MINUTES

MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON HUMAN SERVICES & AGING

Call to Order: By **CHAIRMAN COBB**, on January 11, 1993, at 8:00 A.M

ROLL CALL

Members Present:
Rep. John Cobb, Chairman (R)
Sen. Mignon Waterman, Vice Chairman (D)
Sen. Chris Christiaens (D)
Rep. Betty Lou Kasten (R)
Sen. Tom Keating (R)
Rep. David Wanzenried (D)

Members Excused: None

Members Absent: None

Staff Present: Lisa Smith, Legislative Fiscal Analyst
Lois Steinbeck, Legislative Fiscal Analyst
Connie Huckins, Office of Budget & Program Planning
John Huth, Office of Budget & Program Planning
Billie Jean Hill, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing: DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES AND AID TO FAMILIES WITH DEPENDENT CHILDREN OPTIONS
Executive Action: NONE

HEARING ON DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Tape No. 1:Side 1

CHAIRMAN COBB explained the day's agenda. He distributed a letter explaining the motion by **SEN. SWYSGOOD** concerning vacant positions. **EXHIBIT 1**

Ms. Steinbeck said that the committee should adopt GA, AFDC, Medicaid, State Medical Caseloads and benefits and should review changes recommended by the executive. She said she would prepare summary sheets to be distributed later in the week. She also said the committee would need to review language in HB 2 regarding SRS and decide whether to continue or to change that language.

HEARING ON AID TO FAMILIES WITH DEPENDENT CHILDREN OPTIONS

Tape No. 1:Side 1

Program Adjustments and Associated Funding Reductions
BUDGET ITEM OPTION RESTRICT EMERGENCY ASSISTANCE

Mr. Roger La Voie, Administrator, Family Assistance Division, outlined this option. He and **Mr. Mike Billings, Director, Office of Management Analysis and Systems,** responded to committee questions. **EXHIBIT 2**

BUDGET ITEM OPTION AFDC MINOR AT HOME

Mr. La Voie addressed this option. **EXHIBIT 2**

Others joining this discussion included **SRS Director Peter Blouke; Mr. Dan Shea, MSLIO; Ms. Penny Robbe, Chief, Program and Policy Bureau, SRS; Mr. Jack Lowney, Administrative Officer, Management Operations; Judy Smith, Director, WORD; Kate Cholewa, Montana Women's Lobby; and Judith Carlson, HRDC's And Social Workers Association;**

BUDGET ITEM OPTION INCLUDE $50. OF RENT ASSISTANCE

Mr. La Voie discussed this option. **Ms. Robbe, Mr. Lowney, Dan Shea, MSLIO, and Lee Ann Jordan, a user of subsidized housing** joined in the discussion. **EXHIBIT 2**

WELFARE REFORM - SUGGESTIONS FROM THE FIELD

Mr. La Voie presented this item. **EXHIBIT 3**

Waiver Option Information
AFDC Option

Ms. Robbe outlined this option. **EXHIBIT 4**

Waiver Submission
Estimated Administration Cost

Mr. Lowney discussed this item with the committee. **EXHIBIT 5**

Mr. Lowney and **Ms. Robbe** discussed suggestions such as determining a family benefit amount at the time of application which remains constant; an electronic benefit transfer system (EBT) as a different way of working with the food stamp program; and earned income disregards. **EXHIBIT 6**

AFDC Options -- All Waiver Required

Mr. La Voie discussed this item. He, **Mr. Lowney** and **Ms. Robbe**

responded to questions from committee member. **EXHIBITS 7, 8, 9, 10 AND 11**

Ken Luraas, Montana Hunger Coalition, discussed **EXHIBIT 12.**

ADJOURNMENT

Adjournment: 11:15

JOHN COBB, Chairman

BILLIE JEAN HILL, Secretary

JCB/bjh

HOUSE OF REPRESENTATIVES

HUMAN SERVICES **SUB-COMMITTEE**

ROLL CALL **DATE** Jan. 11, 1993

NAME	PRESENT	ABSENT	EXCUSED
REP. JOHN COBB, CHAIRMAN	✓		
SEN. MIGNON WATERMAN, VICE CHAIR	✓		
SEN. CHRIS CHRISTIAENS	✓		
SEN. TOM KEATING	✓		
REP. BETTY LOU KASTEN	✓		
REP. DAVID WANZENRIED	✓		

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The Big Sky Country

MONTANA STATE SENATE

January 9, 1993

TO: All Joint Appropriations Subcommittee Chairs

FROM: Senator Swysgood

RE: Motion Concerning Vacant Positions

Since questions have arisen concerning the motion on vacant positions adopted by the joint House Appropriations and Senate Finance and Claims committees on January 6, I wanted to clarify the intent of the motion.

My motion pertains to the authorization and appropriations for fiscal 1994 and fiscal 1995 only. The motion was adopted as part of the budgeting process for the 1995 biennium.

The motion did <u>not</u> affect the fiscal 1993 appropriation for these positions, since this appropriation is contained in the general appropriations act for the 1993 biennium, which is not under consideration by the current legislature. However, I would certainly <u>hope</u> that agencies will not fill these vacant positions for the remainder of fiscal 1993, since they will be eliminated beginning July 1, 1993.

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DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Program Adjustments and Associated Funding Reductions

	PROGRAM	BIENNIUM TOTALS GENERAL FUNDS	BIENNIUM TOTALS TOTAL FUNDS
1.	Restrict Emergency Assistance	$ 50,000	$ 136,505
2.	Reduce Outpatient to 93%	115,368	521,632
3.	Bid Oxygen	175,440	607,059
4.	Pay Employables after 20 Days	292,890	653,175
5.	Prorate Cash from date of Application	363,582	363,582
6.	AFDC Minor at Home	472,092	1,633,536
7.	Out of State Hospital	475,592	1,637,538
8.	Non-assumed County Processing	700,000	700,000
9.	Medically Needy Cash Option	1,281,298	1,281,298
10.	Include $50 of Rent Assistance	1,356,030	4,692,145
	TOTAL	$5,282,292	$12,226,471

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Restrict Emergency Assistance:

The Emergency Assistance Program provides temporary assistance to low-income families facing immediate financial crisis.

Rationale: The Emergency Assistance Program was administered by local county welfare offices under very broad guidelines with the result that eligibility of recipients and the situations for which assistance was provided varied considerably from county to county. The Department has recently adopted and is implementing policies that will ensure the Emergency Assistance Program is used only for true emergency situations. Additionally, Department staff will require prior approval for all expenditures in excess of $1,000 and prior approval for all medical services.

Estimated number of people impacted - not capable of determination

Savings:	FY 94	FY 95	Biennium
General Fund:	$25,000	$25,000	$50,000

Reduce Outpatient Hospital Reimbursement to 93% / 98.8%:

This adjustment would reduce outpatient hospital reimbursement to 98.8 percent of allowed costs for sole community hospitals and to 93 percent for those hospitals which are not sole community hospitals.

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Rationale: Currently, Montana Medicaid reimburses for outpatient services at 94.2 percent of allowed cost (100 percent for sole community providers). This is the maximum allowed by federal regulation. The department recommends a reduction to 93 percent of costs in FY 94 for non-sole community providers, and to 98.8 percent of costs for sole community providers, pending completion of a study of outpatient costs. This adjustment is not a reduction in services and consequently should have no impact on current Medicaid recipients.

Estimated number of people impacted - NA

Savings:	FY 94	FY 95	Biennium
General Fund:	$44,940	$70,428	$115,368

Bid Oxygen Services:

This adjustment would change how Medicaid purchases oxygen and related equipment.

Rationale: Oxygen services represent the largest portion of the Durable Medical Equipment (DME) Program. It is estimated that FY 92 expenditures for oxygen are approximately $2,000,000. The program could attempt either competitive bidding for oxygen service or direct purchase of equipment items such as oxygen concentrators. The goal of the project would be to achieve a 15 percent savings in the cost of the service. Services to current recipients would not be reduced. Moreover, continued availability of services in rural areas would have to be assured.

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Estimated number of people impacted - None

Savings:	FY 94	FY 95	Biennium
General Fund:	$86,940	$88,500	$175,444

Pay Employables After 20 Days:

Under current rules, General Assistance (GA) recipients who are deemed employable must participate in the Project Work Program (PWP). During the first month, cash assistance payments are made after 20 days participation in the work program. Thereafter, payments are made on the first of the month.

Rationale: The department proposes to delay payment to employable GA recipients until after 20 days of participation in the PWP during each month of eligibility. Such delay will provide a strong incentive for the employable GA recipients to actively participate in the training program.

Estimated number of people impacted - 58 per month.

Savings:	FY 94	FY 95	Biennium
General Fund:	$146,445	$146,445	$292,890

Prorate Case from Date of Application:

Employable recipients of General Assistance are eligible for four months of cash benefits. Currently, a recipient is given a lump-sum payment at the end of the fourth month equal to the amount that would have accrued if the client had initially applied

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for benefits on the first day of the first month.

Rationale: The department proposes to limit the cash benefits to a prorated amount calculated from when the application is made during the first month. This change would be consistent with eligibility criteria for the AFDC and Food Stamp programs.

Estimated number of people impacted - 144 per month

Savings:	FY 94	FY 95	Biennium
General Fund:	$181,791	$181,791	$363,582

AFDC Minor at Home:

For AFDC eligibility, the Department would require that pregnant minors, or an unmarried minor parent, reside in the household of an adult parent or legal guardian.

Rationale: This proposal would reinforce the concept of maintaining intact families and parental responsibility. In instances where it was not feasible or appropriate for the minor to reside at home, the parents of the minor would be identified and referred to Child Support Enforcement.

Estimated number of people impacted - 244 cases per month.

Savings:	FY 94	FY 95	Biennium
General Fund:	$236,046	$236,046	$472,092

Reimbursement for Out-Of-State Hospitals:

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Welfare Reform
Suggestions from the Field
November 16, 1992

During September and October, 1992 I traveled throughout the state and talked with over 400 individuals to share what other states were doing in the area of welfare reform and, especially, to solicit and obtain ideas regarding what Montana should do with welfare reform. I talked with 223 SRS staff, 30 County Directors, 71 County Commissioners, 46 Legislators, 14 low income representatives and clients, 50 community professionals, and 7 citizens. The discussions were usually held in groups of from 4 to 10 people.

The following is a summary of the specific ideas discussed, and also an indication of the degree of support for each. The information is taken from handwritten notes. Two points are worth making in regards to these notes. They are not a thorough and exhaustive representation of all of the discussions I had with numerous groups, but I believe they are representative of the discussions and fairly reflect the opinions of the individuals contacted. Also, not all of the various suggestions for reform were discussed with each and every group; time was limited to approximately an hour and a half per group and the number of items grew with my travels so that each group discussion was essentially unique, based primarily on the topics each individual group wished to discuss.

The items of most general interest which were discussed with the majority of the groups follow:

1. <u>Simplifying and unifying the eligibility requirements for AFDC, Food Stamps and Medicaid.</u> There was total agreement for this item from all groups. The rationale is that the programs have become must to complicated and that they are now barely understandable by staff and virtually impossible to understand by clients and the general public. Furthermore, if we build incentives and disincentives into our programs, these programs must be easily understood by clients if they are going to make full use of the incentives contained therein.

2. <u>Determine a family benefit amount at the time of application which remains constant.</u> (i.e. no more money for more children born while receiving assistance). Twenty-nine groups supported this initiative, six groups opposed it, and three groups were mixed in their opinions. The rationale and the support is that welfare should be more like work: an employee in a job, even a low paying job, is not paid more where he or she has additional child born to the family. Some feared that this would be punitive to children since the net result would be less benefit amount per individual family member when an additional child is born into the family. However, most

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believed that a constant benefit amount made sense since welfare is intended to be a second chance rather than a way of life, and no more money for more children would reduce any apparent incentive to have another child for financial reasons.

3. Timelimited benefits. Twenty-four groups supported this and nine groups opposed it. The initiative as proposed would decrease AFDC benefits with time, for example the "parents portion" of the grant could be reduced periodically so that after two years of receiving benefits this portion would be decreased by approximately 50%. (A grant for three would be reduced from $390 to approximately $290 after two years, and there would be a resultant increased in Food Stamps with the reduction of AFDC.)

4. Pay after performance or requiring that recipients work for their benefits. This initiative received support from virtually every group at which it was discussed. Some went so far as to suggest "doing away with welfare and running paid work programs," much like WPA, a work relief program which was fairly affective prior to World War II. There was a general consensus that recipients have an obligation to society in return for their benefits. This would generally take the form of improving their individual skills and abilities and performing some sort of community service work.

5. Bonus to recipients for the performance of certain activities. Twelve groups supported this notion, seven groups opposed it (often times suggesting there should be a reduction for non-compliance as an alternative), and one group was mixed. The proposal was an attempt to encourage recipients to assure that their preschool children had received immunizations and had participated in a health screening, and also to ensure that recipients maintained satisfactory school attendance with their grade school children. Opponents suggested that these behaviors should be expected; individuals with jobs are expected to fulfill these parental responsibilities with their children without any pay incentives. Others added that school attendance in Montana is not indicative of the problem when compared to national statistics. National information indicates that only one third of poor children meet established guidelines for regular physician visits, while half of the children non-poor do not follow these recommended levels. Many argued that such an initiative would increase the verification requirements, i.e. the administrative component, of our present system not only for clients, but for SRS staff, who are presently attempting to manage what is more than a full caseload. An alternative might be a one time verification requirement per household to show that the children have received their immunizations and have been through a health screening.

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6. Cashout Food Stamps (or work toward an Electronic Benefit Transfer (EBT) system). Many individuals but virtually no groups supported the idea of cashing out Food Stamps, which essentially means providing cash benefits instead of food coupons. Nine groups opposed this measure and nine other groups had a mixture of individuals supporting and opposing this idea and could not obtain consensus. Virtually everyone acknowledged that the present Food Stamp system is being abused. Many recipients can and do purchase an item that costs 20 cents, with Food Stamps and then use the change that is left over to buy items that cannot be purchased with Food Stamps. Food Stamps can be fairly easily sold for 50 cents on the dollar. A recent television special highlighted the assertion that a person can buy virtually anything with his or her Food Stamps; recipients told me that they sometimes pay their babysitter with Food Stamps and administratively costs are high in the present program. However the main concern to doing away with Food Stamps is that food might not be purchased with the case and the children might suffer. One very typically comment was made when I pointed out that Food Stamps had been cashed out in Puerto Rico since 1982 and that the amount of food being purchased had not changed, was the resultant question of whether or not Puerto Rico had poker machines. All of the aforementioned concerns were relative to cashing out; virtually everyone thought that EBT would make more sense. The apparent problem with EBT is that the administrative costs exceed that of the present Food Stamp program, at least initially. (The WIC program is currently looking into the possibility of using a "smart card", and some schools in the state are already using such a system with their food program). In at least two different locations a suggestion was made to expand the WIC program to make sure that the nutritional needs of the children are met, to use EBT for WIC, and cash out the balance of the present Food Stamp value.

7. Improving earned income disregards to make work more attractive. There was virtual total agreement with the intent of this recommendation, however some had concerns that this would be a form of subsidizing employers and in the long run result in low wages continuing to be paid. I heard many times in my various discussions that recipients actually feared working because they did not know what it would do to their benefits, and several also thought they could not work while on welfare or that they could only perhaps earned $120 per month. Very many of our staff, in particular, were concerned that our present system discouraged work. A common recommendation was that earned income disregards should not only be expanded but should be much more understandable by our clients so that would be more fully utilized. This initiative was usually discussed in conjunction with two others: timelimited benefits and pay "benefits" after performance.

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8. <u>Requiring a teen parent to remain at home with her parents in order to be eligible for AFDC.</u> This item, when coupled with reasonable exceptions, received virtual total acceptance. Also, the point was made that should a teen end of residing outside of her home and receiving AFDC, that the Child Support should seek payment from the youth's parents if they are not contributing to her care.

The following items were less frequently discussed:

9. Strong support to sign a contract with new AFDC applicants outlining respective responsibilities, i.e. those of the agency, those of the clients.

10. Strong support from line staff to count "deem" the income of all adults living under the roof when their is no marriage.

11. Mixed response was offered to the suggestion to remove the deprivation requirement. Approximately half of the feedback cautiously supported the idea and supported the some sort of pilot study. The primary concern was that this would expand the caseload especially in reservation counties, where many BIA-GA recipients would become eligible for AFDC. (Safeguard would be to write in waiver request that BIA-GA would be viewed as a prior resource to AFDC). Removing deprivation would eliminate any of the present incentives for single parenthood and for a man and a woman who claim that they are not a couple. For example, it is financially better for AFDC recipients to not live with the father of the child and also for her to not marry the man, who is not the father of the child, with whom she is living. Some felt that removing deprivation would eliminate a majority of the fraud experienced in our cases.

12. Several were interested in developing a disincentive for nonresidents to move to Montana. This would take the form of less benefits for a period of time or of requiring a residency for six to twelve months prior to benefits.

13. A majority supported the re-creation of the investigator program to develop the capability to investigate fraud. Most of the support seem to come from the eastern part of the state. Some suggested that it would be preferable to free up Eligibility Specialist's time so that they could investigate their own cases as opposed to developing a whole new investigator program. Others suggested that this program would best operate outside the Family Assistance Division.

14. There was strong general support for expanding Transitional Daycare and Transitional Medicaid to eighteen to twenty-four

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months. Medical assistance and daycare were seen by virtually everyone as the two most significant, non-financial factors that entrap people in welfare.

15. Strong support was offered to require JOBS participation for recipients whose youngest child is one year old (or even less). The present exemption allowed is when the youngest child is three years of age or younger is not realistic when compared to working individuals, who usually return to work within six to eight weeks of child birth.

16. Many stated that college students are allowed to remain on AFDC too long and suggested that supportive services, such as day care, be limited to perhaps two years.

The following comments were made by a smaller number of individuals during discussions. They are included herein since there was general support voiced for them at the time. They are as follows:

17. The following areas were actually mentioned by several as being too extravagant and needing to be curtailed:

    a. Medicaid travel

    b. Poverty level programs that have no resource test (and the pregnant woman program where eligibility cannot be redetermined once it is established).

    c. Inpatient psychiatric care for children (why is a mental condition considered more important than a life threatening condition?)

18. People appear to be moving to Montana for the following reasons:

    a. They think there are jobs available here.

    b. The quality of life.

    c. They have connections here, for example, friends, relatives.

    d. There seems to be a low rate of AIDS.

    e. There is little fear of earthquakes.

19. Require that a certain percentage of employees that contract with the government hire welfare recipients as employees; require the Department of Highways use JOBS participants to make and maintain rest stops.

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20. Use tax incentives for employers to pay higher wages.

21. There are to many E&T entities; they seem to be competing with each other.

22. At least one county only uses JOBS participants instead of hiring staff.

23. It would be alright to do away with General Assistance.

24. Require participants to seek a high school diploma or GED.

25. Allow JOBS participants to provide daycare for other recipients as their community service work. (This was mentioned several times.)

26. The JOBS program is totally voluntary in some communities and this appears to work quite well.

27. Clients do not understand the present disregard system; the following comments were made a several locations:

    a. A client said "she does not want to work because it will hurt her benefit."

    b. "The rewards for not working are greater than the rewards for working" under our present welfare system.

    c. "People get better benefits by not working" with our present system.

    d. "People are punished for going to work."

    e. Several sites commented on the "problems getting welfare recipients to work for minimum wage."

    f. Several groups emphasized the clients in general seems to have a concern and even a fear to work, or at least to report earned income, because they are not sure of what it will do to their benefits.

28. We need to have a timelimit on any disregards of earned income.

29. We need to better inform clients what Medicaid will cover in the area of family planning, sterilization, Norplant, birth control.

30. We should standardize the definition of poverty and make uniform the eligibility requirements for various human services programs.

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31. Welfare should be a safety net, not a way of life.

32. Many people said that the present one hundred hour rule is foolish and counterproductive.

33. Employment and Training programs need to develop their program to meet the employment needs and job opportunities of the individual communities in which it is located.

34. There needs to be time limits on the AFDC-UP program. This was mentioned by many and one person commented that the primary wage earner becomes a "couch potato".

35. Some suggested that we do away with GRA and State Medical.

36. We need to keep training as an option and alternative to require work programs.

37. Establish a CWEP daycare center to provide free daycare and allow recipients to participate in the JOBS program.

38. Several suggested that the Montana elderly are "being ripped off" with current program development. For example, the elderly often times cannot afford their own medication while Medicaid coverage is being expanded for pregnant women and youth. The elderly often times do not utilize the Food Stamp program as they could. Allowing Eligibility Specialists to provide more case management activities for recipients. (This would require at first somehow freeing up their time or would necessitate the addition of new staff.)

39. Many suggested that the JOBS program should be located in the welfare office.

40. We need to provide more support for the working poor in the Food Stamp, daycare and Medicaid programs.

41. We should allow room for counties and local communities to develop their own plan in dealing with poverty.

42. Several suggested that recipients often could use individualize instructions regarding money management, family planning, parenting classes, and nutrition.

43. We should encourage the use of the county health department, rather than private physicians, for immunizations.

44. Terminated income should not be counted.

45. The vast number of applicants need training in one sort or another, and it would be much easier for them if employment and training programs were co-located with other services.

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46. We should establish child support enforcement on Indian reservations.

47. Several suggested that we should require some sort of deductible or premium for Medicaid, making it more like a private insurance plan.

48. Many suggested that we factor in a cost of living when we determining the benefit amount for Montana.

49. We should structure the welfare program to offer a second chance, not to provide a way of life.

50. We should provide our services, for example, JOBS, essentially for those who are motivated to use them.

51. Case management is essential; we should enhance JOBS and provide even more flexibility at the local level.

52. We must provide Day Care assistance for the working poor if we are going to keep them from falling into the welfare system.

53. Two considerations that must be dealted with if we are going to expand our public service work are the liability concerns of employers and union concerns of taking jobs from the working sector.

54. Several suggested that we require JOBS participation for all AFDC recipients. Many suggested that the only exceptions should be those that are determined disabled by Social Security or perhaps those determined to be incapacitated by a doctor.

55. Several expressed concern that Food Stamps cannot be used to purchase food at the farmers market or from Hutterites.

Any welfare reform activities which result in increased verification requirements and/or increased time demand on Eligibility Specialists, would be next to impossible to implement unless there are some time saving measures made in another part of the system. Our line staff presently carry full case loads. And, if welfare is to be made more politically acceptable and if poverty is to be substantially reduced, other complimentary reforms beside welfare reform must also be made. Some examples are changes in the tax laws, expansion of the earned income tax credit to increase the rewards for work, educational reforms, training and retraining, increased child-support enforcement programs and job creation programs.

Roger La Voie, Administrator

11-17-92
Date

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WAIVER COST INFORMATION

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CHOICES IN AFDC

State Plan Changes vs. Waivers

This morning you will be listening to and evaluating ideas that are called AFDC options. While the federal government gives the states regulations concerning the AFDC program, it also gives states a certain amount of flexibility in program design and payment. In order to enact some changes, the federal government only requires a state plan change be submitted.

For example, states have the option of requiring unmarried minor parents or pregnant teens to live at home (unless good cause is established) as a condition of eligibility to get AFDC. States also have flexibility to determine payment standards.

If states want to enact AFDC eligibility criteria which are different than allowed by federal law, they must request a waiver. Waiver requests ask the federal government to allow the state to operate an experimental, pilot or demonstration project.

Any waiver request should contain "innovative improvements in the administration and provision of public assistance and related services, and assist recipients to achieve self-support and maintain and strengthen family life."

The waiver may be for only particular sites within the state, or may be statewide. Usually, the federal government asks for both an

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experimental and a control group.

In order for a waiver to be granted, the demonstration project must meet two primary conditions:

1) The project must involve a "rigorous" evaluation conducted by an outside evaluator, and

2) The project must be cost neutral to the federal government. State agencies must assume any fiscal risk if the project turns out to cost more than anticipated. That is, the federal government will share in any cost savings, but the state must bear all of the costs that exceed previous expenditure levels.

Other states have told us that the preparation time in order to develop waiver submissions ranges from three to six months, with staff devoted full time to the development of that project. Time periods for demonstration projects to run range from 2 to 5 years, with the majority asking for 5 year projects.

Operating a demonstration project is expensive. All the states which we talked to have confirmed that statement. While the federal government does not consider the expense of the demonstration project in determining whether the project has achieved cost-neutrality, it must be considered in any budget appropriation.

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FTEs necessary to design, implement, administer and do the day to day monitoring of a demonstration project are of primary concern to this Division. States have dedicated between 5 and 20 staff members to prepare waiver requests. Most states have not been able to handle the additional work with existing staff and have contracted for project managers, researchers and trainers.

As a specific example, Maryland submitted a "package" proposal of waivers to operate a program they call "Primary Prevention Initiative" demonstration project. Under this proposal, they will be implementing:

1) a form of Learnfare (school attendance less than 80% of the time will result in a $25 sanction per month per child not meeting the standard),

2) penalties for noncompliance with Early Periodic Screening, Diagnosis, and Treatment (EPSDT) for preschool children ($25 per month sanction per child not meeting the standard),

3) giving a special needs allowance in the last 4 months of pregnancy, but sanctioning $14 per month for not receiving regular prenatal care, and

4) sanctioning $20 per year per person not receiving annual health check-ups.

Maryland requested $10 million to their legislature for this waiver package. They were granted $2 million. They have submitted a request for an additional $17.5 million based on revised estimates. Obviously, it is not an inexpensive endeavor.

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The subcommittee will want to carefully evaluate what AFDC options can be done without submission of a waiver and which ones will require a waiver.

Source: Center on Law and Social Policy

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ATTAINING A FEDERAL WAIVER TO HELP FAMILIES MAY BE IMPOSSIBLE UNDER ADMINISTRATION COST-NEUTRALITY POLICY

In his State of the Union Address, President Bush noted that there was much state interest in changing how the welfare system operates. The President encouraged states to apply for federal waivers to test new approaches. However, states should be aware that the current waiver process has a major limitation that could ensnare a state in unplanned costs. That is because the Administration requires that any demonstration must be "cost-neutral" to the federal government.

Generally, under Section 1115 of the Social Security Act, a state may seek a waiver of federal rules for experimental, pilot, or demonstration projects that further the objectives of the Social Security Act Programs. The Secretary of the Department of Health and Human Services has broad authority to grant a waiver.

In the President's Budget Message, two conditions for approval of a waiver were announced:

- First, the demonstration must be cost-neutral to the Federal Government across programs;

- Second, a participating state must agree to rigorous evaluation of its demonstration, usually based on experimental evaluation design.

The requirement for evaluation is certainly appropriate in light of the fact that waivers under Section 115 are supposed to be for experimental projects to advance our understanding of alternative approaches. The real problem is posed by the principle of cost-neutrality.

What does cost-neutrality mean? A waiver might, for example, involve a new approach that is anticipated to result in more people entering employment and leaving AFDC. The Budget Message explains that if the assumptions of savings in a new approach are correct, the state should be able to draw on the federal share of funds saved, and pay for demonstration activities for which federal funds are not otherwise available. However, if the new approach turns out to be more expensive that the programs replaced, federal funding will be limited to the amount of spending that would have occurred in the absence of the demonstration.

The Budget Message explains that a demonstration must be cost-neutral *across programs*. For example, the demonstration might involve additional AFDC costs and reduced Medicaid costs. The key is that taken as a whole, the waiver cannot result in increased costs to the federal government.

Why is cost-neutrality a potential trap for states? For two reasons. First, many of the things that ought to be done to reform the welfare system involve new costs, not savings, at least in the short run. Waivers that would eliminate current penalties on

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work and marriage are all likely to have at least short-term costs. Truly innovative approaches trying to identify long-term solutions are particularly likely to have additional costs in initial years. Yet under The Administration's policies, a waiver that will cost more than it saves cannot be approved unless a state is willing to bear all the new costs.

Second, even if a state *expects* a waiver to save money, the Administration policies mean that all the risks in the process must be borne by the state, not the federal government. Necessarily, any state projections about cost-savings will be uncertain, because no one is able to calculate with certainty such unknowns as whether unemployment will go up, whether the caseload will increase for unanticipated reasons, how the proposed waiver affect recipient behavior. Similarly, no one can calculate with certainty what would have happened without the waiver. If the state anticipates savings, and the assumptions turn out to be wrong, the federal government will still only provide the amount of spending it believes it would have provided absent the demonstration. This means that all cost over-runs must be covered by the state, with no federal participation in the increased costs. It is a system in which the federal government shares in the benefits, but the state bears all the risks.

There are still major uncertainties about how cost-neutrality will be interpreted and applied. For example, how will the Administration treat a five year waiver in which additional costs are anticipated for the first two years, and savings for the next three? How will the Administration determine what a state's costs would have been in the absence of the demonstration, at a time when existing models are not doing a very good job of projecting changes in the caseload? We do not know the answers at this time.

However, even with these uncertainties, the two key things to keep in mind when a waiver is proposed in a state are that:

- Waivers that seek to provide true welfare reform are not likely to get approved, because a state will be unable to demonstrate cost-neutrality for most proposals that seek to help families; and

- Even if a state is convinced its proposal is likely to be cost-neutral, the state runs a serious risk of unanticipated fiscal liability if the state's assumptions are wrong.

Unless the Administration revisits its principle of cost-neutrality, the waiver process is likely to be an illusory path to welfare reform.

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WAIVER SUBMISSION
ESTIMATED ADMINISTRATION COST

	1ST YEAR						
	1ST HALF	2ND HALF	2ND YEAR	3RD YEAR	4TH YEAR	5TH YEAR	TOTAL
DEVELOPMENT							
FTEs	5.00						
Salary	$175,000						$175,000
Operations	$35,000						$35,000
IMPLEMENTATION							
FTEs		9.00					9.00
Salary		$275,000					$275,000
Operations		$55,000					$55,000
MONITORING							
FTEs							
Salary							$0
Operations			$50,000	$50,000	$50,000	$50,000	$200,000
ONGOING ADMINISTRATION							
FTEs			7.00	4.00	4.00	7.50	
Salary			$225,000	$140,000	$140,000	$237,500	$742,500
Operations			$45,000	$28,000	$28,000	$47,500	$148,500
TOTAL							
FTEs	5.00	9.00	7.00	4.00	4.00	7.50	36.50
Salary	$175,000	$275,000	$225,000	$140,000	$140,000	$237,500	$1,192,500
Operations	$35,000	$55,000	$95,000	$78,000	$78,000	$97,500	$438,500

FTE SUMMARY						
Program Director	1	1	1	1	1	1
Program Specialist	1	1	1	1	1	1
Administrative Assist.	1	1	1	1	1	4.5
Budget Analyst	1	1	1	1	1	1
TEAMS Programmer	1	2				
County Staff		2	2			

OPERATIONAL EXPENDITURES

MONITORING – ESTIMATED COST OF CONTRACT TO PROVIDE REQUIRED EVALUATION OF THE WAIVER IMPACT.

DEVELOPMENT, IMPLEMENTATION AND ONGOING ADMINISTRATION – ESTIMATED AT 20% OF PERSONAL SERVICES FOR PHONE, MAILING, POSTAGE, SUPPLIES, PRINTING, TRAVEL, TRAINING AND EQUIPMENT.

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EARNED INCOME CREDIT

Earned Income Credits (EIC's) make work more attractive than welfare.

Society has a responsibility to the poor to assist them in meeting their basic needs and to assist them in improving their condition. The poor receiving benefits have a responsibility to society to take responsibility for themselves. To move towards self-sufficiency.

Work should pay enough so that if a parent works full-time, year-round, the family will not be poor.

Full-time, year-round work at the minimum wage pays only 78 percent of the poverty line income for a family of three. For a family of four it comes to a little more than 60 percent of a poverty income.

Poverty rates for working families with children climbed from 8.6 percent in 1979 to 11.3 percent in 1990. This represents an increase of nearly one third.

Child poverty has grown in part because working families are poor.

In 1990 there were approximately 8.2 million poor children. Nearly two out of every three children lived in a family where a household member worked. Nearly three million poor children lived in a household with a full-time, year-round worker.

EIC supplements low earnings and promotes work as a viable alternative to welfare.

EIC is a reward for work. It is an efficiently targeted policy. EIC prevents states from taxing families deeper into poverty. EIC offsets the effects of regressive state and local taxes on the poor.

EIC is pro-family because only working parents can qualify for it.

Only parents who live with and support their children are eligible. EIC does not discriminate against two-parent families.

EIC's are particularly attractive to rural states. Census data indicates that two-thirds of all poor rural families work. Poverty rates among working families in rural areas increased significantly during the 1980's.

EIC is an efficiently targeted policy. A state EIC is less costly than other means of achieving similar goals.

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I. AFDC OPTIONS -- ALL WAIVER REQUIRED

1. 100 hour rule

100-Hour Rule - To allow the State to continue to provide AFDC benefits to unemployed parent recipient families in which the principal wage earner works 100 or more hours per month.

Change required:

Waiver - 402(a)(41) and various provisions of the regulations at 45 CFR 233.100(a)(3)(iii) and 233.100(c)(1)(iii).

In a two-parent family, current policy restricts the number of hours worked by one of the parents. Under federal rules, a AFDC/UP family loses AFDC eligibility if the principal wage earner is employed for 100 hours a month, even if the family's wages from employment are so low that the family would still be financially eligible for AFDC. This is a particularly harsh and unjustified penalty: 100 hours of employment at the minimum wage would lead to gross earnings of $425 -- plainly insufficient to meet family needs.

Annual Cost/(Savings)

Cases	$/Case	$	GF
175	$96	$201,600	$58,424

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2. No deprivation requirement

Eliminate All Special Qualifications for Two-Parent Families - (No Deprivation Requirement)

Change required:

Waiver - 402(a)(41) and various provisions of the regulations at 45 CFR 233.100(a)(3)(iii) and 233.100(c)(1)(iv).

Allow benefits for any two-parent family that meets financial eligibility guidelines. Eliminate the work history, the 100-hour rule, and primary wage earner designation requirements. Parents without a recent work history sometimes separate to make at least one parent and the children eligible for AFDC and medical benefits. By eliminating the special requirements, families may be encouraged to remain together.

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Annual Cost

	Cases	Cost/ Case	$	GF at 28.98
Added Caseload	187	$355	$796,620	$230,860
Current Caseload	175	$ 96	$201,600	$ 58,424
Total		$451	$998,220	$299,284

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3. Increase earned income disregard

Encourage Employment/Reduce Dependency

Increase earned income disregards:

Changes Required:

Federal waiver would be required - 42 CFR 233.20)a)(11)(i)(B) and (D) and (ii)(B).

Income incentives encourage recipients of public assistance to seek and hold employment. To encourage work, the first $65 plus 1/2 of the remaining earned income will be disregarded for 12 months. More AFDC recipients should seek employment because the additional benefit to be gained by working will be an overall increase in total family income.

Annual Cost

	Cases	$/Case	$	GF (at 28.98)
Current Cases	1525	$100	$1,830,000	$ 530,334
Added Cases	1731	$113	$2,347,236	$ 680,229
			$4,177,236	$1,210,563

---

4. 90 days disqualification

90 Day Disqualification for Job Quit:

Changes Required: Federal waiver would be required

If within the 90 days prior to application for assistance, the head of the household has quit employment without good cause, the entire household will be found ineligible for AFDC. If the head of the household quits a job, without good cause, while receiving

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assistance, the head of the household will be disqualified for 90 days. Households will be discouraged from terminating employment without good cause.

Annual Savings

	Cases	Cost/Case	$	GF
Reduced Caseload	(110)	$355	(468,600)	(135,800)

*Assumes 1% of caseload quit job before applying for AFDC.

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5. Resource Options

*This is for the combination of all resource limit changes. Assumes everyone now denied or closed because of excess resources will be eligible.

A. Allow the resource limitation to be $2000 per household.

Changes required:

Waiver - 402(a) and regulation at 45 CFR 233.20.

Current resource limitation of $1000 per household is unrealistic given the need to accumulate savings for education, etc. This limitation impoverishes households unnecessarily before benefits are available and makes it difficult for households to work out of poverty. It will allow low-income families working toward self-sufficiency to build assets - money to buy reliable transportation or pay for post-secondary education or training for employment.

B. Exclude up to $4500 equity value of one vehicle in determining the countable resources of the household.

Changes required:

Waiver - 402(a) and regulation at 45 CFR 233.20.

Current disregard of $1500 equity value of one vehicle is unrealistic given current vehicle costs and the need for reliable transportation. This change will allow purchase or retention of reliable transportation instead of encouraging on-going expenses for unsafe vehicles.

C. Allow the accumulation of up to $10,000 in assets designated in accounts for education, buying a home, vehicle maintenance and repair, and emergency expenses.

Changes required:

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Waiver - 402(a) and regulation at 45 CFR 233.20.

The resource limitation of $1000 makes it difficult for households to save - children's savings must be included. The change will allow low-income families working toward self-sufficiency to build assets and work out of poverty.

Annual Increase

Average Caseload	Cases	Cost/ Case	$	GF
Increase	155	355	660,300	191,355

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6. EPSDT - Kids Count

Families that meet minimum standards for Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) schedule for preschool children will be awarded an incentive payment of $25 per month per child meeting the standards; those families that do not meet the minimum standards schedule will be subject to a sanction of $25 per month per child.

Changes required:

Waiver - 1902(a)(43) and 1905(a)(4)(B)

EPSDT is available to eligible Medicaid recipients under age 21 to ascertain physical and mental defects, and providing treatment to correct or ameliorate defects and chronic conditions found. The current (FY91) participation rate for total eligibles is 16%. This change would encourage Medicaid recipients to receive preventive care thus reducing the possibility of more serious and costly services being required.

Annual Cost

100% Compliance by all eligible children

Children	$/child	$	GF
3,480	$25/month	1,044,000	$302,551

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7. School attendance

A family's AFDC grant will be tied to the school attendance of the grade school children in the family.

Changes required:

Waiver - 402(a) and regulation at 45 CFR 233.10 through

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233.106

Families with grade school children who do not comply with attendance standards will be sanctioned $25 per child per school quarter. Exemptions will be allowed for transportation problems, illness verified by a physician or designee, school closures due to inclement weather, and unforeseen emergencies. Grade school children are those children enrolled in grades 4 through 6.

Annual Savings

Kids	Cost/Kid	$	GF (at 28.98)
58	($25)	(17,400)	(5,042)

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8. Exclude child's income

Exclude Earning of Youth:

Changes Required:

Federal waiver would be required - 54 CFR 233.20(a)(3)(i)(B) and (a)(3)(xvii), (xix) and (xx)

Children should be encouraged to develop good work habits and an employment history at an early age. As an incentive to gain employment, the earned income of dependent children, who are part-time or full-time students, will be excluded when determining the family's eligibility for AFDC.

(Cost not determined.)

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9. Time-limited benefits

A. Time limit AFDC benefits to 2 years

Changes required:

Waiver

AFDC recipients could receive a maximum of 2 years of continuous benefits. After 2 years, a Community Work Experience program which paid federal minimum wage benefits would be available.

B. AFDC benefits reduce periodically

Changes required:

Waiver

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AFDC recipients would receive a full payment (possibly full standard of need) for a set period of time, such as 6 months. After 6 months, benefits would be reduced to current payment levels. After an additional 6 months, benefits would be further reduced.

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10. Family cap

AFDC recipients would not receive increases in AFDC for children born after 10 months of application approval

Changes required:

Waiver

No increases for children born after 10 months of AFDC approvals would be permitted, unless such child was conceived as the result of rape or incest.

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11. Pay after performance

JOBS participants would not receive payments until compliance with JOBS program requirements

Changes required:

Waiver

Once AFDC recipients are chosen to be served by the JOBS operators, AFDC payments are not released until notification of compliance is received by the local county office.

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12. Work for benefits

All AFDC clients who are able bodied must participate in work programs

Changes required:

Waiver

Create community work experience programs and require all able bodied AFDC clients to participate in order to receive payment.

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II. <u>AFDC OPTIONS -- NO WAIVER REQUIRED</u>

1. Family planning

<u>Expand and improve family planning information and provide the information to all AFDC applicants and recipients.</u>

Change required:

State Plan change required.

This information should include the address and phone number of the local family planning provider as well as the specific services covered by Medicaid (e.g., Norplant, sterilization). Specific information about Norplant and sterilization would be sent in a checkstuffer to all AFDC recipients.

<u>Cost</u>
$0

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III. DAY CARE OPTIONS -- NO WAIVER REQUIRED

1. Purchase of day care

Change Required: Policy and Procedures and State Plan Change.

Working AFDC recipients have day care payment problems their last month of AFDC eligibility. Because of AFDC budgeting rules, families must pay the entire day care costs for their last month of eligibility. (The next month, Transitional Day Care begins.) SRS proposes to pay the last month of day care for working AFDC recipients through a voucher to the day care provider. This will help AFDC recipients transition through the critical first months of employment and savings will be realized by fewer families falling back onto AFDC.

	Annual Cost			
	Kids	Cost/Kid	$	GF
Additional Children	40/mo	188.74	90,595	26.254

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IV. OTHER RELATED PROGRAM OPTIONS--WAIVER REQUIRED

1. Cash out Food Stamps

Implement a program to cash out the value of the food stamp allotment

Changes required:

Waiver

Cash out the value of Food Stamps to: 1) AFDC only, 2) AFDC and SSI clients, 3) all Food Stamp recipients.

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2. Implement Electronic Benefit Transfer (EBT)

Implement EBT for Food Stamps, AFDC, LIEAP and Medicaid

Changes required

Waivers

Over a period of time, issue benefits via a "debit" card for Food Stamps, AFDC and LIEAP benefits. Medicaid eligibility could also show on this card.

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3. Implement the Eligibility Investigator program

Contract with an entity to furnish eligibility investigator services

Changes required

State Plan amendments

Hire eligibility investigators to investigate "potential" or suspect fraud cases for AFDC and Food Stamps. Federal participation is 75% for this program.

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REDUCING GRANTS WHEN AFDC FAMILIES CANNOT OBTAIN IMMUNIZATIONS FOR THEIR CHILDREN IS COUNTER-PRODUCTIVE AND PUTS THE BLAME IN THE WRONG PLACE

In a handful of states, some public officials recently have suggested reducing AFDC grants when a family does not take some particular step to get its children health care. In Maryland, for example, it has been proposed to reduce benefits to families who do not manage to obtain immunizations for their children.

There is a serious immunization crisis in this country, one affecting children from middle class as well as poor families, and poor families both receiving and not receiving welfare.

- The proportion of young children fully immunized against major childhood illnesses declined in the 1980s, and fell to 50 percent or lower in some major cities.

- In 1983, the nation had fewer than 1500 measles cases, but by 1990 the number surpassed 27,000.

Numerous studies show, however, that the prime causes of declining immunization rates are rising vaccine prices, a deteriorating public health system, growing numbers of poor preschoolers, and other causes outside the control of poor families.

- Between 1981 and 1991, the price of vaccines skyrocketed. The cost of a dose of DTP climbed from $0.33 to $9.97 and prices for other vaccines tripled or quadrupled.

- Between 1977 and 1987, the number of children with employer-based health insurance fell by nearly 3 million. Most families with no insurance for their children earn too much money to qualify for Medicaid but are too poor to buy private insurance or pay for medical care out-of-pocket.

Children on Medicaid, like other children, have low immunization rates in many areas of the country. But the fault typically lies with Medicaid programs and the health system as a whole, not with parents. Medically underserved communities have few or no primary care providers (all of the cities studied by the Centers for Disease Control because of measles outbreaks suffer severe shortages of health care personnel for poor and minority residents). There are very low rates of private provider acceptance of Medicaid patients in those communities where such providers still practice; and many heavily Medicaid-financed health maintenance organizations and other managed care plans fail to do an adequate job of immunizing children.

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A majority of states have Medicaid immunization reimbursement levels so low that many physicians are no longer providing immunization services to Medicaid children.

There are two vaccine price levels a Medicaid program can pay. The higher level is the "catalog" price that physicians and other providers pay to drug companies (and then in turn charge to insurance companies or patients). Much lower is the "contract" price that the federal Centers for Disease Control (CDC) pay for bulk purchase of vaccines that they distribute to public clinics. Oral polio vaccine, for example, is $9.45 for private purchase and $2.00 when bulk purchased by CDC.

CDC's contract with vaccine manufacturers allows states to bulk purchase as much vaccine as they want. Every state could – and should – buy at the lower price.

But only a minority of states bulk purchase some or all types of vaccine at low prices, either for Medicaid recipients or for all children in the state. Thirty states instead continue a fee-for-service system in Medicaid, letting physicians buy vaccine at far higher catalog prices and then attempting to reimburse them for the higher price and the office visit. But while they wind up overpaying for vaccine, these states cut corners on physician reimbursement.

- In these 30 states, on average, Medicaid programs pay just 53 percent of usual fees for DTP vaccine, 67 percent of usual fees for oral polio vaccine (OPV), and 72 percent for measles, mumps, and rubella. (See Tables for payment level in your state.)

- In a single office visit for immunizations for a 15-month-old child, the typical Medicaid program under pays the doctor by nearly $40.

- Several states reimburse physicians for immunization services at a rate less than the cost of the vaccine alone.

- When a child needs a follow-up visit to complete an immunization series, 17 states refuse to pay physicians for the second office visit and only allow billing for the vaccine and administration.

Low Medicaid reimbursement rates for immunization services and the absence of follow-up visit fees cause Medicaid recipients to be denied access to immunizations. Combined with generally depressed reimbursements for other primary care services, insufficient payment for immunization services may push a pediatric provider out of Medicaid completely. More commonly, the low payment levels lead providers to cease offering immunization services to Medicaid-enrolled children. At the same time, the growing financial and health insurance problems of other children lead the physicians to stop immunizing non-Medicaid children as well.

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- A physician from Pennsylvania recently testified to widespread refusal by that state's pediatricians to furnish immunization services in their offices. Instead they refer families to public clinics for services. Eighty-four percent of pediatricians and 66 percent of family physicians in Dallas County, Texas recently reported doing the same.

All these children get pushed into an already overwhelmed public health system that cannot meet their needs. Clinics have long waiting lists or erect other barriers. As a consequence, fewer and fewer Medicaid-eligible children receive protection against preventable disease.

- Over the past decade, federal appropriations for public providers such as community and migrant health centers and public child health clinics declined significantly in real dollar terms. A Children's Defense Fund study of community health centers found that declining resources, the high cost of vaccines, the dramatic upsurge in demand from Medicaid and other patients shifted from private providers, and the shortage of vaccines meant that 70 percent of reporting centers were experiencing vaccine shortages at the height of the measles epidemic.

States should take advantage of the special discounts for bulk purchase vaccine negotiated by the Centers for Disease Control. In the past three years, Ohio's Medicaid program has saved $3.3 million by doing so. Similar savings have been achieved by the other states that purchase and distribute vaccines directly.

If states invest part of the vaccine savings in more adequate reimbursement levels to Medicaid providers for the administration of the free vaccine, improved reimbursements should stem the tide of children into public immunization clinics and make immunization services more accessible. This is a far more effective way to push vaccination rates higher than is threatening to cut AFDC grants and thereby punishing children for the growing shortcomings of the nation's health insurance and health care delivery systems.

(Data excerpted from Children's Defense Fund, Medicaid and Childhood Immunizations: A National Study, January, 1992, available from Health Division, CDF, 122 C St. NW, Washington, DC 20001.)

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SERIOUS QUESTIONS ABOUT THE EFFECTS OF LEARNFARE

Learnfare is a program that ties a family's AFDC grant to a child's attendance at school. Two programs currently operate: Wisconsin "Learnfare" which applies to all AFDC teens and Ohio "LEAP" which applies to pregnant and parenting AFDC teens only. Both track minute variations in attendance but approach sanctions differently:

- In Wisconsin, a teen with 10 days of unexcused absences in the prior semester is subject to a monthly attendance requirement. If the teen then has 2 days of unexcused absences without good cause in a month, a sanction may result. If sanctioned, the family loses that portion of the grant for the student.

- In Ohio, a teen parent who has more than 2 unexcused absences in a month and can not demonstrate good cause may be sanctioned. If the teen parent enrolls in school and meets attendance requirements she may receive a bonus. The sanction and bonus are each $62 each month.

A Multi-year Evaluation found no evidence that Learnfare improves attendance.

A multi-year evaluation of Wisconsin's Learnfare program released in January 1992 found that Learnfare failed to improve school attendance by AFDC teens:

- After one year of Learnfare, about one third of those subject to Learnfare had improved their attendance while over half showed poorer attendance.

- Graduation rates for Milwaukee teens subject to Learnfare were the same as those not subject to Learnfare (the study compared Learnfare teens with non-Learnfare, former AFDC Milwaukee teens who entered high school as freshmen in the 1987-88 school year).

As stated in the University of Wisconsin/Milwaukee ETI report:

> Using lagged regression models which controlled for differences in age, grade level, sex, race, and months on AFDC, the school attendance of AFDC teens under the Learnfare policy was compared to school attendance of former AFDC teens and teens receiving AFDC prior to the Learnfare experiment. In all six school districts the models used did not show improvement in student attendance which could be attributed to the Learnfare requirement.

The researchers acknowledge that the evaluation "lacks the strength of an experimental design using random assignment." They state:

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Descriptive statistics support, however, the basic conclusion that AFDC teens have not shown improved attendance under the Learnfare experiment.

The impact of Ohio's LEAP program on school attendance is not yet known.

"Learnfare" and "LEAP" Have Had High Levels of Sanctions.

In Wisconsin Learnfare:

- 2360 teens, on average, were sanctioned each month during the '89-90 school year.

- Initially, between 5 percent and 10 percent of teens were sanctioned by the program every month. The sanction rate has declined substantially recently in response to procedural changes required by a successful lawsuit; however, a substantial number of teens are in a new "hold" category which may or may not eventually lead to a sanction.

In Ohio LEAP:

- the number of sanctions requested for teen parents was 20 percent or higher in four of five counties for which there was data and "the proportion of LEAP teens for whom grant reductions have been requested is large compared to other mandatory-participation programs for welfare recipients."

- in a sampling of counties the total number of sanction requests was similar to total bonus requests. However, one cannot conclude that the level of bonuses reflects LEAP's success in getting teen mothers to attend school. It is possible that some or all of those receiving bonuses are those teen mothers who would have attended school even without the bonus.

Sanctioned teens are often already severely "at risk."

A University of Wisconsin/Milwaukee evaluation of sanctions in Milwaukee found that:

X

- Over 40 percent of those sanctioned were from families already known to be at-risk – either for child abuse/neglect or part of the Children's Court system.

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Research on LEAP indicates that many of the teen mothers for which sanctions were requested were those who dropped out. These may be the very teen mothers who need the most help.

- In LEAP, approximately 2/3 of teen mothers for which sanctions were requested were to lose benefits not because of attendance problems but mostly because they failed to enroll in school or attend orientation.

A school attendance requirement may reduce family income for at-risk families without addressing the underlying issues of truancy or drop-out.

Attendance by AFDC and non-AFDC Elementary School Children Does Not Significantly Differ.

Welfare children attend school 169 days a year while non-welfare children attend 172 according to a study by the Urban Research Center of the University of Wisconsin/Milwaukee. In its study, "Do School Attendance Rates Vary Between AFDC and Non-AFDC Supported Children?, " reported that "For all students in grades two through five only three median attendance days and 3.9 mean attendance days, separate non-AFDC students from AFDC students." The researchers conclude that "resources spent on education rather than monitoring are more likely to move us toward that goal (of increased learning)."

Learnfare diverts scarce resources.

Educational and social policy should help poor children have successful school outcomes. Learnfare may actually interfere with that goal. Instead of focusing on what a child needs, it shifts everyone's attention to disputes about how many days of school a child may or may not have missed two or more months ago. This happens because the correctness of the welfare grant turns on how many days the child missed, whether the absences were excused, whether there was good cause. So, the schools, welfare department, and parents must put their attention on months-old attendance data rather than how to help the child. If there are resources available to help improve school outcomes for poor children, committing those resources to a complex attendance-tracking bureaucracy is a very bad use of them.

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Table II
Basic EIC Benefit Structure for
Families With One Child, 1991-94

Tax Year	Credit Percentage	Maximum Benefit	Phaseout Percentage	Phaseout Range
1991	16.7% of first $7,140	$1,192	11.93%	$11,250 to $21,250
1992	17.6% of first $7,520	1,324	12.57	11,840 to 22,370
1993	18.5% of first $7,790	1,441	13.21	12,270 to 23,180
1994	23% of first $8,070	1,856	16.43	12,710 to 24,010

Note: Dollar amounts for tax years after 1992 are based on the current inflation estimates of the Congressional Budget Office. Precise dollar amounts may vary when inflation estimates are revised.

Table III
Basic EIC Benefit Structure for
Families With Two or More Children, 1991-94

Tax Year	Credit Percentage	Maximum Benefit	Phaseout Percentage	Phaseout Range
1991	17.3% of first $7,140	$1,235	12.36%	$11,250 to $21,250
1992	18.4% of first $7,520	1,384	13.14	11,840 to 22,370
1993	19.5% of first $7,790	1,519	13.93	12,270 to 23,180
1994	25% of first $8,070	2,018	17.86	12,710 to 24,010

Note: Dollar amounts for tax years after 1992 are based on the current inflation estimates of the Congressional Budget Office. Precise dollar amounts may vary when inflation estimates are revised.

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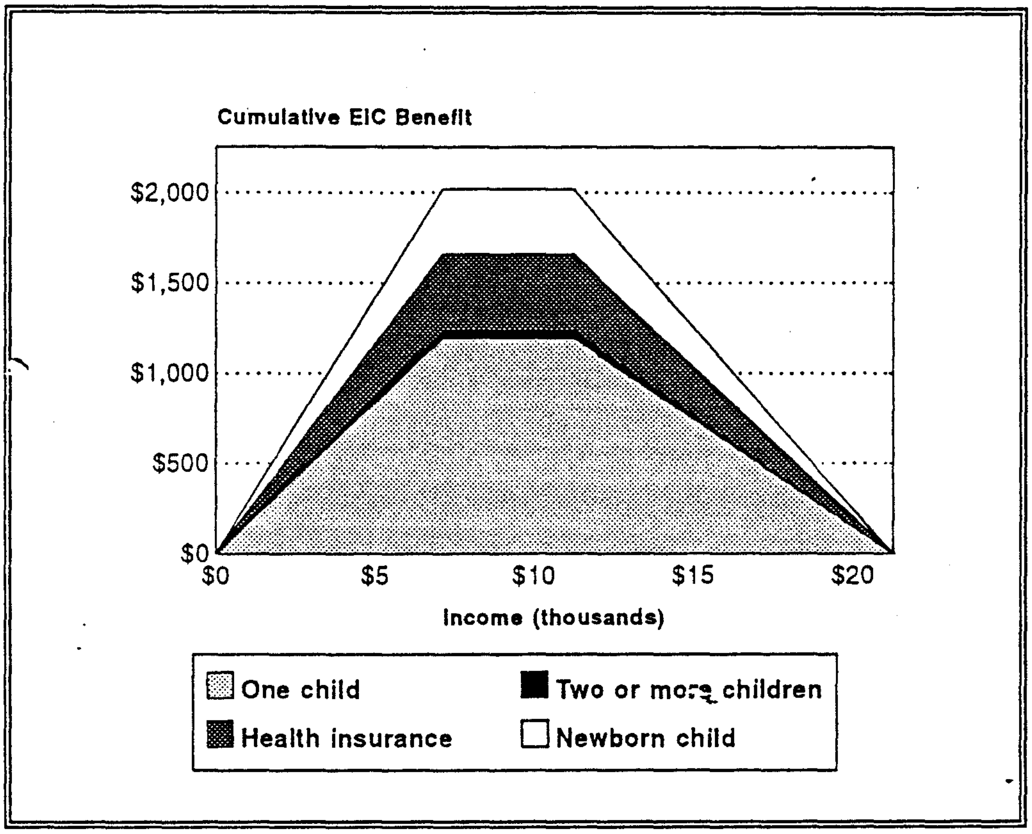
Figure 5
The EIC in Tax Year 1992



The basic credit amount is determined by a family's earnings and the number of children it has. In tax year 1992, the basic credit equals 17.6 percent of the first $7,520 of earnings for families with one child. A family with income of $7,520 thus qualifies for a credit of $1,324. This is the maximum *basic* credit for a family with one child. For families with two or more children, the credit is 18.4 percent of the first $7,520 of earnings, or a maximum of $1,384.

The credit remains at these maximum levels for families with earnings between $7,520 and $11,840. It then phases down slowly, declining about $13 for each $100 of income above $11,840.[11] When income reaches $22,370, the credit phases out entirely. Specific phase-out rates and ranges are shown in Tables II and III.

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[11] Over the first $7,520 of income, a family's basic EIC increases as *earnings* rise. For families with income between $11,840 and $22,370, the credit declines slowly as *adjusted gross income* rises. Thus, for families with very low earnings, the EIC amount is based solely on earnings. For moderate-income families, the EIC amount is based on earnings plus income from such sources as unemployment compensation, worker's compensation, and alimony. If income from these additional sources drives adjusted gross income above $22,370, the family is no longer eligible for EIC benefits.

montana
hunger
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EXHIBIT 12
DATE 1-11-93
SB

AFDC TESTIMONY
Ken Luraas

The Montana Hunger Coalition was formed in 1988 in response to the high incidence of hunger in Montana. The Montana Hunger Coalition is composed of persons representing professional organizations, churches, state organizations, organizations focused on the issues of mothers and children and a network of organizations providing food aid.

Poverty and hunger are adversely affecting too many of Montana's children. Four studies of hunger in Montana conducted by the Montana Hunger Coalition document that families with children are running out of food in their households. In fact, a recent 1992 study indicates that approximately 60% of families with children had run out food the previous year.

In 1992, 31,601 children and adults were recipients of AFDC benefits. Two years earlier, in 1990, 28,385 adults and children received AFDC. AFDC enrollment has increased by 11% in two years. The enrollment will continue to increase because the poverty rate for children in female headed families is dramatically high. It is at 67.1 % for all female headed families with children under the age of five.

Poverty is the leading cause of hunger in Montana. Families with children are at the greatest risk. Yet in the 1992 Special Session of the Legislature, ADFC payment were lowered to 40.5% of the federal poverty level. Reducing AFDC payments deepens poverty and increases hunger. Putting families deeper into poverty does not save money for the state in short or long term. Asking children to balance the states budget is not good public policy.

Restoring Aid to Families with Dependent Children to 42% of poverty is paramount to the economic survival of Montana's families. Economic recovery and more jobs will help, however the bottom line is parents cannot afford child care - cannot work, and children who rely on state assistance must have their basic needs met to survive.

HOUSE OF REPRESENTATIVES
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Human Services COMMITTEE BILL NO. ______

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