file

THE PRESIDENT HAS SEEN
8/23/96

August 22, 1996

96 AUG 22 P11:30

MEMORANDUM FOR THE PRESIDENT

FROM: DOUG SOSNIK

SUBJECT: MATERIALS YOU REQUESTED

Enclosed please find a video tape from the Republican Convention and some quotes from Bob Dole.

We need
a corpus of his quotes
on finishing the revolution

Dole On The Economy

"It is also true, as some have said, that our economy is the strongest it's been in 30 years." -- Dole Remarks To NH Legislature, 2/13/96 [U.S. Newswire, 2/20/96]

Dole On Jobs

"I didn't realize that jobs and trade and what makes America work had become a big issue in the last few days of this campaign..." -- Bob Dole

campaigning in New Hampshire during the GOP primary. [CNN Inside Politics, 2/19/96]

DOLE ON MEDICARE

"I was there, fighting the fight, voting against Medicare -- one of 12 -- because we knew it wouldn't work in 1965." -- Bob Dole

Speech to the American Conservative Union (ACU), 10/24/95]

DOLE ON GINGRICH

"I want to say one word about the speaker of the House of Representatives -- one of America's truly great leaders -- that's Newt Gingrich... No one has done more to change the party and bring the House to the Republican side for the first time in 40 years than the speaker of the House of Representatives, Newt Gingrich. The great part about it is, come January, Newt's going to be able to work with a Republican president." -- Bob Dole during a June 8, 1996 Cobb County, GA appearance with Newt Gingrich [Washington Post, 7/23/96; Atlanta Journal & Constitution, 6/9/96]

DOLE ON GINGRICH

"You know, we've never had a Speaker named Newt before, as I've said many times. We've never had a president named Bob either, come to think of it, but we'll get to that stuff..." -- Dole Address To GOP Caucus [CNN News, 9/14/95]

DOLE'S QUOTES ON TOBACCO

"Some people think it is addictive. But I at least think it's habit forming." [ABC's "World News Tonight," 6/14/96]

"We know it's not good for kids. But a lot of other things aren't good. Drinking's not good. Some would say milk's not good." [ABC's "World News Tonight," 6/14/96]

"Is it addictive? To some people, smoking is addictive. To others they can take it or leave it. I hope children never start." [Washington Post, 6/16/96]

After his comments on tobacco, Dole said, "I haven't talked about tobacco. I don't know what [Gore] is talking about." [L.A. Times, 6/18/96]

"I don't know that I've taken any money from tobacco companies." [ABC's "World News Tonight," 6/14/96]

"Far as I know, they're in a legal business. And am I supposed to tell somebody who's in a legal business that you can't contribute to my campaign." [ABC's "World News Tonight," 6/14/96] file

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
8/23/96

August 22, 1996

MEMORANDUM TO THE PRESIDENT

FROM: **DONALD A. BAER** DAB

SUBJECT: **READER'S DIGEST INTERVIEW QUESTIONS**

Attached are three questions you were unable to answer for lack of time at the *Reader's Digest* interview. The *Digest* would still like to incorporate answers for these in its piece. If you would jot some notes to guide us, we will draft responses. In order to make *Reader's Digest* deadline, we need your response as soon as possible.

Baer
get w/ GS, Penn, etc
Draft answers for me
BC.

Gave to Vicki Radd
She will give to
Don Sat 8/24
T

1) How would you describe the mood of the American People?

2) All the candidates are talking about "family values." What does that mean, concretely in terms of legislative initiatives you'd pursue over the next 4 years?

3) If you are victorious November 5th, what is the first piece of legislation you will push for in the new Congress?

8/22

THE WHITE HOUSE

Todd -

Here's another memo to (P) that should have gone through Cabinet Aff. I suppose, and instead came directly to PLM.

Thanks,
Kyle
x6-5515

96 AUG 22 P2:11

Route thru Cab. Affairs

TRACKING SHEET

	Date	Initial
Received by PLM	8/21	acf
Draft Written		
Edited in PLM		
Formatted by Typing		
Reviewed on White		
Printed on Azure		
App. By Review		
App. for Signature		

18 24 76

THE DEPUTY SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

August 13, 1996

96 AUG 22 P 1 : 17

MEMORANDUM FOR THE PRESIDENT

FROM: RICHARD E. ROMINGER, DEPUTY SECRETARY OF AGRICULTURE Rich

SUBJECT: The Inauguration of President Abadala Bucaram Ortiz of Ecuador

It was an honor for me to lead the U. S. delegation to the inauguration of President Bucaram of Ecuador on August 10, 1996. The Delegation included:

Evelyne Rominger (Spouse)
Leslie Alexander, U. S. Ambassador to Ecuador, presented credentials on August 5, 1996
Jeffrey Davidow, Assistant Secretary of State for Inter-American Affairs, sworn in on August 7, 1996
General Wesley Clark, Commander-in-Chief, U. S. Southern Command, U. S. Army
Nancy Soderberg, Deputy Assistant to the President for National Security Affairs
Luigi Einaudi, Ambassador and Special Representative to the Peru-Ecuador Dispute
Howard Glicken, Chairman, The Americas Group
Maria Sotiropoulos, State Department Protocol Officer

President Bucaram ran on a populist theme promising expanded opportunity for Ecuador's poor. He promised increased spending for housing and education. In his inaugural address he blamed Ecuador's problems on an "oligarchy" and chastised the banks for too much speculation and not enough attention to small business. (See attached news report from the Miami Herald, Sunday, August 11, 1996) His words would indicate dramatic changes in policy, but his retention of several cabinet members from the previous administration, including the Foreign Minister, Finance Minister, and Central Bank Manager might signal otherwise. At age 44, he does represent a change in generations, succeeding President Sixto Duran-Ballen, age 75. Several Latin American leaders told me privately that Bucaram is more moderate in his actions than he is in speeches and they were assured of working relationships.

Continuing challenges remain for the U.S. in its relations with Ecuador. The border dispute between Ecuador and Peru has been ongoing since 1942. The U. S. is one of the Guarantors of the Rio Protocol and is attempting to help resolve the issue. Davidow, Soderberg, Einaudi and Clark held meetings before and after the inauguration in these continuing efforts. As part of the process the U.S. has a small military presence in the border area.

There are environmental challenges in the Galapagos Islands and the Amazon basin where oil exploration and production are taking place. The previous Ecuadoren Administration made substantial progress towards reducing inflation, improving public financing, restoring Ecuadors international credit, reducing domestic subsidies and price controls, liberalizing external trade, and enacting structural reform legislation, but much more needs to be done. They have been less successful in implementing reform, particularly privatization of major state enterprises and improving tax collection. A corruption scandal undermined investor confidence and weakened the domestic financial system.

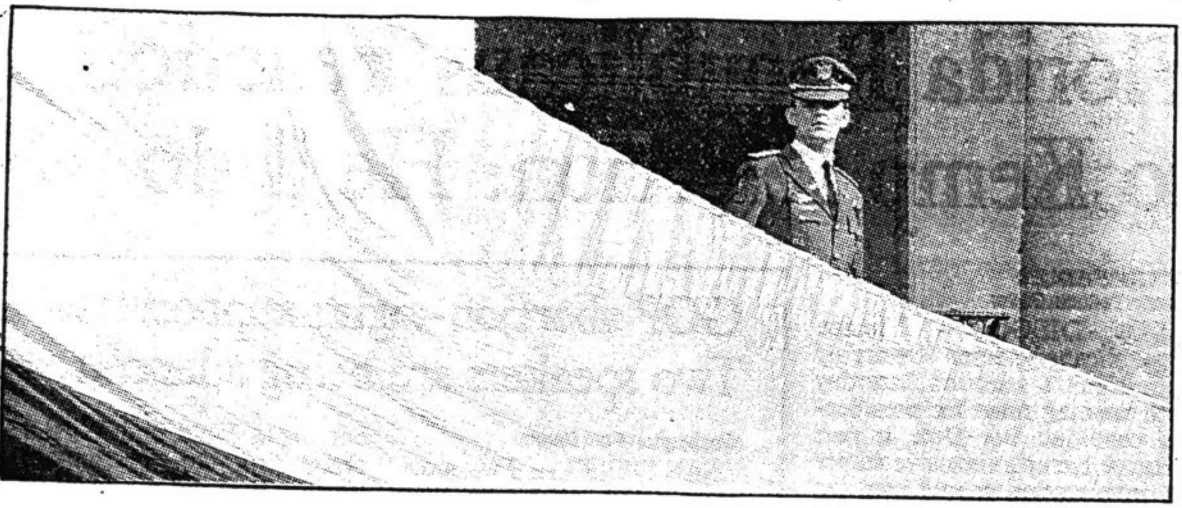
President Bucaram called for increases in agricultural production in his inaugural remarks. Ecuador does have an abundance of good soil and water supplies. The U. S. now runs a deficit in agricultural trade with Ecuador, with our major imports being shrimp, bananas, coffee, tuna, cocoa, and cut flowers. Our major exports to Ecuador are wheat, cotton, sugar and sweeteners. Our 1995 exports totaled $145 million and our imports were $1,071 million. Our USDA Agricultural Attache, Daryl Brehm, is doing a good job covering Ecuador, Peru and Bolivia. The entire Embassy staff in Quito did an excellent job organizing everything needed, as did Maria Sotiropoulos, the State Department Protocol Officer.

While the mission of the delegation was successfully completed, the lateness of the U. S. response to the inauguration invitation was awkward and made proper planning and protocol more difficult for both countries. Ambassador Leslie Alexander was very helpful, and should be an extraordinary representative of the U. S. I would call your attention to the fact that Ambassador Alexander is now separated from his child and wife, due to a rule which prohibits spouses from serving together once one achieves the rank of Ambassador. Mrs. Alexander is a career Foreign Service officer in France. This rule should probably be reviewed in the future in light of the changing roles of men and women in the work environment.

Thank you for the opportunity to represent you and the United States in Ecuador.

Attachment

cc: Honorable Warren Christopher
Honorable Dan Glickman



Associated Press

ON GUARD: An officer stands near a flag at the palace where leader Abdala Bucaram will reside.

Bucaram takes oath of office

Ecuador's new leader vows 'last day of dominance by the oligarchs'

QUITO, Ecuador — (AP) — Abdala Bucaram, a populist who calls himself "the scourge of the oligarchy," took office as Ecuador's president Saturday, promising equality in the small Andean country.

After taking the oath of office and donning the red, blue and yellow presidential sash, Bucaram quickly criticized Ecuador's wealthy elite.

Bucaram

"Today is a historic day when the poor accede to power. It is the first day of . . . a government of the people and the last day of dominance by the oligarchs," he said in a 90-minute speech before a Congress packed with cheering supporters.

The oligarchy, Bucaram said, is "a cancer" that is the cause of "all Ecuador's ills."

The 44-year-old Bucaram replaced 75-year-old President Sixto Duran-Ballen, a conservative who stepped down after a four-year term plagued by corruption scandals.

THE AMERICAS

Bucaram defeated rightist candidate Jaime Nebot in a July 6 runoff election for a four-year term.

He has sought to attract foreign investment and win the support of the business sector by adding economic advisers from banks and large companies to his administration.

But his explosive outbursts against political foes have made many Ecuadoreans nervous, and his generous campaign promises of public housing, lower prices on basic goods and free medicine have made some investors uneasy.

Reflecting uncertainty over his economic policies, the Central Bank announced an 8 percent devaluation of the sucre shortly before the inauguration.

In the last few weeks, there has been a heavy demand for dollars, forcing the Central Bank to sell $80 million of Ecuador's reserves to stabilize the currency.

The Miami Herald
The Foremost Daily Newspaper of Florida
FINAL EDITION • SUNDAY, AUGUST 11, 1996

TIMES BOOKS

RANDOM HOUSE

STEVE WASSERMAN
EDITORIAL DIRECTOR

Baer

THE PRESIDENT HAS SEEN
8/22/96

19 August 1996

President ~~Bill~~ Clinton
The White House
Washington

Dear Mr. President,

It is with a profound sense of occasion and moment that I enclose several copies of your book, BETWEEN HOPE AND HISTORY. They are just now coming off the press, and should be in every bookstore in America by the end of the week.

I speak for all of us at Times Books when I say that it has been a pleasure to act as midwife in the birth of this book. Perhaps, in a way, you may even think of it as a present, marking your recent birthday.

Sincerely yours,

Steve Wasserman

Steve Wasserman

201 EAST 50TH STREET NEW YORK, N.Y. 10022 TELEPHONE: 212-572-2894 FAX: 212-940-7464

Crane/Bruce

THE PRESIDENT HAS SEEN
8/22/96

The New Welfare Law

CENTER ON BUDGET AND POLICY PRIORITIES

The New Welfare Law

David A. Super
Sharon Parrott
Susan Steinmetz
Cindy Mann

CENTER ON BUDGET AND POLICY PRIORITIES

The **Center on Budget and Policy Priorities**, located in Washington, D.C., is a non-profit, tax-exempt organization that studies government spending and the programs and public policy issues that have an impact on low-income Americans. The Center is supported by foundations, individual contributors, and publications sales.

Authors

David A. Super is general counsel at the Center on Budget and Policy Priorities. He works primarily on the federal budget and on improving the coordination and effectiveness of health, nutrition, and income security programs, including those serving immigrants and the disabled.

Sharon Parrott is a policy analyst at the Center on Budget and Policy Priorities and conducts policy research in the areas of welfare, the earned income credit, and poverty trends.

Susan Steinmetz is director of the Center on Budget and Policy Priorities welfare division. Her work focuses on national and state welfare reform.

Cindy Mann is director of the Center on Budget and Policy Priorities State Low-Income Initiative Project, which assists state-based organizations and state officials in redesigning state programs for the poor. She has done extensive work on state and federal health care policy, welfare policy, and a wide range of state tax and budget matters.

August 14, 1996

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ISBN 1-57291-017-8

Contents

Acknowledgments

The authors wish to express their gratitude to their colleagues at the Center on Budget and Policy Priorities who contributed to this report. Robert Greenstein edited the report and provided useful comments. Wendy Burnette and Betty Hitchcock prepared the report for publication. Michelle Bazie and Herb Schaffner assisted with the distribution of the report.

Numerous people outside the Center assisted with the report as well. Special thanks is owed to Mark Greenberg at the Center for Law and Social Policy, Josh Bernstein of the National Immigration Law Center, and Richard Weishaupt and Jonathan Stein at the Zebley Project of Community Legal Services in Philadelphia.

Financial support for the work on this report came from the Annie E. Casey Foundation, the Nathan Cummings Foundation, the Joyce Foundation, Charles Stewart Mott Foundation, the Ruth Mott Foundation, the Charles H. Revson Foundation, Share Our Strength, and the Streisand Foundation. We are also grateful for the support of our general support funders.

I. Overview

The welfare conference agreement features deep cuts in basic programs for low-income children, families, and elderly and disabled people as well as fundamental structural changes in the AFDC program, the basic income support program for poor families with children. According to the Congressional Budget Office, the bill includes nearly $55 billion in cuts in low-income programs over the next six years.

Nearly all of the $55 billion in savings come from reductions in programs other than AFDC, with especially large reductions being made in the food stamp program, the Supplemental Security Income program for the elderly and disabled poor, and assistance to legal immigrants. Low-income disabled children, working poor families, and the elderly poor are among those whom the legislation will adversely affect. While the cuts come primarily from areas other than AFDC, many AFDC families also will be sharply affected in the years ahead as a result of the bill's sweeping changes in the structure of the AFDC program.

The bill converts AFDC to a block grant — called the Temporary Assistance to Needy Families (TANF) block grant — with essentially fixed funding. States will receive a fixed level of resources for income support and work programs based on what they spent on these programs in 1994, without regard to subsequent changes in the level of need in a state.[1] The bill provides some additional "contingency funds" if need increases in states, but the contingency funds are likely to prove inadequate if a recession occurs. Between 1990 and 1992 when unemployment climbed, federal AFDC expenditures rose $6 billion above the amount expended in 1989. The bill's

[1] To be precise, a state's block grant allocation would be based on the highest of its FY 1994 spending, its FY 1995 spending, or the average of its spending for the three years from FY 1992 to FY 1994.

"contingency fund," however, includes only $2 billion — or one-third as much. The contingency funds are likely to run out part way into the next recession.

Adding to the fiscal pressures likely to result from frozen federal funding are provisions in the bill that make it possible for states to withdraw substantial amounts of *state* resources from basic income support and work programs for poor families with children and to divert federal TANF block grant funds to other uses. The bill allows states to withdraw or divert approximately $40 billion between 1997 and 2002 without such action affecting the level of federal block grant funds they receive. If state funding is reduced and federal funds are diverted to other purposes to the extent the bill permits, basic benefits for needy families and resources for work programs will fall far short of need.

The new welfare legislation allows states to deny aid to any poor family or category of poor families. In addition, with some exceptions, the legislation prohibits states from using block grant funding to provide aid to families that have received assistance for at least five years. CBO estimates indicate that between 2.5 million and 3.5 million children could be affected by the bill's five-year time limit when it is fully implemented, even after the 20 percent hardship exemption is taken into account. Moreover, states can set time limits shorter than five years; the time limits — which apply to cash aid and work slots both — can be of as short a duration as a state wishes. If states adopt shorter time limits, as some are likely to do, the number of affected children will be substantially greater.

The bill also includes $28 billion in food stamp reductions. When fully implemented, these reductions will cut food stamp benefits almost 20 percent, the equivalent of reducing the average food stamp benefit from its current level of 80 cents per person per meal to 66 cents per person per meal. These reductions will affect all food stamp recipients, including the working poor, the elderly and the disabled.

Included in the legislation is a particularly harsh food stamp provision that affects poor unemployed individuals between the ages of 18 and 50 who are not raising children. Under the bill, these individuals will generally be limited to just *three months* of food stamp receipt while unemployed in any *three-year* period. (Some of these individuals will be able to receive food stamps for six months while unemployed in a three-year period.) CBO estimates this provision will deny food stamp benefits to an average of one million people a month who are willing to work but cannot find a job and are not offered a workfare or training slot.

Many of these individuals qualify for no other government benefit except food stamps. Denying them food stamps will leave them with no safety net at all.

The bill also eliminates most or all of the safety net for one other group — legal immigrants. The legislation makes most poor legal immigrants ineligible for most forms of assistance. In fact, 40 percent of the net savings in the bill are achieved by denying a wide range of benefits to immigrants, including poor immigrant children and poor immigrants who are very old or who have become disabled after entering the United States and can no longer work. All of the savings in the immigrant area come from denying benefits to legal — not illegal — immigrants. Illegal immigrants already are ineligible for most major means-tested entitlement benefits.

The overall size of the food stamp cuts, the structural changes in AFDC, and the reductions in benefits to legal immigrants remain largely unchanged from the provisions of the welfare bill that President Clinton vetoed in January. In several areas, the new bill represents a step backward from the vetoed welfare bill — for example, the reduction in food stamp benefits for unemployed adults not raising minor children is far more severe in the final bill than in the vetoed bill. The legal immigrant cuts also are slightly deeper in the final bill than in the vetoed version. Furthermore, the vetoed bill would have allowed states to use TANF block grant funds to provide noncash assistance such as vouchers to impoverished families with children that hit the federally imposed five-year time limit but are unable to find unsubsidized employment. The new bill, by contrast, *prohibits* states from using block grant funds to provide vouchers or other non-cash assistance to these families.

The bill does include some notable improvements over the vetoed version. It includes substantially increased resources for child care compared to the vetoed bill and a larger contingency fund. In addition, the reductions in SSI benefits for low-income disabled children, while still substantial, are considerably less sweeping than in the vetoed bill. In the food stamp area, the bill no longer gives states the option of "opting out" of the food stamp program and receiving a block grant in its place. The vetoed bill also would have placed a cap on food stamp expenditures, which would have forced additional, across-the-board food stamp benefit cuts if the expenditure cap otherwise would be breached. That cap has been dropped. Finally, the bill assures that children and parents who currently qualify for Medicaid based on their eligibility for AFDC will continue to be eligible for Medicaid, regardless of the changes states make in their welfare programs.

Overall, the bill is expected to have a similar effect on child poverty as the vetoed bill would have had. In July 1996, the Urban Institute released a study, based on conservative assumptions, showing that the welfare bill the House of Representatives approved that month would push 1.1 million children — and 2.6 million people overall — into poverty. Because the final bill is largely similar to the House bill, these estimates would change little if recalculated on the final legislation.

The Urban Institute study also found that the bill would make large numbers of families that already are poor still poorer. They would fall deeper into poverty. Specifically, the report found that the House bill would increase the overall depth and severity of child poverty by 20 percent. (Technically, the bill would increase the "poverty gap" for families with children by more than $4 billion, or 20 percent. The poverty gap is the measure of the total amount of income needed to lift all poor families just to the poverty line.) Finally, the Urban Institute researchers found that one in every five U.S. families with children — or 8.2 million families — would see their incomes fall an average of $1,300 a year as a result of the bill.

Most of the children who would be pushed below the poverty line live in families with a working parent. Families in which the parents are unemployed throughout the year and receive only AFDC and food stamps typically have incomes that already are well below the poverty line. Most of those families would be made still poorer by the bill.

The assumptions the Urban Institute employed are conservative. As a result, the study is more likely to underestimate than overestimate the extent to which the bill increases the number of children living in poverty and makes already-poor children still poorer. The analysis is based on current economic conditions; if the country or a region were to suffer a recession, the impact of the bill on poverty would be larger. In addition, the Urban Institute assumed *all* states would adopt a five-year time limit on assistance, the maximum duration the bill allows. A number of states are planning to institute shorter time limits. The Urban Institute researchers also assumed that no state would withdraw state resources from welfare programs in response to the provisions allowing them to do so. This also is likely to prove too sanguine a forecast. The researchers noted, in releasing their study, that their assumptions were optimistic.

These and other aspects of the new legislation are discussed in more detail in Chapter II.

This report does not discuss the changes made in the child support enforcement area. The Center for Law and Social Policy (CLASP) has prepared an analysis of the changes in this area. To receive a copy of this report, contact CLASP at (202) 328-5140.

II. Cash Assistance, Work, and Child Care Provisions

The welfare bill converts the AFDC program, emergency assistance, and work programs into a single block grant with essentially fixed funding. Under the Temporary Assistance for Needy Families (TANF) block grant, children no longer will have an assurance of receiving basic cash assistance if they are very poor, their family meets all of their state's eligibility requirements, and their parents are prepared to participate in a work program and to meet all work requirements. A state could run out of block grant funds for the year and place new applicants on waiting lists. Unless states commit state funds to assure that all eligible families receive aid, substantial numbers of poor children whose parents are unable to find a job could be denied assistance, especially during economic downturns.

In this Chapter...

Many children whose parents are poor and willing to meet work requirements may be denied assistance for other reasons as well. The bill bars states from using federal block grant funds to provide cash aid, work slots, or noncash aid such as vouchers to most families that have received any form of assistance under the block grant for a total of five years over their lifetime. If a family receives cash aid or any service funded under the block grant or works in a workfare slot, subsequently leaves the rolls for employment, and then is laid off years later, the family will generally be denied all forms of block grant assistance after the lay-off — even a new work slot or vouchers to help pay the rent or meet other basic needs — if the cash assistance and workfare slot it received years earlier totaled five years in duration.

States will be permitted to exempt 20 percent of their caseload from the time limit provision — that is, 20 percent of a state's caseload may consist of families receiving aid beyond the time limit. But about *half* of the AFDC population currently consists of recipients who have passed the five-year mark. CBO estimates indicate that by 2004, between 2.5 and 3.5 million children could be affected by the time limit, even after the 20 percent hardship exemption is taken into account.

Moreover, states will be allowed to make the time limit shorter than five years. Families complying with their state's work requirements can be cut off when they reach the time limit their state has established. Such cut-offs can be applied without regard to whether the parents in the family can find unsubsidized employment. According to HHS, if all states were to adopt a *two*-year time limit, 5.5 million children would be denied aid by 2006, even assuming that states exempted 20 percent of their caseloads from these state time limits.

Fiscal Pressures Resulting from Federal Block Grant Funding Levels

Among the most profound changes the legislation makes in the welfare area are its changes in the financing structure of cash assistance and work programs. Largely as a result of these changes in the programs' financing structures, the types of welfare policy choices that states make in the future may be quite different from those they have made or considered in the past.

- The TANF block grant provides essentially fixed federal funding for income support and work programs, based on a state's past spending levels on these programs. Over time, these federal funding levels are likely to prove inadequate.

  The Congressional Budget Office projects that the federal funding allocated under the block grant will fall $1.2 billion short over the next six years of what states would have received from the federal government for cash assistance and work programs under those provisions of law that the new welfare bill is replacing. (This estimate includes the funds that CBO projects states will receive under the block grant contingency fund.)

This funding shortfall will widen over time. In 1997 and 1998, states are projected to receive *more* federal money through the block grant than they would have gotten under the prior law. But by 1999, federal funding is projected to fall short of what would have been provided under the prior law. And by 2002, the funding shortfall is projected to reach more than $1 billion a year. Moreover, at the same time that federal resources for cash and work programs will essentially be frozen, the new legislation requires states to expand greatly their work programs for recipients, thereby adding substantial new costs. This will exacerbate the funding crunches that states will face. As explained below, the Congressional Budget Office projects that the funding in the bill falls far below what is needed to meet the bill's expansive work requirements without cutting sharply into cash assistance benefit levels.

- These problems will intensify during economic downturns when poverty rises and the number of families applying for aid increases. Under prior law, federal funding rose automatically to help meet increased needs during recessions. That feature of federal law is eliminated under the new bill. While the new legislation establishes a contingency fund to help address increased needs during recessions, the level of resources placed in the contingency fund is small.

  The contingency fund contains $2 billion over five years. This represents an increase over the welfare bill vetoed in January, which provided just $1 billion for the fund. But during the 1990-to-1992 recessionary period, federal AFDC funding increased $6 billion over the 1989 level. In other words, the additional amount expended in these *three* years of the early 1990s was triple the amount the bill allocates for the contingency fund over the next *five* years. The $2 billion for the contingency fund is equivalent to an increase over five years of just two percent above the basic block grant funding levels. The contingency fund is almost certain to run out part way through the next recession.

- The bill also includes a small population adjustment fund, which would provide additional resources to some states with growing populations. The fund would provide $800 million over four years, an amount equal to an increase in block grant funds of just one percent over the four-year period. (No population adjustment funds would be available in 1997 or in years after 2001.) National population growth is projected to be 4.6 percent between 1997 and 2002, however, or more than four times greater than the growth in block grant funding allocated for population growth over this period.

Bill Would Permit States To Withdraw Up to $40 Billion From Income Support and Work Programs

The foregoing discussion addresses the inadequacy of the *federal* funding levels in the bill. These problems are likely to be exacerbated by a withdrawal of *state* funds. Like the vetoed welfare bill, the new legislation permits states to withdraw substantial state resources and divert federal block grant funds from income support and work programs without losing any basic federal TANF block grant funds. States will be able to withdraw from these programs — or to divert to other uses — up to $40 billion between 1997 and 2002.

Under the prior law, the federal and state governments shared in the cost of providing AFDC benefits and financing welfare-to-work programs. States contributed between 20 percent and 50 percent of these costs, with wealthier states contributing a higher proportion of the cost than poorer states. This financing structure provided states with an important incentive *not* to reduce state resources for these programs; if a state withdrew $1 of state resources from AFDC or work programs, it lost between $1 and $4 of federal funds.

Under the block grant structure in the new bill, however, this matching structure is radically altered. To receive its full block grant allocation, a state will simply be required to contribute overall state funding for work, income support, and child care programs equal to 75 percent of what it spent on these programs in 1994. This 75 percent requirement is known as a "maintenance-of-effort" requirement. The maintenance-of effort requirement is raised to 80 percent for states failing to meet the work requirements in the bill.[2]

If every state were to spend only what is required to receive its full block grant allocation, state funding over the next six years would fall *nearly $32 billion* below the level that CBO projects states would have spent under the prior law. This would represent a 33 percent reduction in state resources devoted to these programs over six years, compared to what would have been expended under the prior law.

The new legislation also permits states to transfer up to 30 percent of their federal TANF block grant funds to the Child Care and Development Block Grant and the Social Services Block Grant. Transfers to Social Services Block Grant alone may not exceed 10 percent of a state's federal TANF block grant allocation.[3]

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[2] To draw down funds from the contingency fund, a state would have to maintain state funding at 100 percent of its 1994 expenditure level.

[3] The $40 billion estimate of the amount that states could withdraw in state funds or divert to other uses (continued...)

The provision of the new legislation allowing TANF block grant funds to be transferred to the Social Services Block Grant is particularly problematic. The services funded under the Social Services Block Grant include an array of politically popular services, many of which go to the elderly and to families well above the poverty line. This may make such a transfer of funds likely in a number of states. But a seepage of funds from the TANF block grant to the Social Services Block Grant would almost inevitably lead to fewer work slots being provided for very poor families, cuts in cash benefit levels for these families even though current benefit levels are already well below the poverty line in most states, still-shorter time limits, or some combination of such steps.

(The bill provides that funds transferred from the TANF block grant to the Social Services Block Grant may be used only for services to children whose family incomes fall below 200 percent of the poverty line, but this provision is cosmetic. States could simply shift a portion of their *existing* Social Services Block Grant funds from poor children to other populations at the same time they transferred funds from the TANF block grant to the Social Services Block Grant. The actual effect could be to transfer resources from the TANF block grant to serve elderly individuals without children or families with higher incomes without the state having violated the statute.)

Contingency Fund Remains Inadequate

As noted, the legislation includes $2 billion for a contingency fund to provide additional resources to states facing growth in the size of their low-income populations, an amount that could be exhausted quickly after just a few large states experience recessionary conditions. Once the fund is exhausted, states must bear themselves 100 percent of the additional costs of providing assistance to needy families during a downturn. Families in states that are unable or unwilling to bear these costs may be left without much of a safety net.

- As noted, AFDC costs increased $6 billion in three years during the downturn of the early 1990s, while the contingency fund contains $2 billion for use over five years. The fact that the recession of the early 1990s was less severe than earlier downturns such as the recessions of the early 1980s and mid-1970s adds to the concern the fund will prove inadequate.

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[3] (...continued)
is based only on states' ability to reduce state spending due to the maintenance-of-effort provision as well as the provision permitting states to transfer funds from the TANF block grant to the Social Services Block Grant. Resources transferred to the Social Services Block Grant can easily be used to supplant state social services spending. The resources that states would be permitted to transfer to the child care block grant are *not* considered in this analysis since these resources can not as easily be used to supplant state spending.

- To qualify for contingency funds, a state must meet certain "trigger" criteria. States will qualify if their food stamp caseloads increase at least 10 percent over their 1994 or 1995 level or if their unemployment rate is at least 6.5 percent *and* also is at least one-tenth higher than the state's unemployment rate in the same months of either of the two prior years.[4] These "trigger" criteria could pose a problem for some states. A state whose food stamp caseload climbs less than 10 percent could experience significant increases in need without being able to access any contingency funding. Moreover, in past recessions, many states experienced substantial increases in unemployment without reaching the 6.5 percent unemployment rate.

- The contingency fund also will place states that qualify for contingency funds for only part of the year at a major disadvantage. The bill limits the level of resources these states can draw down by severely reducing the federal matching rate for these states. A state that received $1 in federal funds for every $1 in state funds spent on AFDC under prior law will be required to spend *$5 in state funds for every $1 in federal contingency funds it can receive* if the state qualifies for contingency funds for four months during the year. Under the welfare bill vetoed in January, such a state would have continued to receive $1 in federal contingency funds for each $1 in state funds it contributed. The extremely high state matching rates that these states will face may cause some states to fail to access contingency funds during economic downturns.

Work Initiatives Placed in Jeopardy

As recently as 1994, there was a general consensus that additional resources were needed if the welfare system was to be converted to a work-based system. The original Contract with America provided $10 billion over five years in funding for work programs.

Although the new legislation places states under stringent requirements to put an increasing proportion of recipients receiving aid under the TANF block grant in work activities, funding for work programs in the bill falls short of what is needed to meet the bill's work requirements. CBO projects that the cost of meeting the work requirements, excluding child care costs, will reach $5.6 billion in 2002. This is $4.1 billion more than the amount that states spent on their JOBS program in 1994, the

[4] The bill includes substantial food stamp cuts that would cause some current recipients to become wholly ineligible for food stamps. The contingency fund trigger directs the Secretary of Agriculture to adjust states' 1994 (or 1995) food stamp caseloads to reflect the size the caseload would have been had these food stamp cuts been in effect at that time.

principal year upon which state block grant funding levels are based. Furthermore, according to CBO, the legislation falls *$12 billion short* of what will be needed over the next six years to meet the work requirements, excluding child care costs.

Due to the combined effect of expanded work requirements and frozen federal funding, federal block grant funding levels are likely to prove insufficient in many states. In its estimates of the costs and savings associated with the legislation, CBO assumes these funding shortfalls will cause many states to fail to meet the bill's work requirements.

States can avoid some of the costs of meeting the work requirements by reducing their caseloads and serving fewer people. Under a provision in the bill known as the "caseload reduction credit," a state's work participation requirements are reduced if its caseload declines below the 1995 level.

For example, the legislation requires that at least 35 percent of a state's caseload be participating in work activities in 1999. But if a state's caseload falls by 15 percent between 1995 and 1998, then its work requirement for 1999 will be reduced by 15 percentage points — from 35 percent to 20 percent. Consider a state that has a caseload of 50,000 families in 1999. If the state must place 35 percent of its caseload into a work program, it must place 17,500 parents into work activities. If, however, the state's caseload of 50,000 families represents a 15 percent reduction since 1995, the state will only be required to place 20 percent of its caseload — or 10,000 parents — into work programs. In such a case, the number of parents required to participate in work activities would be reduced by *43 percent* as a result of the caseload reduction credit.

This caseload reduction credit offers states a perverse incentive to reduce their caseloads by rendering groups of families ineligible for aid. Because no new resources are provided in the bill to pay for a substantial expansion of work programs, states may find it easier to cut their caseloads by altering eligibility rules (or creating barriers to receiving aid) than by mounting work programs that prove effective in moving families into unsubsidized employment. The legislation provides that states should not get credit for caseload reductions caused by changes in state eligibility rules, but the legislation places the burden of proving that caseload reductions have been caused by eligibility rule changes — rather than by effective state work programs — on the Secretary of Health and Human Services. In a number of cases, HHS may find it difficult to prove that eligibility changes have caused caseload declines.

It should be noted that even states that do not constrict their eligibility criteria may see the requirements to place substantial portions of their caseloads in work programs eased substantially during the next few years. AFDC caseloads have been falling recently; currently, all but two states have smaller AFDC caseloads than in fiscal year 1995. As a result, although the bill says states are supposed to place 25 percent of their caseloads in work programs in 1997, some 29 states actually will have to place fewer than 20 percent of their caseloads in work programs in the coming year.

Child Care

The legislation eliminates three current child care programs and replaces them with a single child care block grant. The programs that would be replaced are: the program which funds child care assistance for AFDC families that work or are participating in a work or training program; the "at-risk" child care program for working poor families that are at risk of slipping onto the AFDC rolls if they do not receive child care assistance; and the child care program that assists families making the transition from welfare to work.

- Under the prior law, AFDC parents with young children who needed child care assistance in order to work or participate in work or training programs were entitled to such assistance, with the costs states incurred in providing such assistance being supported by the federal government on an open-ended entitlement basis. The federal government provided states with matching funds for these child care costs, with no limit on the federal matching funds a state could receive. The new legislation repeals the entitlement of such families to child care assistance. It also repeals the open-ended federal matching structure and caps the federal child care funding each state can get. To be sure, the legislation prohibits states from imposing a sanction on families with children under the age of 6 if the parent in the family cannot participate in work or training programs because affordable child care is not available. But a parent who cannot participate in a work or training program because of a lack of child care assistance still may reach a time limit and be cut off aid. Thus, such a parent could be cut off without having had access to work preparation assistance.

- Similarly, prior law provided a guarantee — or entitlement — to transitional child care assistance for families in their first year after having left AFDC for employment. Here, too, the federal government provided matching funds to states for this assistance on an open-ended entitlement basis. The new legislation repeals both the entitlement of these families to transitional child care aid and the entitlement of states to these open-ended federal matching funds.

- The legislation replaces these two open-ended funding mechanisms — along with the federal funding provided under the "at risk" child care

The Child Care Funding Structure

There has been much confusion around the issue of child care funding under the welfare bill, with some claiming the bill *increases* child care funding relative to current law. Such claims are a bit misleading.

As noted, the bill would convert two currently open-ended funding streams — child care for AFDC recipients who work or participate in a work or training program and "transitional child care" for those who have just left welfare for work — into a block grant with capped funding. Under the open-ended programs, states have been permitted to draw down as much child care funding as they needed. Under the new child care block grant structure, states will be permitted only to draw down a capped level of funding. The bill thus limits the amount of child care funding states may draw down.

States would have spent less on child care under the old law than they are projected to spend under the new legislation. This is the basis used by those who argue the bill increases child care resources. The "increase," however, is due to the increased *need* for child care created by the bill's greatly expanded work requirements. If the bill's work requirements were put in place and complied with and the child care programs were *allowed to remain open-ended matched programs,* the amounts that states could spend on child care would be higher than the level of funding the bill provides.

In short, transforming open-ended entitlement programs to a block grant that caps the level of resources that states can draw upon for child care assistance does not represent a liberalization of child care funding.

program, which already was capped — with a new child care block grant. The block grant contains more funding than CBO projects states would have received under the three child care programs being replaced; the child care block grant also contains more child care money than would have been provided under the welfare bill President Clinton vetoed in January. But this does not mean the new bill reduces unmet needs for affordable child care. As noted, the legislation requires states to place much larger numbers of recipients in jobs or work programs than states would have placed under prior law. As a result, the legislation greatly increases the need for child care.

Beginning in 1999, the Congressional Budget Office projects that the child care funding in the bill would fall short of what would be needed both to meet the bill's work requirements and to maintain current levels of child care assistance for low-income working families not receiving assistance funded by the TANF block grant. If states meet the bill's work requirements by placing parents in work programs rather than by reducing caseloads, child care funding will, by 2002, fall $1.8 billion short of what would be needed to meet the work requirements while maintaining the current law child care commitment to the working poor. On the other hand, if states fail to meet the work requirements, meet the requirements in part by cutting caseloads rather than placing parents in work programs, or escape the requirements through the use of waivers, the child care funding shortfall might not materialize. CBO forecasts that states will not draw down all the federal child care funding available to them under the legislation.

The Effect of Waivers on Implementation Requirements

States that are currently operating their AFDC program under a federal waiver, as well as states that secure approval from the Secretary of Health and Human Services for a pending or new waiver request prior to the date of enactment of the welfare bill, can operate their welfare programs under the terms of these waivers until their waivers expire.[5]

The bill specifically provides that the requirements the bill places on the program a state operates with federal block grant funds shall not apply to the extent such amendments are inconsistent with a state's waiver. The bill does not elaborate on how to evaluate whether a waiver is inconsistent with a provision in the bill, nor does it specify who has the authority to make this judgement. It is unclear how this language will be interpreted and whether states that are currently operating their program under a federal waiver will have to meet the work requirements as well as other requirements outlined in the bill. Many states may try to argue that their waivers envision a work program different from the one mandated under the bill.

It does appear, however, that states with waivers will not be required to change their systems to conform with *all* of the features of the bill to the extent that the state's waiver already addresses the issue. For example, if a state has already imposed a time limit on the receipt of aid and has adopted exemptions and extensions applicable to its time limit, it would appear that the 20 percent cap on exemptions to the sixty-month time limit would not have to apply to that state.

Basic Protections for Children

States will, as noted, have broad discretion to maintain, broaden or substantially curtail eligibility for basic income assistance for any category of poor families with children. States can choose to deny aid to families with teen parents, for example.

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[5] States that have applied for a waiver prior to enactment of the bill and whose waivers are approved after enactment of the bill but prior to the bill's implementation also may follow the terms of those waivers, except that these states must comply with the work requirements in the bill.

States also will, once again, be permitted to deny aid to two-parent families. All current federal rules governing AFDC eligibility criteria, application procedures and the appeal process are repealed.

The legislation contains a provision directing states to include objective criteria for determining eligibility and treating families equitably in their "state plans," the documents that states must prepare describing the programs they will fund under the block grant. States also must include a description in their state plan of how recipients adversely affected under the program can appeal such actions. But the legislation prohibits the U.S. Department of Health and Human Services from taking any action if a state either fails to set objective or equitable rules for its program. The legislation even bars HHS from acting if a state fails to follow its own rules for its new program.

Medicaid Rules Affecting AFDC Families

Children and parents who receive AFDC are automatically eligible for Medicaid under current law. Since the block grant eliminates any *guarantee* that these children and parents would be eligible for assistance under the TANF block grant, their Medicaid coverage also could have been placed at risk. Without specific provisions to prevent loss of Medicaid coverage, many children over age 13 and parents who lose assistance due to time limits or other welfare restrictions imposed under the block grant would have lost Medicaid coverage at the same time.[6]

This risk of loss of Medicaid coverage was averted, however, by changes made in the welfare legislation in its final weeks. The legislation was amended to require states to provide Medicaid coverage to all families that meet their state's July 1996 AFDC income and asset standards, as well as those AFDC rules that limited AFDC primarily to single-parent families (i.e., the "deprivation" rules). Under the new bill, eligibility for Medicaid thus is linked to a state's AFDC rules in these areas as of July 1996 and *not* to receipt of aid under the new TANF block grant.[7] This change assures that several million parents and older children continue to receive Medicaid regardless of the changes a state makes in its welfare programs. The bill also maintains transitional

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[6] Children under 13 would not be affected because under federal Medicaid law, children born after September 30, 1983 whose family income is below the federal poverty line must be covered under Medicaid without regard to their eligibility for welfare.

[7] States will be permitted, however, to terminate Medicaid for any adult whose cash aid under the TANF block grant is terminated due to a refusal to work. Children and pregnant women are exempt from this provision. It is unclear in this context precisely what "refusal to work" will mean; the Secretary of Health and Human Services may need to issue guidance clarifying this issue.

Medicaid assistance, which provides coverage when families find employment or secure child support.[8]

[8] Eligibility for transitional Medicaid will be triggered whenever a family's income from earnings or child support places it above the income standards for Medicaid eligibility which will be based on the state's former AFDC income eligibility thresholds. For those families that are placed above the income standards due to increased child support income, eligibility for transitional Medicaid will be limited to four months; those families that surpass the income limits due to increased earnings will be eligible for up to 12 months of transitional Medicaid as under prior law.

Under the new law, eligibility for regular Medicaid coverage will *not* depend on receipt of block grant assistance but will instead be based on the income eligibility standards of states' former AFDC programs. Similarly, when a family becomes ineligible for Medicaid coverage under the new law due to increased earnings or child support income, it becomes eligible for transitional Medicaid, regardless of whether the family received assistance under the block grant.

III. Food Assistance

Half of the bill's spending reductions come from the food stamp program. Including reductions in food stamp benefits for legal immigrants, the food stamp cuts total $27.7 billion over six years.[9] Although the final bill eliminated the option for states to convert the food stamp program to a block grant, it replaced that option with deeper cuts in the regular food stamp program. The food stamp cuts in the bill are $9 billion — or 47 percent — deeper than those contained in the Administration's welfare proposal.

When fully implemented, the bill would slice food stamp benefits almost 20 percent, the equivalent of reducing the average food stamp benefit from its current level of 80 cents per person per meal to 66 cents per person per meal (in 1996 dollars). A substantial portion of the food stamp benefit reductions come in the form of across-the-board benefit cuts that will affect all recipients, including families with children, the working poor, the elderly, and the disabled. Only about two percent of the food stamp

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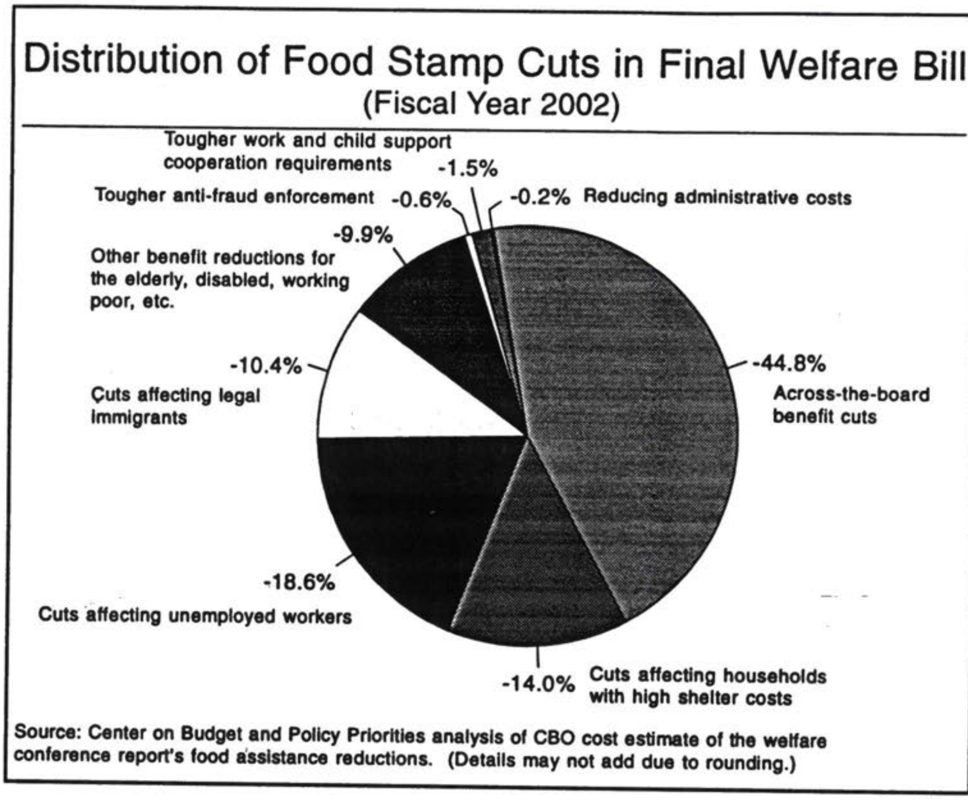
[9] This total includes $3.8 billion in cuts in food stamp benefits for legal immigrants and their families, $3.7 billion of which are in the immigrant title of the bill. This total also includes $345 million in reductions from freezing the food stamp standard deduction for fiscal year 1997. This standard deduction cut appears both in the welfare legislation and in the agricultural appropriations bill for fiscal year 1997. Because Congress gave final passage to the agricultural appropriations bill shortly before the welfare bill, CBO has attributed the $345 million in savings from this cut to the appropriations bill and has not included it in the CBO tables showing the savings in the welfare bill. Either way, however, food stamp households will feel the effect of this cut. The aggregate figures for the bill's spending reductions used in this analysis include the effect of freezing the standard deduction in fiscal year 1997.

The $27.7 billion figure excludes the effect of a provision in the bill that increase food purchases for The Emergency Food Assistance Program (TEFAP) by $600 million over six years. If the TEFAP increase is included, the net reduction in food stamps and TEFAP is $27.1 billion. The net reduction, excluding the food stamp cuts in the immigrant title of the bill and the increased funding for TEFAP, is a little over $23 billion, a figure sometimes cited for the food stamp reductions in the bill.



savings in the bill come from provisions to reduce fraud and abuse, impose tougher penalties on recipients who violate program requirements, or reduce administrative costs.

Children and very poor families will be among those significantly affected, since they are the program's primary beneficiaries. About two-thirds of the benefit reductions will be borne by families with children. In 1998, the first full year the cuts will be in effect, the nearly seven million families with children that receive food stamps will lose an average of $435 in food stamp benefits.

Working poor families also will be affected. The 2.3 million food stamp households with a worker will lose an average of $355 in 1998, rising to $465 a year by 2002.

Hardest hit are the poorest of the poor — those with incomes below *half* of the poverty line (below $6,250 for a family of three). They will absorb 50 percent of the food stamp cuts in the bill. In 1998, they will lose an average of $655 per year in food stamp benefits. By 2002, these households will lose an average of $790 per year.

The elderly would be adversely affected as well. The 1.75 million low-income elderly households receiving food stamps would lose about 20 percent of their food stamp benefits.

Food Stamp Cut Affecting the Unemployed

Among the food stamp cuts in the bill is what is probably the single harshest provision written into a major safety net program in at least 30 years. The provision limits food stamps to most unemployed individuals between the ages of 18 and 50 who are not raising minor children to three months while unemployed out of each 36-month period and allows no hardship exemptions to this limit. After three months, these individuals can continue receiving food stamps only if they are working at least half-time or in a workfare or training slot. The bill provides no new money for workfare or training slots, however, which are quite scarce in the food stamp program.

CBO estimates that in an average month, *one million jobless individuals who are willing to work and would take a work slot if one were available would be denied food stamps under this provision* because they cannot find work and no workfare slot is available. This provision marks the first time in the history of the food stamp program that individuals will be terminated from the food stamp program because no work opportunity is made available to them, not because they have refused to work.

USDA data show that more than 40 percent of those who would be affected by this provision are women. Nearly one-third are over the age of 40, an age above which individuals with limited skills often have difficulty finding jobs quickly, especially when unemployment is high. Many of these individuals qualify for no other benefits because they are not raising minor children; food stamps is the only safety net they have. The inclusion of this provision in the bill is one major reason that the poorest of the poor (i.e., those below half of the poverty line) are the group hit hardest by the bill's food stamp cuts.

Under the bill, unemployed individuals who exhaust their three months of benefits and later find a low-wage job and remain poor will continue to be denied stamps until *after* they have worked one full month. Under some circumstances, an individual who has received food stamps for three months while jobless, subsequently finds employment, and then is laid off can receive a second three months of benefits while unemployed. Receipt of a total of six months of benefits while unemployed during the 36-month period is, however, the maximum allowed. CBO estimates that only about two percent of those affected will receive this second three-months of benefits.

This provision is far harsher than a provision in the welfare bill vetoed in January. The vetoed bill would have limited food stamps for unemployed individuals to four months out of each 12-month period.[10]

This provision can be suspended, upon request of a state, if the local unemployment rate surpasses 10 percent. That is a level of unemployment few areas of the country reach even during recessions. Of greater significance, states also may waive the provision, with USDA approval, for individuals who reside in an area that "does not have a sufficient number of jobs to provide employment for such individuals." It is not yet clear how this waiver authority will be applied.

This provision will cause hardship among individuals who have worked and paid their taxes but then lose a job due to a recession, a plant closing, or a company downsizing and cannot find a new job in three months. This provision is likely to hit particularly hard at unemployed workers in small towns or rural areas who lose their jobs when a plant closes, relocates, or downsizes, since there may be only a limited number of new employment opportunities in their area.

The Administration's welfare bill, the House bipartisan welfare bill (known as the Castle-Tanner bill), and the Senate Democratic welfare bill all would have limited food stamp assistance to this group of individuals to six months out of each year while unemployed but would have required that these individuals be offered workfare slots. People who refused to work would be terminated, but people would not be cut off without being given an opportunity to work. The final welfare legislation charts a very different course from that.

In other food stamp areas, the bill reflects a recommendation the governors made to remove a provision of the vetoed welfare bill that would have imposed a cap on federal food stamp expenditures and would have triggered additional across-the-board cuts in food stamp benefits if food stamp expenditures otherwise would have exceeded the cap. But the bill does not include the other principal food stamp recommendation the governors made. The bill vetoed in January would have repealed a provision enacted in 1993 — and scheduled to take effect shortly — under which some families with children that pay more than half of their incomes for housing were to receive a larger food stamp benefit in recognition of the limited funds they have left for purchasing food. The governors recommended retaining rather than repealing this provision, but the new bill largely ignores their recommendation. When announcing he would sign the welfare bill, President Clinton singled out this provision of the legislation as one that ought to be changed; Clinton said the food stamp provision

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[10] Under the provision in the vetoed bill, people finding work at low wages would have requalified immediately, and those who requalified but then lost their jobs would have been able to receive a second four-months of benefits while out of work.

enacted in 1993 that would benefit families with high housing costs ought to be retained rather than discarded.

States Permitted to Change Food Stamp Benefit Structure

Although, as noted, the final legislation does not allow states to convert the food stamp program to a block grant, it includes three other features that give states wide and unprecedented discretion to make changes in the food stamp benefit structure. The effect of these features is likely to be the emergence of substantial state-to-state differences in the program's structure.

First, the bill allows a state to make substantial changes in the rules used to determine the level of food stamp benefits provided to families that receive assistance under their state's TANF block grant. States will be allowed to use the same methods of defining income in their food stamp programs as they use in their TANF program. They also will be allowed to redesign the food stamp deduction structure for families receiving aid under the TANF block grant. States must continue to use the same food stamp maximum benefit level (i.e., the benefit level based on the thrifty food plan) and several other basic food stamp rules. USDA is required to approve a state's plan to make such changes, unless the changes are likely to increase federal costs.[11]

Second, the bill substantially expands food stamp waiver authority. Under the old law, USDA could waive administrative requirements that states found burdensome but generally could *not* grant a waiver that would result in a reduction in food stamp benefits for any group of households. The new waiver authority sweeps away that restriction and allows waivers of most, but not all, provisions of the Food Stamp Act. States will be able to use the waiver authority to make major changes in the food stamp benefit structure. The waiver authority covers *all* food stamp households, including those that do not receive aid under the TANF block grant.

The new provision distinguishes between statewide waivers and waivers that cover only a modest part of the state. No *statewide* waiver may cause more than five percent of a state's food stamp households to lose more than 20 percent of their benefits, excluding benefit losses resulting from noncompliance with a work or other behavioral requirement the state has established. Waivers that alter the benefit structure to such an extent that more than five percent of the households would lose more than 20 percent of

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[11] USDA may not disapprove a state's plan to make such changes to households in which all members receive assistance under the state's TANF block grant, unless the change is projected to increase federal costs. States must secure USDA approval for changes that affect "mixed households" (i.e., households in which some members receive aid under the block grant and some do not); USDA is not required to approve those changes.

their benefits can be mounted, but they may not cover more than 15 percent of the state's caseload. No waiver — whether statewide or limited to part of the state — may cause categories of households or individuals to be made ineligible for food stamps for reasons other than lack of compliance with a work or other behavioral requirement.

A number of states may use the new flexibility the legislation grants to make innovative changes in their food stamp programs. Nonetheless, the result is likely to be a food assistance safety net whose strength varies substantially from state to state and possibly from one group to another within a state.

Finally, the bill contains a range of new state options. States may terminate benefits for custodial parents who do not cooperate in collecting child support and for non-custodial parents who either do not cooperate with child support agencies or fail to make required child support payments. States will be allowed to impose more severe sanctions on those violating work requirements than the penalties federal law otherwise establishes. Also, a state can elect to *require* use of a "standard utility allowance" that it has established as a proxy for a household utility costs. Under the old law, households whose actual utility costs exceeded the standard utility allowance could have their actual bills used. (Utility costs are used in determining the amount of a household's food stamp shelter deduction.) Under the new legislation, states may decline to allow use of actual utility bills in such circumstances.

Child Nutrition Reductions

The welfare bill includes $2.9 billion in reductions in child nutrition programs. More than 85 percent of these reductions would come in the Child and Adult Care Food Program, which primarily supports meals provided to children in child care centers and family day care homes. The bulk of these reductions would result from reduced federal support for meals served in family day care homes that are not located in a low-income area or operated by a low-income provider.

The family day care home component of this program is the sole part of any major child nutrition program that is not means-tested. Approximately two-thirds of the expenditures for this component of the program go to support meals served to children with family incomes exceeding 185 percent of the poverty line.

To avoid requiring family day care homes to implement a means test, which could prove administratively burdensome, the bill divides family day care homes into two categories: 1) those either located in low-income areas (defined as areas where at least half of the children have incomes below 185 percent of the poverty line) or operated by low-income providers (providers with incomes below 185 percent of the poverty line); and 2) those neither located in low-income areas nor operated by low-income providers. Homes in the first category will continue to receive current levels of federal support for the meals they serve. For homes in the second category, the meal reimbursements they receive will be cut approximately in half.

This represents a sharp reduction in support for homes in the second category, although the meal reimbursements they receive still will be substantially higher than the reimbursements the federal government provides for meals served to middle-income children in schools and child care centers. Homes that are in the second category but that serve some low-income children will be allowed, but not required, to administer a means test and to continue receiving the current rates of reimbursement for meals they serve to children with incomes below 185 percent of the poverty line.

All major Democratic and Republican welfare bills contained a similar provision. Most bipartisan and Democratic bills reduced the meal reimbursement rates for family day care homes in the second category by modestly smaller amounts than the final bill does, however.

The welfare bill also shaves reimbursement rates for meals served in the Summer Food Service Program for Children, which provides lunches and some other meals to children in low-income areas during summer months. On the one hand, summer food operators will receive as much as 20 cents less per lunch under the new bill than they currently get. On the other hand, the Summer Food Program has historically provided quite high levels of meal reimbursement; when the cut takes effect, summer food operations still will receive 16 cents to 17 cents more per lunch than schools receive for lunches served under the school lunch program during the regular school year.

The legislation barely touches the school lunch program. Its only change in this area is that federal reimbursement rates for school meals served to middle-income children will be rounded down to the nearest whole cent instead of being rounded to the nearest quarter cent (e.g., a school might receive 17 cents rather than 17.5 cents in federal funding for such a meal). This effectively reduces federal support an average of one-half cent per lunch for children with average incomes of about $50,000 a year. It should have no noticeable effect on the school lunch program.

The final legislation drops a provision included in the vetoed bill that would have given seven states the option of converting the school lunch and breakfast programs to block grants on a demonstration basis. That provision likely would have had little appeal to states since it would have required any state opting to participate in the block grant demonstration to accept large and growing funding cuts while offering those states less than full flexibility. It is unclear any state would have volunteered. The governors themselves recommended dropping the provision for this block grant demonstration, and the provision was removed from the bill.

IV. Denying Assistance to Legal Immigrants

The new welfare bill cuts benefits for immigrants by more than $22 billion. All of these savings come from denying benefits to *legal* immigrants. As noted, illegal immigrants already are ineligible for most major entitlement programs.

Most poor legal immigrants will be denied aid provided under basic programs such as the Supplemental Security Income program for the elderly and disabled poor, Medicaid, and food stamps. Language in the conference report accompanying the bill also would deny to legal immigrants the assistance provided under many smaller programs such as meals-on-wheels to the homebound elderly and prenatal care for pregnant women.

Among the most severe provisions are those that will affect the ability of poor elderly and disabled legal immigrants to receive SSI. The legislation makes all legal elderly and disabled immigrants — except for refugees and asylees during their first five years in the country and a few other very small groups of legal immigrants — ineligible for SSI in most cases until they become U.S. citizens.[12] For many poor immigrants who are old or disabled and can neither work nor, given their age or physical or mental condition, learn all that is necessary to obtain citizenship, this is tantamount to a denial of benefits for the rest of their lives. Nearly half a million

[12] Another small category of immigrants similar to refugees and asylees, persons granted "withholding of deportation," also are exempt during their first five years in the United States. In addition, the bill also exempts legal immigrants who are active duty members of the United States Armed Forces or honorably discharged U.S. veterans and their spouses and unmarried dependent children. Finally, the bill creates a narrow exemption for immigrants who have worked 40 quarters — 10 years — in this country. For any quarter after 1996 to count, an immigrant must not have received any federal means-tested benefits during that quarter.

current elderly and disabled beneficiaries who are legal immigrants will be terminated from the SSI program in the months ahead.

The food stamp restrictions are identical to the SSI provisions. All legal immigrants, except refugees and asylees in their first five years here and a few other small groups of immigrants, are made ineligible for food stamps until they become citizens. The welfare bills that both the House and Senate passed in 1995 would have exempted very old legal immigrants and severely disabled legal immigrants from this ban on food stamp receipt, but the final bill contains no such exemptions. Such immigrants will have both their SSI and their food stamps terminated.

These harsh SSI and food stamp restrictions will affect substantial numbers of legal immigrants with no other sources of support. Most indigent elderly and disabled immigrants who are here legally but have no sponsor will be denied SSI and food stamps. So will poor elderly and disabled immigrants whose sponsor has died or become impoverished. And while the vetoed bill would have given poor legal immigrants currently receiving assistance one year to find other means of subsistence before cutting off their SSI and food stamp benefits, the final legislation cuts these individuals off more rapidly than that.

The new welfare bill also denies Medicaid coverage to many legal immigrants. Except for refugees, asylees, and a few others, immigrants entering the country after the date the bill is signed will be ineligible for Medicaid for five years, with states having the option to extend this Medicaid ban for a longer period. The Congressional Budget Office estimates that by 2002, approximately 260,000 elderly legal immigrants, 65,000 disabled people, 175,000 other adults, and 140,000 children who would be eligible for Medicaid under current law will be denied it under these provisions of the new legislation. Most of these individuals are likely to have no other health insurance. Among those who will be affected by these Medicaid restrictions are poor legal immigrants who become disabled after entering the country, are unable to continue working, and cannot afford what will be prohibitively expensive private insurance policies given their medical conditions.

Many legal immigrants already in the country also will lose Medicaid. Many poor elderly and disabled individuals receive Medicaid as a result of receiving SSI. When these immigrants are cut off SSI, many will lose Medicaid eligibility as a consequence.

In addition, the legislation gives states the option of denying Medicaid to legal immigrants already in the country (except recently arrived refugees and asylees and a few other narrow categories). On January 1, 1997, states may begin terminating coverage to these additional groups of legal immigrants currently receiving Medicaid.

The legislation's rules for legal immigrants under the TANF block grant are identical to its restrictions on their eligibility for Medicaid. Those entering the country after the bill is enacted are ineligible for aid under the TANF block grant for five years, with states having the option of making the period of ineligibility longer. States also have the option of making legal immigrants already in the country ineligible for aid under the TANF block grant and setting the period of ineligibility at whatever duration they choose.

The bill creates state options for the treatment of immigrants in other areas as well. For example, the bill gives states the option of making some categories of legal immigrant pregnant women and children — and all illegal immigrant pregnant women and children — ineligible for WIC. (Currently, this is one of the few programs for which poor illegal immigrants may qualify.) But states that elect this option will have to bear additional state costs.

An extensive body of research demonstrates that the provision of WIC benefits to pregnant women sharply reduces the incidence of low birthweight and, as a result, significantly reduces Medicaid costs after birth.[13] If immigrant women are denied WIC during pregnancy, Medicaid and other government programs are likely to end up paying substantial sums for Medicaid and related services needed by children who are born at a low birthweight due to denial of WIC assistance. These children will be entitled to Medicaid — they will be U.S. citizens since they will have been born on U.S. soil. As a result, states that elect to deny WIC to these immigrants are likely to lose federal WIC dollars while incurring higher state costs in their Medicaid programs.

Finally, the legislation gives state and local governments broad authority to deny assistance to legal immigrants under state and local programs. State and local governments also would be prohibited from using their own funds to provide many kinds of assistance to *illegal* immigrants and to some small categories of legal immigrants.

[13] The General Accounting Office estimated in 1992, based on an exhaustive review of the research literature, that each dollar expended on WIC services for pregnant women averts approximately $3.50 in subsequent costs, primarily because it lessens the need for costly intensive health care after birth by reducing the incidence of low-weight births.

V. Supplemental Security Income for Disabled Children and Other Provisions

The vetoed welfare bill would have made two major changes in the SSI program that would have affected disabled children. First, the bill would have denied SSI benefits completely to a large number of children who qualify as disabled under current guidelines. Second, it would have reduced benefits by 25 percent to most of those disabled children who remained on the program.

The new bill contains the first set of changes but drops the second — it substantially reduces the number of disabled children receiving benefits but does not reduce benefit levels for those remaining on the program.

The Congressional Budget Office estimates that by 2002, some 315,000 low-income children who would qualify under current law will be denied SSI. This represents 22 percent of the children who would qualify under the old law. The bill reduces the total benefits the program provides to disabled children by more than $7 billion over the next six years.

The bill achieves these results by restricting the types of disabilities that will enable a child to qualify for SSI. In some instances, the same disability that will qualifies an adult for SSI will not be sufficient to qualify a child for benefits. Among the children most likely to lose benefits are those suffering from multiple impairments, no one of which is severe enough to meet the more stringent disability criteria established by the bill, but the combined effect of which is substantial.

There is widespread agreement that the criteria for determining whether children are sufficiently disabled to qualify for SSI should be tightened. The legislation, however, goes well beyond the steps needed to address the problems that have been demonstrated. A National Academy of Social Insurance panel reported last year, in an exhaustive study it conducted of the children's SSI program, that while "eligibility criteria need to be strengthened, ... allegations of widespread inappropriate allowances are not substantiated and sharp cuts in the current rolls are not warranted."[14]

The Academy proposed three specific changes: eliminating "maladaptive behavior" as a separate element in assessment of children's disability, increased use of standardized tests to measure mental disorders, and restructuring individual functional assessments of children's disability under criteria that would better balance mental and physical impairments. The changes the bill makes go far beyond the Academy's measured proposals.

Other Changes

The bill also makes changes in the Social Services Block Grant and the Earned Income Tax Credit. The bill reduces federal funding for the Social Services Block Grant by 15 percent, from $2.8 billion per year to $2.38 billion per year. The bill also includes a series of small changes in the Earned Income Tax Credit, largely recommended by the Clinton Administration. These changes are designed to reduce EITC errors and curtail EITC receipt by those whose income is appears low as a result of "paper" losses in income. The EITC changes in the welfare bill do not include any of the controversial EITC cuts from last year's reconciliation bill that would have caused hardship for needy low-income working households.

[14] National Academy of Social Insurance, *Restructuring the SSI Disability Program for Children and Adolescents* (May 1995), pp. 32-33.

VI. Conclusion

The overriding effect of the legislation is likely to be a large increase in poverty, especially among children and legal immigrants. The effect of a block grant structure that only partially responds to increases in need, combined with reductions in federal resources, options for states to reduce benefits and services in various ways, and fiscal incentives for states to withdraw substantial amounts of state funding from income support and work programs, is likely to be that substantial numbers of poor families with children are left with inadequate assistance.

As noted, the Urban Institute projected the House version of the bill would push an additional 1.1 million children — and a total of 2.6 million people, including adults — into poverty.[15] Most children who would be pushed below the poverty line are in families that are already working; in most cases, their families would be pushed into poverty by the food stamp cuts or a loss of benefits because they are legal immigrants. The provisions of the House bill that were central to the Urban Institute's analysis were changed only slightly in the final legislation.

In addition to increasing the number of children who are poor, the bill will make many children who already are poor still poorer. The Urban Institute study estimated the House bill would increase the "poverty gap" — the measure of the amount of income needed to lift all poor families to the poverty line — by *one-fifth* for poor families with children. No piece of legislation in U.S. history has increased the severity of child poverty so sharply.

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[15] As noted above, in the Urban Institute's analysis, the income measure used included the value of noncash benefits such as food stamps and the earned income tax credit.

Other groups among the poor — including the working poor, the elderly and disabled, and legal immigrants — stand to lose as well. For some, the safety net will grow weaker. For others, especially poor legal immigrants and poor unemployed adults not raising minor children, much or all of the safety net is eliminated.

A recent international study found that while the average income of affluent U.S. children is higher than that of affluent children in all other western industrialized nations, the average income of poor children in the United States is already lower than that of poor children in 15 of the other 17 western nations studied. It is against this backdrop that the welfare bill — and its expected effects in increasing the extent and depth of child poverty — should be considered. This is one international competition in which the United States can not take pride in its performance.

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THE PRESIDENT HAS SEEN
8/22/96

PG Post-Gazette 8/15/96
P. A14
Editorial

Taxing the truth

Despite GOP rhetoric, Clinton's tax hike targeted the rich

Political conventions are full of red meat and partisan posturing. That's part of the game. And so, as the Republicans meet in San Diego, it is only natural that an inordinate amount of attention is being paid to Bill Clinton's unfulfilled promises and his penchant for changing his mind.

Democrats would filter the same information through quite a different lens — that's why they call it a two-party system.

But in adopting as a theme Bill Clinton's "biggest tax increase in history," Republicans have veered away from political spin and ventured into the realm of the Big Lie.

"We know people are having trouble just staying afloat, and it's easy to see why," said Susan Molinari in the convention's keynote address. "Bill Clinton passed the largest tax increase in history and now Americans pay almost 40 cents of every dollar they earn in taxes. The most ever."

No listener would suspect from that verbal wizardry that only the richest 1.2 percent of Americans saw their income tax rates rise under the bill. (Well-off Social Security recipients also had to pay tax on more of their benefits.) Nor would that listener guess that the hardest pressed bottom 16 percent of taxpayers got a break.

The only way it may have affected a family's ability to stay afloat was by reducing the money available for yacht payments.

The reason it is the biggest tax increase in history is that the richest 1 percent of Americans have a greater concentration of wealth than at any time in the past half century. When Bill Clinton and the Democrats in Congress raised their taxes without providing loopholes for clever accountants to exploit, the result was a serious increase in the amount of money flowing into federal coffers and a serious reduction in the deficit.

Single people with adjusted incomes over $115,000 (that means a gross income of about $140,000) and married couples with adjusted incomes over $180,000 saw their taxes go up from 31 percent to 36 percent. Those with incomes over $250,000 pay a marginal rate of 39.6 percent. (Bob Dole's proposed across-the-board tax cut would roll back the rates on the rich to pre-Clinton levels.)

Middle-income families did have to pay an additional four cents a gallon in gas tax, or about $36 a year. We doubt that stretched many of them to the breaking point.

Those are the facts. But as the Republicans in San Diego repeat "the biggest tax increase in history" in mantra-like fashion, they don't worry about the messy details. Perhaps truthfulness is not atop [illegible] family values.

14

THE WHITE HOUSE

WASHINGTON

August 21, 1996

Frankie Salazar
c/o Children's Hospital
Pediatric Critical Care Unit
1056 East 19th Avenue
Denver, Colorado 80218

Dear Frankie:

I heard about your surgery and just wanted to say how proud I am of you for being such a fighter.

Keep your chin up -- we'll be pulling for you!

Sincerely,

Bill Clinton

The President wants Mike & Don Baer to know about this & have a copy. ~~Send~~ Send one to Ann Lewis, too.

Lake County Intermediate School

1000 West Sixth Street
Leadville, Colorado 80461
phone 719/486-2565

Maureen
Do note to Frankie

Principal
RUDY F. MALESICH

Assistant Principal
SUSAN B. HENDERSON

August 16, 1996

Dear Cookab,

As per our phone conversation I am faxing you this information concerning Frankie Salazar's surgery because Frankie asked that we let President Clinton know.

Frankie underwent serious surgery on August 8th to straighten his spine. The surgery was long and he is now in the critical care unit. It will be a month or more before he can return to school.

Cookab, Frankie's meeting with the President changed his entire outlook on life. We are tremendously proud of the fact that not a month goes by without The White House checking on Frankie's welfare! Frankie was surprised beyond belief to receive the two additional gifts and personal messages from President Clinton and he treasures them deeply. He feels very special because of the caring and unselfish attention he has received from the President. When we tell this incredible story about this ten year old now full of hope because of the exceptionally caring man in the White House, it brings tears to the eyes of both young and old and immediately reaffirms or converts their support to President Clinton.

Would you please see that the President gets this information? Frankie will be happy to hear that he got the message. The address and phone number for the hospital is as follows:

Childrens' Hospital
1056 East 19th Avenue
Denver, CO 80218
(303) 861-8888
Pediatric Critical Care Unit

Thanks for all of your help, Cookab! It was great talking to you again.

Sincerely,

Rudy F. Malesich

Rudy F. Malesich

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Bob Bach

Fax Number: 305-0134 **Phone Number:** 514-3242

FROM: T. Stern

SUBJECT: Naturalization

DATE: 8/22/96

NUMBER OF PAGES (including cover sheet): 4

MESSAGE:

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE ATTORNEY GENERAL
THE SECRETARY OF HEALTH AND HUMAN SERVICES
AND OTHER HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Naturalization

Citizenship is the cornerstone of full participation in our democracy. To become a United States citizen through naturalization represents a pledge to undertake the responsibilities of being a full member of our national community.

Naturalization is the best example of our legal immigration system at work. It reflects our society's recognition of those who came to this country to work hard, play by the rules, and pursue shared ideals of freedom, opportunity, and responsibility.

In the past, hundreds of thousands of eligible people have had to wait unnecessarily to become citizens. In some parts of the country, these people have had to wait well over a year after filing their application to realize their dream of United States citizenship.

This Administration is committed to eliminating the waiting lists of those eligible for citizenship. To accomplish this, we launched "Citizenship U.S.A.," the most ambitious citizenship effort in history. In fiscal year 1996, the Immigration and Naturalization Service (INS) will spend more than $165 million for naturalization.

Citizenship U.S.A. combines three broad strategies: hiring more people to handle applications, improving the naturalization process, and expanding partnerships with local officials and community organizations.

We are already making progress. We have increased the staff 235 percent in the five districts with 75 percent of the pending applications: Los Angeles, New York, Miami, San Francisco, and Chicago. In Los Angeles, where one-fourth of all new applications are filed, we have opened three new processing centers and have more than quadrupled the number of INS officers handling citizenship applications.

But this is just the beginning. This Administration's target is to process and swear-in within 6 months of application all individuals eligible for citizenship. As we meet this target, more than one million newcomers will become citizens by the end of this year. After that, INS shall maintain those reforms necessary to stay current with the demand of new citizen applicants.

Using all of the tools at your disposal, I ask you to ensure that policies and practices necessary to accomplish these targets of one million new citizens sworn-in and the elimination of the waiting list are implemented. This includes continuing, expanding or accelerating, as appropriate and practicable, the following:

1) New Hires. Hiring, training, and deployment of full staff to assist naturalization efforts should proceed to completion as quickly as possible.

2) Cutting Red Tape. This includes: establishing electronic filing and mailing-in of citizenship applications, extended weekday hours and Saturday interviews, further expansion of processing facilities, and improvements to make it easier for people to obtain forms and get immigration information by telephone or computer.

3) Working with Local Officials and Community-Based Groups. We are working in partnership with local officials and community groups to expand outreach. I direct you to expand these efforts ~~to work with local officials and groups~~ to help get naturalization information to people, assist them in filling out applications, offer more local sites for interviews, especially for the elderly and the homebound, and seek other means to jointly facilitate the process. We also will ~~seek to work with State and local governments and organizations~~ to expand the availability of local hotlines providing naturalization information. work

4) English Training. To assist legal immigrants move toward citizenship, ~~and new citizens expand job skills and maintain self-sufficiency,~~ I request relevant agencies to work with the Domestic Policy Council, the National Economic Council, and other White House offices to present to me by December 30, 1996, a report ~~describing opportunities to establish~~ public/private efforts to teach English to those ~~waiting to learn or~~ improve

needing to

~~and~~ making recommendations with respect to their English-language skills. This report should consider possible roles by private companies, educational institutions, unions, community organizations, and the AmeriCorp program to accomplish this goal.

5) <u>Interagency Outreach</u>. I direct each executive department and agency to take steps to promote naturalization outreach consistent with your agency's mission. In particular, in materials sent to welfare recipients concerning eligibility, I direct that, to the extent authorized by law, you include naturalization information.

6) <u>Refugees and Asylees</u>. Those who flee persecution and suffering in their home country are often in the weakest position to acquire the skills they need to enter the job market, maintain self-sufficiency, and achieve U.S. citizenship. I direct the Secretary of Health and Human Services, in conjunction with other agencies as appropriate, to present to me by December 30, 1996, through the Domestic Policy Council, # a report setting out a strategy of additional steps that we can take to promote social adjustment in the United States, economic self-sufficiency, and naturalization.

In taking these steps, this Administration shall maintain and strengthen the standards and requirements of the naturalization test that demonstrate an individual's readiness to accept the responsibilities of citizenship and full participation in our national community. You are directed to continue vigilant oversight to preserve these standards.

Hundreds of thousands of people are seeking the dream and the promise of American citizenship. They have worked to become United States citizens, and these steps should ensure that they are not made to wait unnecessarily.

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THE WHITE HOUSE
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OFFICE OF THE STAFF SECRETARY

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TO: Bob Damus

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Phone Number:

FROM: Todd Stern

SUBJECT:

DATE: 8/22/96

NUMBER OF PAGES (including cover sheet):

MESSAGE: 51005

Damus out of town until day after Labor Day

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MEMORANDUM FOR THE ATTORNEY GENERAL
SECRETARY OF HEALTH AND HUMAN SERVICES
AND OTHER EXECUTIVE DEPARTMENT HEADS

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Naturalization is the best example of our legal immigration system working. It reflects our society's recognition of those who came to this country to work hard, play by the rules, and pursue shared ideals of freedom, opportunity and responsibility.

In the past, hundreds of thousands of eligible individuals have had to wait unnecessarily to become citizens. In some parts of the country, these individuals have had to wait well over a year after filing their application to realize their dream of United States citizenship.

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But this is just the beginning. This Administration's target is to process and swear-in within six months of application all individuals eligible for citizenship. As we meet this target, more than one million newcomers will become citizens by the end of this year. After that, INS shall maintain those reforms necessary to stay current with the demand of new citizen applicants.

Using all of the tools at your disposal, I ask you to ensure that policies and practices necessary to accomplish these targets of one million new citizens sworn-in and the elimination of the waiting list are implemented. This includes continuing, expanding or accelerating, as appropriate and practicable, the following:

1) New Hires. Hiring, training and deployment of full staffing to assist naturalization efforts should proceed to completion as quickly as possible.

2) Cutting Red Tape. This includes: establishing electronic filing and mailing-in of citizenship applications, extended weekday hours and Saturday interviews, further expansion of processing facilities, and improvements to make it easier for people to obtain forms and get immigration information by telephone or computer.

3) Working with Local Officials and Community-Based Groups. We are working in partnership with local officials and community groups in naturalization to a degree never before accomplished. In Los Angeles, for example, INS hosts weekly meetings with various community groups to expand outreach and we are working in cooperation with the County of Los Angeles. Accordingly, I direct you to expand our efforts to work with local officials and groups to leverage our resources to help get naturalization information to people, assist them in filling out applications, offer more local sites for interviews, especially for the elderly and the homebound, and seek other means to jointly facilitate the process. We also will seek to work with state and local governments and community-based groups to expand the availability of local hotlines dedicated to providing easily-accessible naturalization information.

4) English Training. To assist legal immigrants move toward citizenship and new citizens expand job skills and maintain self-sufficiency, I request relevant agencies to work with the Domestic Policy Council, the National Economic Council, and other White House offices to present to me by December 30, 1996, a report describing opportunities to establish public/private cooperative efforts to teach English to the many individuals waiting to learn or improve their English-language skills. This report should consider possible roles by private companies, educational institutions, unions, community organizations, and the Americorp program to accomplish this goal.

5) Interagency Outreach. I direct each Executive agency to take steps to promote naturalization outreach consistent with your agency's mission. In particular, I direct that you include naturalization information to current recipients of benefits or services in material distributed concerning welfare reform eligibility redetermination.

x to the extent authorized by law,

6) <u>Refugees and Asylees</u>. Those who flee persecution and suffering in their home country are often in the weakest position to acquire the skills they need to enter the job market, maintain self-sufficiency and achieve U.S. citizenship. I direct the Secretary of the Department of Health and Human Services, in conjunction with other agencies as appropriate, to present to me through the Domestic Policy Council, a report by December 30, 1996 setting out a strategy of additional steps that we can take to promote social adjustment in the U.S., economic self-sufficiency and naturalization.

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THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

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TO: Mac Reed

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Phone Number:

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SUBJECT:

DATE: 8/22/96

NUMBER OF PAGES (including cover sheet): 4

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delivered by
undertaker

Staff See.

NSC
for
Reply

The Japan Research Institute, Limited

16 Ichibancho, Chiyoda-ku, Tokyo 102, Japan
Telephone: 03-3288-4611 Telefax: 03-3288-4688

KOJI YAMAZAKI
DEPUTY CHAIRMAN OF THE BOARD OF COUNSELORS

96 AUG 22 A 8 : 59

July 2, 1996

The President of the United States
Mr. Bill Clinton

Dear Mr. President,

I am writing to thank you most warmly for your very considerate letter dated June 7. I do not know how to thank you for doing this, in view of extremely tight schedules you have to follow and heavy responsibility you have to carry.

As a one who has long held a deep concern over the issues of ocean dumping of nuclear wastes by Russians and also possible explosions of Chernobyl and other most dangerous nuclear power plants, it was most reassuring to be informed in this way that the President of the United States shares deep concerns in, spares no efforts on, and indeed has a firm determination to solve, these global risks of mankind. So I, before anything else, wish to thank you most deeply.

Mr. President, I would like to take this opportunity to report to you that quite a high level international workshop on these very issues were held in mid June at Niigata, a northern city by the shore of the Japan Sea. It is the Global Partnership: A Multi-National Workshop on Nuclear Waste on and around The Sea of Japan, Sea of Okhotsk, and The North Pacific Ocean.

At that workshop, following the message by the U.S. Congressman Curt Weldon, I made my own presentation of tackling high level nuclear wastes (spent fuel) disposal issues and also twenty five nuclear power reactors issues even by utilizing the IMF's SDR in a manner that I wrote to you in my previous letter.

Quite a number of distinguished people, both from the Government and the private sectors of the United States, Russia and Japan, were present, with a few from Korea and Norway. The Russian Navy representatives were present, too.

Both Mr. Janos Radvanyi, the organizer and the CISS Director of the Mississippi State University, and also myself, were very pleased to find Russians seemed to have liked my proposal very much.

It is a blessing indeed that some noticeable progress is being made in the sphere of low level radioactive wastes management in Russia, and also your Administration's negotiations on storage of spent fuel in countries like Ukraine as well as G-7 negotiations on replacement of Chernobyl in Ukraine. At the same time, Mr. President, I could not help feeling that, in spite of some affirmative statements of President Yeltsin, Russian experts in charge are extremely concerned with the high level solid nuclear wastes (spent fuel) disposal issues, as storage facilities there seem to be full. (We, naturally, are much concerned with the handling and storage of spent fuel of nuclear submarines in the Far Eastern harbors of Russia).

They also seemed to be very concerned with the issues of replacing not only Ukrainian Chernobyl but also other Chernobyls as well as other most dangerous nuclear power reactors around that part of the world, totaling over twenty, by other energy sources.

I sincerely wish and pray that these important and pressing tasks for the whole human race be tackled and solved by the joint efforts of all industrial countries under a distinct and strong leadership of the United States.

Let me express once again my hearty thanks to you.

Last but not least, may I hastily add that we are now working hard to prepare for the Fourth Asian Gathering to be held at end August in Tokyo. We are hoping to have the honor of receiving a few Senators from the United States this year, as we were privileged to have had one distinguished United States Congressman as well as two State Senators last year.

May the Lord be with you in your important tasks ahead, and with my warmest personal regards,

Yours sincerely,

Koji Yamazaki

Koji YAMAZAKI
Deputy Chairman of the Board of Counselors
The Japan Research Institute, Limited

B. Reed 216
Rahm
J. Lew 252
L. Hans 253
B. Myers
E. Kagan
125

STATEMENT BY THE PRESIDENT

Today, I have signed into law H.R. 3734, the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996." While far from perfect, this legislation provides an historic opportunity to end welfare as we know it and transform our broken welfare system by promoting the fundamental values of work, responsibility, and family.

This Act honors my basic principles of real welfare reform. It requires work of welfare recipients, limits the time they can stay on welfare, and provides child care and health care to help them make the move from welfare to work. It demands personal responsibility, and puts in place tough child support enforcement measures. It promotes family and protects children.

This bipartisan legislation is significantly better than the bills that I vetoed. The Congress has removed many of the worst provisions of the vetoed bills and has included many of the improvements that I sought. I am especially pleased that the Congress has preserved the guarantee of health care for the poor, the elderly, and the disabled.

Most important, this Act is tough on work. Not only does it include firm but fair work requirements, it provides $4 billion more in child care than the vetoed bills -- so that parents can end their dependency on welfare and go to work -- and maintains health and safety standards for day care providers. The bill also gives States positive incentives to move people into jobs and holds them accountable for maintaining spending on welfare reform. In addition, it gives States the ability to create subsidized jobs and to provide employers with incentives to hire people off welfare.

The Act also does much more to protect children than the vetoed bills. It cuts spending on childhood disability programs less deeply and does not unwisely change the child protection programs. It maintains the national nutritional safety net, by eliminating the Food Stamp annual spending cap and the Food Stamp and School Lunch block grants that the vetoed bills contained. In addition, it preserves the Federal guarantee of health care for individuals who are currently eligible for Medicaid through the AFDC program or are in transition from welfare to work.

Furthermore, this Act includes the tough personal responsibility and child support enforcement measures that I proposed 2 years ago. It requires minor mothers to live at home and stay in school as a condition of assistance. It cracks down on parents who fail to pay child support by garnishing their wages, suspending their driver's licenses, tracking them across State lines, and, if necessary, making them work off what they owe.

For these reasons, I am proud to have signed this legislation. The current welfare system is fundamentally broken, and this may be our last best chance to set it straight. I am doing so, however, with strong objections to certain provisions, which I am determined to correct.

First, while the Act preserves the national nutritional safety net, its cuts to the Food Stamp program are too deep. Specifically, the Act reinstates a maximum on the amount that can be deducted for shelter costs when determining a household's eligibility for Food Stamps. This provision will disproportionately affect low-income families with children and high housing costs.

Second, I am deeply disappointed that this legislation would deny Federal assistance to legal immigrants and their children, and give States the option of doing the same. My Administration supports holding sponsors who bring immigrants into this country more responsible for their well-being. Legal immigrants and their children, however, should not be penalized if they become disabled and require medical assistance through no fault of their own. Neither should they be deprived of food stamp assistance without proper procedures or due regard for individual circumstances. Therefore, I will direct the Immigration and Naturalization Service to accelerate its unprecedented progress in removing all bureaucratic obstacles that stand in the way of citizenship for legal immigrants who are eligible. In addition, I will take any possible executive actions to avoid inaccurate or inequitable decisions to cut off food stamp benefits -- for example, to a legal alien who has performed military service for this country or to one who has applied for and satisfied all the requirements of citizenship, but is awaiting governmental approval of his or her application.

In addition to placing an undue hardship on affected individuals, denial of Federal assistance to legal immigrants will shift costs to States, localities, hospitals, and medical clinics that serve large immigrant populations. Furthermore, States electing to deny these individuals assistance could be faced with serious constitutional challenges and protracted legal battles.

I have concerns about other provisions of this legislation as well. It fails to provide sufficient contingency funding for States that experience a serious economic downturn, and it fails to provide Food Stamp support to childless adults who want to work, but cannot find a job or are not given the opportunity to participate in a work program. In addition, we must work to ensure that States provide in-kind vouchers to children whose parents reach the 5-year Federal time limit without finding work.

This Act gives States the responsibility that they have sought to reform the welfare system. This is a profound responsibility, and States must face it squarely. We will hold them accountable, insisting that they fulfill their duty to move people from welfare to work and to do right by our most vulnerable citizens, including children and battered women. I challenge each State to take advantage of its new flexibility to use money formerly available for welfare checks to encourage the private sector to provide jobs.

The best antipoverty program is still a job. Combined with the newly increased minimum wage and the Earned Income Tax Credit -- which this legislation maintains -- H.R. 3734 will make work pay for more Americans.

I am determined to work with the Congress in a bipartisan effort to correct the provisions of this legislation that go too far and have nothing to do with welfare reform. But, on balance, this bill is a real step forward for our country, for our values, and for people on welfare. It should represent not simply the ending of a system that too often hurts those it is supposed to help, but the beginning of a new era in which welfare will become what it was meant to be: a second chance, not a way of life. It is now up to all of us -- States and cities, the Federal Government, businesses and ordinary citizens -- to work together to make the promise of this new day real.

THE WHITE HOUSE,

August 22, 1996.

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Jack Lew

Fax Number: 51005 Phone Number:

FROM: T. Stern

SUBJECT:

DATE:

NUMBER OF PAGES (including cover sheet): 6

MESSAGE:

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96 AUG 22 A11:21

THE WHITE HOUSE

WASHINGTON

August 22, 1996

MEMORANDUM FOR LEON PANETTA

FROM: ELENA KAGAN EK

CC: GEORGE STEPHANOPOULOS

SUBJECT: WELFARE-RELATED DIRECTIVES

I am attaching, at Jack's request, two directives related to today's signing of the welfare bill. The first, as we discussed at yesterday's meeting, directs the Secretary of Agriculture to grant an automatic waiver allowing states to extend the certification periods of legal aliens. The second, which is much less substantive, directs the Attorney General to continue taking steps to improve the INS's ability to process naturalization applications. The first directive has been approved by all affected parties; the second still has some hoops to run through, but I don't expect any real problems. The written signing statement refers to both these actions in very general terms.

We need to make a decision about when (and, I suppose, whether) to release these directives. Jack's instinct is to do so this afternoon, sometime after the ceremony.

In addition to the above, two other executive actions -- one specifically authorized by the welfare bill -- may mitigate the impact of the bill on immigrants. You or others may wish to refer to these actions in the next few days.

The first is a proposed rule that the INS hopes to publish in the next week exempting people with certain disabilities from standard testing requirements for naturalization. Such a rule will allow certain people with disabilities to become citizens and thus escape the bill's limitations on providing benefits to aliens.

Second, the Attorney General, by the terms of the bill, may designate any non-means tested programs necessary to protect life and safety, from which aliens cannot be barred. Examples of programs that the AG will exempt include those providing crisis counseling and short-term shelter. The AG currently intends to sign this memo this afternoon.

August 22, 1996

MEMORANDUM FOR THE SECRETARY OF AGRICULTURE

SUBJECT: Eligibility of Aliens for Food Stamps

Under the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which I recently signed into law, aliens receiving food stamps as of the date of enactment will continue to receive benefits until recertification of their eligibility, which shall take place not more than one year after enactment of the law. The results of the an certification, including decisions as to ~~the~~ individual's immigration classification, veteran status, or work history, will determine whether the individual remains eligible for benefits under the Food Stamp Program. Implementation of these new procedures will pose a substantial challenge for all involved federal and state agencies. To ensure that eligibility determinations are made fairly, accurately, and effectively, I direct you to take the steps necessary under your authority to permit the state agencies to extend the certification periods of currently participating aliens, provided that no certification period is extended to longer than 12 months, or up to 24 months if all adult household members are elderly or disabled, and provided that in no event shall certifications be extended beyond August 22, 1997.

WILLIAM J. CLINTON
THE WHITE HOUSE

MEMORANDUM FOR THE ATTORNEY GENERAL
SECRETARY OF HEALTH AND HUMAN SERVICES
AND OTHER EXECUTIVE DEPARTMENT HEADS

SUBJECT: Naturalization

Citizenship is the cornerstone of full participation in our democracy. To become a United States citizen through naturalization represents a pledge to undertake the responsibilities of being a full member of our national community.

Naturalization is the best example of our legal immigration system working. It reflects our society's recognition of those who came to this country to work hard, play by the rules, and pursue shared ideals of freedom, opportunity and responsibility.

In the past, hundreds of thousands of eligible individuals have had to wait unnecessarily to become citizens. In some parts of the country, these individuals have had to wait well over a year after filing their application to realize their dream of United States citizenship.

This Administration is committed to eliminating the waiting lists of those eligible for citizenship. To accomplish this, we launched Citizenship U.S.A., the most ambitious citizenship effort in history. In FY 1996, the INS will spend more than $165 million for naturalization.

Citizenship U.S.A. combines three broad strategies: hiring more people to handle applications, improving the naturalization process, and expanding partnerships with local officials and community organizations.

We are already making progress. We have increased the staff 235% in the five districts with 75% of the pending applications: Los Angeles, New York, Miami, San Francisco, and Chicago. In Los Angeles, where one-fourth of all new applications are filed, we have opened three new processing centers and have more than quadrupled the number of INS officers handling citizenship applications.

But this is just the beginning. This Administration's target is to process and swear-in within six months of application all individuals eligible for citizenship. As we meet this target, more than one million newcomers will become citizens by the end of this year. After that, INS shall maintain those reforms necessary to stay current with the demand of new citizen applicants.

Using all of the tools at your disposal, I ask you to ensure that policies and practices necessary to accomplish these targets of one million new citizens sworn-in and the elimination of the waiting list are implemented. This includes continuing, expanding or accelerating, as appropriate and practicable, the following:

1) New Hires. Hiring, training and deployment of full staffing to assist naturalization efforts should proceed to completion as quickly as possible.

2) Cutting Red Tape. This includes: establishing electronic filing and mailing-in of citizenship applications, extended weekday hours and Saturday interviews, further expansion of processing facilities, and improvements to make it easier for people to obtain forms and get immigration information by telephone or computer.

3) Working with Local Officials and Community-Based Groups. We are working in partnership with local officials and community groups in naturalization to a degree never before accomplished. In Los Angeles, for example, INS hosts weekly meetings with various community groups to expand outreach and we are working in cooperation with the County of Los Angeles. Accordingly, I direct you to expand our efforts to work with local officials and groups to leverage our resources to help get naturalization information to people, assist them in filling out applications, offer more local sites for interviews, especially for the elderly and the homebound, and seek other means to jointly facilitate the process. We also will seek to work with state and local governments and community-based groups to expand the availability of local hotlines dedicated to providing easily-accessible naturalization information.

4) English Training. To assist legal immigrants move toward citizenship and new citizens expand job skills and maintain self-sufficiency, I request relevant agencies to work with the Domestic Policy Council, the National Economic Council, and other White House offices to present to me by December 30, 1996, a report describing opportunities to establish public/private cooperative efforts to teach English to the many individuals waiting to learn or improve their English-language skills. This report should consider possible roles by private companies, educational institutions, unions, community organizations, and the Americorp program to accomplish this goal.

5) Interagency Outreach. I direct each Executive agency to take steps to promote naturalization outreach consistent with your agency's mission. In particular, I direct that you include naturalization information to current recipients of benefits or services in material distributed concerning welfare reform eligibility redetermination.

to the extent authorized by law,

6) Refugees and Asylees. Those who flee persecution and suffering in their home country are often in the weakest position to acquire the skills they need to enter the job market, maintain self-sufficiency and achieve U.S. citizenship. I direct the Secretary of the Department of Health and Human Services, in conjunction with other agencies as appropriate, to present to me through the Domestic Policy Council, a report by December 30, 1996 setting out a strategy of additional steps that we can take to promote social adjustment in the U.S., economic self-sufficiency and naturalization.

In taking these steps, the Administration shall maintain and strengthen the standards and requirements of the naturalization test that demonstrate an individual's readiness to accept the responsibilities of citizenship and full participation in our National community. You are directed to continue vigilant oversight to preserve these standards.

Hundreds of thousands of people are seeking the dream and the promise of American citizenship. They have worked to become United States citizens, and these steps should ensure that they are not made to wait unnecessarily.

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Jack Lew

Fax Number: 51005 Phone Number:

FROM: T. Stern

SUBJECT:

DATE:

NUMBER OF PAGES (including cover sheet):

MESSAGE:

Jack Lew
51005
Larry Nhan
Bruce Reed

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H.R. 3734 honors my basic principles of real welfare reform. It requires work of welfare recipients, limits the time that they can stay on welfare, and provides child care and health care for those who move from welfare to work. It demands personal responsibility, and puts in place tough child support enforcement measures. It promotes family and protects children.

This bipartisan legislation is significantly better than the bills that I vetoed. The Congress has removed many of the worst provisions of the vetoed bills and has included many of the improvements that I sought. I am especially pleased that the Congress has preserved the guarantee of health care for the poor, the elderly, and the disabled.

Most important, H.R. 3734 is tough on work. Not only does it include stringent work requirements, it provides $4 billion more in child care than the vetoed bills -- so that parents can end their dependency on welfare and go to work -- and maintains health and safety standards for day care providers. The bill also gives States positive incentives to move people into jobs and holds them accountable for maintaining spending on welfare reform. In addition, it gives States the ability to create subsidized jobs and to provide employers with incentives to hire people off welfare.

H.R. 3734 also does much more to protect children than the vetoed bills. It cuts spending on childhood disability programs less deeply and does not unwisely change the child protection programs. It maintains the national nutritional safety net, by eliminating the Food Stamp annual spending cap and the Food Stamp and School Lunch block grants that the vetoed bills contained. In addition, it preserves the Federal guarantee of health care for individuals who are currently eligible for Medicaid through the AFDC program or are in transition from welfare to work.

Furthermore, H.R. 3734 includes the tough personal responsibility and child support enforcement measures that I proposed 2 years ago. It requires minor mothers to live at home and stay in school as a condition of assistance. It cracks down on parents who fail to pay child support by garnishing their wages, suspending their driver's licenses, tracking them across State lines, and, if necessary, making them work off what they owe.

For these reasons, I am proudly signing this legislation. The current welfare system is fundamentally broken, and this may be our last best chance to set it straight. I am doing so, however, with strong objections to certain provisions, which I am determined to correct.

First, while H.R. 3734 preserves the national nutritional safety net, its cuts to the Food Stamp program are too deep. Specifically, the Act reinstates a maximum on the amount that can be deducted for shelter costs when determining a household's eligibility for Food Stamps. This provision will disproportionately affect low-income families with children and high housing costs.

Second, I am deeply disappointed that this legislation would deny Federal assistance to legal immigrants and their children, and give States the option of doing the same. My Administration supports holding sponsors who bring immigrants into this country more responsible for their well-being. Legal immigrants and their children, however, should not be penalized if they become disabled and require medical assistance through no fault of their own. Neither should they be deprived of food stamp assistance without proper procedures or due regard for individual circumstances. Therefore, I will direct the Immigration and Naturalization Service to accelerate its unprecedented progress in removing all bureaucratic obstacles that stand in the way of citizenship for legal immigrants who are eligible. In addition, I will take any possible executive actions to avoid inaccurate or inequitable decisions to cut off food stamp benefits -- for example, to a legal alien who has performed military service for this country or to one who has applied for and satisfied all the requirements of citizenship, but is awaiting governmental approval of his or her application.

In addition to placing an undue hardship on affected individuals, denial of Federal assistance to legal immigrants will shift costs to States, localities, hospitals, and medical clinics that serve large immigrant populations. Furthermore, States electing to deny these individuals assistance could be faced with ~~serious~~ serio constitutional challenges and protracted legal battles.

I have concerns about other provisions of H.R. 3734. This legislation fails to provide sufficient contingency funding for States that experience a serious economic downturn, and it fails to provide Food Stamp support to childless adults who want to work, but cannot find a job or are not given the opportunity to participate in a work program. In addition, we must work to ensure that States provide in-kind vouchers to children whose parents reach the 5-year Federal time limit without finding work.

H.R. 3734 gives States the responsibility that they have sought to reform the welfare system. This is a profound responsibility, and States must face it squarely. I challenge each State to take advantage of its new flexibility to use money formerly available for welfare checks to encourage the private sector to provide jobs.

I am determined to work with the Congress in a bipartisan effort to correct the provisions of this legislation that go too far and have nothing to do with welfare reform. But, on balance, this bill is a real step forward for our country, for our values, and for people on welfare. I am pleased to sign H.R. 3734 into law and make welfare what it was meant to be: a second chance, not a way of life.

THE WHITE HOUSE,

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Larry Haas

Fax Number: 56818 or 51005 **Phone Number:**

FROM: T. Stern

SUBJECT:

DATE:

NUMBER OF PAGES (including cover sheet): 5

MESSAGE:

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