgeting, these families are always falling behind. Cutting their EIC sends the wrong signal to them and to families on welfare, a signal that the game of life is rigged against people who work hard all their lives at low wages.

And work is the key to welfare reform.

As Pope John Paul II said in his very first encyclical *On Human Work*, "work is the key to the whole social question."

For more than a year, the welfare debate has focused almost exclusively on personal responsibility, with hardly a mention of social responsibility. The Catholic church, from the Pope on down through the bishops, teaches that government must respect and guarantee that individual rights are respected, including the right to "suitable employment for all who are capable of it," to just and adequate wages, and to social welfare benefits when jobs are not available or people are not able to support themselves and their families. Government does not have to do everything, but the national government's role is to ensure that the minimum standards are available to all: jobs, food, housing, health care, education.

This has never been more necessary or more important than now when the pressures of a global economy and a world-wide social upheaval are undermining traditional values in the marketplace as well as in the home.

Thank you for the opportunity to share our views on the National Governors Association plan. Our 1,400 local agencies stand ready to show to Members and staff of this Subcommittee the kind of work we do and introduce you to the people we serve.

CENTER ON BUDGET AND POLICY PRIORITIES

file welfare reform

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REGARDING:	Governors' Welfare Proposal
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CENTER ON BUDGET AND POLICY PRIORITIES

February 18, 1996

GOVERNORS' WELFARE PROPOSAL WOULD PERMIT STATES TO WITHDRAW SIGNIFICANT STATE RESOURCES FROM PROGRAMS FOR POOR FAMILIES

The welfare proposal approved by the National Governors' Association (NGA) would increase *federal* resources available for income support, work and child care programs as compared to the welfare conference agreement. But it also would enable states to withdraw substantial *state* resources from these programs without losing any federal money. States would be able to withdraw from these programs or to divert to other uses some $58 billion between 1997 and 2002.

The NGA proposal calls for adding $4 billion in federal child care funding, $1 billion in federal "contingency" funding for states experiencing increases in poverty, and substantial additional federal funds for job performance bonuses to states. States could receive these additional resources while reducing state funding to 75 percent of what the state expended in 1994 for AFDC, work, and child care programs. A state also would be permitted to divert up to 30 percent of its federal welfare block grant dollars to other programs.

If all states provided the funds necessary to receive their full federal block grant allocations but no more than that — that is, if state funding equaled 75 percent of each state's 1994 state expenditure level — and if states also transferred 30 percent of their federal block grant funds for other purposes, the total amount withdrawn from cash assistance and welfare-to-work efforts for poor families with children would total $58 billion. While not all states would follow this course and the total funds withdrawn thus would be less than $58 billion, the amount lost to these programs can be expected to be very substantial.

Most of the provisions that would enable states to withdraw or transfer these funds were included in the welfare conference report. But the governors made changes in the welfare conference report to make it easier for states to withdraw state funds — and more likely that states would do so. The provisions in the NGA proposal that would enable states to withdraw or divert funds are considerably more expansive than the provisions contained in the Senate welfare bill.

NGA Proposal Embraces Weak Maintenance-of-Effort Provision

Under current law, the federal and state governments share in the cost of providing AFDC benefits and funding welfare-to-work programs. States contribute between 20 percent to 50 percent of the cost of providing AFDC benefits to poor

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Robert Greenstein, Executive Director

families and operating work programs, with wealthier states contributing a higher proportion than poorer states.

This structure provides states with an important incentive *not* to reduce state resources for these programs; under the current matching structure, if a state withdraws $1 of state resources from AFDC or work programs, it loses between $1 and $4 of federal AFDC funds. This incentive structure has provided a counterweight to potential efforts to save state money by cutting AFDC benefit levels.

Under the block grant structure endorsed by the governors, however, this matching structure would be eliminated. States would receive a block grant with essentially fixed funding. Block grant funding levels would be based on state expenditures for AFDC and work programs in 1994.[1] To receive its full block grant allocation, a state would simply be required to contribute state funding for work, income support, and child care programs equal to 75 percent of what it spent on these programs in 1994.

- If every state expended only what was required to receive its full block grant allocation, state funding would fall $28 billion below what the Congressional Budget Office projects states would provide under current law. Compared to current law, this represents a 30 percent reduction in state funding. (This $28 billion figure assumes that the 75 percent maintenance-of-effort requirement is in place in each year between 1997 and 2002. As the welfare conference agreement is drafted, it appears there would be no maintenance-of-effort requirement in 2001 and 2002, suggesting that a state would receive its full federal block grant in those years whether or not it put up *any* state funding. It is unclear whether this is a technical drafting error or a policy decision to sunset the maintenance requirement. This analysis assumes this was a drafting error. If there is no maintenance requirement in 2001 and 2002, states would be able to withdraw substantially more than $28 billion in state resources.[2])

- As long as a state provided funds for these programs at no less than 75 percent of its 1994 funding level, there would be no financial incentive for a state to provide any additional state dollars. If a state were to provide $1 above the 75 percent "maintenance level," it would secure no

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[1] To be precise, block grant allocations would be based on the highest of a state's 1994 spending bid, 1995 spending level, or average spending level for the three-year period from 1992 through 1994.

[2] If there is no maintenance-of-effort requirement in 2001 and 2002, states could withdraw an additional $21 billion, bringing the total potential withdrawal of state funds to $49 billion during the period from 1997 through 2002.

additional federal funds. Similarly, if a state withdrew $1 of state resources, it would not jeopardize any federal funding so long as the state met the 75 percent maintenance requirement. The disincentive to cut benefits that the current matching rate structure provides would no longer exist.

The 75 percent "maintenance-of-effort" provision is part of the welfare conference report. (The Senate welfare bill contained an 80 percent maintenance requirement.) But the governors changed the maintenance requirements in the Congressional legislation in one key respect. Both the Senate welfare bill and the conference agreement contained a provision which required that state funding must equal 100 percent of the state's 1994 expenditure level for the state to qualify for "contingency funding." The governors deleted this requirement, enabling states to receive contingency funds while cutting their own state expenditures to 75 percent of their 1994 level.

- The 100 percent maintenance-of-effort requirement attached to the contingency fund in the welfare conference agreement provided the bill's only incentive for states not to withdraw substantial state funding.
- Removal of this requirement would enable states to receive federal contingency funds when poverty and unemployment climbed, while withdrawing state funds at the same time.[3]

Child Care Funding

The governors' proposal also provides an additional $4 billion in federal child care funding. States would not need to provide any additional state funding to qualify for these federal funds; states would still face only the overall requirement to maintain 75 percent of their 1994 spending on income support, work, and child care combined.

With the addition of this $4 billion in additional federal child care resources, it is likely that many states would spend less state money on child care than they would in the absence of these additional federal funds. Some of this additional federal child care funding is likely to supplant state resources. As long as a state maintained overall spending at the 75 percent maintenance level, it would face no negative repercussions from allowing some of these added federal child care funds to replace state child care resources. As a result, the addition of the $4 billion in federal

[3] While states would need to match the federal contingency funds, the amount of state matching funds required would generally be far less than the amount of funding a state could withdraw if there is no requirement that states maintain 1994 funding levels to receive contingency funds.

child care resources is likely to result in a *net* addition of substantially less than $4 billion in overall child care funding.

Finally, the NGA proposal adds federal resources for "job performance bonuses." It appears that all states that meet the performance bonus criteria would receive a five percent increase in their block grant allocation, regardless of the extent to which the states may have withdrawn state resources from income support, work, and child care programs. NGA has not provided details on the criteria that would be used to determine which states would qualify for job performance bonus funds. As a result, it is unclear how much the NGA performance bonus would cost. If every state qualified for a bonus, the provision would cost $5 billion between 1997 and 2002.

If the performance bonus were structured in a manner that rewarded states that placed a significant proportion of their caseload into jobs, a state that withdrew substantial state resources and operated an income support and work program for only a small proportion of needy families could be rewarded with a performance bonus if it succeeded at moving a significant percentage of those it served into jobs. Such a state could receive a bonus even if large numbers of those families that were not served by the program were unable to find work and were left destitute.[4]

NGA Proposal Would Permit States To Divert Billions of Federal Dollars Away From Income Support and Work

The governors' proposal, like the welfare conference report, also would permit states to transfer up to 30 percent of their federal welfare block grant funds to several other programs, including the Social Services Block Grant, the child protection block grant, and the child care and development block grant. This provision is much more expansive than the transfer provision in the Senate welfare bill; the Senate bill allowed welfare block grant funds to be transferred only to the child care block grant. The transfer provision in the governors' proposal would place in jeopardy roughly $5 billion per year — or almost $30 billion between 1997-2002 — of federal block grant dollars that could be diverted from income support and work programs.

The provision that would allow welfare block grant funds to be transferred to the Social Services Block Grant is particularly significant. States currently pay for an array of social services largely with state dollars; the cost of these services

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[4] The governors' proposal lacks sufficient detail to determine whether the job performance bonus would even be designed in a way that would reward states with successful welfare-to-work programs. Previous job performance bonuses proposals, including the job bonus in the welfare conference agreement, have been poorly designed and could reward states that did not have effective work programs but instituted harsh time limits or had strong economies.

substantially exceeds the modest funding provided under the federal Social Services Block Grant. As a result, a state could save substantial state money by diverting funds from the welfare block grant to the Social Services Block Grant and using these resources, in lieu of state dollars, to fund social service programs. There is likely to be pressure to divert welfare block grant funds to various social services; in many states, social service providers have organized themselves into effective lobbies. There usually is no lobby of equivalent potency for welfare recipients or work programs.

Adding to the concerns about this diversion authority, welfare block grant funds diverted to the Social Services Block Grant would not even need to be used for services for needy families with children. Resources under the Social Services Block Grant are used to fund organizations providing services to an array of groups, including the elderly and disabled. Social Service Block Grant funds pay for services that include in-home care for the elderly and disabled, juvenile justice services, and substance abuse counseling and treatment. Moreover, the income limits for services supported under the Social Services Block Grant are typically well above the poverty line.

The governors' proposal also permits the transfer of welfare block grant funds to child protection services. At present, 22 states are under court order to improve child protection services because of inadequate past performance in this area. A state under a court order could transfer welfare block grant resources intended to fund income support and work programs, shifting these resources instead to child protection services so fewer state dollars have to be spent to comply with the court order.

The Bottom Line: States Could Withdraw Up To $58 Billion

Taken together, the weak maintenance-of-effort provision and the provision allowing states to divert federal block grant dollars to other purposes would place $58 billion in federal and state funding for income support and work programs in jeopardy between 1997 and 2002. Under the governors' proposal, states could withdraw or divert these resources and still have access to their full federal welfare block grant allocation, *plus* an additional $4 billion in federal child care resources, the additional $1 billion in contingency funds, and the additional job performance bonus funds.

As noted earlier, it is unlikely that every state would reduce state spending to the full extent allowed under the governors' proposal. But evidence is already accumulating that many states will withdraw significant resources. New York's governor has proposed a 26 percent cut in cash assistance benefit levels for poor families with children in that state. California's governor has proposed steep cuts in benefit levels and the imposition of time limits much harsher than those the federal welfare legislation would require; the proposal that Governor Pete Wilson is pushing has been estimated to drop the amount of funding that California is contributing to 90 percent of the state's 1994 expenditure level. In addition, in a number of other states -- including Louisiana, Nebraska, South Carolina, and Virginia — governors have proposed time limits much shorter than the maximum five-year time limit included in the NGA and Congressional proposals. Reductions in benefit levels and the institution of very short time limits both provide ways for states to save money and withdraw state funds from programs for poor families with children.

February 7, 1996

fyi - welfare reform file

THE NATIONAL GOVERNORS' ASSOCIATION PLAN ON WELFARE: WHY IT'S BAD FOR CHILDREN

The National Governors Association unanimously adopted a welfare reform resolution on February 6. Closely following the approach of the welfare bills passed by Congress and vetoed by the President, the governors agreed to abandon the federal guarantee for cash assistance, to be replaced with block grants that would not respond when recessions cause increased need. Under the governors' plan, states could also choose block grants for food stamps, school meals programs, and for foster care and adoption assistance for abused and neglected children. Here's why the governors' plan would hurt children:

• **Needy children and families would no longer be able to count on basic income support.** Like the previous welfare bills vetoed by the President, the governors' plan ends the guarantee that needy families receive at least minimal assistance, and requires states to impose a lifetime limit of five years or less, whether jobs are available or not. While the plan would allow 20 percent of the caseload to be exempt from the time limit, more than that (27 percent) would be unlikely to work because the parent either has or is caring for someone with a disability. Families in areas of high unemployment would also have to compete for the scarce exemptions, as would families where parents work continuously, but at very low wages.

• **When unemployment and poverty rise, federal funds would not increase enough to meet the need for basic income support.** The block grant for cash aid and work remains flat-funded for 7 years. The governors' plan does include a $2 billion contingency fund that states could tap when unemployment or food stamp use rises, but it is not nearly enough to meet actual need during a recession. During the downturn of the early 1990's, federal AFDC funding grew almost $6 billion, three times the amount in the contingency fund.

• **The plan would allow states to make further cuts in cash aid or work programs.** The governors' resolution allows states to cut up to 25 percent of their spending without losing any federal funds, the same as in the bill vetoed by the President. In addition, states could shift up to 30 percent of funds for income support and work to other programs.

• **Federal standards for child care quality would be eliminated.** While the governors' proposal takes the positive step of adding $4 billion over seven years for child care, this plan, like the bill vetoed by the President, would gut federal health and safety requirements for child care, and cut funds to improve and expand the supply of child care.

• **The plan would put more children at risk of abuse and neglect.** The proposal would undermine the guarantee of foster care and adoption assistance for abused and neglected children. It would give states the option of capping funds for foster care, adoption, and independent living services, in exchange for the flexibility to use these formerly guaranteed dollars for any of a range of child protection activities. It is likely that eligible children in these states would no longer be guaranteed foster care and adoption assistance when they cannot live safely at home. Even if a state did not opt for a cap, most other federal child protection programs, including those aimed at child abuse prevention and family support, would be repealed and replaced with a child protection block grant.

• **The plan would undermine the nutritional safety net for children.** States would be allowed to end the guarantee of food stamps and convert the program to a block grant. The governors' plan also accepts $27 billion in food stamp cuts over seven years, reducing food assistance to 14 million children.

For more information on welfare issues, please contact Deborah Weinstein (662-3565) or David Kass (662-3556) in CDF's Family Income Division; on Medicaid issues, please contact Gregg Haifley (662-3541) or Stan Dorn (662-3595) in CDF's Health Division. On these issues or generally on children's issues, please contact Eileen Sweeney (662-3586) in CDF's Office of Government Affairs.

February 7, 1996

THE NATIONAL GOVERNORS' ASSOCIATION PLAN ON MEDICAID: WHY IT'S BAD FOR CHILDREN

• **It would eliminate guaranteed coverage for poor children 13 through 18 years of age with working parents.** This coverage would be phased in, under current law, by October 2002. But during the twelve months beginning this October, the NGA proposal would end guaranteed Medicaid coverage for 400,000 children in working poor families when they turn 13. In the year 2002, the proposal would deny guaranteed coverage to 3 million poor children ages 13 through 18.

• **It would eliminate current law guarantees that children will receive coverage of all medically necessary health care.** Even the children who would receive coverage under the NGA proposal would not be guaranteed meaningful benefits.

- o The proposal would repeal EPSDT's (Early and Periodic Screening, Diagnosis, and Treatment) guarantee that children must receive all medically necessary services. States could flatly deny coverage of prescription drugs, for example, even if a child's doctor says there is no other way to treat an illness or stop severe pain. States could likewise deny coverage for dental care, hearing aids, eyeglasses, physical therapy for children with disabilities, or other services that are crucial to children's development and learning.

- o States also would be given unlimited freedom to determine the amount, duration, and scope of services within covered benefits categories. For example, states could limit children to a certain number of hospital days per year--even seriously ill children whose doctors say more care is needed to avoid grave harm.

• **It would eliminate guaranteed health coverage for children who are disabled according to federal SSI definitions.** Instead, states could limit, as they see fit, the number of children with disabilities who receive coverage. This would jeopardize health coverage for more than two million children with disabilities who now receive Medicaid.

• **It would eliminate existing federal guarantees of coverage for children and parents receiving AFDC.** Under the NGA's welfare proposal, states would have no legal responsibility to give AFDC to poor families, who could lose Medicaid along with AFDC. Medicaid coverage would no longer be guaranteed for 1.6 million children who now receive AFDC and are over age 12. Four million parents now receiving AFDC, 88 percent of whom are women, would also lose guaranteed coverage. These are some of America's poorest families, commonly with income below 50 percent of the poverty line.

• **It would deny access to federal courts to overturn illegal state denials of coverage.** Even the limited guarantees that exist on paper could prove meaningless in practice, if states know they will not be enforced.

• **It would allow states to contribute much less to Medicaid, forcing further cutbacks.** States like New York that currently must match federal spending dollar for dollar could instead put up only 67 cents for each federal dollar they receive. To meet even these reduced matching obligations, states could use provider donations and taxes that the Bush Administration and Congress outlawed in the early 1990s. According to the Congressional Budget Office, these practices were used to circumvent state matching requirements in the past. States could withdraw billions of dollars they now spend on Medicaid, dramatically cutting coverage for families.

• **It would let states use federal Medicaid dollars to pay for current state responsibilities.** Medicaid funds could be used, for example, to purchase insurance for state workers and retirees with incomes under 275% of poverty, or to pay the costs of operating state psychiatric hospitals. State funds freed in the process then could be used to fund road construction or other projects, essentially diverting Medicaid funds from their intended purpose of providing health care for low-income families.

For more information on welfare issues, please contact Deborah Weinstein (662-3565) or David Kass (662-3556) in CDF's Family Income Division; on Medicaid Issues, please contact Gregg Haifley (662-3541) or Stan Dorn (662-3595) in CDF's Health Division. On these issues or generally on children's issues, please contact Eileen Sweeney (662-3586) in CDF's Office of Government Affairs.

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Poverty, Women, and Reproduction:
A CFFC [Catholics for a Free Choice] Position
Paper on Welfare Reform

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MHG

POVERTY, WOMEN, AND REPRODUCTION

A CFFC POSITION PAPER ON WELFARE REFORM

Catholics for a Free Choice

file welfare reform

FOR RELEASE UPON DELIVERY
THURSDAY, JUNE 23, 1994

*REMARKS BY

DONNA E. SHALALA

SECRETARY OF HEALTH AND HUMAN SERVICES

NATIONAL PRESS CLUB

WASHINGTON, D.C.

*THIS TEXT IS THE BASIS OF SECRETARY SHALALA'S ORAL REMARKS. IT SHOULD BE USED WITH THE UNDERSTANDING THAT SOME MATERIAL MAY BE ADDED OR OMITTED DURING PRESENTATION.

Thank you Gil Klein for that gracious introduction.

I'd also like to thank Eleanor Clift, for organizing this luncheon, and giving me this opportunity to talk with you about the important issue of welfare reform.

I am really here to talk about the future of our country.

The future of our country is a young couple in Cleveland, forced to separate because the husband's meager income disqualifies them from the welfare assistance they desperately need.

The future of our country is a battered wife, huddled in an emergency shelter in Miami with her children -- facing the choice between welfare and an abusive husband.

The future of our country is three children in New York who rarely see their father and know that he doesn't pay child support.

The future of our country is a 15-year-old girl in Omaha, who is a victim of rape.

The future of our country is a young mother in Racine who had a good paying job that didn't come with health benefits.

When her baby got sick, she had to swallow her pride and go on welfare to get Medicaid.

And the future of our country is a 13-year-old girl in Chicago who is being pressured by her 20-year-old so-called "boyfriend" to throw away her future to satisfy his desire for sex.

The future of our country is full of despair for too many Americans -- and full of hope for too few.

In Kansas City, Yolanda Magee has hope and a future.

The former welfare mother stood with the President in her hometown last Tuesday and told the country she believes welfare should be, in her own words, "a stepping stone" -- not a way of life.

And the future of our country is also the young people I met at an alternative school in Los Angeles and at the D.C. Street Academy, whose graduation I attended last week.

These schools provide a <u>second chance</u> at education for students who have dropped out or been kicked out of school.

At the D.C. Street Academy, the student graduation speaker was a 20-year-old woman who described her determination to succeed because of the example she wants to set for her 2-year-old daughter and 4-year-old son.

That courageous young American and all the graduates I met that night represent the meaning of something the President has said many times:

"We don't have a person to waste in this country."

These students worked hard. They earned their diplomas.

The road behind them was rocky, but they didn't give up on themselves. Nor did their teachers give up on them -- and we shouldn't either.

America is a country that does not give up on her people.

We are a country that believes in giving people a way up and a second chance -- while demanding responsibility and accountability in return.

That is the essence of the Administration bill introduced two days ago by House and Senate leaders and Committee Chairs, led by Senator Daniel Patrick Moynihan -- one of the nation's most brilliant and visionary thinkers on social policy.

Last week, Newt Gingrich said about our bill that we promised a Ferrari and delivered a Yugo.

He's wrong on both counts.

The Work and Responsibility Act of 1994 is a distinctly <u>American family</u> car:

Solid in design.

Economical in cost.

And well-equipped to begin a challenging journey to move millions of Americans from dependence to independence.

There's room enough inside this welfare proposal to carry the whole family:

Democrats and Republicans; liberals, moderates and conservatives; businesses and schools; children and their young parents -- and above all, working Americans.

In fact, if you take a look at most of the legislation up on the Hill, you will find some striking similarities -- proof that the consensus for welfare reform transcends party lines.

Both the President's plan and the major Republican plan emphasize the values of work and responsibility.

Both make public assistance a transitional program leading to mandatory work.

Both emphasize parental responsibility and delaying sexual activity -- especially for teens.

Both provide funding for education, training, child care and job creation.

And both recognize that it will require an investment -- of time -- and money -- to move young mothers toward self-sufficiency.

And let me say to those extremist critics out there -- some of whom have apparently not even bothered to read our plan --

-- We believe the Work and Responsibility Act represents an historic moment -- a monumental shift in this country's approach to lifting people out of poverty.

Empower America didn't even get it half right.

The bedrock assumption of our legislation is that work organizes and gives dignity and meaning to our lives.

Our bill is based on the American values of work and responsibility -- which is exactly what 161 Republicans -- not extremists -- call for in their own welfare bill.

And we're sending the strongest possible message to young women that they must to stay in school, postpone pregnancy -- delay having children until they are fully capable of raising them.

Either the extremists didn't read our plan -- or they don't want to understand it.

Under our plan, it will be clear to all teenagers -- young men and young women -- that having a child is an immense responsibility -- not an easy route to independence.

And from the very moment a young woman walks into a welfare office, she will understand that she is now in a transitional program leading to work.

After an assessment of her skills and training, she will design a personal employability plan -- a work and training agreement -- designed to move her into a real job as quickly as possible.

She will get help with job training, job search, and child support, with the clear understanding that, as soon as possible, she must work -- preferably in the private sector.

And we expect that many recipients will be working well before they hit the two-year time limit.

But, after two years, if she has not found a job, cash assistance will end, and she will be required to take a job in our subsidized WORK program.

And here, there's no question that our bill is tougher and smarter than the Republican alternatives.

Because, unlike traditional "workfare", there's real accountability here.

In traditional workfare, the welfare check is still the bottom line because, it's so time consuming, difficult and bureaucratic to sanction someone who fails to meet their responsibility.

In our WORK program, recipients will get jobs in the private sector whenever possible -- and in the public sector only when necessary.

They will only be paid for hours worked. And they'll get a paycheck -- not a welfare check.

Wages -- not Workfare.

But let me also be clear about this:

We passionately reject the more radical calls for abandonment of all help to young mothers in need.

Charles Murray and Empower America may have gotten the problem right, but their solution is all wrong.

Their draconian approach would "end welfare, period" -- abolishing all forms of public assistance to young, unmarried parents, and relegating their children to orphanages.

Institutions that nineteenth century social critics like Charles Dickens exposed as abject failures.

Their proposal sounds almost surreal.

A 1994 version of Jonathan Swift's "A Modest Proposal" -- which argued that the best way to deal with food shortages and overpopulation was to eat the children of the poor.

But Empower America isn't being satirical.

They are seriously proposing that the best way to deal with temporary dependency is to render people permanently destitute.

That's not something you'll find in The Book of Virtues.

Let me repeat: abandonment of responsibility -- by government or by citizens -- is unAmerican.

It's wrong -- and it won't work -- to cut off all benefits to poor, single women and their children -- even when they play by the rules and are willing to take part in education and job training.

It's wrong -- and it won't work -- to create a generation of children who will grow up on the streets, and who will have no reason -- ZERO -- to believe in the ideals of this country -- including the most basic ideal that hard work will be rewarded.

It's wrong -- and it won't work -- for Murray and his disciples to advocate letting unmarried fathers off the hook -- absolving them of any responsibility to support the children they helped bring into this world.

It's wrong -- and it won't work -- to give up on parenthood and bring back those nineteenth-century orphanages.

But that's just what Murray and Empower America would do.

That's why I think the bill supported by some extremists who embrace their approach could be labeled, "The Give Up on Young Americans Act of 1994."

Seventy percent of Americans, in a recent poll, have responded with a resounding NO to the Empower America approach.

While more than 90 percent in another poll agreed with the President's approach emphasizing work and responsibility.

And this support crosses all demographic lines:

African Americans, Hispanics, Whites..Asian Americans --

-- From the gulf coast to the midwest --

-- from South Central L.A. to Bangor, Maine --

-- across all income levels --

-- and across a broad ideological spectrum.

There is wide agreement that our plan takes the right stand toward truly ending welfare as we know it.

Under the President's plan, we're dramatically shifting the focus of the welfare system from simply handing out welfare checks to preparing people to earn paychecks.

Our push-pull approach combines supports, sanctions, and economic incentives to honor people who work hard and play by the rules -- and penalize those who don't.

We believe that by strengthening supports for working Americans -- by expanding the Earned Income Tax Credit, by requiring work, by guaranteeing health care with every job, and by providing child care, we will provide a solid platform for millions of Americans who are struggling to make the leap from welfare to work.

And we will make a difference.

We're not just tinkering at the margins.

This is a big effort -- that promises real, measurable results.

By the year 2000, one million people who would otherwise be on welfare, either will be completely off or working their way to independence.

But our plan is as tough as it is far-sighted.

As Senator Moynihan, has been telling us for more than 30 years, teen pregnancy, out-of-wedlock births, and single-parent families are enormous social tragedies.

Unlike those on the left and right who simply want to continue a sterile debate, we want to meet the Senator's challenge to address these tragedies.

We believe that holding teenage parents responsible for support of their children makes more sense than simply cutting off their benefits or maintaining the status quo.

We're talking about fathers as well as mothers -- because both parents are equally responsible.

Our plan provides time-limited benefits for teenage mothers -- but only if they meet several conditions:

They must live at home with their parents or a responsible adult.

They must identify their child's father.

They must stay in school or participate in job training.

They must attend parenting classes, if they need them.

And we are not letting young fathers off the hook either.

Our plan goes further than any Presidential initiative ever proposed in expecting fathers to support their children.

Our plan says to Deadbeat Dads: if you're not providing for your children, we'll garnish your wages, suspend your drivers and professional licenses, track you across state lines, and if necessary make you work off what you owe.

And we know that there are men out there -- many of them young men -- who want to do the right thing and support their kids, but can't because of lack of skills or chronic unemployment.

That's why, in addition to toughening child support enforcement, our plan allows states to extend supports such as counseling, job training, and parenting classes to unmarried, low-income fathers too -- as long as they are taking responsibility for their children.

These policy changes reflect our belief that, given a little help, most men and women will rise to honor their responsibilities as parents.

But, in addition to requiring responsibility, our plan also places primary emphasis on the prevention of teenage pregnancy.

The link between teen pregnancy and poverty is clear.

Approximately 80 percent of the children born to teen parents who dropped out of high school and did not marry are poor.

In contrast, only 8 percent of children born to married high school graduates aged 20 or older are poor.

We know that it will take comprehensive, community-based approaches to empower young people to delay sexual activity and parenthood until they are emotionally and financially ready. And we're absolutely committed to promoting abstinence-based programs in the schools as a key to preventing teen pregnancy.

For all teenagers -- boys and girls -- we believe that there's a crucial link between abstinence and aspiration.

This fact really struck home for me last week when I read the article in a national magazine about Katherine Mims, a 21-year-old sophomore at Hunter College, the CUNY college I headed for eight years in the 1980s.

The article described a remarkable partnership we developed while I was there that has given dozens of teens something to say YES to while helping them delay pregnancy.

Katherine -- who was raised on welfare -- was offered a full scholarship to Hunter College.

The deal was she had to participate in the Family Life and Sex Education Program of the New York Children's Aid Society -- and she had to not get pregnant.

Today, Katherine supports herself by working full-time for the program as she continues to march toward her college degree.

We believe that the Work and Responsibility Act of 1994 will help millions of other Americans like Katherine Mims break the cycle of dependency and finally begin to build lives of productivity and independence.

As the President has said, "This is not a partisan issue, this is an American issue."

There is a broad consensus on our approach to welfare reform.

And any attempts to derail it have to be viewed more as posturing than as substance.

It is a gross injustice to the American people that -- simply for political reasons -- a small group of ultra-rightists would oppose a bold, centrist bill that, is based on values they espoused for many years.

At the same time, any embrace of the status quo is also an injustice, because it is clear to the overwhelming majority of the American people, that welfare as we know it has failed.

America's children -- increasingly our poorest citizens -- deserve a chance to grow up to opportunity, not poverty and hopelessness.

And the debate in Congress should be conducted with their futures in mind.

The debate in Congress should be conducted in the true spirit of bi-partisanship that has been so elusive in the past.

We are one country -- not two parties.

All of us must work together to put our people back to work and to revitalize our basic values: work and responsibility, opportunity and family.

Thank you.

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welfare
reform

DEAR LORD BE GOOD TO ME THE SEA IS SO WIDE AND MY BOAT IS SO SMALL

Children's Defense Fund

July 31, 1996

The Honorable William Clinton
President of the United States
1600 Pennsylvania Avenue
Washington, DC 20500-2000

Dear Mr. President:

If someone tried to hurt Joshua, Jonah, or Ezra I would not hesitate a second before acting -- even if it cost me my life. I'm sure you would do the same for Chelsea. And I think we both would act if a child in our immediate presence was endangered.

Throughout my sons' childhood I asked God to bless me to see them grow up. He has done so and I am grateful. So grateful I want other parents to have the same chance to see their children grow up. So I struggle to live now in such a way that my children and grandchildren will be proud of what I stood for and know that I loved them enough to do everything I could to leave them a legacy of a country that values and protects them and young people like them.

So with <u>great</u> sadness and reluctance I write you still another letter after a lot of prayer and struggle. <u>So</u> much is at stake for so many children, and for our nation's deepest principles of fairness with current "welfare reform" legislation. The millions of children you will jeopardize and impoverish, if you sign the pending spurious Senate/House "welfare reform" legislation, don't have any way to influence the election year game of political chicken at their expense. The extreme act of abolishing the 61 year old national income safety net for poor children -- even when their families play by the rules and try to find work that is <u>not</u> guaranteed in this legislation -- profoundly violates common and moral sense and the legacy you inherited from Roosevelt and Kennedy. The disrespectful affront to children and to child advocates who, in a four month period mobilized over 200,000 people of all faiths, races, incomes, and ages to show you and other political leaders in this last national election year of the 20th century that there is a broad-based and growing constituency for leaders who act to protect children, cannot go unanswered. And pro-child rhetoric, whether by design or effect, to obfuscate the most profound threat to children in my lifetime is simply too much to go unchallenged.

25 E Street, NW
Washington, DC 20001
Telephone 202 628 8787
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I am saddened but not surprised that Newt Gingrich, Dick Armey, Jesse Helms, Trent Lott, Lauch Faircloth, and even Bob Dole seek to enact a national policy of child abandonment and to leave millions of children out in the cold through block grants and massive budget cuts directed only at the poor, including children. That you, a friend and professed fellow child advocate, have brought our children to the political brink of disaster is inexcusable, unnecessary, and heartbreaking.

Even if vetoing this unjust anti-child welfare bill posed a serious threat to your re-election, I would ask you to stand up and protect children by vetoing this bill as you rightly did with two very similar previous bills. But at a time when you hold a significant lead in the polls over Bob Dole, and when political analysts and a new labor poll indicate you would not be hurt by vetoing the current awful welfare bill, I am baffled and deeply disappointed that you have not stood up and made clear to your Senate and House colleagues -- who await your leadership -- that you will not sign a bill that impoverishes more than a million new children, slashes nutrition and other vital support from millions of additional already needy families and legal immigrants, and eradicates the national income safety net for poor children and families.

Your signature on pending "welfare reform" legislation would make a mockery of your pledge not to hurt children and will leave a moral blot on your presidency and our nation that will never be forgotten. Protection of children should be the norm in the richest and most powerful nation on earth. This ethos must be honored by you as President.

The Gingrich-Dole-Lott Congress have crossed a line I never expected to see -- one I do not want my children and grandchildren to see. I hope you will not add a Clinton name to a welfare bill erasing six decades of national commitment to children.

Sincerely yours,

Marian Wright Edelman

file welfare wpn

OMB 12/2 Draft

Preliminary List of Welfare Reform Options for Consideration in the FY1998 Budget

	Five Year	
LEGISLATIVE OPTIONS		
Food Stamps		
A. Repropose the Administration's work requirement legislation.	2.0	
B. Remove the Shelter Deduction in FY1998	2.0	
C. Remove the Shelter Deduction Cap in FY2000.	1.3	8.8
D. Reindex the Standard Deduction in FY1998	3.4	
E. Index the Standard Deduction in FY2002.	0.1	
Benefits to Immigrants		
A. Exempt the disabled from SSI, Food Stamp, and Medicaid bans.	8.3	11.2
B. Exempt children from SSI, Food Stamp, and Medicaid bans. A+B (Earlier this year it was estimated that CBO would score this option at approximately $8 billion. This estimate reflects Administration technical assumptions and baseline.)	2.9	
C. Repeal Medicaid bans and provide Medicaid to all elderly and disabled.	2.6	
D. Repeal the Food Stamp ban for all legal immigrants; require deeming until citizenship except for the disabled.	3.5	6.9
E. Exempt children from SSI ban.	0.2	
F. Delay implementation of the SSI ban until January 1, 1998 - allowing immigrants time to naturalize.	0.6	
Temporary Assistance for Needy Families		
A. Provide more funding during economic downturns by adding a national unemployment trigger to the contingency fund.	0.0	
B. Ensure basic protections are incorporated into State TANF programs.	0.0	
Medicaid		
A. Propose legislation to retain Medicaid eligibility for all children now on SSI.	0.3	2.3
B. Legislation to offer national 2 year Transitional Medicaid and extend sunset.	2.0	
ADMINISTRATIVE OPTIONS		
Supplemental Security Income		
A. Administratively limit the impact of new eligibility criteria for children by assuming a standard that removes 45,000 kids from the rolls.	6.4	
B. Administratively limit the impact of new eligibility criteria for children by assuming a standard that removes 100,000 kids from the rolls.	3.9	
C. Administratively limit the impact of new eligibility criteria for children by assuming a standard that removes 145,000 kids from the rolls.	2.0	

Welfare Reform Options for Consideration in the FY1998 Budget

	FY2002	Five Year
	(in billions of $)	
Option I: Propose Changes that Moderate Overall Impact of Welfare Bill		
Food Stamps		
A. Administratively reduce the number of individuals subject to the time limit exempting those areas defined as labor surplus areas **(decision made).**	0.1	0.7
B. Repropose the Administration's work requirement legislation.	0.4	2.0
C. Remove the Shelter Cap in FY2002.	0.4	0.4
Food Stamps subtotal	**0.9**	**3.1**
Benefits to Immigrants		
A. Repeal the Food Stamp ban for all legal immigrants; require deeming until citizenship except for the disabled.	0.7	3.5
B. Repeal Medicaid bans and provide Medicaid to all elderly and disabled.	0.8	2.6
C. Exempt children from SSI ban.	0.0	0.2
D. Delay implemenation of the SSI ban for 1 year - allowing immigrants time to naturalize.	0.0	1.4
Immigrants subtotal	**1.6**	**7.7**
Transitional Medicaid		
Administrative option to allow 26 States to continue waivers for with waivers for Transitional Medicaid **(decision made).**	0.04	0.2
Supplemental Security Income		
A. Administratively limit the impact of new eligibility to children with mulitiple physical impairments.	0.5	2.0
B. Propose legislation to retain Medicaid eligibility for all children now on SSI.	0.1	0.4
C. Tighten rules that deem parent's income to children for purposes of determining level of children's benefit.	-0.2	-0.7
SSI subtotal	**0.4**	**1.7**
TOTAL COST OF OPTION I:	**2.9**	**12.7**
OPTIONS WITHOUT COST AGAINST WELFARE REFORM ALLOWANCE		
Temporary Assistance for Needy Families		
A. Provide more funding during economic downturns by adding a national unemployment trigger to the contingency fund.	0.0	0.0
B. Ensure basic protections are incorporated into State TANF programs.	0.0	0.0
Welfare to Work Initiative		
(Non-add, costs offset outside of Welfare Reform)	[0.0]	[3.0]

Welfare Reform Options for Consideration in the FY1998 Budget

	FY2002	Five Year
	(in billions of $)	
Option 2: Target Changes that Protect Children		
Food Stamps		
A. Administratively reduce the number of individuals subject to the time limit exempting those areas defined as labor surplus areas **(decision made).**	0.1	0.7
B. Allow low income families with high housing costs to deduct the full cost of housing expenses.	0.4	2.0
C. Allow the food stamp benefit structure to keep pace with inflation, starting in 1998.	0.6	1.8
Food Stamps subtotal	**1.1**	**4.4**
Benefits to Immigrants		
A. Repeal the Food Stamp ban for households with children; require deeming until citizenship except for the disabled.	0.4	2.3
C. Exempt children from SSI and Medicaid ban.	0.1	0.7
Immigrants subtotal	**0.6**	**2.9**
Transitional Medicaid		
Administrative option to allow 26 States to continue waivers for with waivers for Transitional Medicaid **(decision made).**	0.04	0.2
Supplemental Security Income		
A. Administratively limit the impact of new eligibility on children with multiple physical impairments and children with chronic illnesses. (100,000 dropped rather than 190,000)	0.8	3.9
B. Propose legislation to retain Medicaid eligibility for all children now on SSI.	0.1	0.3
SSI Subtotal	**0.9**	**4.2**
TOTAL COST OF OPTION 2:	**2.7**	**11.8**
OPTIONS WITHOUT COST AGAINST WELFARE REFORM ALLOWANCE		
Temporary Assistance for Needy Families		
A. Provide more funding during economic downturns by adding a national unemployment trigger to the contingency fund.	0.0	0.0
B. Ensure basic protections are incorporated into State TANF programs.	0.0	0.0
Welfare to Work Initiative		
(Non-add, costs offset outside of Welfare Reform)	[0.0]	[3.0]

Welfare Reform Options for Consideration in the FY1998 Budget

Option 3: Give Priority to Benefits for Immigrants

	FY2002	Five Year
	(in billions of $)	
Food Stamps		
A. Administratively reduce the number of individuals subject to the time limit exempting those areas defined as labor surplus areas **(decision made).**	0.1	0.7
B. Propose legislation to limit benefits to 6 months in 12.	0.2	1.1
C. Remove the Shelter Cap in FY2002.	0.4	0.4
Food Stamps subtotal	**0.8**	**2.3**
Benefits to Immigrants		
A. Exempt children from SSI, Food Stamp, and Medicaid bans.	0.6	2.9
B. Exempt the disabled from SSI, Food Stamp, and Medicaid bans.	2.0	8.3
Immigrants subtotal	**2.5**	**11.3**
Transitional Medicaid		
A. Modify Administration policy on budget neutrality policy for the 26 States with waivers for Transitional Medicaid **(decision made).**	0.04	0.2
Supplemental Security Income		
Continue current policy as scored in Welfare Reform for eligibility standards for children.	0.0	0.0
Tighten rules that deem parent's income to children for purposes of determining level of children's benefit.	-0.2	-0.7
	-0.2	-0.7
TOTAL COST OF OPTION 3:	**3.2**	**13.0**

OPTIONS WITHOUT COST AGAINST WELFARE REFORM ALLOWANCE

Temporary Assistance for Needy Families		
A. Provide more funding during economic downturns by adding a national unemployment trigger to the contingency fund.	0.0	0.0
B. Ensure basic protections are incorporated into State TANF programs.	0.0	0.0
Welfare to Work Initiative		
(Non-add, costs offset outside of Welfare Reform)	[0.	[3.0]

Welfare Reform Options for Consideration in the FY1998 Budget

	FY2002	Five Year
	(in billions of $)	
Option 4: Reverse Benefit Bans		
Food Stamps		
A. Administratively reduce the number of individuals subject to the time limit exempting those areas defined as labor surplus areas **(decision made).**	0.1	0.7
B. Repropose the Administration's work requirement legislation, thereby restoring benefits for 18 to 50s.	0.5	2.0
Food Stamps Subtotal	**0.6**	**2.7**
Benefits to Immigrants		
A. Repeal the Food Stamp ban for all legal immigrants; require deeming until citizenship except for the disabled.	0.7	3.5
B. Repeal Medicaid bans and provide Medicaid to all elderly and disabled.	0.8	2.6
D. Delay implemenation of the SSI ban for 1 year - allowing immigrants time to naturalize.	0.0	1.4
Immigrants subtotal	**1.5**	**7.5**
Transitional Medicaid		
Administrative option to allow 26 States to continue waivers for with waivers for Transitional Medicaid **(decision made).**	0.04	0.2
Supplemental Security Income		
A. Administratively limit the impact of new eligibility to children with mulitiple physical impairments. (145,000 dropped)	0.5	2.0
B. Propose legislation to retain Medicaid eligibility for all children now on SSI.	0.1	0.4
SSI subtotal	**0.5**	**2.4**
TOTAL COST OF OPTION 2	**2.7**	**12.8**

OPTIONS WITHOUT COST AGAINST WELFARE REFORM ALLOWANCE

Temporary Assistance for Needy Families		
A. Provide more funding during economic downturns by adding a national unemployment trigger to the contingency fund.	0.0	0.0
B. Ensure basic protections are incorporated into State TANF programs.	0.0	0.0
Welfare to Work Initiative		
(Non-add, costs offset outside of Welfare Reform)	[0.0]	[3.0]

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Ending Welfare As We Know It
August 2, 1996

"I will sign this bill. First and foremost because the current system is broken. Second, because Congress has made many of the changes I sought. And, third, because even though serious problems remain in the non-welfare reform provisions of the bill, this is the best chance we will have for a long, long time to complete the work of ending welfare as we know it by moving people from welfare to work, demanding responsibility and doing better by children."

- President Clinton, July 31, 1996

* **A broken system.** President Clinton will sign the current welfare bill because the existing welfare system undermines the basic values of work, responsibility and family, trapping generation after generation in dependency and hurting the very people it was designed to help.

* **A last, best chance to move people from welfare to work.** President Clinton believes that passage and enactment of this bill is the last best chance to make welfare what it was meant to be -- a second chance, not a way of life. The bill presents an historic opportunity to finish the work of ending welfare as we know it.

* **The President saved the Medicaid guarantee once and for all.** Congressional Republicans tried to use welfare reform to take health care away from the poor, the elderly, and the disabled, but President Clinton said no. He also fought successfully to ensure that women on welfare continue to receive health coverage for their families, including transitional Medicaid when they leave welfare for work.

* **A much improved bill.** Because of President Clinton's earlier vetoes, objections and improvements, Congress is sending him a significantly better welfare reform bill. We have come a long way in this debate, and stopped extremists in Congress who wanted to ban help for poor, young, unmarried mothers and cut low-income programs and the Earned Income Tax Credit by $110 billion.

    * The new bill is **strong on work**, giving states performance incentives for placing people in jobs, guaranteeing health care, providing over $4 billion more for child care, and maintaining health and safety standards for child care -- so that women on welfare get the help they need to support their children.

    * The bill is also **better for children**. Unlike the vetoed bill, it keeps the national nutritional safety net intact by eliminating the food stamp cap and the optional block grant, and dropping the deep cuts in school lunch, child welfare and help for children with disabilities.

    * Thanks to the insistence of President Clinton and Democrats in Congress, the bill includes **the most sweeping child support enforcement measures in history**. The bill says to parents who fail to pay child support: we will garnish your wages, take away your license, track you across state lines, and if necessary, make you work off what you owe.

* **Requiring work, and helping people succeed at work and at home.** President Clinton has always believed that the best anti-poverty program is a job. This bill will not only move people from welfare to work, it will help them make it in the workplace by providing the health care and child care they need to succeed at work and at home. With this bill, President Clinton also **preserved the Earned Income Tax Credit**, which rewards the hard work of 15 million hard-pressed working families and which Congress had tried to gut.

* **The nation's basic safety net remains strong.** By standing firm throughout this debate, President Clinton has saved and strengthened the nation's basic safety net, which helps millions of vulnerable women and children. In addition to stopping the Medicaid block grant, he stopped Republican efforts to block grant Food Stamps, SSI for disabled children, child protection and foster care, and the school lunch program. This bill preserves those safety net programs, which work, and fundamentally reforms the welfare system, which does not.

* **Parts of the bill still need to be fixed.** President Clinton has pledged to fix some non-welfare provisions of the bill which he believes go too far:

    * Congress insisted on a cut that would repeal the Excess Shelter Reduction, which helps some of our hardest-pressed working families. This provision is a mistake, and the President will work to correct it.

    * Congress insisted on a provision that will hurt legal immigrants who work hard for their families, pay taxes and serve in our military. Immigrant children and disabled immigrants who fall on hard times through no fault of their own should get medical and other help when they need it.

* **A record of accomplishment.** Over the past three and one-half years, President Clinton has done everything in his power as President to promote work and responsibility, working with 41 states to give them 69 welfare reform experiments. The Administration has also required teen mothers to stay in school, required federal employees to pay their child support, and cracked down on parents who owe child support and crossed state lines. *As a result, child support collections are up 40 percent, to $11 billion, and there are 1.3 million fewer people on welfare today than there were when President Clinton took office.*

SUMMARY OF WELFARE REFORM BILL

AFDC, WORK & CHILD CARE

Medicaid Guarantee	Assures that all categories of people now eligible for Medicaid will be eligible for health care in the future and that there will be no loss of coverage, regardless of state welfare changes. At President's insistence, Republicans restored the Medicaid guarantee for welfare recipients and abandoned efforts to block grant Medicaid.
Child Care	Increases child care spending by $4.5 billion above current law -- $4 billion more than the bill the President vetoed. Preserves federal child care health and safety standards, which would have been repealed under the vetoed bill.
Work	Provides $1 billion performance bonus to reward states for placing welfare recipients in jobs. Requires 50% of adults on welfare to be working by the year 2002.
State Funding	Requires states to continue their investment in welfare reform by maintaining 80% of their current spending.
Time Limits	Imposes five-year lifetime limit on welfare, but allows states to exempt 20% of caseload from the limit.
Vouchers	Allows states to use federal Social Services Block Grant funds to provide vouchers for children whose parents reach the time limit.
Contingency Fund	Creates a $2 billion Contingency Fund for states experiencing economic downturn and growing number of children in need.
Family Cap	Allows states to decide for themselves whether to deny assistance to children born to a family on welfare. Under the vetoed bill, states would have had to vote to exempt themselves from a mandatory family cap nationwide.

FOOD STAMPS & CHILD NUTRITION

Food Stamp Program	Maintains national nutritional safety net. Does not allow states to block grant Food Stamps and does not impose a national cap on Food Stamp spending.
	Caps the excess shelter deduction, which was set to expire next year, at near its current level until FY2001. The President wants Congress to fix this provision because over time it will hurt working families.
	Limits food stamp eligibility for childless 18– to 50–year–olds to 3 months every 3 years, with a 3–month extension for laid–off workers.
School Lunch Program	Maintains the current national school lunch program. Drops the school lunch block grant that was in the vetoed bill.

LEGAL IMMIGRANTS

Bans	Over the Administration's objections, imposes 5–year ban on SSI, AFDC and Food Stamps for most legal immigrants, with some exceptions.
Medicaid	Over the Administration's objections, prohibits future immigrants from receiving Medicaid for 5 years. Drops the retroactive ban on current Medicaid recipients, which was included in the House bill.
	The President has said that immigrant children and the disabled should be able to get medical care and the help they need, and is determined to get Congress to fix these provisions.

OTHER PROGRAMS FOR CHILDREN

Child Welfare	Retains current law child protection entitlement programs and services. Drops the child welfare block grant that had been included in the vetoed bill.
Disabled Children	Provides full SSI benefits for children who will receive SSI under stricter eligibility rules. Drops the two-tiered eligibility system in the vetoed bill that would have cut benefits by 25% for more than half of the disabled children coming on the rolls.

KEY IMPROVEMENTS IN CONFERENCE REPORT OVER VETOED BILL

CLINTON PRIORITY	VETOED BILL	CONFERENCE BILL
Guaranteed Medicaid	NO	YES
More Child Care $	NO	YES (+$4 billion)
Work Performance Bonus $	NO	YES (+$1 billion)
80% Maintenance of Effort	NO	YES
Child Care Health/Safety Standards	NO	YES
20% Hardship Exemption	NO	YES
$2 Billion Contingency Fund	NO	YES
Limits on Transferability	NO	YES
Option for Vouchers	YES	YES
Food Stamp Block Grant	YES	NO
Child Welfare Block Grant	YES	NO
School Lunch Block Grant Demo	YES	NO
25% Cut in SSI for Disabled Kids	YES	NO
Food Stamp Cap	YES	NO

DEMOCRATIC GOVERNORS' ASSOCIATION

July 31, 1996

The Honorable Bill Clinton
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

On behalf of Democratic Governors, we would like to commend you for your leadership on reform of our nation's welfare system and applaud your decision to sign the conference agreement before Congress.

The final agreement, although not perfect, represents a significant improvement over the bill vetoed last year and meets our shared goals for a reformed system. The bill is strong on work, time limits assistance and provides adequate protections for children.

A number of critical provisions, championed by you and Democratic Governors, have been included in the final agreement. These include adequate resources for child care, significant reform of the child support enforcement system, an economic contingency fund, an assurance of health care coverage for low-income families and the flexibility for states to provide assistance to children after the five-year time limit.

This bill does represent a real step forward. It is a victory for all who believe welfare must provide a second chance, but not a way of life. This bill will complement what Democratic Governors are doing in many of our states under waivers, and allow others to take the same initiative.

We continue to share your concerns on the level of cuts in the food stamp program and the restrictions on benefits for legal aliens, and we hope to work with you to revisit these issues.

You have kept your promise to the American people. Thank you for your leadership and congratulations for your successful work in improving and moving this welfare bill forward.

Sincerely,

Gaston Caperton

Gaston Caperton
Governor of West Virginia
DGA Chair

Howard Dean

Howard Dean, M.D.
Governor of Vermont
DGA Vice Chair

430 South Capitol Street, S.E. • Washington, D.C. 20003 • (202) 479-5153 • FAX (202) 479-5156

NATIONAL CONFERENCE OF STATE LEGISLATURES

444 NORTH CAPITOL STREET, N.W. SUITE 515 WASHINGTON, D.C. 20001
202-624-5400 FAX: 202-737-1069

JAMES J. LACK
STATE SENATOR
NEW YORK
PRESIDENT, NCSL

ALFRED W. SPEER
CLERK OF THE HOUSE
LOUISIANA
STAFF CHAIR, NCSL

WILLIAM POUND
EXECUTIVE DIRECTOR

July 31, 1996

The Honorable Newt Gingrich
Speaker of the House
H-230 Capitol Building
Washington, D.C. 20515

Dear Speaker Gingrich:

The National Conference of State Legislatures (NCSL) has long sought federal legislation reforming our welfare system and now urges your support for the conference agreement on H.R. 3734. This legislation builds on the numerous state legislative welfare reform efforts of the past decade and on federal waivers granted in recent years.

We particularly are pleased with the creation of block grants for cash assistance and child care and the programmatic and administrative flexibility they may bring. The inclusion of increased child care funding, establishment of a contingency fund, preservation of child welfare entitlements and preservation of state legislative authority over block grant funds are notable achievements and represent key provisions recommended and sought by NCSL. We are further gratified with the inclusion of several policy options, such as the state option to provide Medicaid to legal immigrants and refugees, recognition of the need for adequate transition time, restructuring of child support collection systems and initiatives as well as an exemption for states from electronic benefit transfer liabilities.

We remain particularly concerned about work participation requirements and a related array of policy mandates and sanctions. These will be troublesome. The flexibility needed in the work participation area is missing. Furthermore, the Congressional Budget Office has repeatedly warned of the multi-billion dollar shortfall in federal funding for work efforts. We recommend that Congress and the Administration collaborate with state legislators and others to review and evaluate work requirements, state experiences with these requirements, funding needs and worker placement and job retention accomplishments commencing with the 105th Congress.

Denver Office 1560 BROADWAY SUITE 700 DENVER, COLORADO 80202 303-830-2200 FAX: 303-863-8003

We continue to question policy changes in H.R. 3734 regarding income security accessibility for legal immigrants and refugees. We remain convinced that H.R. 3734 will produce unfunded mandates and cost shifts to state and local governments of unacceptable proportions. We strongly recommend that Congress and the Administration immediately begin an analysis and review of state experiences regarding income security program availability for legal immigrant populations, particularly children, the elderly and the disabled. Those provisions of H.R. 3734 regarding legal immigrants should be tested against the intent and objectives of S. 1, the Unfunded Mandate Reform Act of 1995, and Executive Order 12875. This recommended review and analysis should involve state legislators and other officials.

H.R. 3734 represents a number of policy compromises. It also offers states new opportunities to manage a welfare system most Americans agree needs restructuring and redirection. Despite some of its aforementioned shortcomings, we encourage your support for H.R. 3734 and urge you to work with state legislators to ensure its success.

Sincerely,

Michael E. Box	James J. Lack
Majority Chairman, Alabama House	State Senator, New York
President, NCSL	Immediate Past President, NCSL

STATE OF FLORIDA
Office of the Governor
THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001

LAWTON CHILES
GOVERNOR

FOR IMMEDIATE RELEASE:
July 31, 1996

CONTACT: April Herrle or
Karen Pankowski
(904) 488-5394

**Statement by:
GOVERNOR LAWTON CHILES
Regarding Welfare Reform**

"President Clinton's decision today to sign the compromise welfare reform measure is an extremely important event in our nation's history. The President's commitment to 'change welfare as we know it' combined with his determination to protect our neediest citizens -- the poor, our children and elders -- will ensure that, in the future, welfare will provide a hand up for people in need -- not a handout.

"I believe the President has made a constructive decision to sign this welfare reform measure. Unlike previous versions passed by this Congress, this welfare reform measure guarantees substantially more protections -- with expanded provisions for child care, extended protections for potential economic downturns and continued safeguards for child nutrition and health care programs.

"We are particularly pleased in Florida that we can move ahead with our landmark, bi-partisan welfare reform efforts which I recently signed into law. Florida has been a national leader in welfare reform with demonstration programs running in several counties. Now, with the federal reforms in place, our state will be able to quickly implement our new WAGES welfare reform program statewide.

"While I am pleased by the President's decision to sign this bill, I remain deeply concerned about restrictions on legal immigrant children and families from receiving federal assistance programs. However, I am pleased that Congressman Clay Shaw and others have worked diligently to allow Florida to continue to receive its fair share of federal refugee assistance. This provision will go far to minimize the additional fiscal burden imposed on Florida."

###

ohn O. Norquist
Mayor

Milwaukee 150
1846 1996

Statement from Mayor John Norquist
July 31, 1996

For more information contact Jeff Fleming, 286-8531

I congratulate President Clinton for the significant step he took today to end welfare.

I agree with the President when he says, "the best anti-poverty program...is a job." Today's actions move us closer to a true, work based alternative to our failed welfare system.

There is room for improvement, especially in putting people to work in real jobs that pay real wages, instead of make-work jobs to earn grants. The work required of program participants ought to be real jobs paying minimum wage.

The President and I have had a number of discussions regarding the elimination of welfare, and I appreciate his thoughtful attention to my concerns and to the people of Milwaukee.

Office of the Mayor
City Hall
00 East Wells Street
Milwaukee,
Wisconsin
53202
(414) 286-2200

file welfare

July 23, 1996

MAJOR OUTSTANDING ISSUES IN THE WELFARE BILL

With action on welfare hurtling forward, it is worth examining what problems the House and Senate bills pose. Serious problems mark the bills in three areas: food stamps, how the welfare block grant works, and legal immigrants.

The Overall Depth of the Cuts: Despite a perception the legislation has become more moderate in both chambers, the House bill cuts low-income programs *more than the bill vetoed in January* — the House bill contains $61 billion in cuts according to CBO, compared to $59 billion in the vetoed bill. The cuts in the Senate bill are nearly as large as those in the House bill. Without moderation in the depth of the cuts in the food stamp and immigrant areas, the bill's impact on increasing the extent and depth of poverty will not be lessened materially.

1. **Food Stamps:** The depth of the food stamp cuts is stunning.

   - The House bill cuts food stamps nearly $31 billion over six years, including the food stamp legal immigrant cuts. This is nearly *$3 billion more than the food stamp cuts in the welfare bill vetoed in January.* (Excluding the immigrant cuts, the House bill's food stamp cuts are $2 billion deeper than those in the vetoed bill.) The Senate bill cuts food stamps as much as the bill vetoed in January — and over *$4 billion more than the Senate welfare bill of last fall.*

   - Under both the House and Senate bills, families with incomes below *half* of the poverty line would absorb half of these cuts. Families with children would absorb 70 percent of the cuts.

   - The average household with income below *half* of the poverty line would lose more than $600 a year in food stamp benefits under the Senate bill by 1998 and $750 a year under the House bill.

     The average family with children would lose nearly $500 in food stamp benefits in 1998. The average working poor family would lose nearly $400. Under the bill, the food stamp cuts grow deeper with each passing year. For example, those below half of the poverty line would lose an average of nearly $1,000 a year in food stamps in 2002 under the House bill.

   - The most severe cut is a provision in both bills that would terminate food stamps after just a few months for unemployed adults who are not elderly or disabled or raising children *without offering them a work slot or other opportunity to work.* The House bill is particularly draconian in this area — it limits food stamps for these individuals to three months while unemployed out of their adult lifetimes up to age 50. A factory worker who receives food stamps for three months while unemployed during a recession, then works for 10 or 15 years and is laid off in a later recession, would be ineligible for food stamps — the worker would have exhausted his or her three months of food stamps during the initial recession. Waivers would be provided only in limited circumstances.

     CBO estimates that under this provision, more than *one million individuals a month who are willing to work and would accept a work slot if one were available would be denied stamps.*

Some 40 percent of those who would be affected are women; one-third are over age 40. Many of these individuals qualify for no benefits other than food stamps; for them, food stamps is the entire safety net.

The Senate bill also is extremely harsh in this area. It would allow this group of unemployed individuals to receive food stamps while jobless for four months out of the year. After that, they would be cut off. CBO estimates about 500,000 individuals who are willing to work would be denied food stamps in an average month under the Senate version.

- The House bill also include a damaging option for states to block-grant food stamps. The Senate approved an amendment on Tuesday dropping this option, but to secure votes for passage, the amendment added $1.2 billion in additional, across-the-board food stamp cuts in lieu of the block grant option.

2. **Welfare**: Neither the House nor Senate bill requires states to provide vouchers or other non-cash aid to help meet the needs of children made destitute when their families hit a short time limit. Since families hitting a time limit will be denied a work slot as well as cash aid, states setting a time limit of less than five years — as most states are likely to do — ought to be required to help meet the needs of children whose families cannot find a job. The Administration and Chafee-Breaux proposals would do this. Approximately 5.5 million children would be affected if all states imposed a two-year time limit.

Adding to this problem is the lack of adequate financing in the bills. CBO projects both bills contain $12 billion *less* than is necessary to provide the number of work slots needed to meet the bill's work participation requirements. This is likely to drive many states to set short time limits and take other steps to reduce the number of families receiving assistance without placing them in jobs. The House bill makes this problem more serious by allowing states to transfer 10 percent of block grant funds to the Social Services Block Grant, where this money could be used to supplant state funds. This transfer of funds would further shrink the already inadequate pool of resources for work programs and cash assistance.

Contingency Fund Inadequate in Recessions

The problems will become most acute during recessions. While federal AFDC expenditures rose $6 billion over three years during the recession of the early 1990s, the House and Senate bills provide just $2 billion in contingency funds over five years. The contingency fund is likely to run out part way through the next recession. While the Castle-Tanner proposal provides for an open-ended contingency fund during national or regional recessions, the Senate and House bills fail to do that.

Nor is it clear Congress will simply provide more funds when the next recession hits, especially if cuts in other entitlement programs are required as offsets. After all, welfare families are not a powerful or popular constituency. And if it's a severe *regional* recession, there almost certainly won't be enough votes to provide billions more for a welfare contingency fund that will assist only a minority of states

In addition, the contingency fund is badly designed. States qualifying for the fund for part rather than all of a calendar year will have to put up \$2, \$3, or \$4 in additional *state* funds for each \$1 they receive in federal contingency funds. Requiring states to put up 70 percent or 80 percent of the cost of such assistance, especially during recessions, is unprecedented. The likely result is that *many states will fail to access the contingency funds when their economies falter because they will not expend the funds needed to meet these unrealistic matching requirements.* Serious hardship is likely to result.

Adding to these problems, the House bill would deny the federal government the right to enforce federal law in this area. States could violate federal rules — and even their own state plans — with impunity.

3. **Legal Immigrants**: The legal immigrant cuts are deeper in both the House and Senate bills than in the vetoed welfare bill. The vetoed welfare bill had \$22 billion in benefit cuts in this area. The Senate bill has \$23 billion, and the House bill now has \$29 billion.

The House and Senate bills both ban most legal immigrants from receiving basic subsistence benefits. Among those banned are poor legal immigrants who have no place else to turn because they have no sponsor, their sponsors are impoverished, or their sponsors have died. And while the original House welfare bill last year exempted legal immigrants who are over 75 or severely disabled from these bans, the current House and Senate bills contain no such exemption. Castle-Tanner would exempt poor legal immigrant children from most of these bans; neither the House nor Senate bills do that either.

Particularly egregious are the provisions that would deny Medicaid to legal immigrants. Most poor elderly and disabled immigrants are likely to find purchase of individual health insurance prohibitively expensive. Imagine an 80-year old poor legal immigrant with a heart condition trying to buy a policy.

The House bill is most severe in this area. The House changed its bill last week to make the Medicaid legal immigrant cuts *more than twice as deep* as they were previously. The House bill now bans virtually all legal immigrants — including immigrants already in this country, the very old, and the severely disabled — from receiving Medicaid until they work 40 quarters (i.e., at least 10 years) or become citizens. For those too old or infirm to naturalize, this is effectively a lifetime ban.

Under the House bill, nursing homes across the country would begin discharging elderly and disabled legal immigrants onto the streets within a year, since Medicaid reimbursement for these individuals would be cut off.

Overall Effects

As is well known, one effect would be a large increase in poverty, especially among children. Most children who would be pushed below the poverty line are in families that are already working; their families would be pushed into poverty by the food stamp cuts or by a loss of benefits because they are legal immigrants. Welfare families that are not working are already poor; most of them would be made poorer by the bill, especially by the food stamp cuts.

file welfare
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CENTER ON BUDGET AND POLICY PRIORITIES

July 28, 1996

Dear Mr. President,

I know that in the days ahead, you face one of the most difficult decisions of your presidency as you wrestle with the question of whether to sign or veto the welfare bill. You rightly called upon Congress to make improvements beyond those in the Senate version. Unfortunately, Congress seems to be declining to heed your call. It appears the final bill will be somewhere between the Senate and House bills.

I wanted to share with you my assessment of the Senate bill, since that seems to be the best Congress will do. I was gratified, as I know you were, that the Senate passed several significant amendments to the bill last week.

But the Senate bill remains deeply disturbing. The bill you vetoed last January was estimated to increase child poverty by more than one million children, largely because it cut low-income benefit programs by $59 billion. The current Senate bill contains a nearly identical level of cuts, according to CBO; it would have a similar effect on child poverty.

As you know, the Urban Institute's analysis of the House bill shows it would push 1.1 million children into poverty. *The Senate bill would have an almost identical effect.* The total level of benefit reductions affecting families with children is virtually the same under both bills. The three key areas where the House differs most significantly — deeper Medicaid cuts for legal immigrants, deeper food stamps cuts for unemployed workers without children, and a food stamp block grant option — have no effect on these estimates of the number of children driven into poverty. The Urban Institute's study did not measure the effects of Medicaid changes or the food stamp block grant option. Moreover, the Senate substituted $1 billion in additional, across-the-board food stamp cuts for the block grant option. In short, any suggestion that the Urban Institute findings would not also apply to the Senate bill would be incorrect.

To be sure, the current Senate bill contains important improvements over last year's bill in such areas as child care, a softening of the cuts in SSI for disabled children, and preservation of Medicaid for women and children, among other items. But its food stamp cuts are equally as deep as those in the bill you vetoed in January and are $4 billion deeper than those in the Senate welfare bill of a year ago. Its legal immigrants cuts are $1 billion deeper than the severe cuts in this area in the vetoed bill and substantially harsher than the cuts in last year's Senate welfare bill. For example, last year's Senate bill did not contain the sweeping cut-offs of poor immigrant children, elderly and disabled people from food stamps that the current bill contains.

We've just completed an analysis of the food stamp changes in the current Senate bill. The analysis, based on CBO data, shows:

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- Families with children would lose an average of $450 a year initially in food stamps and more in subsequent years ($600 by 2002). They would absorb 70 percent of the food stamp cuts.

- The poorest of the poor — those below *half* the poverty line (below $6,250 for a family of three) — would lose an average of $600 a year initially. By 2002, they would lose $750 a year, a huge amount for this group.

- Even the working poor and the elderly would be hit hard. Working poor families — the people we should reward — would have their food stamps cut an average of $400 to $500 a year. Poor elderly recipients, most of whom are poor elderly women living alone, would lose 25 percent of their food stamps in 1998 and one-third of their stamps by 2002.

While the Senate bill no longer contains a food stamp block grant option, its food stamp benefit cuts dwarf anything Ronald Reagan ever proposed. They would cause serious hardship.

In addition, in one key food stamp area, the conference moved far to the right of the Senate bill and adopted the most draconian provision written into a major safety net program in decades. Poor individuals between the ages of 18 and 50 who are not raising children would be allowed to get food stamps while unemployed *for only six months out of each 36-month period.* They would be thrown over the side in other months without being offered a workfare slot. No hardship exemptions would be allowed. CBO analyses indicate that in an average month, nearly one million jobless individuals who are willing to work would be denied food stamps because they can't find work or a workfare slot. For many of these people, food stamps is the only safety net they have.

This is far harsher than a provision you strongly criticized during the budget negotiations with Senator Dole and Speaker Gingrich last winter. It differs even more fundamentally from a provision the Senate passed just last week — the Senate bill effectively would have limited food stamps for this group to six months out of *each year* and allowed states to grant a substantial number of hardship exemptions to this cut-off rule.

As you know, the legal immigrant cuts remain draconian, as well. Even the extreme welfare bill the House passed in early 1995 would have exempted those who are over 75 or permanently disabled from these cuts. The current bills — including the Senate bill — fail to include such an exemption. Very young children aren't exempted either. In addition, legal immigrants who enter the country after the bill's enactment and become sick or disabled would be denied Medicaid for at least five years. Who will sell an individual health insurance policy at an affordable price to an 80-year-old immigrant with a heart condition?

In the welfare area, significant improvements have been made since last year. But here, also, the Senate bill continues to have serious deficiencies. If welfare is to be converted to a block grant and time limits are to be placed on work slots, rather than just on cash aid as you proposed in 1994, certain steps must be taken to ensure the bill truly transforms the welfare system into an effective work system and does not engender a race to the bottom that causes profound hardship to poor children. The increase in money for child care you have secured is one such element. But the Senate bill still fails in this area, in my view, because:

- It does not include the provision sought by the Administration — and included in the Chafee-Breaux and Castle-Tanner proposals — to require states to provide vouchers to meet the needs of children made destitute when their families hit a short time limit and can't find a job.

- It fails to provide enough resources for work slots; CBO says the bill falls *$12 billion short* of what is needed to meet the bill's work participation requirements. This will almost certainly lead many states to cut already-low cash benefit levels or institute short time limits to shave costs.

- Its contingency fund contains *one-third* the amount over the life of the bill that federal AFDC expenditures rose in the recession of the early 1990s. As a result, the contingency funds would run out part way into the next recession. An Administration/Castle-Tanner proposal to remove the cap on the contingency fund during recessions was not accepted.

Adding to these problems, the conference has evidently accepted a damaging House provision that lets states transfer 10 percent of federal welfare block grant funds to programs not related to cash assistance or work. This provision, coupled with the maintenance-of-effort provision allowing states to withdraw 20 percent of state funds spent on welfare and work programs, would enable states to remove *more than $35 billion* in state funds over the next six years without losing any federal money. The risk is quite high that as we move toward a balanced federal budget that squeezes federal grants to states for an array of discretionary programs, some of which have influential constituencies, many states will be unable to resist the temptation to withdraw state funds from work and welfare programs in order to shift them elsewhere. The combination of shrinking federal grants to states and new authority for states to withdraw large sums from the work/welfare system could prove toxic.

The Effects on Child Poverty

For these and other reasons, the new Urban Institute estimates of the effects of the welfare bill on child poverty are likely to prove too optimistic. Bending over backward to avoid criticisms of being alarmist or partisan, the Urban Institute made a series of highly optimistic assumptions. The Institute assumed that: 1) no state in the country would set a time limit shorter than five years; 2) no state would withdraw a dollar in state resources in response to provisions of the bill enabling states to cut state funding to 75 percent or 80 percent of their 1994 levels; and 3) no state would reduce cash benefits levels to enable it to withdraw state funds. The Institute also assumed a larger percentage of parents would find jobs when hitting the time limit than either OMB or CBO assume, and it measured the effects of the bill during a growth period rather than a recessionary period.

With these assumptions, the study still found a very large impact on child poverty. It also found one in every five families with children in the United States would lose an average of $1,300 a year. *Findings very similar to these will almost certainly apply to the conference report.*

Nor can these results be minimized by citing the intangible benefits of work. There is no question of the value of work and the work ethic. But the Urban Institute study found that a substantial majority of the children who would be made poor are in families that are already working. Families that collect welfare and don't work are already poor.

Finally, consider what will happen if nearly $60 billion is withdrawn from the incomes of low-income families. One certain result will be a substantial loss in purchasing power among the low-income population. That, in turn, will cause a decline in business activity in high-poverty areas, especially in inner cities and very poor rural areas, since residents will have less to spend. One likely result of such a lessening of business activity will be a loss of private-sector jobs in these areas, exactly the opposite of what we all seek.

* * *

All of this leads me to a strong conviction that this deeply flawed bill should not become law. I know a veto is not without political consequences and that you must weigh those consequences. But a signature would lead to a major part of your legacy being the sharpest increase in the depth and severity of child poverty caused by any legislation enacted in the modern history of our country.

Nor will the unwise provisions of this legislation be readily reversible after the election. Once cuts in areas such as food stamps and legal immigrants are enacted, reversing or moderating them will require offsetting tax increases or cuts in other entitlements protected by stronger constituencies. That is very unlikely to happen. I believe the cuts in this bill are likely to be with us for at least a generation.

We badly need to reform welfare. Under your leadership, I believe we can achieve solid reform next year if Congress will not provide you with a satisfactory bill this year. But the legislation about to come to your desk would cause hardship, suffering, and destitution that is not worthy of our country — and certainly not worthy of you. It would cheapen our nation and diminish your presidency. I appeal to you to turn it aside.

Sincerely,

Bob

Robert Greenstein

file

CENTER ON BUDGET AND POLICY PRIORITIES

TO: Interested Parties

FR: Karen Lightfoot
Senior Legislative Associate

RE: Analysis of the Effectiveness of Antipoverty Programs
(including Social Security, EITC, AFDC, housing assistance, food stamps, etc.)

One of the greatest challenges facing the 105th Congress will be to achieve a balanced federal budget while preserving essential public functions and investments. A recent Center report, "The Safety Net Delivers", provides new and powerful evidence of the effectiveness of key investments in the federal safety net that may be of use in the upcoming debate over budget priorities.

The recent report authored by Wendell Primus shows the federal safety net has had a much larger effect in reducing poverty than is commonly understood. The study shows that expansions in social insurance and means-tested programs have lifted millions of children, families, and the elderly out of poverty.

Between 1989 and 1995, a period when both parties worked together to expand the safety net, the number of children removed from poverty by the safety net nearly doubled, totaling over 2.5 million kids. In addition, those who remained poor were significantly less poor than they would have been without government assistance. By 1996, the number and people removed from poverty reached an all time high. These and other findings in the enclosed report demonstrate that poverty is reduced when the federal safety net is strengthened and poverty is increased when the safety net is weakened.

The report includes comprehensive tables and charts tabulating antipoverty effectiveness for regions, classes, ages, and races.

I hope you find this report helpful. If you have any questions, please feel free to call me at 202/408-1080.

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Tel: 202-408-1080 Fax: 202-408-1056 center@center.cbpp.org http://www.cbpp.org HN0026

The Safety Net Delivers

The Effects of Government Benefit Programs in Reducing Poverty

CENTER ON BUDGET
AND POLICY PRIORITIES