

7. IMPLEMENTING WELFARE REFORM

... [W]e have an historic opportunity to make welfare what it was meant to be—a second chance, not a way of life. And even though the bill has serious flaws that are unrelated to welfare reform, I believe we have a duty to seize the opportunity it gives us to end welfare as we know it.

President Clinton
July 31, 1996

Not long ago, America's welfare system was broken. It did not serve the taxpayers or those trapped in it. And it undermined the values of work and family.

The President made welfare reform a key goal of his first term—reform that would promote the basic goals of work, family, and responsibility. When Congress twice sent him welfare legislation that did not meet those goals, he was forced to veto the bills. When, however, Congress finally produced a bill that did meet the basic goals, the President signed it into law on August 22, 1996 as the Personal Responsibility and Work Opportunity Reconciliation Act.

During the many months that Congress worked to devise a good bill, the President acted on his own. He helped States advance the goals of welfare reform by letting them test innovative ways to move people from welfare to work and to protect children. The Administration's actions, combined with the falling unemployment rate that a strong economy has generated, are having an impact. Since the President took office, welfare case-loads have fallen by 2.1 million persons—the biggest such drop in history (see Chart 7-1).

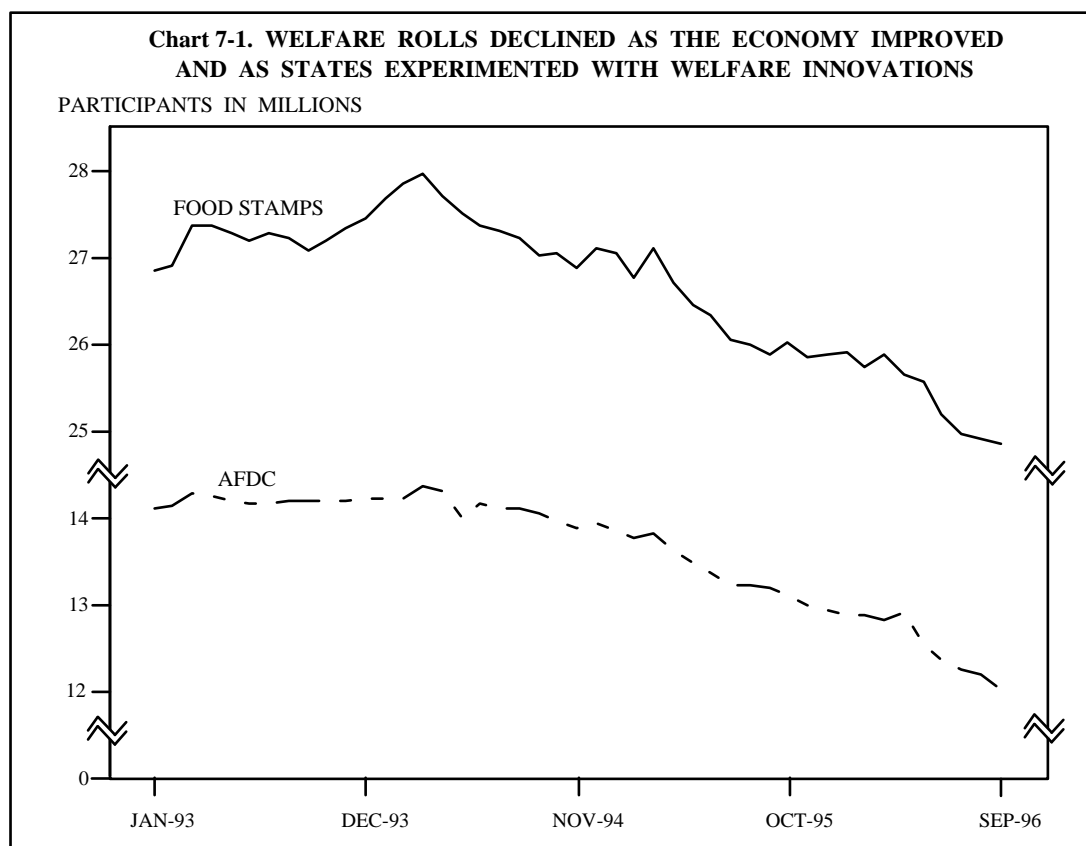
The Administration is determined to help States make the most of this historic welfare reform revolution, and to hold them accountable for results. The new law gives States and individuals unprecedented opportunities to build a new system that rewards work, invests in people, and demands responsibility. Unfortunately, the law also included overly deep budget cuts—primarily affecting nutrition programs, legal immigrants, and children—

that are unrelated to reforming welfare. With this budget, the President provides \$18 billion over five years to address these problems. In the meantime, the essential long-term task of building the new work-based system is underway in every State.

The new welfare law has laid the groundwork for moving those who can work to independence by focusing on tough, but realistic, work requirements. The law repealed Aid to Families with Dependent Children (AFDC), a 60-year-old, joint Federal-State program, and created the time-limited, work-oriented Temporary Assistance for Needy Families (TANF) program. States must now implement the new law by tailoring a reform plan that works for their communities. The plans must require and reward work, impose time limits, increase child care payments, and demand personal responsibility. By mid-December 1996, the Federal Government already had certified 21 State plans as complete.

To better enable welfare recipients to move off, and stay off, welfare, the new law provides additional resources for child care and Medicaid—the health insurance program for low-income Americans. It ensures that low-income people do not lose Medicaid as a result of changes to AFDC and extends the transitional Medicaid program that provides health insurance coverage for those leaving welfare for work.

Finally, the law gives States vast flexibility to design welfare programs suitable to their own needs and circumstances, but it also holds States accountable for making welfare reform a success. The law requires a sustained State financial contribution, but also recog-



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

Moving From Welfare to Work

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

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

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

Work Opportunity Tax Credit: For States and cities, TANF and the Jobs Challenge provide new resources to create jobs and prepare individuals for them. For employers, the budget proposes incentives to create new job opportunities for long-term welfare recipients. The budget would first create a much-enhanced credit that focuses on those who most need help—long-term welfare recipients. The new credit would let employers claim a 50-percent credit on the first \$10,000 a year of wages,

for up to two years, for workers they hire who were long-term welfare recipients. In addition, the budget expands the existing WOTC tax credit by including able-bodied childless adults aged 18 to 50 who, under the Administration's Food Stamp proposal, would face a more rigorous work requirement in order to continue receiving Food Stamps. These changes to the credit would cost \$552 million from 1998 to 2002.

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

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

information about the Fund, see Chapter 6.)

Helping To Make Work Pay

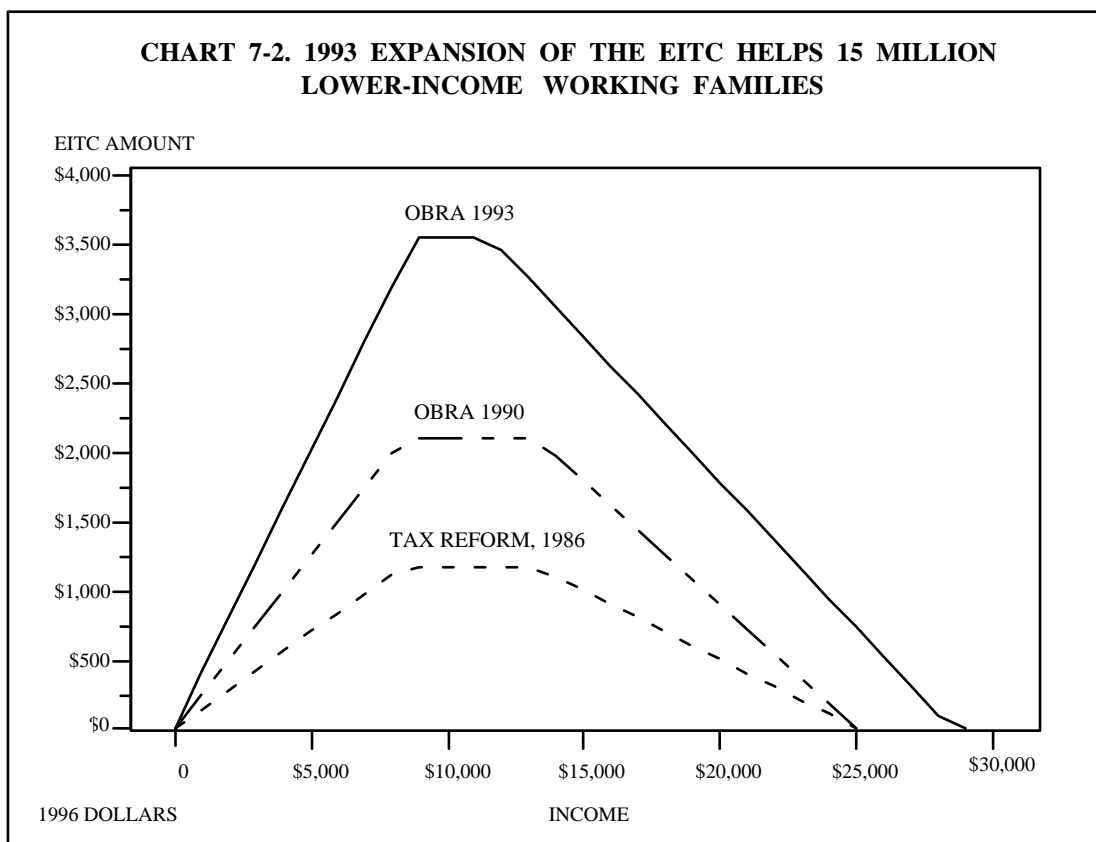
Earned Income Tax Credit (EITC): As an important component of helping people move from welfare to work, the Federal Government can help ensure that those who work can support their children. The EITC, a 20-year-old Federal program, supplements earnings to meet this goal. In 1993, the President proposed,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

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

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

Protecting the Most Vulnerable

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



ities, legal immigrants, and those who try to find work but cannot.

Nutrition Safety Net: Throughout its negotiations with Congress over welfare reform, the Administration insisted on maintaining the nutritional safety net because it provides an essential tool to enable lower-income families and individuals to buy food and obtain nutritious meals for their school-age children. Due to the Administration's efforts, Food Stamps remains the most extensive Federal safety net program for low-income individuals and families.

Throughout their history, the Agriculture Department's Food Stamp and Child Nutrition programs have produced significant, measurable benefits in the nutrition of children and families. Food Stamps reach almost one in 10 Americans every month—including over 12 million children and two million elderly. In addition, about 26 million children receive subsidized nutritious lunches each school day.

Another 2.5 million children a day receive nutritious subsidized meals in child care settings.

As the President stated clearly last summer, Congress cut Food Stamps too deeply. Many of these cuts have nothing to do with moving people from welfare to work—they affect working families with children, the elderly, and people with disabilities.

The deep cuts disproportionately affect those with high housing costs, especially families with children. With these cuts, families will see their real benefits erode over time as living costs rise, forcing them to choose between paying the rent and eating. The President proposes to ameliorate these cuts by restoring the link between benefits for such families and housing costs. He also proposes to raise the vehicle asset limit for Food Stamp program participants so that benefits do not fall when working families and others secure a means to get to work.

To achieve savings, the new law also limited Food Stamps for able-bodied childless adults to three months of assistance in a 36-month period. This time limit does not reflect the reality that most Food Stamp recipients face—that *finding work takes time*. Nearly 60 percent of all new participants in the Food Stamp program leave within six months. Only 13 percent of the childless adults entering the program still receive benefits after 18 months. Once they leave, most childless adults do not return. The President proposes to limit Food Stamps to six months out of 12, a policy that would encourage work while giving those out of work the transitory help they need to get back on their feet.

The time limit also punishes those who want to work, *but who cannot find a job at all*. The budget proposes to restore Food Stamps for those who are looking for work but cannot find it and for whom the State does not provide workfare or a training opportunity. The President proposes to make Food Stamp work requirements real by giving States new funding to support nearly 400,000 more work slots from 1998 to 2002, and by adding tough new sanctions for those who are offered jobs by the State but refuse to accept them. In addition, the budget would allow States, at their option, to provide funds with which employers would supplement the wages of childless adult recipients.

Equity in Benefits for Legal Immigrants: By specifically cutting benefits to low-income legal immigrants as a source of savings, the new law affected legal immigrants—many of them children, elderly, and people with disabilities—more adversely than any other group. The law denies most legal immigrants access to fundamental safety net programs unless they become citizens—even though they are in the United States legally and are making every effort to become productive members of society. Many legal immigrants may face unforeseen problems before they can naturalize. Nevertheless, the bill punishes those who have worked, but who no longer can through no fault of their own. It makes short-sighted cuts by barring cash and medical assistance to immigrant children with disabilities. Finally, it places significant new administrative burdens on State and local service providers.

The President believes that legal immigrants should have the same opportunity, and bear the same responsibility, as other members of society. Thus, the budget proposes to revise the law so that legal immigrants who become disabled after entering our country can get the basic assistance offered by Supplemental Security Income (SSI)—as well as by Medicaid. The Nation should protect legal immigrants and their families—people admitted as permanent members of the American community—when they suffer accidents or crippling illnesses that prevent them from earning a living. Similarly, the Nation should provide Medicaid to legal immigrant children if their family is impoverished. The Administration also proposes to delay the ban on Food Stamps for legal immigrants until the end of September 1997 in order to give immigrants more time to naturalize.

Finally, the budget would lengthen, from five to seven years, the exemption to the ban against refugees and asylees receiving Federal benefits. The Nation admits refugees and asylees on a humanitarian basis, and we should be sensitive to their special needs. Many refugees and asylees may need more time to naturalize than the law allows.

Supplemental Security Income: The SSI program provides critical financial support to the needy who are elderly, are blind, or who have disabilities. The new law was designed to target disability benefits to needy children with the most severe limitations by changing the general definition of childhood disability. The Administration and Congress agree that most children now receiving disability benefits deserve them. In implementing the law through regulation, the Social Security Administration will closely monitor its impact to ensure that children with the most severe disabilities retain eligibility. In addition, the President will propose legislation to allow disabled children now receiving Medicaid to retain their coverage if they lose their SSI eligibility due to changes in the definition of childhood disability.

The Ongoing Challenge of Improving Welfare: The Administration is committed to working with Congress and the States to implement welfare reform effectively. Implementation will be both challenging and exciting.

If the Administration discovers significant impediments to successful welfare reform, such as inadequate funding for States during recessions, we will work with Congress to address them.

Promoting Security and Stability for Children

The Administration proposes a new initiative to move children more quickly from

foster care to safe, permanent homes—with the goal of doubling, by the year 2002, the number of children adopted or permanently placed. It would provide incentives to States for increasing adoption while stressing permanent placement and the safety of children.