Cynthia A. Rice 06/16/97 08:46:34 PM

Record Type: Record

To: Jennifer L. Klein/OPD/EOP, Nicole R. Rabner/WHO/EOP, Elena Kagan/OPD/EOP

cc: Bruce N. Reed/OPD/EOP

Subject: Child Welfare and the Finance Committee Markup

FYI: the expectation is that Chafee and Rockefeller will offer their child welfare bill tomorrow and will be supported by Jeffords, giving them enough votes to pass.

The OMB letter to the Committee does not comment on this subject, except to comment on a possible pay for, as follows:

Cost Allocation Language -- The Administration understands that amendments may be offered during Committee consideration, the purpose of which is to prevent costs from increasing in Food Stamps and Medicaid due to cost-shifting for common functions from the TANF block grant, which places a cap on TANF administrative costs. We understand the CBO baseline includes costs of over $5 billion in FYs 98-02 because CBO assumes administrative costs shifting from TANF to Food Stamps and Medicaid. This proposal seeks to reduce the extent of the cost-shift to the Food Stamp and Medicaid Programs, which could yield substantial savings against CBO's baseline. While the Administration is generally supportive of this effort -- to prevent States from changing cost allocation plans in order to shift greater administrative costs from the capped TANF block grant to the open-ended Food Stamp and Medicaid administrative costs that are matched by the Federal government -- we would need to carefully review the specific mechanism proposed. In addition, we would have very serious reservations about proposals that would cap Food stamps and Medicaid administrative costs.

The budget negotiators discussed changes to the Food Stamp and Medicaid Programs at considerable length. An amendment reducing these programs and directing savings to other programs was neither raised nor included in the Budget Agreement. The Administration has strong reservations about such an approach.

June 17, 1997

The Honorable William Roth
Chairman
Committee on Finance
U.S. Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing to urge the Senate Finance Committee to adopt the bipartisan children's health legislation proposed by Senators Chafee, Rockefeller, Jeffords, and Hatch. As you know, I am extremely committed to using the $16 billion for children's health to provide meaningful coverage for as many uninsured children as possible. The bipartisan amendment offers an opportunity to do just that.

It is critical that we continue to work together in this Congress to finds ways to provide health care coverage for millions of uninsured children. As you know, over ten million children lack health care coverage -- and the impact on their families is profound. A recent study showed that nearly 40 percent of uninsured children go without the annual check-ups that all children need. One in four uninsured children do not have a regular doctor. And all around the country, too many parents are living in fear that they may be forced to make the impossible choice between buying medicine for a sick child or food for an entire family.

Because of the importance of this problem, we need to work together to design the most effective way to invest the $16 billion. The bipartisan amendment takes a major step toward this goal. The plan, first, rationalizes Medicaid so that children in the same family are eligible for the same coverage. Children under 6 years old and under 133% of poverty -- about $21,000 for a family of four -- are already eligible for Medicaid. The bipartisan plan provides incentives for states to cover older children up to this same income level. Second, the bipartisan plan gives states the option of choosing Medicaid or a more flexible grant approach for uninsured, middle-class children. Resources and flexibility are needed because, unlike low-income children, middle class uninsured children are difficult to target with a single program. And, third, the plan offers meaningful coverage that protects vulnerable children from excessive costs.

The bipartisan initiative -- which balances protections for vulnerable children with flexibility to target middle-class children -- stands in sharp contrast to the Commerce Committee's proposal. The plan to simply put out a block grant, with few rules and no benefits requirements, will not result in meaningful coverage for many uninsured children. As such, it does not conform to the budget agreement's call to cover children in the most cost effective manner possible.

The bipartisan amendment merits strong and favorable support from the full Finance Committee. We should take full advantage of this opportunity to significantly reduce the number of uninsured children. I look forward to working with you and others on the Finance Committee and in the Congress in this regard.

Sincerely,

Bill Clinton

OFFICE OF MANAGEMENT AND BUDGET

HUMAN RESOURCES DIVISION

DATE: 6-17

TO: Jennifer

FROM: BARRY WHITE
DEPUTY ASSOCIATE DIRECTOR

COMMENTS:

NUMBER OF PAGES 7
(including cover)

HR DIVISION FAX NUMBER: 202-395-7752

CONFIRMATION: Division Office – 202-395-6150
Education Branch – 202-395-5880
Income Maintenance Branch – 202-395-4686
Labor Branch – 202-395-3262

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

THE DIRECTOR

June 17, 1997

BW/BC's
Letter is officially out - went over approx. 2:00pm ish.

The Honorable William V. Roth, Jr.
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

As you know, the Administration and the bipartisan Congressional leadership recently reached agreement on a historic plan to balance the budget by 2002 while investing in the future. The plan is good for America, its people, and its future, and we are committed to working with Congress to see it enacted.

With regard to welfare, the budget agreement called for restoring Supplemental Security Income (SSI) and Medicaid benefits for immigrants who are disabled or become disabled and who entered the country before August 23, 1996, and making other important changes. The Senate Finance Committee mark for inclusion in the reconciliation legislation is, however, inconsistent with the budget agreement in this key area. Consequently, if the Committee were to proceed with its legislation in this form, we would be compelled to invoke the provisions of the agreement that call upon the Administration and the bipartisan leadership to undertake remedial efforts to ensure that reconciliation legislation is consistent with the agreement.

Continued SSI and Medicaid Benefits for Legal Immigrants

While the Committee's provision to provide benefits for new applicants for a very limited time is better than the House Ways and Means Committee proposal, it still fails to provide sufficient assistance for the most vulnerable individuals. The budget agreement explicitly states, "Restore SSI and Medicaid eligibility for all disabled legal immigrants who are or become disabled and who enter the U.S. prior to August 23, 1996." The Chairman's mark fails to reflect the agreement. As a result, it would protect as many as 75,000 fewer immigrants than the budget agreement in the year 2002.

In addition, it is unclear whether the Chairman's mark explicitly guarantees Medicaid coverage to disabled legal immigrants in all states. We strongly urge the Committee to include this protection.

The Administration is sympathetic to the goal of covering the elderly non-disabled, and will work with you to address this issue. However, as is the case with all of the provisions in the agreement, any new policies that require additional resources must be mutually agreeable.

In addition to our concerns with provisions that are inconsistent with the agreement, the Administration urges the Committee to address two technical issues. First, we urge the adoption of a provision to protect the benefits of those who have been on the SSI rolls since before 1979. Generally these are elderly citizens over the age of 90 who do not possess the required birth certificates or other documents necessary to establish eligibility. Second, we urge the adoption of a provision that would provide the same exemption period for Amerasian immigrants as refugees are provided. Amerasian immigrants share many of the problems and barriers of refugees and have the same level of need as refugees. Neither of these provisions will change the spending estimates associated with the Committee's mark.

The Committee mark also includes a number of provisions that were not specifically addressed in the budget agreement, and about which the Administration has serious concerns:

Welfare to Work

Local Program Administration. The challenge of welfare reform -- moving welfare recipients into permanent, unsubsidized employment -- will be greatest in our Nation's large urban centers, especially those with the highest number of adults in poverty. Mayors and other chief local elected officials, working with private industry councils, have been entrusted by Congress with the responsibility for administration of other Federal job training funds. The Administration strongly believes that a substantial amount of all Welfare to Work funds should be managed by these entities, which have the experience to address most effectively the challenge of moving long-term welfare recipients into lasting, unsubsidized employment that reduces or eliminates dependency.

The Chairman's mark, however, would provide for local administration of formula grant funds only through the Temporary Assistance for Needy Families (TANF) agency. The mark's competitive grant structure would not ensure that an appropriate portion of funds outside rural areas will be administered by cities with high concentrations of adults in poverty. In addition, the competitive grant portion would be only 25 percent of the total funds available, still further limiting the resources for cities with the greatest need. The Administration strongly urges the Committee to increase the share of competitively awarded funds to 50 percent, the approach taken by the House Ways and Means Committee.

Close coordination of Welfare to Work activity with the State TANF agency and State TANF strategy is clearly essential. The Administration urges the Committee to incorporate provisions for management of Welfare to Work funds by cities and other local areas, as has been urged by the Chairman of the Senate Labor and Human Resources Committee, and incorporated into Welfare to Work programs passed by two House committees.

Federal Administering Agency. The Chairman's mark would place the program under the authority of the Secretary of Health and Human Services. While consistency with Federal TANF strategies is essential, to be successful, Welfare to Work program activities must be closely aligned with the workforce development system overseen by the Secretary of Labor.

Thus, the Administration believes that the Secretary of Labor should administer this program in consultation with the Secretaries of HHS and HUD. This is also the approach taken in the bills passed by the House Ways and Means and Education and Workforce Committees.

Non-displacement. We remain deeply disappointed in the lack of adequate non-displacement provisions in the Chairman's mark. We strongly urge the Committee to adopt, at a minimum, the provisions included in H.R. 1385, the House-passed job training reform bill.

Performance Bonus. The Administration applauds the inclusion in the Chairman's mark of a performance bonus fund focused on increased earnings. The Administration urges the Committee to provide the strongest possible incentives and rewards for placing the hardest-to-serve in lasting, unsubsidized jobs that promote self-sufficiency by holding States accountable for the success of their programs and rewarding States with demonstrated success over and above what they achieve with their TANF and other funds.

Distribution of Funds by Year. It does not appear that the mark's allocation of $3 billion in budget authority across FYs 1998-2000 would, when combined with the program structure, result in an outlay pattern consistent with an estimate of zero outlays in FY 2002, as provided in the budget agreement. The Department of Labor is available to work with the Committee to craft provisions that satisfy this outlay goal.

Work Opportunity Tax Credit. The Ways and Means mark included changes to the Work Opportunity Tax Credit (WOTC) that would, in effect, re-establish several of the provisions of the expired predecessor program, the Targeted Jobs Tax Credit. Our position on these changes may not have been clear at the markup. We oppose any changes that weaken the improvements made to the jobs tax credit by the enactment of WOTC, and strongly support our current proposal to extend and enrich the WOTC to help long term welfare recipients get and keep private sector jobs.

Privatization of Welfare Programs

The Chairman's mark would allow the eligibility and enrollment determination functions of Federal and State health and human services benefits programs -- including Medicaid, WIC, and Food Stamps -- in ten states to be privatized and deems approved such a proposal for the State of Texas. While certain program functions, such as computer systems, can currently be contracted out to private entities, the certification of eligibility for benefits and related operations (such as obtaining and verifying information about income and other eligibility factors) should remain public functions. The Administration believes that changes to current law would not be in the best interest of program beneficiaries and strongly opposes this provision.

Vocational Education and TANF

The Administration is concerned with provisions that are not in the budget agreement. We understand that an amendment may be offered to modify TANF rules dealing with vocational education. The budget agreement did not address making changes to TANF.

Unemployment Insurance Integrity

The Chairman's mark does not include the provision of the budget agreement that achieves $763 million in mandatory savings over five years through an increase in discretionary spending for Unemployment Insurance program integrity activities of $89 million in 1998 and $467 million over five years. These savings are a key component of the budget agreement. The discretionary spending that the agreement assumes, and would be subject to appropriation, would support the necessary additional eligibility reviews, tax audits, and other integrity activities that, the evidence demonstrates, will yield the savings. We urge the Committee to adopt this provision to achieve the specified savings. The Administration has separately transmitted draft legislative language on June 6th that reflects the budget agreement's provisions on this provision.

State SSI Administrative Fees

It does not appear that the Committee intends to include a provision, comparable to that included in the House Ways and Means Committee mark and consistent with the budget agreement, to increase the administrative fees that the Federal Government charges States for administering their State supplemental SSI payments and to make the increase available, subject to appropriations, for Social Security Administration (SSA) administrative expenses. The Administration encourages the Committee to do so.

Cost Allocation Language

We understand that amendments may be offered during Committee consideration to prevent costs from increasing in Food Stamps and Medicaid due to cost-shifting for common functions from the TANF block grant, which places a cap on TANF administrative costs. We understand that the CBO baseline includes costs of over $5 billion in FYs 98-02 because CBO assumes administrative cost-shifting from TANF to Food Stamps and Medicaid. This proposal seeks to reduce the extent of the cost-shift to Food Stamps and Medicaid, which could yield substantial savings against CBO's baseline.

While the Administration is generally supportive of this effort -- to prevent States from changing cost allocation plans in order to shift greater administrative costs from the capped TANF block grant to open-ended Food Stamp and Medicaid administrative costs that are matched by the Federal government -- we would need to carefully review the specific mechanism proposed. Furthermore, we would have very serious reservations about proposals that would cap Food Stamps and Medicaid administrative costs and would oppose a cap that would limit the ability of a State to manage its programs.

The budget negotiators discussed changes to the Food Stamp and Medicaid programs at considerable length. Any further savings in this area would require mutual agreement, as would the allocation of those savings either to deficit reduction or to new spending.

We appreciate the Committee's inclusion of several provisions of the budget agreement that are priorities for the Administration, such as refugee and asylee eligibility, welfare to work, and Earned Income Tax Credit (EITC) compliance:

Refugee and Asylee Eligibility -- The agreement would extend the exemption period from five to seven years for refugees, asylees, and those who are not deported because they would likely face persecution back home. The Administration supports the Chairman's mark, which implements this policy and also extends the exemption to Cuban and Haitian entrants.

Welfare to Work -- We are pleased that the Chairman's mark includes a number of provisions that would address the Administration's priorities, including: the provision of formula grant funds to States based on poverty, unemployment, and adult welfare recipients; a sub-state allocation of the formula grant that appears similar to the formula passed by two House Committees, to ensure targeting on areas of greatest need; appropriate flexibility for grantees to use the funds for a broad array of activities that give promise of resulting in permanent placement in unsubsidized jobs; some funds awarded on a competitive basis; a substantial set-aside for evaluation; and a performance fund to reward States that are successful in placing long-term welfare recipients. We look forward to working with the Committee to refine these concepts. However, a number of other provisions, discussed above, raise serious concerns.

Minimum Wage and Workfare -- The Chairman's mark appropriately refrains from modifying current law with respect to the application of the minimum wage and other worker protections for working welfare recipients under TANF. The Administration believes strongly that everyone who can work must work, and everyone who works should earn at least the minimum wage and receive the protections of existing employment laws -- whether or not they are coming off welfare.

Earned Income Tax Credit (EITC) -- The Chairman's mark includes three proposals made by Treasury to improve EITC compliance. The mark would deny EITC for ten years for those who fraudulently claim the EITC; toughen recertification requirements for those denied the EITC as a result of deficiency procedures; and impose due diligence requirements for paid preparers. Treasury has proposed three other legislative compliance measures that we hope the Committee will also consider.

The budget agreement reflects compromise on many important and controversial issues, and challenges the leaders on both sides of the aisle to achieve consensus under difficult circumstances. We must do so on a bipartisan basis.

I look forward to working with you to implement the historic budget agreement.

Sincerely,

Franklin D. Raines
Director

Identical letter sent to the Honorable Daniel Patrick Moynihan

JOHN D. ROCKEFELLER IV
WEST VIRGINIA

United States Senate
WASHINGTON, DC 20510-4802

FROM THE OFFICE OF SENATOR JAY ROCKEFELLER

FAX COVER SHEET

TO: Jennifer Klein

OFFICE:

FROM: Barbara

DATE:

 # OF PAGES (INCLUDING COVER):

Problems with transmission call (202) 224-6472

MESSAGE:

188

Senator Lott. Amendment #4

Low-Income Program Administrative Grant

Present Law: Administrative funding for each low-income assistance program is funded separately, as a part of that program.

Reasons for change:
1. To prevent states from reclassifying capped TANF administrative expenses as Medicaid expenses to draw down more federal dollars for the same function.
2. To slow the growth of certain administrative expenses to reasonable levels.

Amendment:

- Create a single new low-income program administrative grant.
- Transfer to that grant all authority and funding for administrative functions contained in the reformed TANF program.
- Transfer to that grant all authority for administrative functions contained in the medicaid program. Eliminate administrative spending in the medicaid program, and add the 1998 baseline amount for medicaid administrative functions to the new grant, and then increase that amount with inflation each subsequent year.
- Do the same for SSI.
- Recommend to the Agriculture Committee that they do the same for Food Stamps.

CBO Cost: Saves roughly $5 billion over five years (without Food Stamps).

Description & rationale:

- Medicaid administrative costs are projected to grow 10% per year. This is absurd.
- Now that TANF administrative costs are capped and medicaid administrative costs are uncapped, States have an incentive to reclassify TANF administrative costs as medicaid costs (since administration for the two programs overlaps so much). This amendment would eliminate that incentive.
- For administrative spending only, this amendment would force states to live within the same baseline constraints as those the federal government applies to all discretionary spending programs. Spending would be allowed to increase at the rate of inflation without penalty, but increases above inflation must be paid for at the federal level.

Senate compromise proposal: TANF "good government" & SAFE Act

Safe Adoptions and Family Environment (SAFE) provisions:

**** Promote the Adoption of Children with Special Needs**

Current Law: The IV-E Adoption Program funds three distinct types of activities: maintenance payments for qualified children who are adopted, with such payments negotiated and capped at the foster care levels; administrative payments for expenses associated with placing children in adoption; and training of staff and parents who will be adopting special needs children.

Change and Explanation: Why should a special needs child's eligibility for federal adoption assistance be linked to the income of parents, who probably were abusive or abandoned that child and from whom that child must be removed for their own safety? Delinking federal adoption assistance provides support that is based on the child's special needs and will encourage adoptions of children with special needs.

**** Ensure health care coverage to children with special needs:**

Current Law: Medicaid coverage for "non-federal" special needs children is at state option, and only a few states currently do <u>not</u> provide the Medicaid option to children:

Change and Explanation: Assured health care coverage is essential, especially for children with special needs. If health coverage is not nationwide, families who adopt special needs children, may lose health care for adopted child if they must move for employment or other reasons to states <u>without</u> Medicaid coverage for adoption assistance.

**** State flexibility to use IV-E funding for 1-year of limited servicese to ensure a child safe return home after a foster care placement** Include a 5-year sunset provision with a federal study and report on effectiveness.

Current Law: IV-E foster care funds cannot be used for services to ensure a child's safe return home. Consequently a child's stay in foster care could be longer than necessary if states had the ability to provide a safe return.

Change and Explanation: Children need a safe, permanent home, and the 1-year flexibility for services is intended to ensure that a child returns home, quickly but only when it is safe. Provision allows states to use IV-E foster care funding to offer limited services to shorten a child's stay in foster care, and ensure a safe return home.

**** State flexibility to cover a child's expenses for a one-time placement with a parent in a residential substance abuse treatment program designed for a substance abusing parent and child.** Include a 5 year sunset provision with federal study on effectiveness.

Current Law: Foster care funding cannot be used for a child's placement with a parent in residential treatment.

Change and Explanation: Residential substance abuse treatment program that are family-based report success in combatting adult substance abuse and ensuring safety of the child, and family. This would be a one time option to try and help families while protecting children.

Extend the enhanced match for child welfare computer systems by 1 year

Offset: TANF Cost Allocation — " Good Government Provision"

Current Law: The welfare reform law limits administrative expenses to 15% of the TANF block grant. Traditionally, states designated welfare agencies as the primary program, because welfare families are eligible for food stamps and for Medicaid. Because the federal matching rates for administrative costs were identical under AFDC, Medicaid and food stamps, States had no need or interest in "gaming the system" to shift AFDC administrative costs to other federal entitlements.

But now under the TANF block grants, state **do have a financial incentive to *"game"* the system** and shift welfare administrative costs to food stamps and Medicaid programs. In fact, CBO assumes that states will game the system and it has increased the CBO baseline to accomodated increased costs because of such gaming, and cost shifts.

Reason for change & Explanation: If we enact our provision now, we can prevent such cost shifts *and* secure funding for the major provisions of the SAFE act.

FACT: Welfare caseloads are down — an average of 18% nationwide so states should **not** need "extra" money for administrative costs..

FACT: Governors asked for a block grant claiming that states could provide improved services if they had greater flexibility. Converting welfare to a block grant will allow states to administer the program more efficiently; therefore, states should **not** be allowed to shift administrative costs to other federal entitlement programs.

This is a "good government" provision to prevent States from "gaming" the system to secure additional federal funding. If we enact it now, we can ensure that States don't try to "game" the system as the welfare reform law takes effect until July , 1997.