

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	[Personally Identifiable Information] [partial] (3 pages)	03/07/1996	b(6)

COLLECTION:

Clinton Presidential Records
Chief of Staff
Jennifer O'Connor (Subject Files)
OA/Box Number: 8164

FOLDER TITLE:

Welfare Reform

2024-0267-S
rs4101

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]



FAX TRANSMISSION

U.S. Department of Health and Human Services
Office of the Secretary

To:

Jennifer O'Connor

Organization:

From:

John Monahan

Intergovernmental Affairs

Date:

9/15/95

Intergovernmental Affairs
200 Independence Ave., SW
Room 630 F
Washington, DC 20201
phone: (202)
fax: (202)690-5672

Recipient's Fax Number:

456-7929

Number of pages including this sheet:

2

Remarks:

John - FI
MK

THE WHITE HOUSE
WASHINGTON

August 28, 1995

Call Jim O'Connor

MEMORANDUM FOR SECRETARY SHALALA
CAROL RASCO

CC: LEON PANETTA
KEVIN THURM

FROM: Harold Ickes (td)

SUBJECT: Welfare waivers

On 11 August, Gerald McEntee, the International President of the American Federation of State, County, and Municipal Employees ("AFSCME"), met with the President. I attended that meeting. On 15 August Frank Cowan, Mr. McEntee's top assistant, met with me to follow up on the meeting with the President.

AFSCME is very concerned about the welfare waivers being granted by the Administration because they do not contain appropriate "labor protection" provisions. In particular, Mr. Cowan pointed to the recently granted "Ohio waiver" which, according to him, permits the state to fill unfilled jobs with non union employees.

Mr. Cowan said that John Monahan has been sending AFSCME notification of waiver requests from various states, but they are very concerned about the lack of "labor protection" or, as in Ohio, the fact that the states are being permitted to fill jobs with non union people, where the union has bargaining units representing welfare workers.

I need to discuss this with you within the next week.

950905 0015

THE WHITE HOUSE

Office of the Press Secretary

welfare

For Immediate Release

January 9, 1996

TO THE HOUSE OF REPRESENTATIVES:

I am returning herewith without my approval H.R. 4, the "Personal Responsibility and Work Opportunity Act of 1995." In disapproving H.R. 4, I am nevertheless determined to keep working with the Congress to enact real, bipartisan welfare reform. The current welfare system is broken and must be replaced, for the sake of the taxpayers who pay for it and the people who are trapped by it. But H.R. 4 does too little to move people from welfare to work. It is burdened with deep budget cuts and structural changes that fall short of real reform. I urge the Congress to work with me in good faith to produce a bipartisan welfare reform agreement that is tough on work and responsibility, but not tough on children and on parents who are responsible and who want to work.

The Congress and the Administration are engaged in serious negotiations toward a balanced budget that is consistent with our priorities -- one of which is to "reform welfare," as November's agreement between Republicans and Democrats made clear. Welfare reform must be considered in the context of other critical and related issues such as Medicaid and the Earned Income Tax Credit. Americans know we have to reform the broken welfare system, but they also know that welfare reform is about moving people from welfare to work, not playing budget politics.

The Administration has and will continue to set forth in detail our goals for reform and our objections to this legislation. The Administration strongly supported the Senate Democratic and House Democratic welfare reform bills, which ensured that States would have the resources and incentives to move people from welfare to work and that children would be protected. I strongly support time limits, work requirements, the toughest possible child support enforcement, and requiring minor mothers to live at home as a condition of assistance, and I am pleased that these central elements of my approach have been addressed in H.R. 4.

We remain ready at any moment to sit down in good faith with Republicans and Democrats in the Congress to work out an acceptable welfare reform plan that is motivated by the urgency of reform rather than by a budget plan that is contrary to America's values. There is a bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy for this Congress to squander this historic opportunity to achieve it. It is essential for the Congress to address shortcomings in the legislation in the following areas:

- o Work and Child Care: Welfare reform is first and foremost about work. H.R. 4 weakens several important work provisions that are vital to welfare reform's success. The final welfare reform legislation should provide sufficient child

care to enable recipients to leave welfare for work; reward States for placing people in jobs; restore the guarantee of health coverage for poor families; require States to maintain their stake in moving people from welfare to work; and protect States and families in the event of economic downturn and population growth. In addition, the Congress should abandon efforts included in

(more)

(OVER)

2

the budget reconciliation bill that would gut the Earned Income Tax Credit, a powerful work incentive that is enabling hundreds of thousands of families to choose work over welfare.

- o Deep Budget Cuts and Damaging Structural Changes: H.R. 4 was designed to meet an arbitrary budget target rather than to achieve serious reform. The legislation makes damaging structural changes and deep budget cuts that would fall hardest on children and undermine States' ability to move people from welfare to work. We should work together to balance the budget and reform welfare, but the Congress should not use the words "welfare reform" as a cover to violate the Nation's values. Making \$60 billion in budget cuts and massive structural changes in a variety of programs, including foster care and adoption assistance, help for disabled children, legal immigrants, food stamps, and school lunch is not welfare reform. The final welfare reform legislation should reduce the magnitude of these budget cuts and the sweep of structural changes that have little connection to the central goal of work-based reform. We must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.

I am deeply committed to working with the Congress to reach bipartisan agreement on an acceptable welfare reform bill that addresses these and other concerns. We owe it to the people who sent us here not to let this opportunity slip away by doing the wrong thing or failing to act at all.

WILLIAM J. CLINTON

THE WHITE HOUSE,
January 9, 1996.

#

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

19-Oct-1995 10:21am

TO: Jennifer M. O'Connor

FROM: Kenneth S. Apfel
 Office of Mgmt and Budget, HRD

CC: Keith J. Fontenot
CC: Bruce N. Reed

SUBJECT: RE: AFSCME and welfare reform

AFSCME wants to continue merit system rules for folks administering (1) food stamps, (2) afdc and (3) child welfare programs. Since we are fighting the block granting of food stamps and child welfare, we should include in our HHS and AG letters to the Hill statements of opposition to changing the program, including the merit system rules.

But AFDC is a different story. We're basically turning this program over to states. We're not asking for protections for welfare babies, so I don't see why we would regulate in one area and protect welfare workers. We should add some fuzzy language on welfare, but we'd look silly going way out of our way on this one.

FAX TRANSMITTAL SHEET

Jer O'connor
as you
requested,
SBS

RECEIVER TELECOPIER NUMBER: _____

TO: STEVE SILVERMANFROM: BIBB HUBBARDDATE: 1/17 TIME: _____

PAGE NUMBER ONE OF _____ PAGES

TRANSMITTER TELECOPIER: (202) 219-7971

ADDITIONAL COMMENTS:

Wagner - Payer response

IF YOU HAVE QUESTIONS REGARDING THIS FAX CALL: _____

Welfare reform

January 16, 1996

NOTE TO: JENNIFER M. O'CONNOR
Office of the Chief of Staff

FROM: BILL KAMELA
Office of Congressional and Intergovernmental Affairs,
Department of Labor

SUBJECT: WAGNER PEYSER

In September of 1995, Senator Dole made a decision to append most of Senator Kassebaum's employment and training consolidation bill (Workforce Development Act--S.143) to his welfare reform legislation. One of the changes Dole proposed to Kassebaum's bill was the complete elimination of Wagner-Peyser. Because a number of Dole's changes were extremely controversial, including Wagner-Peyser, they were eliminated from the omnibus welfare bill. Eventually, the Kassebaum legislation was stripped from welfare reform. Kassebaum's bill does retain the public labor exchange function of Wagner-Peyser, but some believe it could provide a small opening to privatization of the ES. The bill is now in conference with the House. A conference committee work document is expected to be ready by the end of this week. We will obviously be keeping a close watch on what happens to the ES in the final product.

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

DEC 17 1996

MEMORANDUM TO: Kitty Higgins, Secretary to the
Cabinet

FROM: Harold Gracey, Chief of Staff

SUBJECT: State of the Union

Just a note to reinforce that we believe it is imperative that the President mention veterans in the speech. No President has built such a positive record on veterans' issues; none has provided the kind of access that President Clinton has provided.

Since veterans' programs have been acknowledged as one of the President's priorities in discussions about the budget, no opportunity, especially one as important as the State of the Union, should pass without mentioning veterans.

Thank you in advance for your help.

THE WHITE HOUSE

WASHINGTON

March 7, 1996

MEMORANDUM FOR LEON PANETTA

ALICE RIVLIN

JOHN HILLEY

CC: KEN APFEL
BRUCE REED
JOHN ANGELL
JENNIFER O'CONNOR ✓

FROM: HAROLD ICKES ~~SI~~

SUBJECT: WELFARE REFORM

When I was in Bal Harbour for the AFL-CIO's Executive Council meeting, several International union presidents raised with me the need for specific language regarding worker displacement and state accountability in any final welfare reform package. They have forwarded the specific language to us. I understand that today Ken Apfel, Bruce Reed, John Angell and Jennifer O'Connor met with these unions' staffs to discuss strategy for trying to get some of this language included in the packages under development on the Hill.

This issue is critical to these unions, namely AFSCME, SEIU and to the AFL-CIO in general. They face enormous difficulty if states are encouraged to fill vacant jobs with welfare workers; they are working with various members on the Hill to try to achieve language that would establish conditions for filling job vacancies, protect contract workers, and protect collective bargaining agreements. In addition, they feel it is critical that if the entitlement is eliminated, there be state accountability measures such as audit procedures and competitive bid requirements.

I am told that at today's meeting between White House staff and union staff, the union staff expressed concerns that they have been told by Members of Congress to whom they speak that the Administration has not tried to be helpful on these issues -- that these issues are not "on the Administration's list." While we can't guarantee any outcome, and while it may be impossible to achieve what the unions are requesting, I very strongly urge that we need to make a real and visible effort with Members of Congress, to try to accomplish some form of the unions' needed provisions. If in the end we fail to achieve these changes, it is important that we tried hard, along with the unions, rather than appeared to give in too early in the game.

<u>Name</u>	<u>Org</u>	<u>Phone</u>	<u>Fax</u>
Jennifer O'Connor	WH	456-6350	6-7929
Chad Lovelace	AFSCME	429-1194	223-3413
Nanette Meiklegohn	AFSCME	429-1199	223-3413
Marc Baldwin	AFL-CIO	637-5202	508-6946
Nancy Donaldson	SEIU	8983365	8983304
Peggy Kelly	SEIU	898-3418	898-3304
Kim Appel	AMB	395-4844	395-5730
Bruce Reed	WH	456-6515	6-5557
John Angell	WH	456-6798	456-2271

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EXECUTIVE OFFICE OF THE PRESIDENT

07-Mar-1996 10:02am

TO: Shana E. Tesler

FROM: Mail Link Monitor
Office of Administration, IST

SUBJECT: CONFIRMATION: APPT. REQUEST FOR O'CONNOR

FROM: WAVES OPERATIONS CENTER - ACO: HARRY D JACKSON
Date: 03-07-1996
Time: 09:54:02

This message serves as confirmation of an appointment for the visitors listed below.

Appointment With: O'CONNOR
Appointment Date: 3/7/96
Appointment Time: 2:00:00 PM
Appointment Room: 180
Appointment Building: OEOB
Appointment Requested by: TESLER SHANA
Phone Number of Requestor: 61904
Comments:

WAVES APPOINTMENT NUMBER: U68369

If you have any questions regarding this appointment, please call the WAVES Center at 456-6742 and have the appointment number listed above available to the Access Control Officer answering your call.

TOTAL NUMBER OF NAMES SUBMITTED FOR ENTRY : 3
TOTAL NUMBER OF NAMES OF CLEARED FOR ENTRY: 3

BALDWIN, MARK
KAZDIN, CAROLYN
LOVELACE, CHUCK

Donaldson, Nancy
Kelly, Peggy
Merklejohn

(b)(6)

EXECUTIVE OFFICE OF THE PRESIDENT

06-Mar-1996 07:57pm

TO: Shana E. Tesler

FROM: Mail Link Monitor
Office of Administration, IST

SUBJECT: CONFIRMATION: APPT. REQUEST FOR O'CONNOR, JENNIFER M

FROM: WAVES OPERATIONS CENTER - ACO: GWENDOLYN SUGGS
Date: 03-06-1996
Time: 16:48:54

This message serves as confirmation of an appointment for the visitors listed below.

Appointment With: O'CONNOR, JENNIFER M
Appointment Date: 3/7/96
Appointment Time: 2:00:00 PM
Appointment Room: 180
Appointment Building: OEOB
Appointment Requested by: TESLER SHANA E.
Phone Number of Requestor: 61904
Comments:

WAVES APPOINTMENT NUMBER: U68369

If you have any questions regarding this appointment, please call the WAVES Center at 456-6742 and have the appointment number listed above available to the Access Control Officer answering your call.

TOTAL NUMBER OF NAMES SUBMITTED FOR ENTRY : 2
TOTAL NUMBER OF NAMES OF CLEARED FOR ENTRY: 2

DONALDSON, NANCY
KELLY, PEGGY

(b)(6)

EXECUTIVE OFFICE OF THE PRESIDENT

07-Mar-1996 10:54am

TO: Shana E. Tesler
FROM: Mail Link Monitor
Office of Administration, IST

SUBJECT: CONFIRMATION: APPT. REQUEST FOR O'CONNOR, JENNIFER M

FROM: WAVES OPERATIONS CENTER - ACO: ANDREA GLOVER
Date: 03-07-1996
Time: 10:44:34

This message serves as confirmation of an appointment for the visitors listed below.

Appointment With: O'CONNOR, JENNIFER M
Appointment Date: 3/7/96
Appointment Time: 2:00:00 PM
Appointment Room: 180
Appointment Building: OEOB
Appointment Requested by: TESLER SHANA E.
Phone Number of Requestor: 61904
Comments: TO BE ADDED TO
U68369

WAVES APPOINTMENT NUMBER: U68656

If you have any questions regarding this appointment, please call the WAVES Center at 456-6742 and have the appointment number listed above available to the Access Control Officer answering your call.

TOTAL NUMBER OF NAMES SUBMITTED FOR ENTRY : 1
TOTAL NUMBER OF NAMES OF CLEARED FOR ENTRY: 1

MEIKLEJOHN, NANINE

(b)(6)

Welfare 3/6/96

- I know where it's going ; negotiating
- we can't influence it unless moderate Rs are comfortable → to push right Rs/leaders
- we're working w/ moderate Ds to get mod. Rs
- Senate better
- Chaffin, Specter, & others = way to get stuff done
- Rs - no reason to make but explain to us
 - veto threats get juices going
 - but they'll do what mod Rs want

- Goms

- we've had least success on accountability b/c Goms

Chuck - moderate Ds are into account

- Kurt Conrad

- federal stds

Bottom line -

- competitive bidding is key
- open merit based stds

Blue pig bill geared to - we don't know what's in it

Welfer 3/6 p2

- accountability ~~is~~ effect on employers
- displacement effect enormous
- no one has given rationale why not to do it

- ① Amato put in minimal lang.
- protected incumbents workers for layoffs
 - # deal w/ people losing jobs & not being replaced -> being converted into work force

DPM w/ us but busy & not doing much

- * they want to be on our list →
to meet on Thu & hear they're not

- Kassebaum's job training provision is almost acceptable

prob = doesn't deal w/ vacancy stuff

- need an enforcement mech for the displacement stuff
- some kind of grievance procedure

* note to be taken on this

3/6 welfare p3

accountability
- good pol issue

- competitive bidding is most imp price
- audit requirements
- merit system references

Vehicle = gov's opening on equal protection

Bruce
Red
welfare

H/K marking up new
bill. in gen, shall.
test →

Don need fir
accountabil
audit

could make ref to
worker displacement

prob is unless we're
in g/f negots,

We're in pos. of
saying do this or
fight, b/c they want
us to veto

need to get it done
w/o giving member
not to do it

they had a R
champion

D Amato or
someone else

happy to do
a meeting

Norine, try to
— Ruth Terplan

COPY

THE WHITE HOUSE
WASHINGTON

February 12, 1996

MEMORANDUM FOR RAHM EMANUEL
BRUCE REED

FROM: JENNIFER O'CONNOR

SUBJECT: Welfare reform

Attached is a letter sent over by Nanine Meiklejohn of the American Federation of State, County and Municipal Employees, following up on two issues raised in a letter from Presidents McEntee and Sweeney to the President last fall on welfare.

Their two concerns if welfare is raised again this year are:

(1) The anti-displacement provisions of H.R. 4. This provision allowed employers to convert union jobs into unpaid welfare work and put unionized private sector contract workers at substantial risk of job loss.

(2) AFSCME strongly supports the current federal entitlement. Ending the entitlement could destroy the network of public agencies which ensure universal access and uniform, non-discriminatory eligibility determination functions.

Please let me know the most appropriate person to draft a response to this. If appropriate I would like a chance to see the response before it goes back out. If we are taking a position significantly different from the unions please let me know so that we can talk about how to handle that.

CC: Harold Ickes

3/7
copy
to Hilkey
and back to Jen

copy to
Ken Apfel

for tomorrow's apm
meeting



AFSCME®

American Federation of State, County and Municipal Employees, AFL-CIO

1625 L Street, N.W., Washington, D.C. 20036-5687

Telephone (202) 429-1000

Telex 89-2376

Facsimile (202) 429-1293

TDD (202) 659-0446

February 5, 1996

Gerald W. McEntee
President

William Lucy
Secretary-Treasurer

Vice Presidents

Ronald C. Alexander
Columbus, Ohio

Dominic J. Badolato
New Britain, Conn.

Henry L. Bayer
Chicago, Ill.

Peter J. Benner
St. Paul, Minn.

Joseph M. Bonavita
Boston, Mass.

George Boncoraglio
New York, N.Y.

Gloria C. Cobbin
Detroit, Mich.

Stephen M. Cullen
Chicago, Ill.

Albert A. Diop
New York, N.Y.

Danny Donohue
Albany, N.Y.

William T. Endsley
Columbus, Ohio

Stephan R. Fantauzzo
Indianapolis, Ind.

Stanley W. Hill
New York, N.Y.

Carolyn J. Holmes
Williamstown, N.J.

William S. Hudson, Jr.
Sykesville, Md.

Blondie P. Jordan
Orlando, Fla.

Edward J. Keller
Harrisburg, Pa.

Joseph E. McDermott
Albany, N.Y.

Donald G. McKee
Des Moines, Iowa

Gary Moore
Olympia, Wash.

Michael D. Murphy
Madison, Wis.

Henry Nicholas
Philadelphia, Pa.

Russell K. Okata
Honolulu, Hawaii

George E. Popyack
Belmont, Calif.

Joseph P. Puma
Albany, N.Y.

Joseph P. Rugola
Columbus, Ohio

Kathy J. Sackman
Pomona, Calif.

Burhman D. Smith
Philadelphia, Pa.

Larry R. Smith
East Lansing, Mich.

Linda Chavez-Thompson
San Antonio, Tex.

Garland W. Webb
Baton Rouge, La.

To: Jennifer O'Connor

From: Nanine Meiklejohn *NM*

Re: Welfare Reform

The purpose of this memo is to follow up on the two welfare reform issues raised in the letter which Presidents McEntee and Sweeney sent to the President last fall and to submit specific recommendations on both.

We are very pleased that President Clinton vetoed H.R. 4 because it would have destroyed the current federal entitlement and undermined the job security of working people. If welfare reform is brought up again this year, we hope there will be a negotiated process that will enable the Administration to secure better anti-displacement protections than those in H.R. 4 and to protect the entitlement and public agency structure.

Anti-Displacement Protections

The anti-displacement provisions of H.R. 4 were seriously flawed because they allowed employers to convert union jobs into unpaid welfare work and put unionized private sector contract workers at substantial risk of job loss. Although H.R. 4 prohibited employers from laying off workers and replacing them with welfare workers, it encouraged employers to fill vacant positions with welfare recipients. It did not distinguish between real employment and unpaid work so employers could have assigned welfare recipients working off their welfare benefits without employee status to a position which formerly had been a real job. In addition, there was no mechanism to enforce the anti-displacement protections.

The enclosed alternative uses the anti-displacement protections in the welfare reform provisions of the "Blue Dog" budget proposals with several modifications. Our modifications would: 1) add an enforcement procedure; 2) protect collective bargaining agreements and contracts for services; and 3) protect contract workers and establish conditions for filling job vacancies. These protections were developed in close consultation with SEIU and have their strong support.

in the public service

AFDC Entitlement: Public Agency System and Public Accountability

As you know, AFSCME is on record strongly supporting the current federal entitlement and its state plan requirement for program personnel to be in merit-based personnel systems. Ending the entitlement could very well destroy the network of public agencies which ensure universal access and uniform, non-discriminatory eligibility determination functions. We believe the public's demand for change can be achieved without eliminating this crucial feature of the current program.

Should a block grant emerge this year, however, we are proposing the attached "good government" amendment to ensure accountability and a level playing field through a federal requirement for a fair and open competitive bidding process. We hope it will not be necessary to consider this option.

We would appreciate being kept apprised of any developments on welfare reform. I will call shortly to follow up on this memo.

NM:dmb
Attachments

cc: Frank Cowan
Chuck Loveless

ANTI-DISPLACEMENT AMENDMENT

(-)NONDISPLACEMENT. -

(A) A program under this Act may not be operated in a manner that results in -

(1) the displacement of a currently employed worker or position by a program participant;

(2) the replacement of an employee who has been terminated with a program participant; or

(3) the replacement of an individual who is on layoff from the same position given to a program participant or any equivalent position.

(B) A program under this Act shall not impair existing contracts for services or collective bargaining agreements, and no such program that would be inconsistent with the terms of a collective bargaining agreement shall be undertaken without the written concurrence of the labor organization and employer concerned.

(-) FILLING CERTAIN VACANCIES.-

(A) No participant assigned to work in exchange for benefits shall be assigned to fill a job vacancy.

(B) A participant may be employed to fill a job vacancy only in a manner that is consistent with existing laws, regulations, and contracts applicable to such job provided that no participant shall:

(1) be assigned to a position to perform work under a contract for services for the first 90 days after the commencement of such contract if such contract immediately succeeds a contract for services under which an employee covered by a collective agreement performed the same or substantially similar work for another employer; or

(2) fill a position in a State or local government agency for which State or local funds have been budgeted, unless such agency has been unable to fill such vacancy with a qualified applicant through such agency's regular employee selection procedure during a period of not less than 90 days

(-) ENFORCING ANTI-DISPLACEMENT PROTECTIONS. -

(A) GRIEVANCE PROCEDURE. - The State shall establish and maintain (pursuant to regulations issued by the Secretary of Labor) a grievance procedure for resolving complaints alleging violations of any of the prohibitions or requirements of paragraph (1). Such procedure shall include an opportunity for a hearing and shall be completed not later than 90 days from the date of the complaint, by which time the complainant shall be provided a written decision by the State. A decision of the State under such procedure, or a failure of a State to issue a decision not later than 90 days from such date, may be appealed to the Secretary of Labor, who shall investigate the allegations contained in the complaint and make a determination not later than 60 days from the

date of the appeal as to whether a violation of such prohibitions or requirements has occurred. Remedies shall include termination or suspension of payments, prohibition of the placement of the client, reinstatement of an employee, and other relief to make an aggrieved employee whole.

(B) OTHER LAWS OR CONTRACTS. - Nothing in subparagraph (A) shall be construed to prohibit a complainant from pursuing a remedy authorized under another Federal, State, or local law or a contract or collective bargaining agreement for a violation of any of the prohibitions or requirements of paragraph (1).

(-) NO PREEMPTION. - Nothing in this subsection shall preempt or supersede any provision of State or local law that provides greater protection for employees from displacement.

EXPLANATION OF ANTI-DISPLACEMENT AMENDMENT

NONDISPLACEMENT

Subsection (A) incorporates the text of the anti-displacement protections in the "Blue Dog" welfare reform plan. It is broader in scope than H.R. 4.

Subsection (B) provides protection for collective bargaining agreements and contracts for services. It is identical to a provision in the House job training block grant (H.R. 1617) which is now in conference with S. 143. The current JOBS program and S. 143 have a provision which protects collective bargaining agreements and contracts for services without the second part of the subsection.

FILLING UNFILLED VACANCIES

This section is proposed as an alternative to the H.R. 4 section permitting the filling of vacancies.

Subsection (A) would prevent employers from converting real jobs into unpaid work by prohibiting them from filling job vacancies with welfare recipients in unpaid workfare or community service arrangements.

Subsection (B) permits employers to hire welfare recipients with a welfare wage subsidy as long as they follow their normal personnel procedures and wait a certain period of time. The waiting period under subsection (1) protects contract workers. It is from the Administration's welfare reform bill and was negotiated by SEIU with HHS. The companion provision in subsection (2), which protects government jobs, also is from the Administration's welfare reform bill and was negotiated by AFSCME with HHS. (The time period in subsection (2) has been changed from 60 to 90 days in this proposal to make the two sections consistent.)

ENFORCING ANTI-DISPLACEMENT PROTECTIONS

The provision establishes a procedure for resolving disputes and authorizes a set of remedies in order to ensure enforceability. The text is from the Daschle welfare reform bill, but virtually identical language - with somewhat more detailed remedies - is in Senate job training block grant bill (S. 143).

NO PREEMPTION

This subsection is carried over from H.R. 4.

GOVERNMENT ACCOUNTABILITY AMENDMENT

CERTIFICATION OF MEASURES AGAINST PROGRAM ABUSES

A certification by the chief executive officer of the State that the State is in compliance with standards and procedures, which will be established by the Secretary of Health and Human Services through regulation, to ensure against program abuses including, but not limited to, nepotism; conflicts of interest; charging of fees in connection with participation in the program; excessive or unreasonable legal fees; improper commingling of funds under the Act with funds received from other sources; failure to keep and maintain sufficient, auditable, or otherwise adequate records; kickbacks; political patronage; violations of federal laws; the use of funds for political, religious, antireligious, union or anti-union activities; the use of funds for lobbying local, state or federal legislators; and the use of funds for activities which are not directly related to the proper operation of the program.

CERTIFICATION THAT THE STATE WILL ADMINISTER PROGRAMS FUNDS PROPERLY AND EFFICIENTLY

Certification by the chief executive officer of the State that it will administer program funds properly and efficiently in compliance with regulations by the Secretary of Health and Human Services.

PROCEDURES FOR STATE GOVERNMENT ACCOUNTABILITY OF FEDERAL FUNDS

(A) State agencies operating a program under Titles ____ of this Act shall prepare, submit to the Secretary of Health and Human Services and the Secretary of Agriculture, and make available for public inspection in readily accessible form and fashion, the following official reports dealing with the administration and operation of the programs established under this act:

- (1) individual contractor performance reviews and other formal evaluations of the performance of carriers, intermediaries, and state agencies, including reports of follow-up reviews;
- (2) comparative evaluations of the performance of such contractors, including comparisons of either overall performance or of any particular aspect of contractor operation; and
- (3) program validation survey reports and other formal evaluations of the performance of providers of services.

(B) State agencies must have procedures established whereby providers of administrative and operation services are required to comply with the following disclosure requirements which also must be available for public inspection:

- (1) identity of each person with an ownership or control interest in the provider or in any subcontractor in which the provider directly or indirectly has a 5 percent or more ownership interest; and
- (2) whether any criminal convictions, civil or criminal penalties, or assessments have been imposed upon or assessed against such person.

COMPETITIVE BIDDING --

Those States which choose to contract with charitable, religious, or private organizations shall establish a competitive bidding process, shall determine all costs associated with contract performance including contract administration, and shall compare such costs with the cost of government operation of the program. Any capital expenditures proposed in a competitive bid must be for the sole benefit of the program's recipients.

EXPLANATION OF GOVERNMENT ACCOUNTABILITY AMENDMENT

This amendment is intended to ensure accountability and a level playing field through a federal requirement for a fair and open competitive bidding process if welfare reform converts the current entitlement to a block grant.

The competitive bidding section is critical. It is intended to help avoid arbitrary contracting decisions and ensure accountability to the public for efficiency and effectiveness. It has been revised from an earlier draft to say that all costs must be considered, including government monitoring and supervisory costs, which often are omitted from privatization calculations. In addition, the new language requires a comparison of the cost of direct provision of services by the government with private contractor costs. The section does not set a savings standard, such as 10%, for private contractors to meet. It simply ensures that enough information is available for the public to evaluate privatization decisions.

With respect to the rest of the amendment:

► Program Abuse Section

Specifically lists a variety of potential abuses, which probably could be shortened if necessary. Another more controversial approach is to require contractors to comply with various personnel laws, such as the Hatch Act. The intent is for private companies which take on the role of "government provider" to conform to the same rules as public agencies. Also requires that the program comply with federal laws.

► State Government Accountability

Part (A) requires performance reviews and formal evaluations of the performance of contractors and public disclosure of these reports. Private contractors will not be subject of FOIA requests. There should be some way to evaluate their activities.

Part (B) requires public disclosure of the names of each person with an ownership or control interest in the provider and of any criminal convictions, criminal or civil penalties.

690-5672

fax to
John Monahan

LEGISLATIVE REFERRAL MEMORANDUM
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LEGISLATIVE REFERRAL MEMORANDUM

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TO: Legislative Liaison Officer. See Distribution below:

FROM: Janet FORSGREN *B. Pellicci*
Assistant Director for Legislative ReferenceOMB CONTACT: Robert PELLICCI 395-4871 + *MM*
Legislative Assistant's line (for simple responses): 395-7362
C=US, A=TELEMAIL, P=GOV+EOP, O=OMB, OU1=LRD, S=PELLICCI, G=ROBERT, I=J
pellicci_r@a1.eop.govSUBJECT: HHS Proposed Testimony on the National Governors Association's plans for
Welfare and Medicaid reform.

DEADLINE: 5:00 p.m. Friday, February 23, 1996

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before
advising on its relationship to the program of the President.

Please advise us if this item will affect direct spending or receipts for purposes of the
"Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: Senate Finance Committee has requested Secretary Shalala's testimony by 10:00 a.m. Monday,
February 26th.

*

NOTE: Please provide your comments on the welfare portion of the testimony to Melinda Haskins
at 395-3923 (fax #395-6148).

*

Testimony
of
Donna E. Shalala
U.S. Secretary of Health and Human Services
at
Committee on Finance
United States Senate
February 28, 1996

Mr. Chairman, Senator Moynihan, and members of the Committee: I want to thank you for giving me the opportunity to testify today about the National Governors' Association (NGA) resolutions on Medicaid and welfare and the President's vision for reform in these areas.

Throughout the years, this committee has built a great tradition of bipartisan leadership on these issues. We look forward to working closely with you to reach bipartisan consensus on Medicaid and welfare reform legislation.

This hearing comes at a critical juncture in our nation's history.

Right now, from kitchen tables to the halls of Congress, we are engaged in a historic debate about the size, scope, and role of the federal government.

This debate is about much more than deficits and devolution. At its heart, it's about who we are as Americans -- and what kind of legacy we want to leave for our children.

The Clinton Administration believes that we must balance the budget in seven years and shift more responsibility to the states and local communities. But, we must hold them firmly accountable.

As the President has said time and time again: We can balance the budget and find common ground -- without turning our backs on our values, our families, and our future.

We believe we can give the states the flexibility they need -- while still maintaining a strong federal-state partnership built on a foundation of shared resources, accountability to the taxpayers, and national protections for our most vulnerable Americans.

That's why the President has proposed a common sense plan that balances the budget, gives new flexibility to the states, and reforms welfare and Medicaid, without breaking our promises to our citizens -- from the seniors living in nursing homes to the families struggling to break free from the chains of poverty.

That is the challenge we must meet as we work to reform Medicaid and welfare. That is the standard by which we must judge any reform including the resolutions recently adopted by the National Governors' Association (NGA).

We greatly appreciate the efforts of the NGA in fashioning a bipartisan consensus and their ongoing work to add further detail to their resolutions. While we applaud their actions, we do have serious questions about their proposals: questions about maintaining national objectives and the federal-state partnership necessary to reach them.

It is now up to this Administration and this Congress to build on the spirit of their efforts and achieve a bipartisan consensus.

It is time for all of us to work together to reach our mutual goals: flexibility for the states; incentives for AFDC recipients to move from welfare to work; the expansion -- not contraction -- of health insurance coverage for those who need it most; and protections for our most precious resource, our children.

MEDICAID

Let me turn first to the Medicaid program. Medicaid provides vitally important health and long-term care coverage, as well as financial protection, for 36 million Americans and their families, including the following:

- o It provides primary and preventive care for 18 million low-income children;
- o It covers 6 million individuals with disabilities -- providing the health, rehabilitation, and long-term services that would otherwise be unaffordable for these individuals and their families;
- o It covers 4 million senior citizens -- including long-term care benefits that provide financial protection for beneficiaries, spouses, and the adult children of those requiring nursing home care.
- o Finally, it pays the Medicare premium and cost sharing for low income seniors, which is the only way to make the use of Medicare benefits affordable for these individuals.

As the Kasper Commission report titled "Medicaid at A Glance" points out, "since its enactment in 1965, Medicaid has improved access to health care for the poor, pioneered innovations in health care delivery and community based long-term care services, and stood alone as the primary source of financial assistance for long-term care. Medicaid has been consistently shown to improve access to health care for the populations it serves. Low-income people without insurance coverage use care at considerably lower levels than those with Medicaid coverage. As Medicaid struggles to meet multiple responsibilities under severe fiscal pressure, it continues to play a critical role in providing acute and long-term care services to our nation's most vulnerable people."

As part of his balanced budget plan, the President has proposed a carefully designed and balanced approach to Medicaid reform. His plan preserves Medicaid (title XIX of the Social Security Act) but with important changes to enhance the program to meet the needs of the people it serves and the states that operate this program. The President's plan:

- o preserves the federal guarantee of a Congressionally-defined benefit package for Medicaid beneficiaries;
- o preserves Medicaid protection for all currently eligible groups;
- o maintains our shared financial partnership with the states as they provide health coverage to needy individuals;
- o provides unprecedented new flexibility to the states in how to operate their programs, pay providers of care, and operate managed care and other arrangements, with continuing programmatic and fiscal accountability; and
- o contributes federal savings to the balanced budget plan through the use of a per capita cap on federal matching that adjusts automatically to changes in state Medicaid enrollment.

As you know, the President strongly opposed -- and ultimately vetoed -- the Congressional approach to Medicaid reform because it did not meet these standards. The Congress voted to repeal the Medicaid program, and replace it with a new "Medigrant" program that did not include meaningful guarantees of eligibility or benefits, and proposed a "block-grant" funding mechanism that breached the 30 year federal partnership with the states to share in changes in state Medicaid spending.

As I mentioned earlier, NGA recently approved the outlines of its own Medicaid reform plan, which has been helpful to the debate. In particular, we have been pleased that the Governors appear to be willing to discuss one of the key elements of our plan -- namely that federal financing must be responsive to actual, and often unanticipated, changes in Medicaid enrollment in the states.

However, while the details of the NGA plan are still not completely fleshed out, we are concerned that the elements of the NGA resolution do not reflect the priorities set out in the President's Medicaid plan in certain areas. These are: (1) the need for a real, enforceable federal guarantee of coverage to a Congressionally-defined benefit package; (2) appropriate federal and state financing; and (3) quality standards, beneficiary protections, and accountability.

The federal guarantee of coverage and benefits

The federal "guarantee" of coverage and benefits is at the core of the federal Medicaid program. Unfortunately, the term "guarantee" has been assigned very different meanings in the context of the current Medicaid debate. When we use the term guarantee in the context of a federal statute like Medicaid, we mean a real guarantee, composed of three interrelated components: definitions of 1) eligibility; 2) benefits, and 3) enforcement.

Eligibility

Let's begin with eligibility. The NGA plan sets out a number of current law groups that States must cover in their plan. However, problems remain in the NGA definition. First, it repeals the current law phase-in of Medicaid coverage for children ages 13-18 in families with income below the federal poverty level -- a bipartisan coverage expansion signed into law by President Bush.

In addition, the NGA resolution repeals the federal standard for defining disability, and replaces it with 50 separate state definitions. This has the effect of making Medicaid coverage and benefits for those with disabilities uncertain and variable around the nation. For example, it would be possible for states to use restricted definitions of disability resulting in very limited coverage for populations whose service needs are pronounced and among the most costly. In such situations, individuals with HIV, certain physical disabilities, or mental illness, could be precluded from receiving critically needed services under Medicaid. We

should not turn back the clock on those with disabilities by permitting 50 different state definitions for purposes of Medicaid coverage.

Finally, the NGA resolution is unclear about Medicaid coverage of cash assistance populations and those making the transition from welfare to work. It permits dual eligibility systems and may eliminate Medicaid coverage for some adults and children who are currently eligible and could lose benefits under welfare reform. This area needs further clarification.

Benefits

Eligibility is only one component of the guarantee -- because the question is eligibility for what -- bringing us to benefits. The NGA resolution lists benefits that are characterized as "guaranteed for the guaranteed populations only." The resolution also says that all other benefits defined as optional under the current program would remain optional, and that there would be an additional set of long-term care options.

This new framework raises several unresolved questions. The first relates to the adequacy of the benefits. Current Medicaid law and regulations give states substantial flexibility in defining the amount, duration, and scope of benefits and states have used this flexibility to respond to their unique circumstances. This latitude is tempered by a very reasonable constraint -- benefits must be "sufficient to reasonably achieve their purpose." By specifying "complete" flexibility on amount, duration, and scope, it appears that the NGA

proposal provides no standard against which to assess the reasonableness of a state's benefit plan. Without a standard, any federal "guarantee" is illusory.

The NGA resolution also is silent on the current law standards of comparability of services -- among and within eligible groups -- for mandatory as well as optional services. In the absence of further information about such provisions, there is no standard against which the "guaranteed" benefits and potential discrimination against certain groups or diseases can be assessed.

The NGA proposal also would limit the treatment portion of the Early and Periodic, Screening, Diagnosis, and Treatment (EPSDT) program, so that states need not cover all Medicaid optional services for children. The NGA does not yet specify exactly how this would be done, so it is difficult to assess the impact of the provision -- other than the certainty that some children would not receive treatments despite the clinical recommendations for those services arising from the EPSDT screening and diagnosis process.

Finally, the NGA plan is silent on the "statewideness" requirement included in current law. While we support state flexibility in designing delivery system approaches and payment options for different areas, we believe that Medicaid, as a federal-state matching program, must make its coverage and benefits available throughout the state.

Enforcement

The third essential component of the federal guarantee is enforcement. Implicit in the concept of defined populations and defined benefits is the notion of a meaningful enforcement mechanism. A federal cause of action for beneficiaries assures that those seeking a remedy for the deprivation of medical care receive the same due process rights everywhere in the United States. The NGA resolution requires states to provide a state right of action, but eliminates any federal right of action for individuals and providers who assert that a state is violating federal Medicaid laws. The only access to federal court for such claims would be the opportunity to petition the U.S. Supreme Court for review of a decision of a state's highest court.

The NGA provisions pose a number of serious questions and concerns. Under the proposal, Medicaid would be, to my knowledge, the sole federal statute conferring benefits on individuals with no possibility of federal enforcement by its intended beneficiaries.

Review by federal courts also promotes ease of administration. As a practical matter, common sense tells us that those aspects of the Medicaid program that are common to all states must be subject to consistent interpretation and administration. When the same question arises across multiple jurisdictions, the federal court system maximizes efficiency and predictability. This is particularly true when Medicaid interacts, as is often the case, with other federal statutes (such as Medicare, Social Security, SSI and AFDC). Federal courts are

more experienced in analyzing these federal programs and are better able to understand and decide cases involving relationships among them.

The largest number of suits against states have been filed by providers over payment rates. Under the Administration's plan, the Boren Amendment and related provider payment provisions would be repealed, thereby eliminating these causes of action by providers. Thus, under the Administration's plan, state concerns about limiting their exposure to suit in federal court would be largely resolved.

On balance, when we assess the three components required to make any guarantee real -- the definitions of eligibility, benefits, and enforcement in the NGA resolution -- we continue to have serious concerns because the federal guarantee of Medicaid coverage and benefits does not appear to be real and enforceable for beneficiaries.

Financing

The second key issue is the financing contained in the NGA resolution. The NGA resolution would replace the current financing system with a combination of a fixed federal payment and a payment adjustment for unexpected increased enrollment. As the governors have noted, these provisions, like others in their plan, must be fleshed out in much greater detail before anyone can assess whether the financing actually flows in a manner consistent with the per capita approach that forms the basis of the President's policy.

The NGA proposal also includes two changes in the state share of financing Medicaid. The minimum federal contribution to the financing of Medicaid would increase from 50 percent to 60 percent, and states' use of provider tax and donation financing mechanisms would once again be unconstrained.

While these proposals are appealing to many states, they raise significant concerns. Depending on the overall structure of the program and on state decisions about program spending, raising the minimum federal match rate from 50 percent to 60 percent could either result in significant increases in federal spending, or reductions in state contributions to Medicaid -- and in total Medicaid funding for health care. For example, an analysis of a this provision in by the Center on Budget and Policy Priorities indicated that if the seven-year federal funding reduction were \$85 billion and state matching requirements were reduced in the same manner as the Congressional reconciliation bill, states could reduce state Medicaid funding by \$214 billion over seven years. Under this scenario, the total federal and state seven year cut would be \$299 billion, the funding cut would reach 26 percent in 2002.

Defining and revising the appropriate federal and state contributions and spending levels will always be one of the most difficult issues to settle in any Medicaid reform plan. There is no question that these matters merit careful attention in the long-term. However, given the enormous fiscal implications, the President's plan proposes to gain advice from an intergovernmental advisory commission on the appropriate federal and state funding before the Congress proceeds.

The NGA plan would also permit unconstrained use of provider tax and donation financing approaches for the "state" share of Medicaid. These are the exact mechanisms that the Congress recently limited -- in the case of taxes -- or outlawed completely -- in the case of donations. During the late 1980s and early 1990s, many States took advantage of these funding approaches, costing the federal government billions of dollars and helping drive annual Medicaid spending growth rates up to well over 20 percent. The Congress wisely enacted limits on these mechanisms that remain appropriate today.

In addition, the NGA proposal treats American Indians and Alaska Natives (AI/ANs) in its category of "special grants" that includes "grants to certain states to cover illegal aliens and to assist Indian Health Service and related facilities in the provision of health care to Native Americans." Native Americans have a unique status in that they have a government to government relationship with the United States that distinguishes them from other special populations. Based upon this legal status, they are entitled to benefits promised under Federal treaties and trust responsibilities and to any benefits for which they are otherwise eligible as U.S. citizens. The NGA resolution regarding Indian Health services does not acknowledge this legal relationship, nor does it recognize the fact that American Indians possess dual citizenship. They are citizens of the state and tribe. The NGA resolution does not recognize the state government's responsibilities to American Indian citizens.

We are concerned by policies which make the Federal government the sole provider of health care to American Indians and Alaska Natives and abrogate the right of these citizens to participate in state funded services on the same basis as any other state citizen.

Finally, we all have to examine the NGA proposal and financing structure in the context of the effort by the President and the Congress to achieve a balanced budget in seven years. We do not yet know whether this plan will achieve the scoreable savings that are required under the President's balanced budget plan -- or under the Congressional proposals. If it does not, other portions of the budget would have to be revised to bring the budget into balance.

Protections for beneficiaries and taxpayers

The NGA resolution would repeal title XIX and create a new title for the Medicaid program. This has the effect of seriously compromising the framework for quality standards, beneficiary and family financial protections, and program accountability.

The NGA resolution is silent in many areas. In other areas where the resolution is specific, some long-standing protections would be reduced or eliminated. For example, the NGA resolution eliminates the federal role in monitoring nursing home quality assurance. Yet without federal monitoring and enforcement of state and facility compliance, the bipartisan uniform quality standards established by the Omnibus Budget Reconciliation Act of 1987 could be rendered meaningless.

The NGA resolution makes no mention of quality assurance requirements or monitoring responsibilities for Medicaid managed care. This is a particularly important area since Medicaid managed care enrollment is increasing so dramatically -- about one-third of beneficiaries are now in managed care, a 140 percent increase in enrollment over the past three years. The President's plan recognizes the need for updating managed care quality standards. It repeals some outdated approaches, and requires states to establish a quality improvement program which must include developing appropriate standards for Medicaid-contracting health plans, and using data analysis to track utilization and managed care outcomes. Plans would be required to demonstrate adequate capacity to deliver contracting services for all populations and would also be required to maintain internal quality assurance programs and grievance processes.

Finally, the NGA resolution does not address beneficiary and family financial protections such as spousal impoverishment and family responsibility protections that have been central to the Medicaid program for some time. The NGA resolution also does not address the imposition of co-payments and other cost sharing for Medicaid beneficiaries. Further clarification in all of these areas is needed, because these are central elements of the financial security that Medicaid provides today for beneficiaries and their families.

Conclusion

Let me conclude by focusing on one fundamental structural issue -- whether we approach the task of Medicaid reform by making changes in the current title XIX of the

Social Security Act, or by repealing that program and replacing it with a new title. We oppose repeal -- and advocate reform -- of Title XIX. The potential unintended consequences of repealing and replacing this program are staggering -- for states, beneficiaries, providers, and the federal government. The Congress can address many of the most pressing concerns about any Medicaid reform plan by amending the current law.

From the beginning of the current Medicaid debate, the President has maintained that Medicaid must be financed through a federal-state partnership that ensures federal funding and provides a real, enforceable guarantee of coverage for a defined package of health and long-term care benefits. The President's plan proposes unprecedented new flexibility for the states in how to operate their programs, pay providers, and use managed care and other delivery arrangements, while retaining and revising key standards related to quality and beneficiary financial protections. The President's proposal would achieve those objectives in a way that would also help contribute to a balanced budget by 2002 -- and should serve as the basis for prompt Congressional action.

WELFARE REFORM

Now I would like to turn to welfare reform. Let me start by reiterating some points the President made in the State of the Union address. Welfare caseloads have declined by 1.4 million since March of 1994 -- a decline of 10 percent. A larger percentage of those still on welfare are engaged in work and related activities. Fewer children live in poverty. And over the last three years, we have worked with governors and elected officials to give 37 states the

flexibility to design welfare reform strategies that meet their specific needs. Under President Clinton's leadership, welfare is being reformed one state at a time.

Yet, as the President said in January, we should take advantage of bipartisan consensus on time limits, work requirements, and child support enforcement to enact national welfare reform legislation. The President has consistently called for bipartisan welfare reform and the Administration applauds the way Republicans and Democrats came together to put forth the NGA recommendations. As you may recall, the President started us down this road when he brought together a bipartisan group of congressional leaders, Governors, and federal and local officials to discuss welfare reform at the Blair House over two years ago.

We all want welfare reform that promotes work, requires responsibility, and protects children. Real welfare reform is first and foremost about work: requiring recipients to make the transition into the work force as quickly as possible and giving them the tools they need to enter and succeed in the labor market. This will require a change in the culture of welfare offices so that every action provides support and encouragement for the transition to work.

The President, as part of his balanced budget plan, has proposed a balanced approach to welfare reform that achieves these goals. It replaces welfare with a new, time-limited, conditional entitlement in return for work and gives States new flexibility to design their own approach to welfare reform. Within two years, parents must go to work or lose their benefits, and after five years, benefits end. The plan provides vouchers for children whose parents

reach the time limit, and protects States in the event of economic downturns or population growth. It also has tough child support enforcement measures and preserves the national commitment to nutrition assistance, foster care, and adoption assistance.

The Administration will continue to judge legislation adopted by the Congress on whether it promotes the key goals of work, responsibility, and family, and whether it continues our commitment to protect children. And, following the example of the NGA and the Senate last fall, we strongly hope for legislation that will be endorsed by a majority of Democrats and Republicans in both chambers of Congress.

The NGA proposal makes numerous modifications to the conference welfare bill -- some of which, if adopted by the Congress, would make that measure better than or equal to the Senate bill. Some of NGA's recommendations pose serious problems.

On the positive side, the NGA proposal reflects an understanding of the child care resources states will need in implementing welfare reform. By adding \$4 billion for child care above the level in the conference report for H.R. 4, the NGA proposal acknowledges that single parents can only find and keep jobs if their children are safely cared for. The additional investment is essential to ensure that child care resources are available for those required to move from welfare to work and -- equally important -- to ensure that child care is available for low income working families at-risk of welfare dependency. We are troubled, however, that the NGA proposal fails to include Senate provisions for ensuring safe and

healthy child care, and that the increased federal spending is offset by the potential for an equivalent reduction in the states' contribution to child care spending.

By adding \$1 billion to the H.R. 4 contingency fund and allowing states to draw funds if poverty rises, the NGA proposal properly recognizes that states may experience unexpected changes in population or downturns in their economy. In the event of a national economic downturn, however, even a \$2 billion contingency fund might be exhausted quite rapidly. During the last recession, for example, AFDC benefit payments rose from \$17.2 billion in 1989 to \$21.9 billion in 1992 -- \$4.7 billion over 3 years. A provision should be added to the bill allowing States to draw down matching dollars during a national recession even if the \$2 billion in the contingency fund has been expended.

Unfortunately, the NGA proposal also would eliminate the requirement in the Senate bill that states meet their full 1994 level of effort in order to be eligible for the contingency fund. The removal of this requirement would allow a state to draw down additional federal dollars while actually reducing its own contribution to the family assistance program. It is difficult to understand why a state in need of contingency fund dollars to meet the demand for assistance would simultaneously be able to cut its own spending on poor families below the 1994 level. We support restoring the contingency fund maintenance of effort provision contained in H.R. 4.

The NGA proposal also properly recognizes the importance of child support enforcement to welfare reform. Last year, the President insisted that welfare reform include the toughest child support enforcement reforms in this country's history. Since then, Republicans and Democrats have worked together in a bipartisan spirit and included all of the major proposals for child support enforcement reform that the President requested: streamlined paternity establishment, new hire reporting, uniform interstate child support laws, computerized statewide collections, and drivers license revocation. We applaud the efforts of the NGA and the members of this Committee for their hard work on the child support enforcement provisions. It has been bipartisanship at its best.

On Food Stamps, the NGA proposal makes two important improvements to the H.R. 4 conference bill. First, it does not impose a funding cap on the Food Stamp Program as the conference bill did. A cap on food stamp spending would jeopardize the ability of the Food Stamp Program to get food to people who need it. Second, the NGA proposal protects families with relatively high shelter costs -- mostly families with children -- by adopting the Senate's approach to the program's deductions from income.

The NGA proposal also makes substantial improvements to the performance bonus provisions in the conference agreement by establishing a separate funding stream to pay for bonuses -- rather than allowing states to reduce their maintenance of effort. It makes modifications to the work requirements to make them more feasible and less costly for states to meet. In particular, the Administration is very supportive of provisions that allow part-time

work for mothers with pre-school age children and that reduce the maximum number of hours per week from 35 to 25.

The Governors' proposal also is noteworthy because it limits the cuts to the Earned Income Tax Credit. We cannot be serious about welfare reform if we cripple the primary work incentive for low-income parents. Along with child care and health coverage, the EITC is vital to helping people move from welfare to work.

Finally, the Administration is supportive of several provisions that the NGA adopted from the Senate-passed bill -- a 20 percent caseload exemption from the time limit for battered women, women with disabilities and others who may need a hardship exemption; a state option to implement a family cap; and requirements that teen mothers live at home and stay in school.

The Federal-State Partnership

While the NGA proposal improves on the conference bill in a number of ways, the Administration has serious concerns about several provisions. While it is critical that states have the flexibility to design programs to meet their specific needs, it is equally essential that the federal government ensure accountability in the use of tax dollars and make certain the safety net for poor children is maintained. The federal-state match system under current law has always been the "glue" that holds this partnership together and was the fundamental

principle of the welfare reform plan the Administration proposed as part of its balanced budget plan.

A serious concern about the NGA proposal generally is that the federal-state partnership is severely weakened. As I have already mentioned, the Administration prefers the provision in the Senate bill which requires 80 percent maintenance of effort of the 1994 level, and a requirement for a 100 percent maintenance of effort for access to a contingency fund. We also oppose the NGA provision allowing a state to transfer up to 30 percent of its cash assistance block to other programs such as Title XX, the Social Services Block Grant. Since most states spend considerable state dollars on social services, this transfer effectively permits substitution of federal dollars for state dollars.

The problem is exacerbated in the Governors' proposal by the fact that the additional \$4 billion in child care funds requires neither a State match nor even maintenance of the FY 1994 level of state effort on child care.

In total, these provisions imply that states could reduce their spending by a total of \$57 billion, a decline of 63 percent, while federal spending on AFDC and child care programs would remain relatively flat. Many states would not reduce spending this dramatically but there is no reason, as welfare caseloads continue to decline, that the federal taxpayer should not also benefit.

Finally, the NGA proposal does not provide adequate accountability for taxpayer dollars or ensure that reforms at the state level will yield real results. Provisions should be added that provide for accountability in state plan implementation and require a program specific audit within federal guidelines.

Protections for Children

The NGA proposal also contains several provisions which threaten the safety net for poor children. Federal and state child protection programs provide an essential safety net for the nation's abused, neglected and adopted children, and children in foster care. As we embark upon bold new welfare reform initiatives, it is critical to maintain a strong child protection system for these extremely vulnerable children. Unlike the Senate's bipartisan approach to child protection, the NGA proposal jeopardizes this essential safety net by allowing states to replace current entitlements for adoption, foster care, independent living and family preservation with block grants. With disturbingly uneven state performance in this area, it also is troubling that the NGA's proposed redesign of the nation's child protection system fails to include mechanism to enforce protections vital for the lives and well-being of abused and neglected children. The NGA proposal also would block grant important programs focused on prevention of child abuse and neglect. If the system includes no targeted prevention funding, crisis-driven decision-making may deplete resources for prevention.

Food Stamps and Child Nutrition. While the NGA agreement does include some improvements to the conference report's provisions on Food Stamps, the NGA proposal did not go as far as it should, and serious concerns remain.

- The NGA proposal continues to provide a state option for a Food Stamp block grant. The nutrition and health of millions of children, working families, and elderly could be jeopardized if many states took advantage of this option, as they might under the terms contained in the proposal. Although the Administration is committed to simplification and increased flexibility in the Food Stamp program, we are strongly opposed to a Food Stamp block grant.
- The NGA proposal severely time limits Food Stamp receipt for many unemployed adults. Anyone who is not willing to work should be removed from the program. But those who are willing to work should have the opportunity and the support necessary to put them to work. Many who are willing to work could lose their Food Stamps because states are unwilling or unable to provide sufficient work and training opportunities. Without resources to provide work opportunities, states could face the burden of caring for thousands of people who have lost nutrition assistance.
- The NGA proposal weakens basic nutrition standards in the school meal programs. Good nutrition is essential to children's health and education success. Our national nutrition standards, developed over the past 50 years, work, but the proposal would reverse these gains.

- The NGA proposal retains the conference bill's provision for school nutrition block grant demonstrations. The block grant demonstrations would undermine the program's ability to respond automatically to economic changes and to maintain national nutrition standards.

Guarantees of fair and equitable treatment. The NGA proposal does contain a requirement that states set forth and commit themselves to objective criteria for the delivery of benefits and fair and equitable treatment. This is an improvement over the conference bill, which contained no guarantees that states would commit to objective eligibility and other criteria and promptly and equitably serve those who met them. To ensure that applicants and recipients are not subject to arbitrary treatment -- for example, being placed on waiting lists -- state plans should be explicit, should contain certain elements, and should bind the states to their commitments. Among those commitments should be applications, eligibility and sanctions criteria, and procedures and time frames for decisions. Moreover, statewide equity across families in each state must be the goal. Applicants and beneficiaries should be told the reasons for decisions on their files. Mistakes in the administration of the program should be correctable. Once these objectives are met, applicants, recipients and other taxpayers in each state will understand the benefits and concomitant responsibilities under their state plans. Only then should federal funding flow to the states.

Restrictions On Benefits To Immigrants

The recent NGA proposal neither supports nor opposes the immigrant provisions included in the H.R. 4 welfare reform conference bill. That bill would have banned most legal immigrants from receiving means-tested benefits. By remaining silent, the NGA proposal also would exclude illegal aliens from all child nutrition benefits, creating an unprecedented local administrative burden and ultimately denying benefits to millions of eligible children. This provision would require all 45 million students enrolled in participating schools to document their citizenship to participate in the federally-supported lunch program, placing an enormous administrative burden on local school systems.

The Administration opposes deep and unfair cuts in benefits to legal immigrants. Instead, the Administration strongly supports strengthening and enforcing sponsor responsibility for immigrants, by extending deeming provisions until citizenship. It is particularly important to note that the NGA, in its letter to the welfare conferees dated October 10, 1995, specifically *supported* the deeming approach of the Administration and *opposed* the banning provisions in H.R. 4. We are deeply concerned that the legal immigrant provisions of H.R. 4 will represent an enormous cost shift to state taxpayers, leaving state and local governments solely responsible for assistance to legal immigrants.

In short, the NGA welfare proposal represents an important bipartisan step forward in enhancing the ability of the states to reform welfare by promoting work, encouraging parental responsibility and protecting children. It falls short of an acceptable bill, however, in important ways. We look forward to working in a bipartisan way to build on the

improvements that have been made and to achieve welfare reform of which we can all be proud.

But in conclusion, Mr. Chairman, let me restate the Administration's commitment to enact both a balanced budget and medicaid and welfare reform legislation. As the President has said, budget cutting shouldn't be wrapped in a cloak of reform. Let's pass needed Medicaid and welfare reforms. Let's cut the deficit. But let's not mix up the two and pretend that one is the other.

I know the President shares my hope that with the leadership of this committee, the same level of bipartisan cooperation will exist again on the critical issues of Medicaid and welfare reform.

Because when we are all long gone and the history books of this period have been written, what will they say about our role in the this great debate?

Did we give the American people a government that honors their values and spends their money wisely?

Did we balance the budget and shift responsibility away from Washington without breaking our historic promises of health care to seniors, children, and people with disabilities?

Did we enact real welfare reform -- not by punishing innocent children, but by encouraging work and responsibility?

Did we give our citizens the tools they need to be both good parents and good workers?

Did we move forward on common ground with a common vision?

Quite simply, did we do the right thing?

That is the challenge facing this Administration, this Committee, and this Congress. And, that is the challenge we must meet together.

Again, I want to thank this Committee for giving me the opportunity to testify today and I look forward to answering your questions.



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March 15, 1996

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Mr. Kenneth Apfel

Associate Director for Human Resources
Office of Management and Budget
Room 260, Old Executive Office Building
Washington, D.C. 20503

Dear Ken:

I am very pleased to see that you are heavily involved in welfare reform. I want to reiterate our strong concern about both the displacement and government accountability issues and our interest in working closely with you. For our part, we have met with Representative Tanner's staff and will be meeting within the week with Senators Specter, Jeffords and Lieberman.

Nanine informs me that she and Mark Greenberg have come up with two other ideas relating to government accountability. I am sending you an updated version. Also, the question of using the anti-displacement protections in the Kassebaum block grant has been raised with us. In general, they are much better than the provisions in H.R. 4, but they do not address the vacancy/substitution problem. This weakness could be remedied with several one-word changes. Enclosed is a copy.

If you have any questions, please call me at 429-1194 or Nanine Meiklejohn at 429-1199.

Sincerely,

Charles Loveless
Director of Legislation

CML:nmr

cc: Jennifer O'Connor
Special Assistant to the President

Enclosure

in the public service

copy sent
to Apfel
3/26

file
welfare
reform

ANTI-DISPLACEMENT PROTECTIONS

Attached is a copy of the AFSCME/SEIU anti-displacement amendment and anti-displacement protections from the Family Support Act, Kassebaum job training bill, the Daschle welfare reform bill, and the "Blue Dog" welfare reform bill.

Kassebaum Provisions Compared to Daschle Provisions

They are very virtually identical to the protections in the Daschle welfare bill except for the following relatively minor differences:

- * The treatment of the vacancy issue differs very slightly.
- * The remedies section under the grievance procedure is written in a slightly different way. (There is not enough of a difference to be an issue.)

The AFSCME Amendment Compared to Daschle/Kassebaum Provisions

The area where the AFSCME/SEIU amendment and Family Support Act are significantly more effective than the Kassebaum the job training block grant and the Daschle welfare bill is in the treatment of the vacancy issue. This is a major concern to AFSCME and SEIU. We are convinced public employers will replace real jobs with unpaid welfare workers and private employers will hire subsidized welfare workers instead of other workers without expanding the number of jobs.

The AFSCME/SEIU amendment also differs from the Daschle and Kassebaum bill in several other ways:

- * The provision protecting collective bargaining agreements requires union concurrence if the program is inconsistent with a collective bargaining agreement (This tracks the House job training bill.)
- * The section of our amendment which comes from the "Blue Dog" welfare plan differs in two ways: it prohibits the displacement of a position, but does not protect current workers from losing income by having their hours of work or benefits reduced.

Conclusion

Labor's anti-displacement concerns could be addressed by any of the following approaches:

1. Keeping the current Family Support Act provisions and adding either the Kassebaum or Daschle grievance and remedies sections. (our preference)
2. Using the Kassebaum anti-displacement protections modified to include the provisions which address the vacancy issue from our amendment along with necessary conforming changes. (ie prohibition against displacing positions which comes from the Blue Dog bill and the section of our amendment called "Filling Certain Vacancies".)
3. Using the AFSCME/SEIU amendment.

PROVISIONS GENERALLY APPLICABLE TO PROVISION OF SERVICES

SEC. 484. [42 U.S.C. 684] (a) In assigning participants in the program under this part to any program activity, the State agency shall assure that—

(1) each assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities, and place of residence of the participant;

(2) no participant will be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight;

(3) individuals are not discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition, and all participants will have such rights as are available under any applicable Federal, State, or local law prohibiting discrimination;

(4) the conditions of participation are reasonable, taking into account in each case the proficiency of the participant and the child care and other supportive services needs of the participant; and

(5) each assignment is based on available resources, the participant's circumstances, and local employment opportunities.

(b) Appropriate workers' compensation and tort claims protection must be provided to participants on the same basis as they are provided to other individuals in the State in similar employment (as determined under regulations of the Secretary).

(c) No work assignment under the program shall result in—

(1) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements;

(2) the employment or assignment of a participant or the filling of a position when (A) any other individual is on layoff from the same or any equivalent position, or (B) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the effect of filling the vacancy so created with a participant subsidized under the program; or

(3) any infringement of the promotional opportunities of any currently employed individual.

Funds available to carry out the program under this part may not be used to assist, promote, or deter union organizing. No participant may be assigned under section 482(e) or (f) to fill any established unfilled position vacancy.

(d)(1) The State shall establish and maintain (pursuant to regulations jointly issued by the Secretary and the Secretary of Labor) a grievance procedure for resolving complaints by regular employees or their representatives that the work assignment of an individual under the program violates any of the prohibitions described in subsection (c). A decision of the State under such procedure may be appealed to the Secretary of Labor for investigation and such action as such Secretary may find necessary.

(2) The State shall hear complaints with respect to working conditions and workers' compensation, and wage rates in the case of

Family Support
Act

individuals participating in community work experience programs described in section 482(f), under the State's fair hearing process. A decision of the State under such process may be appealed to the Secretary of Labor under such conditions as the joint regulations issued under subsection (f) may provide.

(e) The provisions of this section apply to any work-related programs and activities under this part, and under any other work-related programs and activities authorized (in connection with the AFDC program) under section 1115.

(f) The Secretary of Health and Human Services and the Secretary of Labor shall jointly prescribe and issue regulations for the purpose of implementing and carrying out the provisions of this section, in accordance with the timetable established in section 203(a) of the Family Support Act of 1988²²⁶.

CONTRACT AUTHORITY

SEC. 485. [42 U.S.C. 685] (a) The State agency that administers or supervises the administration of the State's plan approved under section 402 shall carry out the programs under this part directly or through arrangements or under contracts with administrative entities under section 4(2) of the Job Training Partnership Act²²⁷, with State and local educational agencies, and with other public agencies or private organizations (including community-based organizations as defined in section 4(5) of such Act).

(b) Arrangements and contracts entered into under subsection (a) may cover any service or activity (including outreach) to be made available under the program to the extent that the service or activity is not otherwise available on a nonreimbursable basis.

(c) The State agency and private industry councils (as established under section 102 of the Job Training Partnership Act) shall consult on the development of arrangements and contracts under the program established under a plan approved under section 482(a)(1), and under programs established under such Act.

(d) In selecting service providers, the State agency shall take into account appropriate factors which may include past performance in providing similar services, demonstrated effectiveness, fiscal accountability, ability to meet performance standards, and such other factors as the State may determine to be appropriate.

(e) The State agency shall use the services of each private industry council to identify and provide advice on the types of jobs available or likely to become available in the service delivery area (as defined in the Job Training Partnership Act) of the council, and shall ensure that the State program provides training in any area for jobs of a type which are, or are likely to become, available in the area.

INITIAL STATE EVALUATIONS

SEC. 486. [42 U.S.C. 686] (a) With the objective of—

(1) providing an in-depth assessment of potential participants in the program under this part in each State, so as to furnish an accurate picture on which to base estimates of future demands

²²⁶P.L. 100-485.

²²⁷P.L. 97-300.

"Coalition"
Welfare
Bill

"(8) NONDISPLACEMENT.—The program may not be operated in a manner that results in—

"(A) the displacement of a currently employed worker or position by a program participant;

"(B) the replacement of an employee who has been terminated with a program participant; or

"(C) the replacement of an individual who is on layoff from the same position given to a program participant or any equivalent position.

Daschle
Welfare
Bill

"(c) NONDISPLACEMENT.—

"(1) IN GENERAL.—No funds provided under this Act shall be used in a manner that would result in—

"(A) the displacement of any currently employed worker (including partial displacement, such as a reduction in wages, hours of nonovertime work, or employment benefits), or the impairment of existing contracts for services or collective bargaining agreements; or

"(B) the employment or assignment of a client to fill a position when—

"(i) any other person is on layoff from the same or a substantially equivalent position; or

"(ii) the employer has terminated the employment of any other employee or otherwise reduced the employer's workforce in order to fill the vacancy so created with a client.

"(2) ENFORCING ANTI-DISPLACEMENT PROTECTIONS.—

"(A) GRIEVANCE PROCEDURE.—The State shall establish and maintain, (pursuant to regulations issued by the Secretary of Labor) a grievance procedure for resolving complaints alleging violations of any of the prohibitions or requirements of paragraph (1). Such procedure shall include an opportunity for a hearing and shall be completed not later than 90 days from the date of the complaint, by which time the complainant shall be provided a written decision by the State. A decision of the State under such procedure, or a failure of a State to issue a decision not later than 90 days from such date, may be appealed to the Secretary of Labor, who shall investigate the allegations contained in the complaint and make a determination not later than 60 days from the date of the appeal as to whether a violation of such prohibitions or requirements has occurred. Remedies shall include termination or suspension of payments, prohibition of the placement of the client, reinstatement of an employee, and other relief to make an aggrieved employee whole.

"(B) OTHER LAWS OR CONTRACTS.—Nothing in subparagraph (A) shall be construed to prohibit a complainant from pursuing a remedy authorized under another Federal, State, or local law or a contract or collective bargaining agreement for a violation of any of the prohibitions or requirements of paragraph (1).

Kassebaum Job Training Bill

skills standards by employers, schools, and training institutions;

(7) to carry out training activities in companies that are developing modernization plans in conjunction with State industrial extension service offices; and

(8) to provide on-site, industry-specific training programs supportive of industrial and economic development;

through the statewide system.

(f) Limitations.--

(1) Wages.--No funds provided under this subtitle shall be used to pay the wages of incumbent workers during their participation in economic development activities provided through the statewide system.

(2) Relocation.--No funds provided under this subtitle shall be used or proposed for use to encourage or induce the relocation, of a business or part of a business, that results in a loss of employment for any employee of such business at the original location.

(3) Training and assessments following relocation.--No funds provided under this subtitle shall be used for customized or skill training, on-the-job training, or company-specific assessments of job applicants or workers, for any business or part of a business, that has relocated, until 120 days after the date on which such business commences operations at the new location, if the relocation of such business or part of a business, results in a loss of employment for any worker of such business at the original location.

(4) Displacement.--

(A) In general.--No currently employed worker ^{or position} shall be displaced (including partial displacement such as a reduction in hours of nonovertime work, wages, or employment benefits) by any participant in an activity carried out under this subtitle.

(B) Existing contract for services or collective bargaining agreement.--No activity carried out under this subtitle shall impair an existing contract for services or a collective bargaining agreement.

(C) Layoff or termination.--No participant shall be employed or job opening filled for an activity carried out under this subtitle--

(i) when any other individual is on layoff from the same or a substantially equivalent job; or

(ii) when the employer has terminated the employment of any regular employee or otherwise reduced the workforce of the employer with the ~~intention~~ ^{effect} of filling the vacancy so created by hiring a participant whose wages are subsidized under this subtitle.

(5) Health and safety.--Health and safety standards established under Federal and State law otherwise applicable to working conditions of employees shall be equally applicable to working conditions of participants engaged in work-related activities pursuant to this subtitle. Appropriate workers' compensation shall be provided to the participants on the same basis as the compensation is provided to other individuals in the State in similar employment (as determined under regulations issued by the Secretary of Labor).

(6) Employment conditions.--Participants employed or assigned to work in positions subsidized under this subtitle shall be provided benefits and working conditions at the same level and to the same extent as other employees working a similar length of time and doing the same type of work.

(7) Nondiscrimination.--Except as otherwise permitted in law, no individual may be excluded from participation in workforce development activities carried out under this subtitle because of race, color, religion, sex, national origin, disability, or age.

(8) Grievance procedure.--The State shall establish and maintain (pursuant to regulations issued by the Secretary of Labor) a grievance procedure for resolving complaints alleging violations of any of the prohibitions or requirements described in this subsection. Such procedure shall include an opportunity for a hearing and shall be completed not later than the 90th day after the date of the submission of a complaint, by which day the complainant shall be provided a written decision by the State. A decision of the State under such procedure, or a failure of the State to issue a decision within the 90-day period, may be appealed to the Secretary of Labor, who shall investigate the allegations contained in the complaint and make a determination not later than 60 days after the date of the appeal as to whether a violation of a prohibition or requirement of this subsection has occurred.

(9) Remedies.--

(A) In general.--Except as provided in subparagraphs (B) and (C), remedies that may be imposed under this paragraph for violations of the prohibitions and requirements described in this subsection shall be limited to--

(i) suspension or termination of payments under this subtitle;

(ii) prohibition of placement of any participant, for an appropriate period of time, with an employer that has violated this subsection; and

(iii) appropriate equitable relief (other than backpay).

(B) Exceptions.--

(i) Repayment.--If the Secretary of Labor determines that a

violation of paragraph (2) or (3) has occurred, the Secretary of Labor shall require the State or substate recipient of funds that has violated paragraph (2) or (3), respectively, to repay to the United States an amount equal to the amount expended in violation of paragraph (2) or (3), respectively.

(ii) Additional remedies.--In addition to the remedies available under subparagraph (A), remedies available under this paragraph for violations of paragraph (4) may include--

(I) reinstatement of the displaced employee to the position held by such employee prior to displacement;

(II) payment of lost wages and benefits of the employee; and

(III) reestablishment of other relevant terms, conditions, and privileges of employment of the employee.

(C) Other laws or contracts.--Nothing in this paragraph shall be construed to prohibit a complainant from pursuing a remedy authorized under another Federal, State, or local law or a contract or collective bargaining agreement for a violation of the prohibitions or requirements described in this subsection.

(g) Limitations on Participants.--

(1) Diploma or equivalent.--

(A) In general.--No individual may participate in workforce employment activities described in subparagraph (A), (B), (C), (E), (G), (J), or (K) of subsection (a)(6) until the individual has obtained a secondary school diploma or its recognized equivalent, or is enrolled in a program or course of study to obtain a secondary school diploma or its recognized equivalent.

(B) Exception.--Nothing in subparagraph (A) shall prevent participation in workforce employment activities described under subparagraph (A), (B), (C), (E), (G), (J), or (K) of subsection (a)(6) by individuals who, after testing and in the judgment of medical, psychiatric, academic, or other appropriate professionals, lack the requisite capacity to complete successfully a course of study that would lead to a secondary school diploma or its recognized equivalent.

(2) Services.--

(A) Referral.--If an individual who has not obtained a secondary school diploma or its recognized equivalent applies to participate in workforce employment activities described under subparagraph (A), (B), (C), (E), (G), (J), or (K) of subsection (a)(6), such individual shall be referred to State approved adult education services that provide instruction designed to help such individual obtain a secondary school diploma or its recognized equivalent.

EXPLANATION OF ANTI-DISPLACEMENT AMENDMENT

INTRODUCTION

The anti-displacement provisions of H.R. 4 were seriously flawed because they allowed employers to convert union jobs into unpaid welfare work and put unionized private sector contract workers at substantial risk of job loss. Although H.R. 4 prohibited employers from laying off workers and replacing them with welfare workers, it encouraged employers to fill vacant positions with welfare recipients. It did not distinguish between real employment and unpaid work so employers could have assigned welfare recipients working off their welfare benefits without employee status to a position which formerly had been a real job. In addition, there was no mechanism to enforce the anti-displacement protections.

The attached recommendation uses the anti-displacement protections in the welfare reform provisions of the "Blue Dog" budget proposals with several modifications. The modifications: 1) add an enforcement procedure; 2) protect collective bargaining agreements and contracts for services; and 3) protect contract workers and establish conditions for filling job vacancies. These protections were developed in close consultation with SEIU and have their strong support.

NONDISPLACEMENT

Subsection (A) incorporates the text of the anti-displacement protections in the "Blue Dog" welfare reform plan. It is broader in scope than H.R. 4.

Subsection (B) provides protection for collective bargaining agreements and contracts for services. It is identical to a provision in the House job training block grant (H.R. 1617) which is now in conference with S. 143. The current JOBS program and S. 143 have a provision which protects collective bargaining agreements and contracts for services without the second part of the subsection.

FILLING UNFILLED VACANCIES

This section is proposed as an alternative to the H.R. 4 section permitting the filling of vacancies.

Subsection (A) would prevent employers from converting real jobs into unpaid work by prohibiting them from filling job vacancies with welfare recipients in unpaid workfare or community service arrangements.

Subsection (B) permits employers to hire welfare recipients with a welfare wage subsidy as long as they follow their normal personnel procedures and wait a certain period of time. The waiting period under subsection (1) protects contract workers; the companion provision in subsection (2) protects government jobs. Both are taken from the Clinton welfare reform bill (although the time period in subsection (2) has been changed from 60 to 90 days in this proposal to make the two sections consistent).

ENFORCING ANTI-DISPLACEMENT PROTECTIONS

The provision establishes a procedure for resolving disputes and authorizes a set of remedies in order to ensure enforceability. The text is from the Daschle welfare reform bill, but virtually identical language - with somewhat more detailed remedies - is in Senate job training block grant bill (S. 143).

NO PREEMPTION

This subsection is carried over from H.R. 4.

ANTI-DISPLACEMENT AMENDMENT

(-)NONDISPLACEMENT. -

(A) A program under this Act may not be operated in a manner that results in -

(1) the displacement of a currently employed worker or position by a program participant;

(2) the replacement of an employee who has been terminated with a program participant; or

(3) the replacement of an individual who is on layoff from the same position given to a program participant or any equivalent position.

(B) A program under this Act shall not impair existing contracts for services or collective bargaining agreements, and no such program that would be inconsistent with the terms of a collective bargaining agreement shall be undertaken without the written concurrence of the labor organization and employer concerned.

(-) FILLING CERTAIN VACANCIES.-

(A) No participant assigned to work in exchange for benefits shall be assigned to fill a job vacancy.

(B) A participant may be employed to fill a job vacancy only in a manner that is consistent with existing laws, regulations, and contracts applicable to such job provided that no participant shall:

(1) be assigned to a position to perform work under a contract for services for the first 90 days after the commencement of such contract if such contract immediately succeeds a contract for services under which an employee covered by a collective agreement performed the same or substantially similar work for another employer; or

(2) fill a position in a State or local government agency for which State or local funds have been budgeted, unless such agency has been unable to fill such vacancy with a qualified applicant through such agency's regular employee selection procedure during a period of not less than 90 days

(-) ENFORCING ANTI-DISPLACEMENT PROTECTIONS. -

(A) GRIEVANCE PROCEDURE. - The State shall establish and maintain (pursuant to regulations issued by the Secretary of Labor) a grievance procedure for resolving complaints alleging violations of any of the prohibitions or requirements of paragraph (1). Such procedure shall include an opportunity for a hearing and shall be completed not later than 90 days from the date of the complaint, by which time the complainant shall be provided a written decision by the State. A decision of the State under such procedure, or a failure of a State to issue a decision not later than 90 days from such date, may be appealed to the Secretary of Labor, who shall investigate the allegations contained in the complaint and make a determination not later than 60 days from the date of the appeal as to whether a violation of such prohibitions or requirements has occurred. Remedies shall include termination or suspension of payments, prohibition of the placement of the client, reinstatement of an employee, and other relief to make an aggrieved employee whole.

(B) OTHER LAWS OR CONTRACTS. - Nothing in subparagraph (A) shall be construed to prohibit a complainant from pursuing a remedy authorized under another Federal, State, or local law or a contract or collective bargaining agreement for a violation of any of the prohibitions or requirements of paragraph (1).

(-) NO PREEMPTION. - Nothing in this subsection shall preempt or supersede any provision of State or local law that provides greater protection for employees from displacement.

Government Accountability Issues in a Welfare Block Grant

Converting the AFDC entitlement will unleash a variety of forces that will lead to inefficiency, excessive cost charges, fraud or politicization of the contracting process. As originally structured, H.R. 4 would have left the federal government with virtually no recourse if federal funds were mismanaged by the states.

There are a number of perspectives on the accountability issue.

- * **Getting Credit and Criticism** - Congress gets the short end of the stick.
 - * Congress will raise the money, but the states will spend it as they want.
 - * Congress is likely to get the criticism if the states misuse the funds, but have no way to go after the states.
- * **Recipient Impact** - No Cash for Survival (Form and Function are Related)
 - * There should be more public attention on the fact that states do not have to provide cash for families. The public discussion still seems to assume states will continue a cash payment system. It's not clear whether this policy change is ignored intentionally.
 - * Replacing the guarantee of a cash benefit with a block grant means that states can replace the system of government offices that perform eligibility and payment functions with one or more contracts with private contractors. If this happens, there is no assurance even that all children and families in a class would be treated equally. The problem probably would be even more acute in states with county-based welfare systems.
 - * There is no assurance that money now being used to pay for the basic needs of kids would still be spent for kids. It could be used for contracts with placement companies, contracts with employers to take on welfare workers, transportation contracts, case management contracts, remedial education, and community service.
 - * Under a contracting process, there is a question as to whether the full cost of a contract could be counted as "services" with the result that overhead and other administrative costs under contracts and subcontracts would rise above the administrative cap and reduce the amount of money available to help poor families.

* **Abuse of Funds - A New Spoils System - Waste and Inefficiency**

- * The contracting process will bypass the government office/merit-based personnel system established in the 1930s to make sure the program did not fall into the hands of local patronage machines. The contracting process can easily be politicized, especially in the big cities where contracts can be traded for political support if states devolve funds to the local level.
- * The contracting process is hard to monitor and invites influence peddling by companies with political connections or money. Some officials might steer contracts to relatives or political allies, ineffective trade schools, or fly-by-night contractors which never give poor families the financial help they need. In addition, private entities which could profit from lucrative overhead payments.
- * Work programs offer opportunities for political abuse:
 - * Could public officials steer subsidized welfare workers to major campaign supporters?
 - * Could welfare participants be assigned to work in political campaigns (not likely, but there's nothing to prohibit it either)

* **Diffusing Government Responsibility - Who is Responsible for What?**

- * General revenue sharing was criticized for financing golf courses and swimming pools. Can a welfare block grant be sued for dating clubs and bus companies? Who decides what constitutes an appropriate use of funds?
- * Who pays back misspent funds - the state or the contractor?
- * How do you make sure excessive profits aren't being made by contractors. What recourse do you have if they are?
- * Will contracts be awarded in a closed-door process without any public scrutiny or disclosure?
- * What are the possibilities for kickbacks, cronyism, nepotism, and bribery?
- * Who is responsible for recipient grievances?

THE WHITE HOUSE
WASHINGTON

February 6, 1996

MEMORANDUM FOR CHRIS JENNINGS
DIANA FORTUNA

CC: HAROLD ICKES
LAURA TYSON
CAROL RASCO

FROM: JENNIFER O'CONNOR

SUBJECT: Welfare Reform

Attached is a letter from AFSCME which follows up on our meeting from last Friday. They outline a series of legislative amendments they need in a final package. I spoke with Frank Cowen on Friday and he is comfortable with Chris' strategy for getting them done.

Please let me know what you think.

*Please do note to
Bruce Rivlin & Rahm
Emanuel explaining
what this is &
requesting status
in these issues*

*File
Welfare
logged*



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February 5, 1996

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Linda Chavez-Thompson
San Antonio, Tex.

Garland W. Webb
Baton Rouge, La.

To: Jennifer O'Connor

From: Nanine Meiklejohn NM

Re: Welfare Reform

The purpose of this memo is to follow up on the two welfare reform issues raised in the letter which Presidents McEntee and Sweeney sent to the President last fall and to submit specific recommendations on both.

We are very pleased that President Clinton vetoed H.R. 4 because it would have destroyed the current federal entitlement and undermined the job security of working people. If welfare reform is brought up again this year, we hope there will be a negotiated process that will enable the Administration to secure better anti-displacement protections than those in H.R. 4 and to protect the entitlement and public agency structure.

Anti-Displacement Protections

The anti-displacement provisions of H.R. 4 were seriously flawed because they allowed employers to convert union jobs into unpaid welfare work and put unionized private sector contract workers at substantial risk of job loss. Although H.R. 4 prohibited employers from laying off workers and replacing them with welfare workers, it encouraged employers to fill vacant positions with welfare recipients. It did not distinguish between real employment and unpaid work so employers could have assigned welfare recipients working off their welfare benefits without employee status to a position which formerly had been a real job. In addition, there was no mechanism to enforce the anti-displacement protections.

The enclosed alternative uses the anti-displacement protections in the welfare reform provisions of the "Blue Dog" budget proposals with several modifications. Our modifications would: 1) add an enforcement procedure; 2) protect collective bargaining agreements and contracts for services; and 3) protect contract workers and establish conditions for filling job vacancies. These protections were developed in close consultation with SEIU and have their strong support.

in the public service

AFDC Entitlement: Public Agency System and Public Accountability

As you know, AFSCME is on record strongly supporting the current federal entitlement and its state plan requirement for program personnel to be in merit-based personnel systems. Ending the entitlement could very well destroy the network of public agencies which ensure universal access and uniform, non-discriminatory eligibility determination functions. We believe the public's demand for change can be achieved without eliminating this crucial feature of the current program.

Should a block grant emerge this year, however, we are proposing the attached "good government" amendment to ensure accountability and a level playing field through a federal requirement for a fair and open competitive bidding process. We hope it will not be necessary to consider this option.

We would appreciate being kept apprised of any developments on welfare reform. I will call shortly to follow up on this memo.

NM:dmb
Attachments

cc: Frank Cowan
Chuck Loveless

ANTI-DISPLACEMENT AMENDMENT

(-)NONDISPLACEMENT. -

(A) A program under this Act may not be operated in a manner that results in -

(1) the displacement of a currently employed worker or position by a program participant;

(2) the replacement of an employee who has been terminated with a program participant; or

(3) the replacement of an individual who is on layoff from the same position given to a program participant or any equivalent position.

(B) A program under this Act shall not impair existing contracts for services or collective bargaining agreements, and no such program that would be inconsistent with the terms of a collective bargaining agreement shall be undertaken without the written concurrence of the labor organization and employer concerned.

(-) FILLING CERTAIN VACANCIES.-

(A) No participant assigned to work in exchange for benefits shall be assigned to fill a job vacancy.

(B) A participant may be employed to fill a job vacancy only in a manner that is consistent with existing laws, regulations, and contracts applicable to such job provided that no participant shall:

(1) be assigned to a position to perform work under a contract for services for the first 90 days after the commencement of such contract if such contract immediately succeeds a contract for services under which an employee covered by a collective agreement performed the same or substantially similar work for another employer; or

(2) fill a position in a State or local government agency for which State or local funds have been budgeted, unless such agency has been unable to fill such vacancy with a qualified applicant through such agency's regular employee selection procedure during a period of not less than 90 days

(-) ENFORCING ANTI-DISPLACEMENT PROTECTIONS. -

(A) GRIEVANCE PROCEDURE. - The State shall establish and maintain (pursuant to regulations issued by the Secretary of Labor) a grievance procedure for resolving complaints alleging violations of any of the prohibitions or requirements of paragraph (1). Such procedure shall include an opportunity for a hearing and shall be completed not later than 90 days from the date of the complaint, by which time the complainant shall be provided a written decision by the State. A decision of the State under such procedure, or a failure of a State to issue a decision not later than 90 days from such date, may be appealed to the Secretary of Labor, who shall investigate the allegations contained in the complaint and make a determination not later than 60 days from the

date of the appeal as to whether a violation of such prohibitions or requirements has occurred. Remedies shall include termination or suspension of payments, prohibition of the placement of the client, reinstatement of an employee, and other relief to make an aggrieved employee whole.

(B) OTHER LAWS OR CONTRACTS. - Nothing in subparagraph (A) shall be construed to prohibit a complainant from pursuing a remedy authorized under another Federal, State, or local law or a contract or collective bargaining agreement for a violation of any of the prohibitions or requirements of paragraph (1).

(-) NO PREEMPTION. - Nothing in this subsection shall preempt or supersede any provision of State or local law that provides greater protection for employees from displacement.

EXPLANATION OF ANTI-DISPLACEMENT AMENDMENT

NONDISPLACEMENT

Subsection (A) incorporates the text of the anti-displacement protections in the "Blue Dog" welfare reform plan. It is broader in scope than H.R. 4.

Subsection (B) provides protection for collective bargaining agreements and contracts for services. It is identical to a provision in the House job training block grant (H.R. 1617) which is now in conference with S. 143. The current JOBS program and S. 143 have a provision which protects collective bargaining agreements and contracts for services without the second part of the subsection.

FILLING UNFILLED VACANCIES

This section is proposed as an alternative to the H.R. 4 section permitting the filling of vacancies.

Subsection (A) would prevent employers from converting real jobs into unpaid work by prohibiting them from filling job vacancies with welfare recipients in unpaid workfare or community service arrangements.

Subsection (B) permits employers to hire welfare recipients with a welfare wage subsidy as long as they follow their normal personnel procedures and wait a certain period of time. The waiting period under subsection (1) protects contract workers. It is from the Administration's welfare reform bill and was negotiated by SEIU with HHS. The companion provision in subsection (2), which protects government jobs, also is from the Administration's welfare reform bill and was negotiated by AFSCME with HHS. (The time period in subsection (2) has been changed from 60 to 90 days in this proposal to make the two sections consistent.)

ENFORCING ANTI-DISPLACEMENT PROTECTIONS

The provision establishes a procedure for resolving disputes and authorizes a set of remedies in order to ensure enforceability. The text is from the Daschle welfare reform bill, but virtually identical language - with somewhat more detailed remedies - is in Senate job training block grant bill (S. 143).

NO PREEMPTION

This subsection is carried over from H.R. 4.

GOVERNMENT ACCOUNTABILITY AMENDMENT

CERTIFICATION OF MEASURES AGAINST PROGRAM ABUSES

A certification by the chief executive officer of the State that the State is in compliance with standards and procedures, which will be established by the Secretary of Health and Human Services through regulation, to ensure against program abuses including, but not limited to, nepotism; conflicts of interest; charging of fees in connection with participation in the program; excessive or unreasonable legal fees; improper commingling of funds under the Act with funds received from other sources; failure to keep and maintain sufficient, auditable, or otherwise adequate records; kickbacks; political patronage; violations of federal laws; the use of funds for political, religious, antireligious, union or anti-union activities; the use of funds for lobbying local, state or federal legislators; and the use of funds for activities which are not directly related to the proper operation of the program.

CERTIFICATION THAT THE STATE WILL ADMINISTER PROGRAMS FUNDS PROPERLY AND EFFICIENTLY

Certification by the chief executive officer of the State that it will administer program funds properly and efficiently in compliance with regulations by the Secretary of Health and Human Services.

PROCEDURES FOR STATE GOVERNMENT ACCOUNTABILITY OF FEDERAL FUNDS

(A) State agencies operating a program under Titles ____ of this Act shall prepare, submit to the Secretary of Health and Human Services and the Secretary of Agriculture, and make available for public inspection in readily accessible form and fashion, the following official reports dealing with the administration and operation of the programs established under this act:

- (1) individual contractor performance reviews and other formal evaluations of the performance of carriers, intermediaries, and state agencies, including reports of follow-up reviews;
- (2) comparative evaluations of the performance of such contractors, including comparisons of either overall performance or of any particular aspect of contractor operation; and
- (3) program validation survey reports and other formal evaluations of the performance of providers of services.

(B) State agencies must have procedures established whereby providers of administrative and operation services are required to comply with the following disclosure requirements which also must be available for public inspection:

- (1) identity of each person with an ownership or control interest in the provider or in any subcontractor in which the provider directly or indirectly has a 5 percent or more ownership interest; and
- (2) whether any criminal convictions, civil or criminal penalties, or assessments have been imposed upon or assessed against such person.

AFSCME LEGISLATION DEPARTMENT
1625 L Street, N.W.
Washington, D.C. 20036
FAX No. (202) 223-3413

DATE: 2/5/96

TO: Jennifer O'Connor

ORGANIZATION: White House Office of the Chief of Staff

DOCUMENT DESCRIPTION: welfare reform

FAX NO.: 456-7929

FROM: Nanine Meiklejohn

PHONE: (202) 429-1199

NUMBER OF PAGES TO FOLLOW: 8

RESPONSE REQUESTED? Yes ☐ No ☐

SPECIAL INSTRUCTIONS:

COMPETITIVE BIDDING -

Those States which choose to contract with charitable, religious, or private organizations shall establish a competitive bidding process, shall determine all costs associated with contract performance including contract administration, and shall compare such costs with the cost of government operation of the program. Any capital expenditures proposed in a competitive bid must be for the sole benefit of the program's recipients.

EXPLANATION OF GOVERNMENT ACCOUNTABILITY AMENDMENT

This amendment is intended to ensure accountability and a level playing field through a federal requirement for a fair and open competitive bidding process if welfare reform converts the current entitlement to a block grant.

The competitive bidding section is critical. It is intended to help avoid arbitrary contracting decisions and ensure accountability to the public for efficiency and effectiveness. It has been revised from an earlier draft to say that all costs must be considered, including government monitoring and supervisory costs, which often are omitted from privatization calculations. In addition, the new language requires a comparison of the cost of direct provision of services by the government with private contractor costs. The section does not set a savings standard, such as 10%, for private contractors to meet. It simply ensures that enough information is available for the public to evaluate privatization decisions.

With respect to the rest of the amendment:

► Program Abuse Section

Specifically lists a variety of potential abuses, which probably could be shortened if necessary. Another more controversial approach is to require contractors to comply with various personnel laws, such as the Hatch Act. The intent is for private companies which take on the role of "government provider" to conform to the same rules as public agencies. Also requires that the program comply with federal laws.

► State Government Accountability

Part (A) requires performance reviews and formal evaluations of the performance of contractors and public disclosure of these reports. Private contractors will not be subject of FOIA requests. There should be some way to evaluate their activities.

Part (B) requires public disclosure of the names of each person with an ownership or control interest in the provider and of any criminal convictions, criminal or civil penalties.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Chief of Staff

Washington, D.C. 20201

*file
welfare
falkner*

FACSIMILE

DATE MAR 16 1995

TO: (NAME, ORGANIZATION, CITY/STATE AND PHONE NUMBER):
Jennifer O'Connor
Office of Cabinet Affairs
456-2421

FROM: (NAME, ORGANIZATION, CITY/STATE AND PHONE NUMBER):
Kevin Thurm
Chief of Staff
690-6133

RECIPIENT'S FAX NUMBER: () 456-6704

NUMBER OF PAGES TO SEND (INCLUDING COVER SHEET): 10

COMMENTS:

Attachments for the White House Weekly Report, March 26 -
April 2, 1995

Welfare Reform Daily Talking Points
Thursday, March 16, 1995

ANOTHER SWING, ANOTHER MISS

Today, the House Rules Committee will consider yet another version of the majority's attempt at "welfare reform." Unfortunately, they still don't have it right: no meaningful work requirements, not enough child support enforcement, and too many budget cuts that hurt children.

As the House leadership scrambles to line up support for their phony approach, look for Minority Leader Dick Gephardt to tell the Rules Committee what welfare reform really means. The Democratic leader will articulate a set of common principles for welfare reform that everyone should be able to agree on.

- o **Work.** Real welfare reform is about moving people from welfare to work. That means insisting on parental responsibility, providing safe and reliable child care, offering education and training, and including work provisions that help single parents find and keep jobs. Virtually all public surveys have reiterated what the Los Angeles Times poll found last April: almost three-quarters of the public believe the main goal of any welfare plan should be "to get people in the work force" - not reduce spending or out-of-wedlock births.
- o **Responsibility.** We're committed to holding both parents responsible for raising their children. Our message to parents is clear: 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. As the President has said, "We need a welfare reform plan that is tough on deadbeat parents, not on innocent children." And today's USA Today front-page headline repeats our point: "Threat to lift license makes deadbeats pay."
- o **Reaching the next generation.** Unlike the House Republicans, we're not willing to give up on teen parents. Because giving up on them would be giving up on the value of responsibility. Our approach provides time-limited benefits for teen mothers, but only if they live at home with their parents or a responsible adult, identify their child's father, stay in school, and prepare for work.
- o **Increased state flexibility.** We recognize that states are the "laboratories of democracy" and that certain problems demand local flexibility. In only two years, the Clinton Administration has granted more welfare waivers than all the previous administrations combined. But simply passing the buck to the states is not the answer, and the public knows it. In fact, a recent Wall Street Journal poll found that 58 percent of respondents believe ending federal nutrition programs and giving the money to the states is "a step in the wrong direction."
- o **Here's the answer.** President Clinton has said it best: "We have to make welfare what it was meant to be -- a second chance, not a way of life."

**Welfare Reform Daily Talking Points
Wednesday, March 15, 1995**

LICENSE TO COLLECT

Today, HHS will release a review of state efforts to increase child support collections through the revocation of drivers', professional, and commercial licenses of non-paying parents. "I am pleased that the Ways and Means Committee has included many of the President's child support enforcement provisions in its legislation," Secretary Shalala points out. "However, it is outrageous that the bill does not include license revocation. This is an effective, appropriate and necessary tool for assuring that millions of children get the support they desperately need."

Highlights of the review:

- o **A comprehensive approach.** To be successful, child support provisions must include measures to effectively establish paternity, get awards in place, and collect them once they're set. That's why we have proposed the toughest child support enforcement measures ever. Our proposal includes a more uniform child support enforcement system, as well as a stronger requirement for paternity establishment. We also would impose tough new penalties for those who refuse to pay, including wage withholding and suspension of drivers' and professional licenses.
- o **A proven tool.** Nineteen states currently have license revocation programs in place, and others are moving to implement these effective measures. In just the nine states which have collection statistics, the threat of license revocation has raised nearly **\$35 million**. HHS estimates that license revocation could increase total child support collections by as much as **\$2.5 billion over ten years.**
- o **Preventing welfare dependency.** In addition to potential increases in child support collections, the Congressional Budget Office estimates that the federal government could save **\$146 million** in welfare payments in the first five years as a result of a nationwide license revocation program. Increased child support payments would help many low-income women and children move off the welfare rolls.
- o **Bipartisan support.** Democrats and Republicans agree that improved child support enforcement is essential to ending welfare as we know it. And license revocation sends a clear and strong message that both parents must take responsibility for the children they bring into this world. "As soon as you threaten to take a license away, the money mysteriously appears, from people who claim they didn't have it," Republican Representative Marge Roukema said yesterday. "It's a very effective deterrent, no question about it."
- o **Stories from the states.** "It's been incredibly successful," said Bill Kennemer, Republican State Senator in Oregon. "It's relatively simple and enjoys great public and legislative support." Tom Mato from Maine's Department of Human Services explains: "These are chronic non-payers who have insulated themselves from traditional child support enforcement remedies." Modeled after the successes in Maine and other states, the President's bill would require all states to use revocation of drivers', professional and recreational licenses to collect child support, while giving states flexibility in program implementation.

**Welfare Reform Daily Talking Points
Tuesday, March 14, 1995**

RIGHT PROBLEM -- WRONG SOLUTION

Today, the Senate Finance Committee will hear testimony from various witnesses on teen pregnancy and welfare reform. The current bill in the House would deny benefits to teen mothers and their children, but wouldn't do anything to move them towards self-sufficiency. We're hoping that the Senate is smarter -- real welfare reform must strengthen families, not weaken them, and it must move all welfare recipients to work.

- o **The right problem.** Preventing teen pregnancy and out-of-wedlock births is a critical part of welfare reform, because the link between teen births and poverty is clear. Douglas Besharov, of the American Enterprise Institute, states the problem clearly today: "Teens have the worst prospects of all unmarried mothers ... Seventy-seven percent of unmarried adolescent mothers were welfare recipients within five years of the birth of their first child." As President Clinton has said, "Nobody should get pregnant or father a child who isn't prepared to raise the child, love the child and take responsibility for the child's future."
- o **But the wrong solution.** Simply denying assistance to a teenage mother, as the House bill recommends, won't do anything to move her toward self-sufficiency. As Dr. Robert Granger of the Manpower Demonstration Research Corporation testifies today, this policy is "much more wrong than right." The Republican approach is also mean-spirited: they cut people off because they are poor, young and unmarried -- and small children pay the price for their parents' mistakes. And, as President Clinton has said, "It's bound to lead to more dependency, not less; to more broken families, not fewer; to more burdens on the taxpayers over the long run, not less."
- o **Experts agree.** Dr. Robert Granger also says today that cutting off aid as a "solution" to the complex problem of teen pregnancy "could easily make [it] much worse," instead recommending policies to keep teens in school, encourage job training, and protect children. And Dr. Rebecca Maynard, from the University of Pennsylvania, adds: "What we do know is that if there is no assistance for these young families, there will be serious consequences for many of the young mothers and their children."
- o **So what works?** Our approach would require teen mothers to live at home with their parents, identify their child's father, finish high school, and work. But we would also give them the help they need to become good role models and providers for their children. Today's hearing shows the wisdom in this approach: teens will stay in school and prepare for work if there are real consequences for inaction.
- o **And don't forget dad.** As President Clinton has said, "If we collected all the money that deadbeat parents owe, we could move 300,000 mothers and over half a million children off the welfare rolls immediately." Today, Dr. Kristin Moore also stresses the need for stronger child support enforcement: "If Congress wants to send a message intended to discourage teenage parenthood, child support enforcement would be my number one recommendation."

**Welfare Reform Daily Talking Points
Monday, March 13, 1995**

STATE SUCCESS

Today, the Clinton Administration will grant a second welfare reform waiver to Oklahoma, the latest example of the Administration's commitment to giving states the flexibility to pursue welfare reform at the state level. As Secretary Shalala stated before the Senate Finance Committee on Friday, the Clinton Administrations' approach reflects the fundamental principles behind ending welfare as we know it: "It reforms welfare. It provides state flexibility with accountability. It protects children. And it protects state taxpayers."

The Clinton Administration has now approved 27 demonstrations in 25 states, launching welfare reform for thousands of families in half the states, more than the two previous administrations combined. All of the welfare waivers we have granted build on the central principles for President Clinton's vision for welfare reform:

- o **Child Support Enforcement.** Ten states are strengthening child support enforcement, sending a clear message that both parents -- fathers and mothers alike -- must be responsible for the children they bring into this world. States from New York to Oregon are implementing tough measures, including suspension of drivers' and professional licenses, to increase child support collections. As President Clinton has said, "We've got to send a loud signal: No parent in America has a right to walk away from the responsibility to raise their children."
- o **Parental Responsibility.** Nineteen states are promoting parental responsibility by encouraging education, or by limiting benefits for families who have another child while on AFDC. States such as Arkansas and Wyoming are finding ways to insist on responsible behavior in return for help, reflecting the administration's goals to improve opportunities for the next generation. "Our plan," President Clinton explains, "send a clear message to young men and women that mistakes have consequences, that they have to turn their lives around, that they have to give their children a better chance."
- o **Work.** Twenty-one states are providing incentives and encouraging families to move from welfare to work. For example, states such as Ohio are using AFDC and Food Stamp funds to subsidize private-sector jobs for welfare recipients. As President Clinton said last week, these state reform efforts will enable people to achieve and maintain economic self-sufficiency, and "give them a chance -- a chance to earn something."
- o **Time-limited assistance.** Twelve states, including Oklahoma, are making welfare a transitional support system -- rather than a way of life -- by providing opportunity, but demanding responsibility in return.

**Welfare Reform Daily Talking Points
Friday, March 10, 1995**

FIXING THE FAULTS

Today, Secretary Shalala will testify before the Senate Finance Committee on the Clinton Administration's approach to welfare reform. The Administration has "grave concerns about the welfare reform measures that emerged from committees in the House of Representatives over the past few weeks," Secretary Shalala says. "In our opinion, this legislation has the values all wrong. It is weak on work and tough on kids, when it should be the other way around."

After today's hearing, look for the Senate to take a fresh look at welfare reform, and move more deliberately toward the President's approach. There is increasing discomfort in the House with key aspects of the current bills that the Secretary will discuss today:

- o **Child support enforcement.** The Clinton Administration believes that both parents should be required to support their children. That's why we have proposed the toughest child support enforcement measures ever. Our proposal includes a tougher, more uniform child support enforcement system, as well as a stronger requirement for paternity establishment. We also would impose tough new penalties for those who refuse to pay, including wage withholding and suspension of drivers' and professional licenses.
- o **License Revocation.** At the urging of the President, the Ways and Means Committee finally inserted child support enforcement measures into its bill. Unfortunately, there is one glaring omission -- our recommendation for suspending drivers and professional licenses when non-custodial parents refuse to pay. This is a proven measure that gets results. We estimate that this provision could increase collections by as much as \$2.5 billion over ten years, and CBO estimates that we could save the federal government \$146 million in the first five years alone.
- o **Anti-family provisions.** Under the current House bill, the children of mothers under 18 get no cash benefits, period. Instead of letting states decide for themselves whether to deny benefits for additional children born to a mother on welfare, the House bill imposes a one-size-fits-all mandate. And nearly everyone, adult or child, who gets more than 60 months of aid in a lifetime is cut off -- even if they are ill, caring for a disabled child, or willing to work but cannot find a job.
- o **Cruelty to teens.** Unlike the House Republicans, we're not willing to give up on teen parents, just because of one past mistake. Our approach provides time-limited benefits for teen mothers, but only if they live at home with their parents or a responsible adult, identify their child's father, and stay in school. The American people "want us to end a welfare system that they know has failed," Secretary Shalala explains. "They want a welfare system that is tough on work, but not on children."

Welfare Reform Daily Talking Points
Thursday, March 9, 1995

FINDING COMMON GROUND

The Senate Finance Committee will hold its second day of hearings today, and yesterday's session gave real hope of bipartisanship. President Clinton is committed to working with both parties, putting aside politics as usual to create real, lasting welfare reform. In 1988, he worked closely with President Reagan and Senator Moynihan to develop the Family Support Act, bipartisan legislation intended to strengthen families and move people from welfare to work. And he will continue to seek common ground on how to reform a welfare system that everyone agrees must be fixed.

- o **A hope of bipartisanship.** While House debate has been marked by partisan wrangling, members of both parties predict a more bipartisan approach in the Senate. Today's *Baltimore Sun* quotes **Senate Majority Leader Bob Dole**: "Our first concern must be the welfare of the children involved. They're not the instigators [of the problems in the welfare system]. They are the victims." And **Representative Dave Camp** acknowledged yesterday that "there are no guarantees in the Senate. We have to be prepared for uphill sledding in the Senate."
- o **A break on details.** In January, **Senator Dole** said that he would not support cutting off assistance to unmarried mothers under 18: "You know, somebody still has an obligation," he said. "I don't believe we can do that. I wouldn't recommend that." And, he said he would not support ending aid to legal immigrants: "That's not going to happen ... they are legal immigrants, and they are here under our law, then I think we have some obligation." Just this week, **Senator John Chafee** of Rhode Island told *Newsweek* that welfare "must remain an entitlement." And **Senator Nancy Kassebaum** has said she opposes cutting off benefits for unwed teen mothers because "I don't think that solves the problem of illegitimacy."
- o **Already making progress.** We are pleased that the Republicans have finally recognized that strong child support enforcement is critical to real welfare reform. As **Representative Marge Roukema** recently stated: "Effective child support enforcement is welfare prevention. Non-support of children by their parents is one of the primary reasons so many families end up on the welfare rolls to begin with."
- o **A more thoughtful approach.** "We have from the House a draconian measure," **Senator Moynihan** said yesterday. "The action over there seems to me incoherent and I hope the Senate will perform its constitutional role of giving some thought to what happens and taking some time doing it." **Senator Dole** agreed: "I don't know of any other issue we should devote more time to than this. I think there may be a little different approach on the Senate side."

USA Today: 3-16-95 p. 1

Threat to lift license makes deadbeats pay

By Mimi Hall
USA TODAY

Threatened with losing their professional, recreational and drivers licenses, parents who owe child support are paying up — \$35 million so far.

Just 19 states have used such threats in recent years, scaring deadbeats who need licenses to drive, hunt, vote or practice law, among other things.

If licenses could be yanked nationwide, the Department of Health and Human Services estimated Wednesday, collection of child support would grow by \$2.5 billion over 10 years and welfare costs would drop \$1.6 billion over the first five years.

Even that would be a small dent. In 1993, officials collected \$8.9 billion in all court-ordered child support — but \$34 billion went unpaid, forcing many families onto welfare.

Next week, Congress considers amending the welfare reform bill to force states to deny licenses to deadbeats. President Clinton backs the idea.

"It's very effective," says Rep. Marge Roukema, R-N.J., who sponsored the amendment. "The money appears as soon as there's a threat — from the same deadbeats that swore they didn't have the money."

Rep. Clay Shaw, R-Fla., says, "I believe in it very strongly, but I also have a basic dislike of mandating to the states."

Some fathers' groups object.

"If you take someone's license, he can't go to work, and he can't pay support," says Derrick Hicks of Children's Rights Council, which fights for visitation rights.

Balt. Sun/3-16-95

Threat of losing license could bring in millions in overdue child support, study says

Associated Press

16A

WASHINGTON — Faced with the loss of their professional and drivers licenses, absent parents are lifting over millions of dollars in overdue child support.

A report yesterday by the Department of Health and Human Services tracks the experience of 19 states that revoke professional, commercial, recreational or drivers licenses from parents who appear court-ordered child support obligations.

The department estimates that if similar programs were in place nationwide, child support collections would grow by \$2.5 billion over 10 years.

Federal welfare spending would also shrink, by \$1.6 billion over the first five years, because the additional child support payments would help some low-income women and children leave public assistance, the department said.

The money is small in comparison with the \$4.9 billion that public child support agencies collected in 1993, and the estimated \$24 billion that goes unpaid.

But supporters of a mandatory license revocation program say it is still an important tool in helping collect support that can make the difference between welfare and self-sufficiency for some families.

"As soon as you threaten to take a license away, the money registers," says Rep. Marge Roukema, a New Jersey Republican.

It's a very effective deterrent, no question about it.

But David L. Levy, an attorney and president of the Children's Rights Council, an advocacy group for children, insists that it is the wrong way to go.

"We need to work harder at ensuring that kids have parents, not just money machines," he said.

The study comes days before the House begins debate on Republican legislation to overhaul the nation's welfare system and strengthen child support enforcement.

The Ways and Means Committee, which drafted a large part of the welfare bill, refused to include a requirement that states yank the licenses of nonpaying parents.

OMB lawmakers who opposed the provision argued against imposing Washington's will on the states. But Mr. Roukema is now pushing to overturn the decision.

In Maine, the threat of license suspension has brought in more than \$23 million since the program began in 1993. Only 41 licenses have actually been taken away.

And without revoking one license, California has collected more than \$10 million since beginning the program in late 1992.

States have proven that the mere threat of revoking a drivers or occupational license can be very successful in collecting support for children, said Health Secretary Donna E. Shalala. The threat is particularly effective against self-employed parents whose wages can't be garnished.

Wall St. Jnl.; 3-16-95

We Want to Find the Children Homes

In his March 9 Politics & People column "The Republicans Seize the High Ground on Transracial Adoptions," Al Hunt accuses the Department of Health and Human Services and the Clinton Administration of failing to support policies and legislation designed to insure the swift adoption of minority children. I am truly puzzled that he could make such a charge.

The record is absolutely clear that this administration and the department are strongly committed to moving all children into loving homes as quickly as possible, regardless of the race of the child or family. We believe that the best interest of the child should be the sole consideration in making placements. We have consistently taken the position that people should not be denied the opportunity to adopt a child of a different race or ethnicity and that placement of children in adoptive homes should not be delayed in order to find same race placements. This department has never considered adopting any policies that would allow delay in placing children; we want agencies to move vigorously in finding homes.

All of our actions have been designed to support these commitments. We've devoted considerable energy to working with Sen. Metzenbaum in securing passage of the Multiethnic Placement Act. It was the Health and Human Services Department that built in enforcement under Title VI of the Civil Rights Act, which authorizes severe sanctions, including termination of funding, against any federally funded agency engaging in race discrimination.

We also sought to ensure that the provision in Sen. Metzenbaum's bill that permitted race as a consideration in decision-making was drafted in a way that was constitutional. Of course, we will comply with all constitutional requirements when issuing guidance for implementing the statute.

The final version of the act was supported by the North American Council on Adoptable Children, founded by families who primarily had adopted transracially, and many other national child-welfare groups. It is true that a few groups representing positions at both extremes on this issue opposed the bill, since they are wedded to absolutist positions.

The administration continues to support all policies that facilitate adoption. We find it ironic that the Republicans are claiming that they favor more rapid adoption when their bill repeals the Adoption Assistance Act, which guarantees states funds to support adoptions. Those truly committed to more adoptions ought to make certain that states are provided the funds necessary to make this possible. The administration opposes the Republican efforts to repeal the Adoption Assistance Act and will continue to fight to make adoption a reality for all children needing families.

DONNA E. SHALALA
Secretary

Health and Human Services

Washington

Wash. Post; 3-14-95

A schoolroom of California kids shot dead every two weeks.

Isn't that enough?

Handguns have become the leading killer of California's children...the murder weapon of choice and the #1 teen suicide method. California is selling a thousand more each day and more kids are getting their hands on them with tragic results. Many responsible Californians agree on four steps that must be taken:

1

Ban Saturday Night Specials.

These cheaply-made, cheap-to-buy handguns are disproportionately represented in homicides and other crimes. Imports were banned 25 years ago. Domestic Saturday Night Specials, 80% now made in Southern California, weren't.

2

Let communities decide what rules to live by. Most states preempt local gun controls with looser state laws, California

among them. But where sensible laws rule, handgun violence declines. Twelve California counties account for most youth killings in the state. Wouldn't home rule make our streets and our children safer?

3

Increase the potential penalty for carrying a concealed handgun.

Right now, it's a misdemeanor to carry a non-permitted, loaded pistol in your jacket pocket or tucked in your waistband — like jaywalking, or dropping a gum wrapper — while brass knuckles can be prosecuted as a felony.

4

Treat handguns like other consumer products. There are now more safety rules on teddy bears

than on handguns, and basic devices that could prevent most accidental shootings are not required. Why not bring safety standards for handguns under the jurisdiction of the Bureau of Alcohol, Tobacco and Firearms?

These proposals were presented as part of a recent videoconference among 1,500 Californians and others who want to prevent handgun violence against kids.

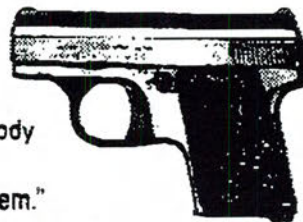
It looked at handgun violence as a public health menace, and how to reduce it.

As Donna Shalala, U.S. Secretary of Health and Human Services, noted "...gun violence against children is not an inner city problem. It's not a problem of poor people. It's not a problem confined to certain genders or ethnic groups.

"And, most important, it is not — nor will it ever be — somebody else's problem.

"It is our problem."

In response to the tragic consequences of violence in our society, The California Wellness Foundation is dedicating more than \$35 million over five years to support a comprehensive Violence Prevention Initiative. To learn more about the Campaign to Prevent Handgun Violence Against Kids and other projects of the Initiative, please write us.



The California Wellness Foundation
6320 Canoga Avenue, Suite 1700
Woodland Hills, California 91367

WELFARE

Senate Overhaul Plan Provides Road Map for Compromise

Conferees would seek to resolve child care, block grant and 'family cap' issues

The Senate provided a road map for a bipartisan welfare overhaul Sept. 19, voting overwhelmingly for a more moderate plan than one endorsed by the House six months earlier.

The strong margin of support for the Senate measure, which passed, 87-12, reflected widespread public interest in some kind of welfare reform. And Democrats, who were ignored all year on the issue by Republicans, jumped at their chance to work with GOP moderates to refine the bill.

Nevertheless, the measure was largely drawn on conservative Republican terms, with key aspects of the Senate's bill based on the House initiative. Like the House, the Senate voted to give states unprecedented authority to run their own welfare programs. Both chambers would end the 60-year-old federal guarantee of providing welfare checks to eligible low-income mothers and children.

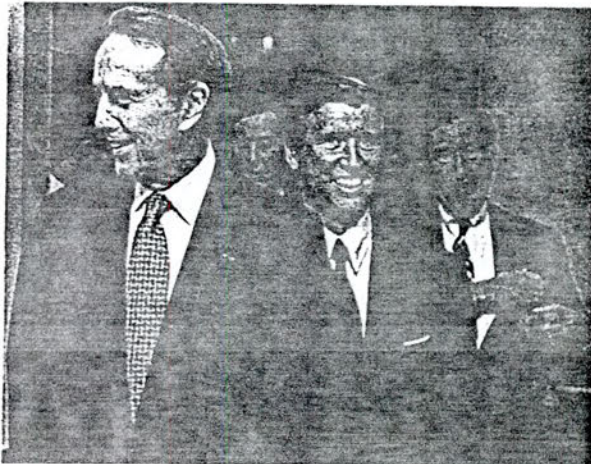
Republicans rejoiced that they were reaching far beyond President Clinton's campaign pledge to "end welfare as we know it."

Said Majority Leader Bob Dole, R-Kan.: "We are closing the books on a six-decade-long story of a system that may have been well-intentioned but ... failed the American taxpayer and failed those who it was designed to serve."

Most Democrats voted for the bill reluctantly, saying that it was still flawed despite recent improvements. "It is the best bill that we are going to get under the circumstances," said Minority Leader Tom Daschle, D-S.D.

Both Dole and Speaker Newt Gingrich, R-Ga., seem eager to quickly resolve their differences and send Clinton a far-reaching bill. That will mean working through some contentious matters.

Moreover, the coalition supporting the Senate bill was large but fragile. If



SCOTT J. FERRELL

Dole, Cohen and Chafee after hearings Sept. 19.

BOXSCORE

Bill: HR 4 (S Rept 104-96) — Welfare overhaul.

Latest action: Senate passed the bill, 87-12, on Sept. 19.

Next likely action: House-Senate conference, possibly as part of conference on the deficit-reducing budget-reconciliation measure.

Background: HR 4 would give states broad authority over welfare while restraining federal spending.

Reference: Senate debate, pp. 2804, 2722; Finance Committee, p. 1503; House passage, p. 872.

the bill that emerges from conference swings too far either way, it risks losing either the party's conservative base or the moderates who provided a crucial margin in the Senate.

The final product may reflect a series of compromises that makes it look

somewhat more like the Senate bill. For instance, the House may drop its call for broad state control over other social services — such as school lunches and nutritional assistance — that provoked sharp public criticism. House Republicans also seem likely to bargain on provisions they had resisted — such as requiring states to spend a certain amount of their own funds for welfare and exempting from work requirements welfare recipients who have preschool children.

The most contentious issues may be the House's insistence that no federal funds be used to provide welfare checks for unwed teenage mothers and for children born to welfare recipients. In both cases, the final bill might give states some choice in the matter.

To the chagrin of many liberals — who believe that even the Senate's version would destroy the social safety net — Clinton seems eager to fulfill his promise by signing a welfare bill.

The president said, though, that the version sent to his desk ought to look more like the Senate's.

"If welfare reform remains a bipartisan effort to promote work, protect children and collect child support from people who ought to pay it, we will have welfare reform this year and it will be a very great thing," he said Sept. 19. "But if the Congress gives in to extremist pressure and walks away from this bipartisan American common ground, they will kill welfare reform."

Regardless of final details, the legislation is going to set an ambitious agenda for states as they try to move welfare recipients into jobs — a task at which states have had only modest success.

Going to Conference

The legislation's importance was underscored as the Senate's vote on final passage neared.

About a dozen House Republicans,

By Jeffrey L. Katz

including Gingrich and Majority Leader Dick Armey of Texas, appeared on the periphery of the Senate floor to congratulate their colleagues.

Overhauling welfare was a centerpiece of the House Republicans' "Contract With America," and one of its most challenging tasks.

It passed the House on March 24 after a bitterly partisan and sometimes raucous debate.

Deliberations were slower and more muted in the Senate, which discarded some of the more controversial aspects of the House plan. But GOP senators clearly relied on the House bill as a basis for their efforts, particularly the notion of using a block grant to replace Aid to Families with Dependent Children (AFDC), the nation's main cash welfare program. States would get broad authority to run their own programs and lump sum federal payments to help offset the costs.

Still, sticky issues await conferees, who may negotiate on a free-standing welfare bill or on welfare provisions as part of the deficit-reducing budget-reconciliation bill.

Here is how some of those issues might be resolved:

- **Family cap.** A compromise is possible between the House prohibition on welfare checks for children born to welfare recipients and the Senate willingness to give states that option. The legislation could impose this so-called "family cap" — but give states the chance to opt out if they pass legislation to do so.

- **Teen mothers.** A similar compromise is possible between the House prohibition on welfare checks to unwed teenage mothers and the Senate's state option. Again, the legislation could deny welfare checks to these unwed teens — but give states the chance to opt out through legislation.

- **Child protection.** The House would replace 23 federal child welfare programs with a block grant to the states. The Senate had no comparable provisions. A possible compromise would be to continue to guarantee federal funds to states for each low-income child they placed in foster care or assisted in adoption procedures — but to provide a block grant for other child protection programs.

- **Other block grants.** The House might drop its suggested block grants for school lunch programs and for nutritional assistance to pregnant women and young children, neither of which attracted much public support.

- **State funding.** The two sides

Remarks From the Floor

The following are comments from senators during floor debate on the welfare bill (HR 4), which the Senate passed overwhelmingly Sept. 19.

From supporters of HR 4:

"Welfare will be a hand up but not a handout. Welfare will be there for a transition, for people in trouble, but it will not become a way of life."

— Kay Bailey Hutchison, R-Texas

"We are not only fixing welfare; we are revolutionizing it. We are writing truly historic landmark legislation, legislation that ends — ends — a 60-year entitlement program."

— Majority Leader Bob Dole, R-Kan.

"I do not think anyone, in as short a time as two years ago, would have expected us to pass a bill as dramatic, as progressive and as focused in trying to create a dynamic system to try to help people out of poverty..."

— Rick Santorum, R-Pa.

"...the product we vote on now is a substantial improvement over what was originally proposed."

— Christopher J. Dodd, D-Conn.



Santorum

"It does reflect, in my view, the political reality of today. It is the best bill that we are going to get under the circumstances that exist in the caucus, in the Senate, in the Congress, and in the country."

— Minority Leader Tom Daschle, D-S.D.

"My concern is that, being a block grant, it does nothing to solve the problems of welfare reform. It just puts all the problems in a box and mails it off to the states and hopes the states do a good job."

— John B. Breaux, D-La.

From opponents of HR 4:

"... this is welfare as we knew it, back to the days of street urchins and friendless foundlings and homeless half-orphans."

— Carol Moseley-Braun, D-Ill.

"Federal politicians should not simply transfer pots of money to state politicians without any standards about what the money would be used for. We do not need to transfer money from one bureaucrat to another bureaucrat."

— Bill Bradley, D-N.J.

"I fear we may be now commencing the end of the Social Security system. The one thing not wrong with welfare was the commitment of the federal government to help with the provision of aid to dependent children. We are abandoning that commitment today."

— Daniel Patrick Moynihan, D-N.Y.



Moynihan

"It is a missed opportunity for the Senate to send out a loud and clear message that society does not condone the growth of out-of-wedlock child-bearing..."

— Lauch Faircloth, R-N.C.

Some Key Differences

The House and Senate agree on the general thrust of a welfare overhaul bill (HR 4), but there are key differences. Among them:

- **Block grants.** The House bill would give states broad control over five social services: cash welfare, child care, child protection, school meals, and nutritional aid to low-income pregnant women and their young children. The Senate bill would give states broad control over only cash welfare and child care programs.

- **State funding.** The House bill would let states contribute whatever they wanted to their welfare programs. The Senate bill would penalize states that spent less than 80 percent of what they spent in fiscal 1994 on cash welfare.

- **Family cap.** The House bill would prohibit federal funds from being used to provide welfare checks for children born to welfare recipients. The Senate bill would give states the option to deny those checks.

- **Teenage mothers.** The House bill would prohibit federal funds from being used to provide welfare checks for children born to unwed teenage mothers. The Senate bill would give states the option to deny those checks.

- **Child care.** The Senate bill would prevent single welfare recipients who have children age 5 or under and who are unable to get child care from being penalized for

not working. The House bill contains no such provision.

- **SSI.** Both bills would make it harder for children with behavioral disorders to qualify for Supplemental Security Income (SSI), which provides cash to the low-income aged, blind and disabled. The House bill stipulates that children not now receiving SSI could not receive it unless they required 24-hour care.

- **Non-citizens.** The House bill would make most legal immigrants who are not citizens ineligible for five federal programs: SSI, cash welfare, social services block grant funds, Medicaid and food stamps. The Senate bill would make immigrants who arrive after enactment ineligible for most low-income social services for five years. Most non-citizens would be ineligible for SSI, and states could opt to deny them welfare checks and food stamps.

- **Overall savings.** The House bill would save about \$62.1 billion over five years and \$102 billion over seven years, according to the Congressional Budget Office (CBO). The Senate bill would save about \$38.6 billion over five years and \$65.8 billion over seven years, according to a preliminary CBO estimate. Both chambers would derive most of the savings from Aid to Families with Dependent Children (the nation's main cash welfare program), food stamps and SSI.

—Jeffrey L. Katz

seem likely to bargain on Senate provisions that would penalize states that spent less than 80 percent of what they spent in fiscal 1994 on cash welfare. The House would let states spend whatever they want. A compromise might let states spend a slightly lower percentage of their funds and give them a wider array of social services on which to spend it than did the Senate.

- **Child care.** The two sides also seem likely to bargain on Senate provisions that would prevent single parents who have children age 5 or under and who are unable to get child care from being penalized for not working. The House had no comparable provision.

The House, however, has a key overall bargaining tool: Its bill would go further in helping Republicans achieve their goal of balancing the federal budget by fiscal 2002. The House bill would save \$102 billion over seven years, according to the Congressional Budget Office (CBO). The Senate bill would save \$65.8 billion, according to a preliminary CBO analysis. The budget resolution assumed welfare savings much closer to what the House derived. (*Reconciliation*, p. 2863)

Welfare conferees are expected to be named soon. Regardless of who they are — and whether the matter is ultimately handled in the reconciliation bill — the issue will be closely watched by the upper echelon in both chambers.

"This is a leadership level issue," said Ed Gillespie, an aide to Arney. "This is major legislation, historic changes in welfare policy in this country, and an important element of the contract."

Clinton, too, will wade into the debate, said Bruce N. Reed, a domestic policy aide to the president and key welfare adviser.

"We'll make clear what we want to see happen in conference," Reed said. "It'll be up to the conferees to decide whether they want to produce a bill that the president can sign or whether they want to force a veto."

Senate Passage

Although the overwhelming majority of senators from both parties voted for the welfare overhaul, Republican and Democratic supporters registered different tones. (*Vote 443*, p. 2936)

While GOP supporters emphasized

the sweeping changes in the bill, Democrats endorsed it with reluctance. And those Democrats who opposed the measure offered the most pointed remarks of the day, predicting dire consequences for children.

Republican supporters described the bill as a dramatic change from the current system. "I do not think anyone, in as short a time as two years ago, would have expected us to pass a bill as dramatic, progressive, and as focused... to try to help people out of poverty," said Rick Santorum, R-Pa.

Dole, praised by many of his Republican colleagues for putting together a coalition to pass the bill after months of negotiations, recalled that the media had portrayed the welfare bill as being "on its last legs." Said Dole: "The media got the story wrong because what is on its last leg in this Congress is the status quo."

Several Republicans said that states could be trusted to develop new welfare systems to help move recipients into the work place and still be compassionate to children. But Democrats were less sure.

Christopher J. Dodd, D-Conn.,

COVER STORY

Uneasy Compromise Reached On Welfare Overhaul

*Moderates get more federal money for child care,
get rid of provisions on out-of-wedlock births*

Senate leaders reached an uneasy bipartisan compromise to overhaul the nation's welfare system Sept. 15 after a coalition of moderate Republicans and Democrats forced a series of concessions.

The agreement capped a week of mainly successful efforts to chip away at conservatives' influence on the bill. Moderates added more federal money for child care, raised requirements for state welfare funding and eliminated a key conservative plank designed to reduce out-of-wedlock births among welfare recipients.

In asserting their strength, GOP moderates smoothed the way toward expected passage of the bill, giving Majority Leader Bob Dole, R-Kan., at least a preliminary victory on a key issue. (Story, p. 2805)

Dole delayed a vote on final passage until Sept. 19, when nearly every Republican and many Democrats are expected to vote for the bill. "This will pass by a very nice margin," predicted Don Nickles, R-Okla., chairman of the Republican Policy Committee.

Support for the Senate version of HR 4 is wide but shallow, however, and members of all stripes agree that the real battle lies in a forthcoming conference with the House, which passed a much more stringent welfare bill March 24.

The conference may occur on HR 4 as a freestanding bill or as part of the huge deficit-reducing budget-reconciliation bill. Either way, the schism between moderate and conservative Republicans that dominated much of



From top, Domenici, Snowe, Dodd, Chafee and Breau.

the Senate floor debate on welfare is likely to reappear.

Indeed, the success of Senate moderates only served to widen the gap between the two chambers' bills.

Moderates characterized the Senate's actions the week of Sept. 11 as improvements that made the bill more likely to protect children and help welfare recipients get jobs. Conservatives viewed it as a serious breach of Republican goals, especially to curb out-of-wedlock births.

Already, the two sides have different expectations about what lies ahead. "My hope is we'll end up with something like the Senate bill," said James M. Jeffords, R-Vt., a moderate. Not so, promised Majority Whip Trent Lott, R-Miss., a conservative: "It's going to be more like the House bill," he said.

One thing seems certain: Any welfare bill that emerges from Congress this year would end the 60-year-old federal commitment to provide welfare checks to eligible low-income mothers and children.

Both the House and Senate versions would eliminate Aid to Families with Dependent Children (AFDC), the nation's main cash welfare program. States would instead gain broad discretion to run their own welfare programs, receiving federal funding in predetermined lump sums, known as block grants, to help offset the costs.

Both versions also would save substantial amounts of federal money, the House bill more than the Senate. That is why the measure seems headed for the budget-reconciliation bill, which seeks to reconcile deficit reduction goals with spending and tax policy.

President Clinton eager to fulfill

BOXSCORE

Bill: HR 4 (S Rept 104-96) — Welfare overhaul.

Latest action: Senate debated the bill Sept. 11-15, but did not vote on passage.

Next likely action: Senate vote on passage Sept. 19.

Reference: Weekly Report, pp. 2722, 2443; Finance Committee, p. 1503; House passage, p. 872.

GOP Moderates Flex Muscles

The most influential senators on welfare turned out to be a small, unheralded group of moderate Republicans who reshaped the overhaul bill.

Their emergence as a powerful force suggests that they are likely to be heard again on issues such as Medicare and tax cuts.

Although greatly outnumbered within the GOP caucus, the core group of about seven moderates occasionally formed a powerful welfare coalition on the Senate floor with the chamber's 46 Democrats — much to the chagrin of Republican conservatives.

Together, they bolstered the bill's funding for child care and increased how much states would have to contribute to their welfare programs.

They also blunted conservative attempts to impose restrictions on welfare assistance. The moderates struck provisions in the bill to deny welfare checks to children born to welfare recipients, and rebuffed conservative efforts to bar checks to unwed teenage mothers.

Conservatives grudgingly acknowledged the moderates' success. "Republicans have had a confusing environment to operate in," said James M. Inhofe, R-Okla., a conservative. "We've never resolved the differences between the factions, and that has opened the door" for moderates.

The core group of GOP moderates on welfare included four New Englanders — John H. Chafee of Rhode Island, James M. Jeffords of Vermont and William S. Cohen and Olympia J. Snowe, both of Maine — plus Nancy Landon Kassebaum of Kansas, Pete V. Domenici of New Mexico and Arlen Specter of Pennsylvania. Each had misgivings about the welfare bill that the House passed in March, and viewed the bill that emerged from the Senate Finance Committee in May as a mixed blessing.

They agreed with other Republicans to end the 60-year federal commitment to provide welfare checks to low-income mothers and children.

They also agreed with Bob Packwood, R-Ore., then Finance Committee chairman, that states should get their limited federal funds with few restrictions attached. The committee's bill heartened moderates by excluding House-passed provisions denying cash assistance to unwed teenage mothers and for children born to welfare recipients. The bill also, unlike the House, guaranteed child care for welfare recipients with children under age 6.

The moderates also applauded denying states the broad control over other social services — such as school lunches and foster care — that had provoked sharp criticism in the House.

But Packwood's insistence on giving states flexibility to spend what they wanted on welfare displeased moderates.

And when the bill bogged down on the floor this summer, moderates thought Majority Leader Bob Dole, R-Kan., seemed more accommodating to conservatives.

Dole was also pressed by Phil Gramm, R-Texas, a rival for the 1996 presidential nomination, who persistently demanded that Dole toe a conservative line on welfare.

Even so, moderates realized that Dole did not provide the final word. "We knew we could be the counterweight on the floor" between Democrats and conservative Republicans, Snowe said.

As a result, moderates were able to:

- Overturn a provision that would have denied cash assistance for children born to welfare recipients.
- Block conservatives from inserting provisions denying welfare checks to unwed teenage mothers.
- Modify the bill to require states to continue at least 80 percent of their welfare funding over five years.
- Add \$3 billion over five years for child care for welfare recipients and modify the bill so that recipients with children age 5 or under who are unable to get child care are not penalized for not working.

Some of the victories unnerved conservatives, especially Gramm and Lauch Faircloth, R-N.C., who said the bill should try to curb out-of-wedlock births. "We have a handful of moderate members who basically end up moving us away from our conservative agenda," Gramm said.

But Domenici sounded undaunted, saying: "Everyone's going to have something in this bill that they don't like."

There were limits to the moderates' effectiveness. When they split on amendments, the initiatives failed.

For instance, when only two Republicans voted for a Democratic amendment to add \$6 billion to funding for child care, the measure narrowly lost. Other moderates said they opposed the amendment because it cost too much or because it did not include offsetting revenues.

Moderates also split on a Democratic amendment to require states to continue to provide at least 90 percent of their welfare funding. That, too, failed narrowly. And they were unable to strike a provision that would give states a bonus for decreasing out-of-wedlock births.

John B. Breaux of Louisiana, a moderate Democrat, said like-minded Republicans have had difficulty resisting their party's conservative tide. He said of the GOP moderates: "They're under a tremendous amount of pressure. Their arms get bent and twisted."

Snowe said moderates might try to exert their influence on Medicare, tax cuts and other upcoming issues.

"We're a small group," she said, "but we can make a difference on these issues."

—Jeffrey L. Katz



"We're a small group, but we can make a difference."

—Sen. Olympia J. Snowe

House, Senate Bills Compared

The pending Senate welfare overhaul bill (HR 4 — S Rept 104-96) would give states broad authority over welfare while aiming to restrain federal spending. It is

similar to the bill the House passed March 24, with key differences. And more amendments, such as elimination of job training block grants, are expected. Under the bills:

	House Bill	Senate Bill
Block Grants	States would gain broad control over social service programs including cash welfare, child care, child protection programs such as foster care and adoption assistance, school meals, and nutritional aid to low-income pregnant women and their young children. In each case, states would receive federal money to help offset the costs of these programs in predetermined lump sums, or block grants. The bill would end the 60-year federal guarantee of cash aid to low-income mothers and children; instead, eligibility for the aid would largely be determined by states. States could receive their food stamp funding in a block grant if they provided benefits through an electronic system.	States would receive block grants for cash welfare, child care and job training. States could also opt to receive their food stamp funding in a block grant. As in the House bill, the federal guarantee of cash assistance to low-income mothers and children would end.
State Funding	States could contribute whatever they wanted to their own welfare programs.	States would be required to spend at least 80 percent of what they spent in fiscal 1994 on cash welfare programs. They could use this money for specified social services, such as cash assistance and child care.
Work and Time Limits	Most recipients would be required to work within two years of receiving welfare benefits. Recipients would generally be ineligible to receive cash benefits for more than five years, though states could exempt up to 10 percent of their caseload from the time limit.	Most recipients would be required to work within two years of receiving welfare benefits. Recipients would generally be ineligible to receive cash benefits for more than five years, though states could exempt up to 15 percent of their caseload from the time limit.
Family Cap	No federal funds could be used to provide welfare checks for children born within 10 months of when a family received cash welfare benefits. Cases of rape or incest would be exempted. States could give vouchers redeemable for baby care expenses.	States would have the option to deny cash assistance for children born to families receiving welfare checks.
Teenage Mothers	No federal funds could be used to provide welfare checks for children born out of wedlock to a mother under age 18, except in cases of rape or incest. The children would be eligible for cash benefits once the mother turned 18.	States would have the option to deny welfare checks for children born out of wedlock to a mother under age 18. The children would be eligible for cash benefits once the mother turned 18.
SSI	Drug addiction and alcoholism would no longer be considered a disability under Supplemental Security Income (SSI), which provides cash to the low-income aged, blind and disabled. It would be harder for children who have behavioral disorders to qualify for SSI. Children not now receiving SSI could receive the cash benefits only if they required 24-hour care.	Drug addiction and alcoholism would no longer be considered a disability under SSI. It would be harder for children with behavioral disorders to qualify for SSI.
Non-citizens	Most legal immigrants who are not citizens would be ineligible for five federal programs: SSI, cash welfare, social services block grant funds, Medicaid and food stamps. The bill would dramatically increase the duration and circumstances under which an immigrant's sponsor would be financially responsible for that individual.	Immigrants who arrive after enactment would be ineligible for low-income social services for five years. Most non-citizens would be ineligible for SSI, and states could opt to deny them welfare checks and food stamps. The bill would increase the duration and circumstances under which an immigrant's sponsor would be financially responsible for that individual.
Overall Savings	The bill would save about \$62.1 billion over five years and \$102 billion over seven years, according to the Congressional Budget Office (CBO). Most of the savings would come from Aid to Families with Dependent Children (AFDC), food stamps and SSI.	The bill would save about \$43.5 billion over five years and \$70 billion over seven years, according to CBO. (Estimates do not reflect floor amendments.) Most of that would come from AFDC, food stamps and SSI.

—Jeffrey L. Katz

his campaign promise to "end welfare as we know it," embraced the Senate's moderating influence. White House spokesman Mike McCurry said Sept. 14 that the Senate was "moving this bill in the right direction" in addressing Clinton's concerns, pushing away from the "truly awful" House version.

But the applause from the White House drew a sharp rebuke from New York Sen. Daniel Patrick Moynihan, ranking Democrat on the Finance Committee. Moynihan, the major architect of the 1988 welfare reform effort (PL 100-485), repeatedly said that abandoning a poor family's entitlement to cash assistance would produce dire consequences. He has indicated that Clinton ought to veto any welfare bill that eliminates the entitlement, a threat that Clinton has not made.

"If this administration wishes to go down in history as one that abandoned, eagerly abandoned, the national commitment to dependent children, so be it," Moynihan said. "I would not want to be associated with such an enterprise."

But most Democrats were more charitable about the Senate's action.

"We've taken a terrible piece of legislation and made it a reasonable piece of legislation that I intend to support," said Minority Leader Tom Daschle, D-S.D. "But it is a far cry from anything I would be enthusiastic about."

Other presidential matters — the 1996 GOP presidential nomination — provided another undercurrent to the Senate's deliberations on the welfare bill. Dole, the leading Republican presidential contender, has been buffeted throughout the summer by a need to deal with GOP moderates to move the bill, and by his desire to keep at bay his conservative presidential rival, Phil Gramm, R-Texas.

Gramm was smarting after the bill's most dramatic moment Sept. 13, when 20 Republicans joined all 46 Democrats in voting to strike a provision that would deny welfare checks to children born to welfare recipients. Gramm insinuated that Dole — despite supporting the provision — had failed to exercise leadership in its behalf.

"When you look at who voted for the Democratic amendment," Gramm said, "they certainly weren't people who are heavily influenced by me."

A proposed compromise reached Sept. 15 contained more aspects de-



Jeffords, a moderate, says he expects a House-Senate conference to produce a welfare bill similar to the Senate's. Lott expects something closer to the more stringent House measure.

manded by moderate Republicans and Democrats — an additional \$3 billion over five years for child care, \$1 billion for a contingency fund for states in economic distress and elimination of provisions to consolidate job training programs. Approval is expected before final passage Sept. 19.

What's Ahead

If the Senate passes the bill as expected, Dole could seek a House-Senate conference on the legislation or put many of its provisions in the reconciliation bill — or both.

Even if a conference on HR 4 begins — and Dole and House Speaker Newt Gingrich, R-Ga., said they would call one soon — major aspects of the legislation are almost certain to be included in reconciliation. That is because unless Clinton signs a free-standing bill by Sept. 22 — the date by which committees must submit spending cuts for inclusion in the omnibus bill — those savings cannot be counted toward the Republican goal to balance the federal budget by 2002.

Debate and amendments on the reconciliation bill, however, are limited under Senate rules, so Democrats and many Republicans would object to using it for welfare.

Regardless of the procedural option, the widely varying expectations of what should emerge from a House-Senate conference may make it difficult for a final version to draw widespread support.

For instance, although Gramm said he intended to vote for the Senate bill to keep the process moving, if the House-Senate conference agreement "does not have an illegitimacy provision, then I'm not going to vote for it."

Meanwhile, moderate Republicans

and Democrats hope Clinton weighs in and threatens a veto, if necessary, to push conferees closer to the Senate version.

"We have the final arbiter sitting in the White House," said John B. Breaux, D-La., who worked closely with GOP moderates.

Other Democrats were less optimistic that their hard-earned victories would survive. "I'd be very surprised if it comes back from conference looking much like it does here," said Christopher J. Dodd, D-Conn., who pushed for more child care funding.

Key differences between the House and Senate versions include the number of social services over which states would gain broad control, child care funding, requirements for state welfare funding and restrictions on cash assistance. (*Bills compared, p. 2807*)

The conference will be particularly difficult for the Senate because the senator who wrote that chamber's original bill — Bob Packwood, R-Ore. — is resigning. And the senator who operated as point man in recent welfare negotiations — Dole — is busy running the Senate and running for president. The new Finance Chairman, William V. Roth Jr., R-Del., had no visible role in fashioning the bill.

Conservative Restrictions

The split between moderate and conservative Republicans crystallized over whether to deny federal funding in welfare checks for children born to welfare recipients. This provision is known as a "family cap."

The House bill includes the cap. Dole, pressed by conservatives, added it to the Senate version Sept. 8. But moderates objected. And by a 66-34 vote, senators adopted an amendment Sept. 13 by Pete V. Domenici, R-N.M., to strike the provision. (*Vote 416, p. 2839*)

Conservative Republicans had insisted on the family cap as a critical element in any attempt to curb out-of-wedlock births.

Gramm warned that Domenici's amendment would "perpetuate a system that subsidizes illegitimacy, which gives cash bonuses to people who have more and more children on welfare." Dole appealed to moderates to reject the amendment and keep the family cap so that Republicans remained unified behind the bill.

But Domenici argued that each state ought to decide if it would deny

the aid, even though he doubted that such a strategy would reduce births.

"Can we really believe, with the problems teenagers are having and the societal mixup that they find themselves in, that cash benefits are going to keep them from getting pregnant?" he asked.

Senators on both sides of the amendment presented information from New Jersey, the first state to impose a family cap on welfare recipients three years ago, to try to show if it was effective. Bill Bradley, D-N.J., asserted that no conclusions should be drawn yet.

"It is an experiment," he said. "We have inconclusive data. We should not mandate something when we don't know what we are doing."

Conservatives also failed to insert a provision to deny federal funds from being used for welfare checks to unwed teenage mothers. The House bill contained such a ban; the Senate version would give states the option to do so.

Lauch Faircloth, R-N.C., offered an amendment to make the ban mandatory in the Senate bill as well. He said giving welfare checks to 17-year-old mothers was "a cash incentive to encourage teenage women to have children out of wedlock."

But opponents argued that denying unwed teenage mothers the aid would not necessarily reduce out-of-wedlock births, though it might be harmful to their children and encourage some women to abort their pregnancies. The amendment was rejected, 24-76, on Sept. 13. (*Vote 419, p. 2840*)

Another Faircloth amendment, to prohibit teenage welfare recipients from living with a parent or guardian who has recently received welfare checks, was rejected, 17-83, on Sept. 14. (*Vote 422, p. 2840*)

But conservatives retained a provision that would give states a bonus for reducing their out-of-wedlock birth rates without increasing abortions. An amendment by Jeffords to remove this bonus was defeated, 37-63, on Sept. 14. (*Vote 423, p. 2840*)

Child Care

After several days of negotiations, Senate leaders Sept. 15 settled on a bipartisan agreement to add more child care funding to the bill.

The bill originally included \$5 billion over five years to help welfare recipients get child care so they could go to work. However, the money, which represented a freeze on current spending, was included in the cash welfare block grant and was not specifically set aside for child care.

Democrats argued that the money was insufficient to help states meet requirements in the bill that half of their welfare caseload be working by fiscal 2000. They rallied behind an amendment by Dodd to set aside the \$5 billion for child care, and add an additional \$6 billion. The additional money would have been offset by unspecified reductions in corporate tax breaks.

Rick Santorum, R-Pa., argued that the amendment practically amounted to a federal guarantee of child care for welfare recipients. He said it was unfair to tell working families, "you are on your own. But if you go on welfare, even if you are married, we are going to provide a full-time government day-care slot for you."

Republicans also maintained that governors would have flexibility to use other federal welfare funding to provide child care. And they noted that mothers with children age 5 or under who were unable to obtain child care could not be penalized for not meeting work requirements.

But Democrats said states would have to provide the child care to meet the work requirements or — more likely — states would find it cheaper to withhold child care and accept a 5 percent penalty in federal welfare funding for not meeting the work requirement.

Daschle described Dodd's amendment as "the linchpin to welfare reform. We are not going to get it without child care."

But many moderate Republicans balked at the \$6 billion in new funding. The Senate voted 50-48 on Sept. 11 to table, or kill, the Dodd amendment. Among Republicans, only Jeffords and Ben Nighthorse Campbell, R-Colo., voted against killing the amendment. (*Vote 406, p. 2838*)

Moderate Republicans and Democrats later agreed with Dole to set aside the original \$5 billion over five years for child care, plus an additional \$3 billion.

Senators on Sept. 11 also approved, 76-22, an amendment by Nancy Landon Kassebaum, R-Kan., to prohibit states from transferring money from the child care block grant — which benefits low-income families other than welfare recipients — to the cash welfare block grant. The original bill would have let states transfer up to 30 percent of their child care funds. (*Vote 407, p. 2838*)

State Funding

Senators tightened provisions to require states to continue to spend much of their own money on welfare.

States now provide about half of all welfare funding, and are encouraged to do so through matching federal funding. The federal match would be dropped under a block grant. Under the House bill, states could spend whatever they wanted on welfare programs. The Senate version, as proposed by Dole, would require states for the next three years to spend at least 75 percent of what they spent in fiscal 1994.

Democrats and moderate Republicans wanted to increase that percentage. Breaux offered an amendment to require states to spend 90 percent of what they spent in 1994 over the next five years.

Olympia J. Snowe, R-Maine, said it was "essential that we ensure a continued federal-state partnership." Without a strong requirement to do so from the federal government, she said, "some states may not keep their end of the deal."

But John Ashcroft, R-Mo., responded that the amendment was "designed to institutionalize, and guaranteed to maintain, the current system." He said states should have flexibility.

Senators voted 50-49 on Sept. 12 to table, or kill, Breaux's amendment. (*Vote 411, p. 2839*)

However, that defeat occurred after GOP leaders had apparently agreed to a compromise. John H. Chafee, R-R.I., later modified the bill to require states to continue 80 percent of their welfare spending for five years.

Federal Funding

The GOP leadership beat back Democratic attempts to rewrite the bill's welfare funding formula that determines how much federal money each state gets.

Dianne Feinstein, D-Calif., sought to redistribute money set aside to help states with high population growth. As written, the bill would provide \$877 million over five years for states that had high rates of population growth and low welfare benefits per recipient. Feinstein's amendment would distribute the money to states based on their growing rate of poor children — regardless of the state's benefit rate. The Senate rejected it, 40-59, on Sept. 12. (*Vote 410, p. 2839*)

Bob Graham, D-Fla., sought a more wholesale change in distributing aid. He offered an amendment that would base the entire cash welfare block grant on each state's share of poor children. It was rejected, 34-66, on Sept. 13. (*Vote 415, p. 2839*) ■

**TALKING POINTS
WELFARE REFORM CONFERENCE**

WELFARE REFORM MUST BE TOUGH ON WORK AND FAIR

If Congress can agree on a bipartisan bill that is tough on children, the President will sign real welfare reform; it will be better for it. But if Congress tries to walk a fine line with a bill that is weak on work and tough on children, real welfare reform, and the Administration will continue to pursue welfare reform through waivers until Congress gets it right.

Jennifer
As requested for Harold.
Cathy 66575

A bill that is weak on work and tough on children can't pass the Senate and won't get past the President's desk. The President has said he would veto the House-passed bill, which was weak on work and tough on children. There is broad, bipartisan opposition in the Senate to much of the House bill, and several recorded votes that show it.

Several bipartisan groups have expressed strong public support for key improvements in the Senate bill:

- The National Governors Association sent a letter signed by Govs.

Tommy Thompson and Bob Miller endorsing the Senate approach on funding for child care, the contingency fund, letting states decide for themselves about the family cap and teen cutoff, and other issues.

- A bipartisan group of 26 women members of Congress signed a letter endorsing the Senate approach on child care, child nutrition, child welfare, maintenance of effort, SSI children, and state flexibility on the family cap and teen cutoff.

- The House Republican Tuesday group sent a letter expressing strong bipartisan support for the Senate approach on child care, maintenance of effort, and child welfare.

TOUGH ON WORK . . .

Across the country, there is an overwhelming bipartisan consensus that real welfare reform is about moving people from welfare to work, not just cutting them off. Any welfare reform bill that is weak on work cannot succeed at ending welfare as we know it.

Several elements of the Senate bill are essential to real welfare reform that is tough on work:

* Maintenance of Effort: The Senate bill requires states to maintain their stake in moving people from welfare to work. Without a strong maintenance-of-effort provision, many states would withdraw their own funds and purge their rolls in a race to the bottom that would doom welfare reform.

* Child Care: The House bill is weak on work because it does not ensure that child care will be available for people who need it to leave welfare for work. The Senate child care provisions provide States an additional \$3 billion in guaranteed funding over 5 years and preserve bipartisan provisions on quality, health and safety.

* Contingency Fund: The House bill won't protect states and families in the event of economic downturn, when state caseloads go up and revenues go down. The Senate contingency grant fund will make a real funding reserve available to states in economic trouble. The fund and the trigger mechanism can be strengthened in conference without significantly increasing projected federal costs.

* Work Performance Bonus: The House bill rewards states for cutting people off the rolls; the Senate bill gives states an important performance incentive to place people in jobs.

... NOT TOUGH ON CHILDREN

There is also an overwhelming bipartisan consensus nationwide that welfare reform should not punish children. It is wrong to penalize innocent children for their parent's mistakes.

Several elements in the House bill would punish children:

* Destroying vital child nutrition programs, such as school lunch and WIC: The House bill block grants child nutrition programs, which over time will force states to cut back on the quality or quantity of food, raise taxes, or cut other services so children could eat. The Senate decided on a bipartisan basis to preserve those programs.

* Ending the child welfare entitlement: A time of dramatic change in the welfare system is not the time for radical, untested experiments with the nation's child protection system. The House bill would put hundreds of thousands of vulnerable children at increased risk by cutting foster care, adoption assistance, and child abuse prevention. The Senate decided on a bipartisan basis to keep those programs intact.

* Mandating that all states deny assistance to unwed minor mothers and their children: A bipartisan consensus of Republican and Democratic governors and the Catholic Church agree that it is wrong to punish children just because their parents are poor, young, and unmarried. The Senate voted 76-24 to reject the mandate in the House bill.

* Mandating that all states deny assistance to additional children born while a family is on welfare: The House bill would reduce state flexibility by imposing policy mandates with uncertain impact. The Senate voted 66-34 to reject the mandate in the House bill.

DON'T PENALIZE WORK AND PUNISH CHILDREN BY CUTTING TOO DEEP

For welfare reform to succeed, it must save money by moving people from welfare to work, not by simply cutting people off assistance or shifting costs to the states. The overall budget cuts in both the House and Senate bills far exceed the cuts in the Administration's balanced budget proposal.

The conference should not penalize work and punish children by cutting deeper than the Senate bill. In addition to provisions above, the conference should:

* Adopt the more reasonable Food Stamp cuts in the Senate bill, along with the House approach on an optional block grant: The House bill makes excessive cuts in Food Stamps and imposes an inflexible spending cap that leaves no margin for economic conditions. The Senate bill is more reasonable. But the House version of an optional block grant, which requires states to spend the money on nutrition and implement Electronic Benefits Transfer (EBT) system, is much better than the Senate approach, which would encourage states to divert federal dollars away from putting food on the table.

* Adopt and improve the Senate cuts in SSI for disabled children: The House bill would eventually prevent nearly a million disabled children who would be eligible under current rules from receiving cash assistance, and create an underfunded block grant for services. The Senate decided on a bipartisan basis to continue to provide SSI cash benefits for all eligible children.

* Adopt more reasonable cuts in benefits for non-citizens: It is wrong and probably unconstitutional to deny benefits to legal immigrants who have become U.S. citizens, as the Senate bill requires. It is also wrong to establish a wealth test -- 200% of poverty -- for U.S. citizens who want to sponsor a family member to come to this country. The conference should change other provisions as well, such as the House exemption for the disabled and those over 75, and preserving access to discretionary programs such as student loans.



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

THE DIRECTOR

October 18, 1995

Honorable Bob Dole
Senate Majority Leader
United States Senate
Washington, D.C. 20510

Dear Mr. Leader:

The Administration is pleased that Congress finally may be within striking distance of passing comprehensive welfare reform. In spite of the positive changes made by the Family Support Act of 1988, the welfare system still fails to serve the taxpayers who pay for it and the people who are trapped in it. The American people have waited a long time for this historic moment. We owe it to the people who sent us here not to let this opportunity slip away by doing the wrong thing or failing to act at all.

We have outlined below our top priorities and greatest concerns. Let us be clear: if Congress can agree on a bipartisan bill that is tough on work and fair to children, the President will sign real welfare reform into law, and the Nation will be better for it. But, if Congress tries to walk away from our common values with a bill that is weak on work and tough on children, it will kill welfare reform, and the Administration will continue to pursue welfare reform through waivers, one State at a time, until Congress gets it right.

For two and a half years, this Administration has worked aggressively to make welfare a second chance, not a way of life. In 1993, the President's economic plan gave a tax cut to 15 million working families through the Earned Income Tax Credit, which rewards work over welfare. Last year, the President sent Congress the most sweeping welfare reform plan any administration has ever presented. That plan included tough child support enforcement measures; time limits; work requirements and child care resources to meet those requirements; performance incentives; a national campaign against teen pregnancy; a state option to deny cash assistance to families who have additional children born while on welfare; and measures to promote personal responsibility by requiring as a condition of assistance that minor mothers live at home and stay in school and all welfare recipients sign personal responsibility contracts. The Administration collected a record \$10 billion in child support in 1994, and earlier this year, the President signed an Executive Order to crack down on Federal employees who owe child support. The Administration has granted 35 States the freedom to experiment with welfare initiatives to move people from welfare to work and protect children. In July, the President directed that Federal regulations be strengthened to prevent welfare recipients who refuse to work from getting higher food stamp benefits when their welfare checks are docked.

These measures have gone a long way toward reforming welfare around the country. Through welfare reform experiments, 8.6 million recipients around the country are in households in which adults are being required to work, live at home and stay in school, sign a personal responsibility contract, earn a paycheck from a business that uses money that was spent on food stamps and welfare benefits to subsidize private sector jobs, or are under other waiver provisions. These States are doing their part to promote real reform that reflects the basic values all Americans share: work, responsibility, and family. Now Congress needs to do its part with a welfare reform bill that honors those same values by requiring work, demanding responsibility, and protecting children.

In our view, the Senate bill, while far from perfect, reflects the bipartisan common ground that welfare reform must be tough on work and fair to children. The Administration will welcome a bipartisan bill that honors these common values. But a welfare reform bill that, like the House bill, is weak on work and tough on children will be unacceptable.

Done right, welfare reform will move people off the welfare rolls so they can earn a paycheck, not a welfare check. Done wrong, it could cause enormous harm. Most Americans, without regard to party, agree that real welfare reform is about requiring people to work, not simply cutting them off the rolls; about demanding responsibility from young mothers and fathers, not abandoning abused children or taking away poor children's school lunches; and about strengthening families, not penalizing children who deserve a better life. The Administration urges conferees to act in the bipartisan spirit that has marked the better moments of this welfare reform debate.

MOVING PEOPLE FROM WELFARE TO WORK

Across America, there is an overwhelming bipartisan consensus that real welfare reform is first and foremost about work. Anyone who can work should be required to work, and no one who can work should stay on welfare forever. Work has always been at the heart of the President's approach to welfare reform, and it is the foundation for the dozens of State experiments the Administration has approved. We will only complete this historic mission of ending welfare as we know it if we succeed in moving people from welfare to work. That means imposing time limits and tough work requirements, making sure people get the child care they need to go to work, and rewarding States and holding them accountable for their efforts to put people to work, not for cutting them off.

The Administration considers the following provisions of the Senate bill essential to real welfare reform:

- Requiring States to maintain their stake in moving people from welfare to work. Welfare reform must strengthen, not abandon, the historic partnership between Federal and State governments. Unfortunately, the House bill would not require States to continue their financial commitment to welfare reform. All levels of government have a stake in the success of reform, and should be held accountable

for it. The Administration strongly supports the Senate provision that States contribute at least 80 percent of their FY 1994 effort each year in order to receive Federal funds. Absent a tightly drawn, permanent maintenance-of-effort requirement, many States could be expected to withdraw their own funds, purge large numbers of recipients from the rolls, and avoid the burden of moving people from welfare to work. This race to the bottom would doom welfare reform and have devastating effects on families with children.

- Providing child care to move people from welfare to work. The House bill is weak on work because it does not ensure that child care will be available for people who need it to leave welfare for work. Specifically, the bill would cut back on funds currently available under child care, and would eliminate the child care quality, health, and safety protections in current law that were put in place with overwhelming bipartisan support only five years ago. It makes no sense to deny child care to people trying to leave welfare, or to deny States the resources they need to provide child care. The Administration strongly supports the Senate child care provisions that give States a separate funding stream dedicated to child care, with an additional \$3 billion over five years to help welfare recipients move into the workforce and to help working families stay off welfare. The Senate bill also protects those with young children who want to work, but are unable to secure child care. Without sufficient child care funding, welfare reform will be an enormous unfunded mandate on the States, and could force them to cut recipients off rather than move them into work. The Administration recommends that the conferees improve the final bill by including more child care resources, not less.
- Protecting States and families in the event of economic downturn, so that welfare reform does not shift a huge burden onto State and local taxpayers, and States can afford to put people to work instead of putting poor families at risk. The House bill would not adequately protect States and families in times of unemployment and economic stagnation, when States would encounter reduced revenues and increased caseloads. A so-called rainy day loan fund is not adequate. The Administration strongly supports the Senate addition of a contingency grant fund, which makes a funding reserve available to States in economic trouble. We recommend that both the current trigger mechanism and the amount of funds in reserve be strengthened to provide States greater protection in a serious recession without significantly increasing projected Federal costs.

- Providing incentives that reward States for putting more people to work, not for cutting them off. The House bill gives States a perverse incentive to save money by throwing people off the rolls, and lets them count people as "working" if they were simply cut off welfare -- whether or not they have moved into a job. To change the culture of welfare, reform should reward success instead of failure or the status quo. The Administration strongly supports a work performance bonus like the Senate provision that would focus State welfare bureaucracies and recipients on the central goal of moving from welfare to work.

The Administration also strongly supports Senate provisions to require recipients to sign personal responsibility contracts in return for assistance, and to give States the option to provide job placement vouchers directly to welfare recipients as a way to change radically the culture of the current welfare system. The Administration supports the Senate hardship exception of 20 percent, and the House provision that would allow, but not require, States to provide non-cash assistance in the form of vouchers to children who lose their benefits due to the time limit.

DEMANDING RESPONSIBILITY

The Administration believes that welfare reform must promote personal responsibility and responsible parenting. We must demand responsibility from parents who bring children into the world, not let them off the hook and expect taxpayers to pick up the tab for their neglect.

The Administration strongly supports the following elements of welfare reform that can help make responsibility the law of the land:

- The toughest possible child support enforcement is central to getting people off welfare and helping them stay off. The Administration strongly supports bipartisan provisions in both the House and Senate bills to streamline paternity establishment, require new hire reporting, establish State registries, make child support laws uniform across State lines, and require States to use the threat of denying drivers' and professional licenses to parents who refuse to pay child support.
- Requiring minor mothers to live at home and stay in school as a condition of assistance. The Administration strongly supports the Senate provision to demand that young parents be responsible and turn their lives around, rather than the House provision that would automatically punish children born to unwed mothers under 18 -- regardless of whether the mother has made an effort to turn her life around so her children don't end up on welfare indefinitely.
- A national campaign against teen pregnancy. Welfare reform must send a strong message to young people that they should not get pregnant or father a child until they are ready to take responsibility for that child's future. The Administration

supports Senate provisions to combat teen pregnancy by an appropriate expansion of abstinence education, targeting sexual predators, setting national goals for reductions in teen pregnancy, and enabling States to provide second-chance homes for young mothers and their children. The Administration does not support the so-called illegitimacy bonus in the House and Senate bills, which some believe could promote abortion and which is unworkable in its current form.

PROTECTING CHILDREN

There is an overwhelming bipartisan consensus in this country that welfare reform should not punish children. Across the country, Republicans and Democrats at the State and local level agree that we must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.

In particular, the Administration strongly opposes the following provisions which would punish children:

- Destroying vital child nutrition programs, such as school lunch and WIC. Welfare reform is about requiring parents to work and take responsibility, not about taking food out of the mouths of poor children. The Administration strongly opposes the child nutrition and WIC block grants in the House bill, and supports the bipartisan Senate decision to keep those programs intact. The Administration is concerned that budget cuts will strain the ability of schools, child care centers, and summer food service sites to provide nutritious meals to low-income children. The school-based nutrition block grant would not respond to economic recessions or population growth. In a recession, States would be unable to respond without cutting back on the quality or quantity of food, raising taxes, or cutting other services so that children could eat. In addition, the Administration believes that the competitive bidding provisions within the House-proposed WIC block grant are inadequate and would fail to maintain the program's cost savings. WIC's current cost containment requirements have saved billions of dollars that have been used to serve additional WIC families.
- Ending the Federal commitment to abused and neglected children and those at risk. A time of dramatic change in the welfare system is not the time for radical and untested experiments with our Nation's child protection system. Rather than protecting vulnerable children, the House bill would put hundreds of thousands at increased risk of harm by cutting funding for foster care, adoption assistance, and child abuse prevention. The Administration strongly opposes the child protection block grant and program cuts in the House bill, and supports the bipartisan Senate decision to keep those programs intact.

- The House mandate that all States deny assistance to unwed minor mothers and their children. The Administration strongly agrees with the broad bipartisan consensus -- ranging from Republican and Democratic governors to the Catholic Church -- that it is wrong to punish children just because their parents are poor, young, and unmarried. The Administration supports the Senate provision, affirmed by an overwhelming bipartisan vote, which leaves this matter to the States.
- The House mandate that all States deny assistance to additional children born while a family is on welfare. At a time of bipartisan agreement on the need for more State flexibility, welfare reform should not saddle the States with policy mandates with uncertain impact. The Administration agrees with the overwhelming bipartisan majority of Senators that States should have the right to decide for themselves whether or not to adopt the family cap.

KEEPING OUR NUTRITIONAL SAFETY NET

The Administration urges the conferees to preserve the national nutrition safety net, which assists about 27 million working family members, poor children, and elderly Americans each day. Federal nutrition programs have produced measurably better health over the years as a result, and have earned bipartisan support. National nutrition standards and a funding mechanism that enables these programs to meet greater needs in times of regional or national economic hardship are essential to making welfare reform work.

The Administration has always maintained that preserving a nutritional safety net Nation-wide is a critical part of welfare reform and strongly opposes a food stamp block grant. However, if steps are taken to permit optional State block grants, the House approach is vastly preferable. Requiring States to spend grants only on food assistance will preserve the vital link between food stamps and nutritional assistance. The Senate provision for a State food stamp block grant option would sever that link and encourage States to divert Federal dollars away from putting food on the table.

The level of food stamp cuts, although too deep in both bills, is more reasonable in the Senate bill. The Administration's own balanced budget proposal would save \$19 billion over seven years, an 11 percent cut. By contrast, the House bill would cut food stamps by nearly 27 percent in the year 2002. In addition, the House bill places an inflexible ceiling on the amount authorized for appropriations for the food stamp program. This cap allows no room for error in estimates of future program costs nor any margin in economic conditions. By capping spending levels, the House bill would leave working Americans vulnerable to shifts in the economy and to changes in nutrition standards that could be driven more by political and budget pressures than by the Nation's good health. The Administration urges the conference not to exceed the Senate level of cuts or to impose an inflexible spending cap.

PROTECTING DISABLED CHILDREN AND THE ELDERLY

Both the House and Senate bills go too far in the changes they would make to the SSI children's disability program. However, the Administration favors the Senate provisions over the deep cuts in the House bill, which go far beyond what is needed to correct recent growth in the program. The House bill would eventually prevent nearly a million disabled children who would be eligible under current rules from receiving cash assistance, and create a block grant for services that would arbitrarily cut by 25 percent funding levels for disabled children who would no longer be eligible for cash benefits, but would be eligible for services. The loss of cash assistance would be devastating to many low-income families struggling to care for a disabled child at home. The Administration supports the bipartisan Senate decision to continue to provide SSI cash benefits for all eligible children. But, we strongly urge the conferees to reduce hardship to disabled children currently on SSI by exempting them from the new, stricter eligibility rules. However, if the conferees determine that these rules should be applied to current SSI recipients, the Administration recommends applying them only to those children eligible as a result of maladaptive behavior.

The Administration also recommends the deletion of a Senate provision that would gradually raise the age requirements for elderly poor applying for SSI from 65 to 67, parallel with the rising age requirements for Social Security. The apparent consistency of this change masks an important difference between these two programs: Social Security recipients can retire early and get benefits, and most do so, but there is no early eligibility age for SSI. This provision was added at the last minute without adequate public scrutiny and debate, and should be dropped.

BENEFITS FOR NON-CITIZENS

Both the House and Senate bills go too far in cutting benefits to legal immigrants, and shifting costs to States with high numbers of immigrants. The Administration supports holding sponsors who bring immigrants into this country more responsible for their well-being, but these changes should be made equitably.

The Administration strongly opposes the Senate provision that would discriminate against U.S. citizens by denying benefits to legal immigrants even after they became naturalized citizens. We cannot have two categories of citizens, and a provision that treats naturalized citizens less favorably than the native born raises serious constitutional concerns. Also objectionable is the Senate provision that would establish a class system for American citizenship by requiring sponsors' income to exceed 200 percent of poverty. Working families who are U.S. citizens should not have to pass a wealth test in order to be reunited with a family member. In addition, fairness dictates the adoption of the House provision that exempts those over age 75 and those too disabled to complete the naturalization process from benefit cutoffs.

Several further changes could make the legislation much more acceptable to the Administration. Immigrants who become disabled after entering the country should be eligible for SSI. The benefit restrictions in the Senate bill distinguish between immigrants with and without sponsors. This is a more sensible approach than the House bill, which bans virtually all immigrants from receiving benefits. Benefit restrictions should not apply to discretionary programs and such mandatory programs as student loans and the Social Services Block Grant; the administrative burdens on these programs of verifying everyone's citizenship is significant, and the budget savings are negligible. Furthermore, it is important that the legislation clarify that it does not call into question the full participation of any child in public elementary and secondary education, including pre-school programs. In addition, refugees and others who came to the United States to avoid persecution should be given adequate time to naturalize before being subject to benefit restrictions. Finally, the Administration has serious reservations about the bill's application of these provisions to the Medicaid program.

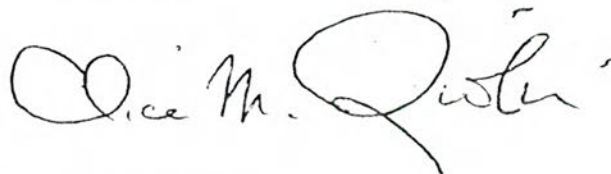
THE LEVEL OF CUTS IN LOW-INCOME PROGRAMS

The overall budget cuts in both the House and Senate welfare reform bills far exceed the level of cuts proposed in the Administration's Balanced Budget Plan. For welfare reform to succeed, it must save money by moving people from welfare to work -- not by cutting people off assistance, which will cost taxpayers much more down the road, or by merely shifting costs to the States. Adequate resources must be provided to move families from welfare to work. Excessive cuts will punish working people and their children -- working parents who need child care; families who work full-time, but don't earn enough to ensure there's always food on the table; and low-income elderly Americans who have worked their whole lives and shouldn't die hungry. The Administration strongly urges the conferees not to penalize work and punish children by accepting cuts deeper than the bipartisan Senate bill.

CONCLUSION

We have made great strides together in this welfare reform debate. Now Congress has an historic chance to reach a bipartisan agreement to end the current welfare system and replace it with one that is tough on work, tough on responsibility, and fair to children. A bill that honors those values will be acceptable; a bill that is weak on work and tough on children will not be. The Administration calls on the conferees to put politics aside and help give the American people a government that honors their values by making welfare a second chance and responsibility a way of life.

Sincerely,

A handwritten signature in black ink, appearing to read "Alice M. Rivlin". The signature is fluid and cursive, with a large loop at the end.

Alice M. Rivlin
Director

IDENTICAL LETTERS SENT TO:

Honorable Thomas A. Daschle
Honorable Newt Gingrich
Honorable Richard Gephardt

cc: House and Senate Conferees on H.R. 4, Welfare Reform



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SUSAN HAMMER
MAYOR

October 30, 1995

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am writing to encourage renewal of the 1991 Semiconductor Trade Agreement between the U.S. and Japan, which is set to expire on July 31, 1996. Renewal of the Agreement is extremely important to San Jose and Silicon Valley. It has led to improved foreign market access in Japan. Exports from our semiconductor businesses have increased and the economy of the region has benefited.

Despite the progress U.S. semiconductor companies have made in market share, further substantial progress is possible. The U.S. outcompetes Japan nearly two-to-one outside of Japan. U.S. competitiveness in other markets indicates that U.S. market share in Japan should continue to rise. U.S. semiconductor companies are committed to serving the Japanese market, as evidenced by a two-fold increase in sales expenditures in Japan and technical and engineering personnel employed by Semiconductor Industry Association members in Japan since 1988.

Key features that have made the existing Agreement a success include: (1) the call for "gradual and steady" progress in increasing foreign market share in Japan; (2) a mechanism for keeping channels of communication open through industry/government discussions; and (3) data collection requirements that deter dumping.

The Agreement is a success story in the realm of U.S.-Japan trade disputes. It demonstrates continued U.S. resolve to break down Japanese trade barriers. Its renewal deserves your support.

Sincerely,

Susan Hammer

Telephone Messages - Harold Ickes & Janice Enright

[illegible]

Welfare

life
welfare

HHS only on HHS
and strategy

focus on our line w/ Dems, goes
weak on work, men & kids

did get in to who and's voted
down

in next day, 2 will get on #5
to coalesce new bond it is for
states

now, focused on HHS & HHS
still limited audience

closer to floor, Senate

just politics & communications

there will be daily talking pts
started yesterday

Conny = supposed to get it around
to everyone



Melissa Skolfield does 'em