5/24/77 [3]

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THE WHITE HOUSE
WASHINGTON
May 24, 1977

The Vice President
Midge Costanza
Stu Elizenstat
Jody Powell
Jack Watson **
Bert Lance
Charlie Schultze
Mark Siegel

Re: Welfare Reform

The attached was returned in the President's outbox and is forwarded to you for your information and appropriate action.

Rick Hutcheson

** Jack -- Please communicate these comments to Secretary Califano. Thanks.
THE WHITE HOUSE
WASHINGTON
May 20, 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM TO: THE PRESIDENT
FROM: STU EIZENSTAT

Attached is a memo from Secretary Califano describing the basic structure for welfare reform agreed to by the Departments of Health, Education, and Welfare and Labor.

We believe this agreement represents a sound basis for discussions with the Congress, state and local governments and other interested groups. It does not represent a complete proposal, and another round of detailed Presidential decision-making in late July will be required before legislation can be submitted to Congress in August.

The memo itself reflects four areas in which precise agreement has not yet been reached:

• The precise number of jobs that will be required.
• Whether some upward flexibility from the minimum wage should be allowed.
• The precise levels of assistance in the track for those required to work and in the track for those not required to work.
• The precise allocation of funds between employment programs and income maintenance.

On each of these issues a range has been agreed to. It is likely that consensus on some, if not all, of these questions will be reached after further discussion and staff work.

[Handwritten note:]

Need to reduce payment level to accommodate payment level for aged in homes held harmless for aged in homes. Leave some other. Leave some current costs to others. Need to maintain. If possible to maintain current, then maintain. — J C
In addition to these issues a number of other major issues and problems remain to be resolved, including the adequacy of benefit levels, state and local cost sharing, the possible inclusion of other federal expenditures in this program and the relationship of programs such as medicaid and social services.

In particular, you should know that this plan makes no explicit provision for fiscal relief. While complete statistics are not yet available, the effect of the plan is to provide relief in low benefit states and, in all probability, to maintain or increase the burden of high benefit states such as New York and California. We will prepare a full briefing for you on this question when specific data and options are available.

Finally, a broad array of second-level design problems remain -- including the administrative structure for jobs programs, rules governing state supplementation of income support, a mechanism for reflecting differences in cost-of-living among areas, and many other issues. In addition, we are not satisfied as yet that the cost and impact data derived from Labor and HEW computer models are sufficiently accurate to meet close Congressional scrutiny.

We will work with Secretaries Califano and Marshall to assure that these remaining decision issues are thoroughly staffed and presented to you.

Making These Proposals Public

The plan as outlined in the attached memo will, of course, become public as soon as Secretary Califano and Secretary Marshall begin to discuss it with interested parties. It is important to coordinate the plan's release to the press in a manner that (1) avoids an initial round of press reports based on the reactions of others rather than our own presentation, and (2) does not upstage your announcement of principles on May 1.

One way to approach this problem might be for Secretary Califano to make himself available for a detailed briefing of key reporters early next week, perhaps on Monday or Tuesday.
MEMORANDUM FOR THE PRESIDENT
FROM: Charlie Schultze
SUBJECT: Welfare Reform Compromise

This supplements the memo which you have received from Bert Lance, Stu Eizenstat and me, dealing with the Califano-Marshall joint proposal on welfare reform.

1. Prevailing vs. minimum wages in public service jobs.

The joint proposal states that public service jobs be paid at minimum wages. But it also states that "Secretary Marshall believes that the wage rates must be equal to prevailing wages for comparable work, but that this could be accomplished at wages close to the minimum."

From an economic standpoint, it is absolutely critical that minimum wages be adhered to as the details of the proposal are worked out and as the bill goes through Congress.

If anything approaching "prevailing" wages in low-skill municipal jobs are paid, the public service jobs in many large cities will pay very much more than equivalent jobs in the private sector. The attached table (from a Labor Department survey) shows, for example, that municipal laborers earn $4.32 an hour in Cleveland, $7.18 an hour in Chicago, $7.43 an hour in New York, $3.65 an hour in Atlanta, and $5.39 an hour in Seattle.

Unless we stick by the minimum wage standard:

(i) A very large number of workers in the private sector will be sucked into applying for public service jobs; and wage rates will be bid up rapidly;
(ii) Program costs will rise sharply.

(iii) We won't even approach being able to supply public service jobs for those who most need them.

2. "Assured" jobs. I believe the direction we will be heading under the proposal is a good one. But there is still substantial uncertainty whether we can produce 1.4 million or more meaningful productive public service jobs at minimum wages.

It is very important that we not saddle ourselves with a commitment to assure public service jobs for every primary earner in a two-parent family. We are, in fact, undertaking a highly worthwhile, but as yet untried, experiment. We should proceed as rapidly as we can, while still insisting that real jobs be made available.

Excessive pressure to meet a preordained commitment can be dangerous. For example, we shall have to monitor the program closely to make sure that state and local governments do not themselves supplement the wages paid by the Federal Government. In that way they could convert a $5,200 public service job to, say, an $8,000 job, and use Federal funds simply to subsidize their own payrolls. The target populations would not be served, and costs would mount sharply.

If program administrators are under the gun to "assure" all applicants a public service job, there will be real danger of failure, as their standards slip and their monitoring gets sketchier. The joint proposal has a means of dealing fairly with people in situations where no public service jobs can be found. Thus, there is every reason to proceed to build a successful jobs program carefully, and not to risk failure by the excessive pressure which a job "guarantee" would entail.
## Median Wages for Various Occupations in Municipal Governments (1976)

<table>
<thead>
<tr>
<th>Government Sector</th>
<th>Janitors, Porters &amp; Cleaners</th>
<th>Laborers (Class A &amp; Class B)</th>
<th>Refuse Collectors</th>
<th>Truck Drivers</th>
<th>Watchmen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta</td>
<td>3.35</td>
<td>3.65</td>
<td>4.10</td>
<td>4.26</td>
<td>4.10</td>
</tr>
<tr>
<td>Cleveland</td>
<td>3.58</td>
<td>4.32</td>
<td>4.88</td>
<td>4.67</td>
<td>4.21</td>
</tr>
<tr>
<td>Chicago</td>
<td>5.18</td>
<td>7.18</td>
<td>6.38</td>
<td>7.78</td>
<td>4.87</td>
</tr>
<tr>
<td>New York</td>
<td>4.12</td>
<td>7.43</td>
<td>7.12</td>
<td>--</td>
<td>3.68</td>
</tr>
<tr>
<td>San Antonio</td>
<td>2.63</td>
<td>3.50</td>
<td>4.40</td>
<td>4.40</td>
<td>3.04</td>
</tr>
<tr>
<td>San Diego</td>
<td>4.17</td>
<td>4.65</td>
<td>5.90</td>
<td>5.78</td>
<td>--</td>
</tr>
<tr>
<td>Seattle</td>
<td>4.53</td>
<td>5.39</td>
<td>--</td>
<td>6.32</td>
<td>4.80</td>
</tr>
<tr>
<td>St. Louis</td>
<td>3.54</td>
<td>4.58</td>
<td>4.41</td>
<td>4.58</td>
<td>--</td>
</tr>
</tbody>
</table>

May 19, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: JOE CALIFANO

SUBJECT: WELFARE REFORM PROPOSAL

Secretary Marshall and I — working with Charlie Schultze, Stu Eizenstat and other staff from the Executive Office of the President — have reached agreement on the broad outlines of a welfare reform proposal.

This memorandum sets forth:

- The basic components of the proposal;
- The basis for the calculation that the proposal has been held to no higher initial cost — including some implications of a no higher initial cost approach;
- The timetable we intend to follow so that we can fulfill your pledge to send Congress welfare reform legislation by August 4.

Although there are still differences over details, as indicated below, Secretary Marshall agrees on the program design as described in this memorandum.

If you approve, the program will provide the basis for further, detailed consultation with the Congress, the States, recipients and other interested parties. As we have discussed, such consultation is essential before you make final decisions on the legislation you will actually propose.
I. BASIC PROGRAM ELEMENTS

The welfare reform proposal that we recommend will have two major programmatic initiatives -- a jobs program designed to reach low-income Americans and a consolidated cash assistance structure that at a minimum replaces the Federal share of AFDC, SSI, and Food Stamps.

To the greatest extent possible, the proposal emphasizes work. Those who can and should work will be required to seek employment in order to be eligible for cash supplements to inadequate earnings. For those who are not required to work, a simplified Federal program will provide cash support.

The jobs program will stress private sector employment. If a private sector job cannot be found, the program will attempt to assure access to a public service job for one wage earner in all households with children.

To provide a strong work incentive, the cash assistance program will have two separate tiers -- an income support tier for households whom we do not require to work,* and a work supplement tier with lower cash benefits for households that contain a wage earner who is required to work.

A. Employment Opportunities Program

1. Job Placement

Once they have applied for cash assistance, applicants who are required to work must register with the employment and training agency. For these adults, that agency will seek to identify private sector employment and will provide counseling or training, if necessary, to qualify them for private jobs.

* Many of these people -- the elderly, disabled or women with children -- will work part or full-time, and the income support plan contains an incentive to work because the cash grant is reduced only by 50 cents for every dollar of earnings.
2. Public Service Jobs and Training

- Number of Jobs and Training Slots -- The program attempts to assure access to a job to the principal earner in two-parent families with children and to parents in single-parent families who volunteer for a public job. When unemployment is 5.6 percent, we estimate that as many as 1.4 million jobs and training slots will be required to provide this assurance. Our projections assume about 85 percent of those eligible for jobs or training will participate. Under our present proposal no provision is made for day care.

- Training -- Training may last from two weeks to six months. It may include counseling and assistance in finding private employment, or provide instruction in specific skills necessary for private or public employment. It may range from remedial education to instruction in skilled trades. Training stipends will equal about 85 percent of wages from a full-time minimum wage job.

- Types of Jobs -- The PSE jobs will be full-time (35-40 hours per week) and will pay the minimum wage, with some supervisory jobs paying slightly more. Secretary Marshall believes the wage rates must be equal to prevailing wages for comparable work, but that this could be accomplished at wages close to the minimum. The jobs created should cover a wide range of activities in the public and private sectors. (Local private, non-profit institutions such as hospitals and nursing homes will be eligible job sponsors.)

Our ability to create jobs for this many low-income persons remains unproven. As a result, this part of the program should be phased in slowly and monitored carefully. No overall goals should be set. A cautious strategy will avoid the risk that a successful effort to create new jobs will be criticized for missing an ambitious goal.

B. Consolidated Cash Assistance

Under our proposal the three major income assistance programs -- AFDC, SSI, and Food Stamps -- would be abolished and consolidated into a unified, new, cash assistance system. Our present cost estimates assume some savings from reductions in housing assistance -- reductions that you have not yet approved. Several other programs would be retained (veterans pensions and existing housing commitments), but income received from these programs will reduce benefits paid under the new cash assistance program.
The benefit levels in the cash assistance program are not firm — and as they change, there may be significant policy implications. Thus, you should view the figures used below as illustrative within a reasonable range, not final.

1. Goals

The new cash assistance system will provide

- **income support**
  -- for those who are not required to work but with strong incentives to work part or full-time
  -- for those required to work but for whom we are unable to find or create a job opportunity,

- **work supplements** for those who are working but still have inadequate incomes.

2. Two-Tiers

The program distinguishes between (1) recipients who are required to work and (2) those who may work, but are not required to do so. This distinction is central to operation of the cash assistance program. It rests on a philosophical judgment that certain groups — the aged, blind, disabled and single parents of young children — should not be required to work full-time to support themselves. The proposed program structure would provide a minimum level of support — about three-fourths of the poverty level — to these people and would encourage, but not require, them to work.

By contrast, other groups, — e.g., able-bodied adults in two-parent households, childless couples, and single individuals — are traditionally expected to work in order to support themselves, if work is available. The extremely low basic benefit — less than one-half the poverty level — paid to these households assures a strong incentive to work.

None of the basic benefits represent fully adequate income without State supplementation or additional earnings.

**Those Not Required to Work (Income Support Tier)**

- **Eligibility** — Those eligible include the aged, blind, and disabled and single-parent families with younger children. We intend to solicit the advice of the States on where the age of "younger children" should be established — 18 as it now is, or 16, 14, 12, or 6.
**THE WHITE HOUSE**

**WASHINGTON**

```
ACTION
- MONDALE
- COSTANZA
- BIZENSTAT
- JORDAN
- LIPSHUTZ
- MOORE
- POWELL
- WATSON

<table>
<thead>
<tr>
<th>ENROLLED BILL</th>
<th>AGENCY REPORT</th>
<th>CAB DECISION</th>
<th>EXECUTIVE ORDER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| FOR STAFFING |
| FOR INFORMATION |
| FROM PRESIDENT'S OUTBOX |
| LOG IN/TO PRESIDENT TODAY |
| IMMEDIATE TURNAROUND |

| ARAGON |
| BOURNE |
| BRZEZINSKI |
| BUTLER |
| CARP |
| H. CARTER |
| CLOUGH |
| FALLOWS |
| FIRST LADY |
| GAMMILL |
| HARDEN |
| HOYT |
| HUTCHESON |
| JAGODA |
| KING |
| KRAFT |
| LANCE |
| LINDE |
| MITCHEL |
| FOSTON |
| PRESS |
| B. RAINTER |
| NOBLESTINGER |
| SCHNEIDER |
| SCHULTZ |
| SIEGEL |
| SMITH |
| STRAUSS |
| WELLS |
| VOORDE |
```
Basic Benefit — The basic benefit paid to a family of four with no other income would be $4700 in 1978. A single-parent with one child would receive $3300. An aged, blind or disabled individual (couple) would receive $2600 ($3900). These benefits would exceed slightly those projected for 1978 in the SSI and Food Stamp programs combined.

Benefit Reduction Rate — Benefits would be reduced 50 cents for each dollar of earnings.

Breakeven Point — A four-person family would cease to be eligible for benefits at an income of $9400 per year, the "breakeven" income level.

Those Required to Work (Work Supplement Tier)

Eligibility — Those eligible include two-parent families with children, single persons, childless couples, and possibly single-parent families with older children, depending on where the age is set for "younger children."

Basic Benefit — The basic benefit for a family of four will be $2600 (assuming a job is available), which is $2100 less than the benefit for those not required to work. Single individuals and childless couples would receive $1200 and $2400, respectively, if no job were available.*

Benefit Reduction Rate — To create a strong work incentive benefits are not reduced at all until a family's total income (including benefits) approaches the poverty level. After this initial range of earnings (known as a "disregard"), benefits are reduced 50 cents for each dollar of earnings. For adults working in a private job the disregard equals the first $4200 of earnings, while for those in a special public job it is $2100. The larger disregard for private sector earnings ensures that private employment is always more attractive economically than public service employment.

Work Requirement — If a job providing a minimum level of earnings is provided to single persons and childless couples, they become ineligible for income support. If a job is provided to the principal earner in two-parent families with children, they receive assistance on the work supplement tier. These benefits are substantially below the income support tier in order to preserve a strong incentive to accept employment. To protect the family's children, benefits are not cut off entirely if the principal refuses to work.

* These are midpoint benefit assumptions. There is not yet consensus on the basic benefit in the work supplement tier. The range for a family of four in current discussion is $2350 to $2900. Disagreement also exists with respect to the benefit levels for single individuals and childless couples. All subsequent references to lower tier benefits will reflect use of the midpoint.
Safety Net for Two-Parent Families with Children — If the jobs program fails to provide a job (public or private) or training slot to the principal earner in a two-parent family, that family would receive the higher benefit on the income support tier. The specific conditions under which families would move to the income support tier are not yet decided. Families should not be relegated to the low benefit tier in order to provide an incentive to work — if our best efforts cannot locate or create a job for them. For singles and childless couples, the lack of an available job does not, by contrast, allow them to receive the higher benefits available to those not required to work (e.g., the aged, blind, and disabled).

If a job is later made available to the principal earner the family's benefits will be reduced to the levels on the lower work supplement tier, whether or not he or she takes the job.

3. The Program Illustrated

The following two tables illustrate the main characteristics of the proposal and describe the recipient population in Fiscal Year 1978. (See the footnote on the previous page which notes the uncertainty with regard to these numbers.)

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>Illustrative Benefit Levels (1978 dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefits at Various Earnings Level</strong></td>
<td><strong>Total Income at Various Earnings Level</strong></td>
</tr>
<tr>
<td>No Job</td>
<td>Public</td>
</tr>
<tr>
<td>$0</td>
<td>$5200</td>
</tr>
</tbody>
</table>

- **Single Parent, One Child**
  - 3300
  - 3300
  - 700
  - 4500
  - 6600

- **Two Parents, Two Children**
  - 4700*
  - 2600
  - 1050
  - 2600
  - 6250
  - 2100
  - 7300
  - 9400

- **Aged, Blind, or Disabled Couple**
  - 3900**
  - 3900
  - 1300
  - 3900
  - 6500
  - **
  - **
  - 7800

* The higher benefit applies only if a member of the household cannot be assured a job.

** Not eligible for public job.
The benefit for recipients with no other income is the "basic benefit." For example, a family comprised of a single parent and a young child would receive a benefit of $3300 if it had no other income. As earnings accrued to the family, the benefit would be reduced 50 cents for each dollar of earnings. With earnings of $2000, therefore, the benefit for such a family would be reduced by $1000 to $2300; the family's total income would then be $4300. A full-time private job at the minimum wage would give the family earnings of $5200 and a supplement of $700 for a total income of $5900. If the family was earning $5200 in an equivalent public job, it would receive no supplement since public jobs are supplemented by smaller benefits to encourage employment in the private sector.

Similarly a family comprised of a mother, father, and two children would be assured access to a public job paying at least the minimum wage. A supplement of $1050 would augment earnings from the job, to give a total income of $6250. If one of the parents is employed full-time in a private job paying the minimum wage, the family would receive a $2100 supplement to the $5200 of earnings for a total income of $7300.

The entire benefit structure is described at Tab A.

**TABLE 2**

Distribution of Cash Benefits (FY 1979)

<table>
<thead>
<tr>
<th>Units (millions)</th>
<th>Persons (millions)</th>
<th>Transfers (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two-parent Families</td>
<td>3.2</td>
<td>16.3</td>
</tr>
<tr>
<td>Single Parent Families</td>
<td>2.1</td>
<td>7.9</td>
</tr>
<tr>
<td>Two Adults, No Children</td>
<td>1.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Non-Aged Individuals</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Aged Individuals</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9.7</strong></td>
<td><strong>30.4</strong></td>
</tr>
</tbody>
</table>

* $15.5b plus $1.4b for administration plus $.6b in emergency assistance equals $17.5b, the projected expenditure on the cash portion of the proposal.
4. Earned Income Tax Credit

The current Earned Income Tax Credit (EITC) would be continued for all families with children. The EITC benefit would continue to be paid once a year and would not reduce benefits paid by the cash assistance program. Continuation of the EITC reduces the burden of the social security payroll tax.

C. Technical Changes

The proposal also contains some very important - but highly controversial - technical changes from current welfare practices. These departures lower the program's cost significantly by reducing payments to many current recipients. The changes are intended to count income and provide assistance on a fairer basis to those most in need. But they will work some hardship by eliminating or reducing the benefits of some current recipients. Therefore they will engender controversy and significant opposition. But the economies they realize are necessary if structural reform is to be achieved with no higher initial cost.

1. Change In the Definition Of An Eligible Unit: The "Filing Unit"

The new program changes the definition of the group of people -- the household or "filing unit" -- that will be considered in counting income and determining need. At present, AFDC and SSI have a very "narrow" definition -- usually an individual, couple, or single parent with child. The resources of the total household in which a recipient lives are not counted. By moving to a broader filing unit definition -- all relatives living together -- we focus cash assistance more precisely on those most in need. But we also cut off benefits to many present and potential recipients of current programs (especially SSI recipients living with relatives) and lower the benefits of others. The aged and disabled are likely to oppose this change most strongly. To hold them harmless (which I personally prefer) would cost about an additional $1 billion.

Most current programs provide assistance if a family's income falls below set levels for only a very short period of time—usually the current month. The new program would, in general, provide cash support on the basis of income received in the prior six or twelve months. Changing the accountable period will reduce or eliminate benefits for many present recipients and, therefore, produce strong opposition.

D. Administrative Structure

Many details have yet to be worked out with respect to administrative structure.

In general, State and local agencies under DOL supervision would be responsible for the employment placement process and the public job and training programs.

To maximize efficiency, to minimize the opportunities for fraud and abuse, and to hold down administrative costs, a single agency structure for the cash assistance aspect of the welfare reform proposal is recommended. To underscore the "work" emphasis of your proposal, there could be either a single intake or two "doors" into this single structure: those required to work could apply through the manpower agency for income supplements, while those not required to work would normally apply to HEW or a State social agency. We propose that HEW administer the cash assistance structure, process applications, determine eligibility, run the computers, and insure the fiscal integrity of the cash assistance program. While HEW would administer cash assistance, checks for those required to work would be sent in Labor Department envelopes to emphasize that the payment is a cash supplement. The Labor Department will determine whether individuals are required to work (e.g., temporary disability, custodial responsibilities) and whether a job is available. The State and local role in the administration of cash assistance is not yet clear.
II. COSTS AND IMPACT

Costs

Our current estimates suggest this proposal would not increase net Federal expenditures. Table 3 shows the estimates of the costs of the new program compared to costs of existing program in FY 1978.

TABLE 3
Illustrative Cost Table FY 1978

<table>
<thead>
<tr>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Assistant</strong></td>
<td><strong>Cash Assistance</strong></td>
</tr>
<tr>
<td>AFDC</td>
<td>$6.6 B</td>
</tr>
<tr>
<td>SSI</td>
<td>5.7</td>
</tr>
<tr>
<td>Food Stamps</td>
<td>5.0</td>
</tr>
<tr>
<td>UI (26-39 weeks)</td>
<td>1.3*</td>
</tr>
<tr>
<td>Housing Assistance</td>
<td>.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$19.0 B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment Programs</th>
<th>Employment Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>CETTA</td>
<td>$5.5 B</td>
</tr>
<tr>
<td>WIN</td>
<td>.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5.9 B</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$24.9 B</td>
</tr>
</tbody>
</table>

**Notes for Cost Table**

1. Federal Share only.

2. Assumes an unemployment rate of 5.6 percent, participation rate of 85 percent, and $300 million for higher wages for supervisors.

* Currently, UI program expenditures are declining as the economy expands. Therefore, the availability of this amount is questionable (See further discussion on p.11).

** The cost of the programs may be changed as we gain more information and further refine our cost estimates. If so, corresponding adjustments will be made in the costs of the employment and cash assistance programs. Therefore, the numbers above should be viewed only as approximate.

Secretary Marshall believes that the numbers on the above chart (under "proposed") should be changed as follows: $15.5 B for cash assistance and $9.4 B for the employment program. He believes this provides sufficient funds for 1.4 million job and training slots and indicates a shift from cash assistance to work.
This estimate that the proposed program involves no higher initial cost makes three important assumptions:

- Income-related housing assistance programs are folded into the jobs and cash assistance programs.
- Our cost estimates fold in $1.3 B in extended UI which reflects current expenditures under that program. While most expenditures for this program would phase out at the assumed 5.6% unemployment rate, we are assuming that money, currently being spent for these purposes, is available for our reform proposal.
- Unemployment is 5.6 percent.

While these estimates are the best we can produce at this time, there will undoubtedly be further refinements of the simulation models and the computer programs on which they are based. We intend to invite a wide variety of experts, including technicians and officials at the State and local level, to review carefully our assumptions and procedures. If these improvements alter estimated Federal costs, changes will have to be made in the program specifications to return to zero cost. We have identified several possible reductions in program costs (Tab B).

**Impact on Recipients**

While this proposal would not change net Federal expenditures, it would redistribute Federal funds among recipients and States. Actual effects on recipients would depend on whether the States choose to supplement Federal benefits.

Three major groups would receive more Federal dollars than under current programs:

- **Two-parent families with children:** These families receive substantially more cash assistance than they receive under the current Food Stamp program, and also are the principal beneficiaries of the expanded PSE commitment.
- **Single-parent families** with children in low-benefit states.
- **Individuals and childless couples** in those States that have only limited General Assistance programs.

Many current recipients would receive substantially less Federal support:

- **Current AFDC and SSI recipients in high benefit states.** The precise impact will depend on the extent to which States supplement the Federal benefit.
Current SSI recipients living with relatives. These recipients would be included in larger filing units under the new proposal. In addition, other recipients will receive lower Federal benefits under the new rules that will permit no deductions from gross income and take account of income over a longer period of time.

Households that currently receive Extended Unemployment Insurance. Most of these benefits go to households that are not technically poor and that will not be eligible for assistance under the new program.

Fiscal Relief

The amount of fiscal relief that the States and local government will obtain under this proposal depends upon the extent to which they supplement Federal benefits.

In assessing the potential fiscal relief, it seems most realistic to assume that the States will supplement recipients of AFDC and SSI up to current benefit levels plus Food Stamps.

Under this assumption, the States would receive some fiscal relief:

- Savings in current General Assistance programs would be in excess of one billion dollars. These savings would be reduced by any contribution States and local governments make to the proposed emergency assistance program.

- The replacement of current AFDC and SSI programs with the Federal program and State supplements will decrease State and local costs in some States (though it will increase them in others).

A relatively high fraction of the $1 billion in fiscal relief is concentrated in California, New York, and in the States of the Northeast and Midwest where AFDC and SSI benefits are relatively high and the bulk of General Assistance benefits are paid.

To ensure that States do provide supplements, it may be necessary for the Federal government to hold the States harmless against increases over their current expenditures. Federal expenditures for such a guarantee are not included in this proposal.

The estimates must be considered highly tentative, and are virtually certain to change as we gain better information and understanding of State programs.
III. NEXT STEPS

A. Information to be Developed

Using the program outlined above as our working hypothesis, we will, if you approve, move forward on the following fronts:

- We will go State by State to determine the impact of the tentative welfare reform package on recipients and on States and localities;
- We will begin to take detailed soundings on Capitol Hill to determine the state of the political waters (for example, membership in the House — and on the Ways and Means Committee — has changed substantially since the last welfare reform fight);
- We will get reaction from governors, mayors, recipient groups, and other interested parties;
- We will review — and make more explicit — the basic components of the plan, and pay special attention to the refinement of our current cost model; and
- We will establish a more formal intra-governmental process so that other affected Executive agencies and departments have an opportunity to critique the proposal.

B. Timetable

As you know, we have thus far only focused on issues of the "first order" of magnitude. As we undertake the process described above, second and third level issues will start to come into focus. (See Tab B, for a listing of some of these important issues). And some first order issues, i.e., how the Medicaid program is affected by welfare reform, remain to be decided.

Per your instructions, we intend to complete the next round of information gathering and analysis within four to six weeks.

Starting in mid-June, we will construct the complete legislative package. At that time, we propose that you become involved in the process again — to review the state of our present proposal and to provide additional guidance on other outstanding issues of significance. At that time, we may also be able to make a convincing case for some additional funds.
C. A Final Note

The politics of welfare reform are treacherous under any circumstances, and they can be impossible at no higher initial cost, because it is likely that so many people who are now receiving benefits will be hurt.

The States are our natural allies in welfare reform -- most members of Congress would still prefer not to deal with the subject at all -- and there is virtually no relief in this proposal for governors and mayors. In addition, there will be problems in cutting benefits for the aged, disabled, and the blind, and there will be disputes over our ability to put a significant number of the 3.4 million mothers on welfare to work.

I suggest that we stress to the States and to the Congress that we are only presenting a working plan and that we are engaging in this process before submitting legislation in order to assess impact and to determine what improvements are necessary to make the plan work fairly and effectively for all -- beneficiaries, States, cities, and taxpayers.
<table>
<thead>
<tr>
<th>Family Type</th>
<th>Benefits at Various Earnings Level</th>
<th>Total Income at Various Earnings Levels</th>
<th>Break-even Level of Earnings Total Income (Benefit = 0)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No Job $0</td>
<td>Public $5200</td>
<td>Private $5200</td>
</tr>
<tr>
<td>Single Individual</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1200*</td>
<td>**</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>**</td>
<td></td>
</tr>
<tr>
<td>Childless Couples</td>
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</tr>
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<td></td>
<td>2400*</td>
<td>**</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1200</td>
<td>**</td>
<td></td>
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<td>Single Parent, One Child</td>
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<td>-</td>
<td>700</td>
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</tr>
<tr>
<td></td>
<td>4000*</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>4700</td>
<td>1050</td>
<td>2100</td>
</tr>
<tr>
<td>Two Parents, Two Children</td>
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</tr>
<tr>
<td></td>
<td>4700*</td>
<td></td>
<td></td>
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<td>2600</td>
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<td>2100</td>
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<tr>
<td>Two Parents, Five Children</td>
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<td></td>
<td>6800*</td>
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<td></td>
<td>2600</td>
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<tr>
<td>Aged, Blind, or Disabled Couple</td>
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<td>3900</td>
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<tr>
<td>Aged, Blind, or Disabled Parent, Three Children</td>
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<tr>
<td></td>
<td>5200</td>
<td>1550</td>
<td>2600</td>
</tr>
</tbody>
</table>

The benefit at zero income is the "basic benefit." When income is zero the total income of a family will equal the benefit.

* The higher benefit applies only if a member of the household cannot be assured a job.

** Not eligible for public job.

Special Public jobs at minimum wage, 40 hours/week ($5200).
ADDITIONAL COMMENTS ON COST ESTIMATES

Cost estimates of the proposal are subject to revision. If costs are less than those of current programs, it will be possible to modify the proposal by liberalizing various features. If costs are greater than those of current programs, it will be necessary to make the jobs or cash programs less liberal in several key respects. The changes that might be necessary are inter alia:

Cash Assistance

- The basic benefits could be reduced.
- The Earned Income Tax Credit could be integrated with the cash assistance system, by reducing cash assistance benefits to offset the effect of the EITC.

Jobs

- Jobs under the present plan are assured to the principal earner of all families with children, whether or not the family is eligible for cash assistance. The assurance could be limited to households eligible for cash assistance.
- The assurance of a job could be limited to two-parent families only.
- Under the present plan workers are assured public service employment after five weeks of unemployment. This period could be increased to 8, 10, 12, weeks.
UNRESOLVED ISSUES

Several issues remain to be addressed. They are:

- **The role of State Supplements.** Should the Federal agency that administers the cash assistance program also administer State supplements? Should the Federal government "hold harmless" States for State supplement expenditures that exceed the State's old share in AFDC plus SSI State supplements?

- **Fiscal Relief.** Should more resources be devoted to the basic Federal program to increase the limited fiscal relief to States (assuming the States have supplement programs) in the current proposal?

- **Regional Cost-of-Living Differentials.** It is generally agreed that some adjustment of benefits to reflect living cost differences among areas could be desirable. The amount of any such adjustments, and the manner of measuring and implementing them, are complex issues on which there is currently inadequate information.

- **Inflation Proofing (Indexing).** Should benefits be automatically adjusted to reflect changes in the cost-of-living?

- **Relationship to Medicaid.** Currently, cash assistance and health care are closely linked. Reforms in eligibility for Medicaid and possibly in the program itself will have to be addressed in the next month before any legislation can be prepared.

- **Relationship to Social Services, Including Day Care.** Delivery of cash assistance and social services, including day care, are intertwined in the AFDC program. The relationship between the new cash assistance and jobs programs and the need for social services has not been resolved.

- **Puerto Rico, Guam and the Virgin Islands.** Should these outlying territories be included in the new program?

- **Institutional Population.** Should individuals in institutions such as long-term care facilities, be covered by the new system, or should they be categorically ineligible and covered in special programs that are oriented to institutional settings?

- **Assets Test.** Should an asset test be applied to those units where income exceeds the disregard?

- **Work Requirement for Single-Parent Families.** Should single-parents with no children under 14 (or 12 or 6) be required to work?
Date: May 20, 1977

FOR ACTION:

Hamilton Jordan
Frank Moore
Jody Powell
Jack Watson

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat/Schultze/Lance memo re: Welfare Reform

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 9 a.m.
DAY: Tuesday
DATE: May 24, 1977

ACTION REQUESTED:

X Your comments

Other:

STAFF RESPONSE:

I concur. No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.
If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone: 301-123-4567)
MEMORANDUM TO: THE PRESIDENT

FROM: STU EIZENSTAT
      CHARLIE SCHULTZE
      BERT LANCE

Attached is a memo from Secretary Califano describing the basic structure for welfare reform agreed to by the Departments of Health, Education, and Welfare and Labor.

We believe this agreement represents a sound basis for discussions with the Congress, state and local governments and other interested groups. It does not represent a complete proposal, and another round of detailed Presidential decision-making in late July will be required before legislation can be submitted to Congress in August.

The memo itself reflects four areas in which precise agreement has not yet been reached:

- The precise number of jobs that will be required.
- Whether some upward flexibility from the minimum wage should be allowed.
- The precise levels of assistance in the track for those required to work and in the track for those not required to work.
- The precise allocation of funds between employment programs and income maintenance.

On each of these issues a range has been agreed to. It is likely that consensus on some, if not all, of these questions will be reached after further discussion and staff work.
In addition to these issues a number of other major issues and problems remain to be resolved, including the adequacy of benefit levels, state and local cost sharing, the possible inclusion of other federal expenditures in this program and the relationship of programs such as medicaid and social services.

In particular, you should know that this plan makes no explicit provision for fiscal relief. While complete statistics are not yet available, the effect of the plan is to provide relief in low benefit states and, in all probability, to maintain or increase the burden of high benefit states such as New York and California. We will prepare a full briefing for you on this question when specific data and options are available.

Finally, a broad array of second-level design problems remain -- including the administrative structure for jobs programs, rules governing state supplementation of income support, a mechanism for reflecting differences in cost-of-living among areas, and many other issues. In addition, we are not satisfied as yet that the cost and impact data derived from Labor and HEW computer models are sufficiently accurate to meet close Congressional scrutiny.

We will work with Secretaries Califano and Marshall to assure that these remaining decision issues are thoroughly staffed and presented to you.

Making These Proposals Public

The plan as outlined in the attached memo will, of course, become public as soon as Secretary Califano and Secretary Marshall begin to discuss it with interested parties. It is important to coordinate the plan's release to the press in a manner that (1) avoids an initial round of press reports based on the reactions of others rather than our own presentation, and (2) does not upstage your announcement of principles on May 1.

One way to approach this problem might be for Secretary Califano to make himself available for a detailed briefing of key reporters early next week, perhaps on Monday or Tuesday.
MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze

SUBJECT: Welfare Reform Compromise

This supplements the memo which you have received from Bert Lance, Stu Eizenstat and me, dealing with the Califano-Marshall joint proposal on welfare reform.

1. Prevailing vs. minimum wages in public service jobs.

The joint proposal states that public service jobs be paid at minimum wages. But it also states that "Secretary Marshall believes that the wage rates must be equal to prevailing wages for comparable work, but that this could be accomplished at wages close to the minimum."

From an economic standpoint, it is absolutely critical that minimum wages be adhered to as the details of the proposal are worked out and as the bill goes through Congress.

If anything approaching "prevailing" wages in low-skill municipal jobs are paid, the public service jobs in many large cities will pay very much more than equivalent jobs in the private sector. The attached table (from a Labor Department survey) shows, for example, that municipal laborers earn $4.32 an hour in Cleveland, $7.18 an hour in Chicago, $7.43 an hour in New York, $3.65 an hour in Atlanta, and $5.39 an hour in Seattle.

Unless we stick by the minimum wage standard:

(i) A very large number of workers in the private sector will be sucked into applying for public service jobs; and wage rates will be bid up rapidly;
(ii) Program costs will rise sharply.

(iii) We won't even approach being able to supply public service jobs for those who most need them.

2. "Assured" jobs. I believe the direction we will be heading under the proposal is a good one. But there is still substantial uncertainty whether we can produce 1.4 million or more meaningful productive public service jobs at minimum wages.

It is very important that we not saddle ourselves with a commitment to assure public service jobs for every primary earner in a two-parent family. We are, in fact, undertaking a highly worthwhile, but as yet untried, experiment. We should proceed as rapidly as we can, while still insisting that real jobs be made available.

Excessive pressure to meet a preordained commitment can be dangerous. For example, we shall have to monitor the program closely to make sure that state and local governments do not themselves supplement the wages paid by the Federal Government. In that way they could convert a $5,200 public service job to, say, an $8,000 job, and use Federal funds simply to subsidize their own payrolls. The target populations would not be served, and costs would mount sharply.

If program administrators are under the gun to "assure" all applicants a public service job, there will be real danger of failure, as their standards slip and their monitoring gets sketchier. The joint proposal has a means of dealing fairly with people in situations where no public service jobs can be found. Thus, there is every reason to proceed to build a successful jobs program carefully, and not to risk failure by the excessive pressure which a job "guarantee" would entail.
Median Wages for Various Occupations in Municipal Governments (1976)

<table>
<thead>
<tr>
<th>Government Sector</th>
<th>Janitors, Porters &amp; Cleaners</th>
<th>Laborers (Class A &amp; Class B)</th>
<th>Refuse Collectors</th>
<th>Truck Drivers</th>
<th>Watchmen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta</td>
<td>3.35</td>
<td>3.65</td>
<td>4.10</td>
<td>4.26</td>
<td>4.10</td>
</tr>
<tr>
<td>Cleveland</td>
<td>3.58</td>
<td>4.32</td>
<td>4.08</td>
<td>4.67</td>
<td>4.21</td>
</tr>
<tr>
<td>Chicago</td>
<td>5.18</td>
<td>7.18</td>
<td>6.38</td>
<td>7.78</td>
<td>4.87</td>
</tr>
<tr>
<td>New York</td>
<td>4.12</td>
<td>7.43</td>
<td>7.12</td>
<td>--</td>
<td>3.68</td>
</tr>
<tr>
<td>San Antonio</td>
<td>2.63</td>
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<td>4.40</td>
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</tr>
<tr>
<td>San Diego</td>
<td>4.17</td>
<td>4.65</td>
<td>5.90</td>
<td>5.78</td>
<td>--</td>
</tr>
<tr>
<td>Seattle</td>
<td>4.53</td>
<td>5.39</td>
<td>--</td>
<td>6.32</td>
<td>4.80</td>
</tr>
<tr>
<td>St. Louis</td>
<td>3.54</td>
<td>4.58</td>
<td>4.41</td>
<td>4.58</td>
<td>--</td>
</tr>
</tbody>
</table>

MEMORANDUM FOR THE PRESIDENT

FROM: JOE CALIFANO

SUBJECT: WELFARE REFORM PROPOSAL

Secretary Marshall and I — working with Charlie Schultze, Stu Eisenstat and other staff from the Executive Office of the President — have reached agreement on the broad outlines of a welfare reform proposal.

This memorandum sets forth:

- The basic components of the proposal;
- The basis for the calculation that the proposal has been held to no higher initial cost — including some implications of a no higher initial cost approach;
- The timetable we intend to follow so that we can fulfill your pledge to send Congress welfare reform legislation by August 4.

Although there are still differences over details, as indicated below, Secretary Marshall agrees on the program design as described in this memorandum.

If you approve, the program will provide the basis for further, detailed consultation with the Congress, the States, recipients and other interested parties. As we have discussed, such consultation is essential before you make final decisions on the legislation you will actually propose.
I. BASIC PROGRAM ELEMENTS

The welfare reform proposal that we recommend will have two major programmatic initiatives -- a jobs program designed to reach low-income Americans and a consolidated cash assistance structure that at a minimum replaces the Federal share of AFDC, SSI, and Food Stamps.

To the greatest extent possible, the proposal emphasizes work. Those who can and should work will be required to seek employment in order to be eligible for cash supplements to inadequate earnings. For those who are not required to work, a simplified Federal program will provide cash support.

The jobs program will stress private sector employment. If a private sector job cannot be found, the program will attempt to assure access to a public service job for one wage earner in all households with children.

To provide a strong work incentive, the cash assistance program will have two separate tiers -- an income support tier for households whom we do not require to work,* and a work supplement tier with lower cash benefits for households that contain a wage earner who is required to work.

A. Employment Opportunities Program

1. Job Placement

Once they have applied for cash assistance, applicants who are required to work must register with the employment and training agency. For these adults, that agency will seek to identify private sector employment and will provide counseling or training, if necessary, to qualify them for private jobs.

* Many of these people -- the elderly, disabled or women with children -- will work part or full-time, and the income support plan contains an incentive to work because the cash grant is reduced only by 50 cents for every dollar of earnings.
2. Public Service Jobs and Training

- Number of Jobs and Training Slots -- The program attempts to assure access to a job to the principal earner in two-parent families with children and to parents in single-parent families who volunteer for a public job. When unemployment is 5.6 percent, we estimate that as many as 1.4 million jobs and training slots will be required to provide this assurance. Our projections assume about 85 percent of those eligible for jobs or training will participate. Under our present proposal no provision is made for day care.

- Training -- Training may last from two weeks to six months. It may include counseling and assistance in finding private employment, or provide instruction in specific skills necessary for private or public employment. It may range from remedial education to instruction in skilled trades. Training stipends will equal about 85 percent of wages from a full-time minimum wage job.

- Types of Jobs -- The PSE jobs will be full-time (35-40 hours per week) and will pay the minimum wage, with some supervisory jobs paying slightly more. Secretary Marshall believes the wage rates must be equal to prevailing wages for comparable work, but that this could be accomplished at wages close to the minimum. The jobs created should cover a wide range of activities in the public and private sectors. (Local private, non-profit institutions such as hospitals and nursing homes will be eligible job sponsors.)

Our ability to create jobs for this many low-income persons remains unproven. As a result, this part of the program should be phased in slowly and monitored carefully. No overall goals should be set. A cautious strategy will avoid the risk that a successful effort to create new jobs will be criticized for missing an ambitious goal.

B. Consolidated Cash Assistance

Under our proposal the three major income assistance programs -- AFDC, SSI, and Food Stamps -- would be abolished and consolidated into a unified, new, cash assistance system. Our present cost estimates assume some savings from reductions in housing assistance -- reductions that you have not yet approved. Several other programs would be retained (veterans pensions and existing housing commitments), but income received from these programs will reduce benefits paid under the new cash assistance program.
The benefit levels in the cash assistance program are not firm — and as they change, there may be significant policy implications. Thus, you should view the figures used below as illustrative within a reasonable range, not final.

1. Goals

The new cash assistance system will provide

- income support
  -- for those who are not required to work but with strong incentives to work part or full-time
  -- for those required to work but for whom we are unable to find or create a job opportunity,

- work supplements for those who are working but still have inadequate incomes.

2. Two-Tiers

The program distinguishes between (1) recipients who are required to work and (2) those who may work, but are not required to do so. This distinction is central to operation of the cash assistance program. It rests on a philosophical judgment that certain groups — the aged, blind, disabled and single parents of young children — should not be required to work full-time to support themselves. The proposed program structure would provide a minimum level of support — about three-fourths of the poverty level — to these people and would encourage, but not require, them to work.

By contrast, other groups, — e.g., able-bodied adults in two-parent households, childless couples, and single individuals — are traditionally expected to work in order to support themselves, if work is available. The extremely low basic benefit — less than one-half the poverty level — paid to these households assures a strong incentive to work.

None of the basic benefits represent fully adequate income without State supplementation or additional earnings.

Those Not Required to Work (Income Support Tier)

- Eligibility - Those eligible include the aged, blind, and disabled and single-parent families with younger children. We intend to solicit the advice of the States on where the age of "younger children" should be established — 19 as it now is, or 18, 14, 12, or 6.
Basic Benefit -- The basic benefit paid to a family of four with no other income would be $4700 in 1978. A single-parent with one child would receive $3300. An aged, blind or disabled individual (couple) would receive $2600 ($3900). These benefits would exceed slightly those projected for 1978 in the SSI and Food Stamp programs combined.

Benefit Reduction Rate -- Benefits would be reduced 50 cents for each dollar of earnings.

Break-even Point -- A four-person family would cease to be eligible for benefits at an income of $9400 per year, the "break-even" income level.

Those Required to Work (Work Supplement Tier)

Eligibility -- Those eligible include two-parent families with children, single persons, childless couples, and possibly single-parent families with older children, depending on where the age is set for "younger children."

Basic Benefit -- The basic benefit for a family of four will be $2600 (assuming a job is available), which is $2100 less than the benefit for those not required to work. Single individuals and childless couples would receive $1200 and $2400, respectively, if no job were available.*

Benefit Reduction Rate -- To create a strong work incentive benefits are not reduced at all until a family's total income (including benefits) approaches the poverty level. After this initial range of earnings (known as a "disregard"), benefits are reduced 50 cents for each dollar of earnings. For adults working in a private job the disregard equals the first $4200 of earnings, while for those in a special public job it is $2100. The larger disregard for private sector earnings ensures that private employment is always more attractive economically than public service employment.

Work Requirement -- If a job providing a minimum level of earnings is provided to single persons and childless couples, they become ineligible for income support. If a job is provided to the principal earner in two-parent families with children, they receive assistance on the work supplement tier. These benefits are substantially below the income support tier in order to preserve a strong incentive to accept employment. To protect the family's children, benefits are not cut off entirely if the principal refuses to work.

* These are midpoint benefit assumptions. There is not yet consensus on the basic benefit in the work supplement tier. The range for a family of four in current discussion is $2350 to $2900. Disagreement also exists with respect to the benefit levels for single individuals and childless couples. All subsequent references to lower tier benefits will reflect use of the midpoint.
Safety Net for Two-Parent Families with Children — If the jobs program fails to provide a job (public or private) or training slot to the principal earner in a two-parent family, that family would receive the higher benefit on the income support tier. The specific conditions under which families would move to the income support tier are not yet decided. Families should not be relegated to the low benefit tier in order to provide an incentive to work — if our best efforts cannot locate or create a job for them. For singles and childless couples, the lack of an available job does not, by contrast, allow them to receive the higher benefits available to those not required to work (e.g., the aged, blind, and disabled).

If a job is later made available to the principal earner the family's benefits will be reduced to the levels on the lower work supplement tier, whether or not he or she takes the job.

3. The Program Illustrated

The following two tables illustrate the main characteristics of the proposal and describe the recipient population in Fiscal Year 1978. (See the footnote on the previous page which notes the uncertainty with regard to these numbers.)

**TABLE 1**

Illustrative Benefit Levels
(1978 dollars)

<table>
<thead>
<tr>
<th>Benefits at Various Earnings Level</th>
<th>Total Income at Various Earnings Level</th>
<th>Breakeven Level of Earnings Total Income (Benefit = 0)</th>
</tr>
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<tbody>
<tr>
<td>No Job $0</td>
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<td>3900</td>
<td>**</td>
</tr>
</tbody>
</table>

* The higher benefit applies only if a member of the household cannot be assured a job.

** Not eligible for public job.
Page 7 — Memorandum for the President

The benefit for recipients with no other income is the "basic benefit." For example, a family comprised of a single parent and a young child would receive a benefit of $3300 if it had no other income. As earnings accrued to the family, the benefit would be reduced 50 cents for each dollar of earnings. With earnings of $2000, therefore, the benefit for such a family would be reduced by $1000 to $2300; the family's total income would then be $4300. A full-time private job at the minimum wage would give the family earnings of $5200 and a supplement of $700 for a total income of $5900. If the family was earning $5200 in an equivalent public job, it would receive no supplement since public jobs are supplemented by smaller benefits to encourage employment in the private sector.

Similarly a family comprised of a mother, father, and two children would be assured access to a public job paying at least the minimum wage. A supplement of $1050 would augment earnings from the job, to give a total income of $6250. If one of the parents is employed full-time in a private job paying the minimum wage, the family would receive a $2100 supplement to the $5200 of earnings for a total income of $7300.

The entire benefit structure is described at Tab A.

| TABLE 2 |
| Distribution of Cash Benefits (FY 1978) |
| Units (millions) | Persons (millions) | Transfers (billions) |
| Two-parent Families | 3.2 | 16.3 | $5.3 |
| Single Parent Families | 2.1 | 7.9 | $5.7 |
| Two Adults, No Children | 1.4 | 3.2 | $1.8 |
| Non-Aged Individuals | 1.4 | 1.4 | $1.1 |
| Aged Individuals | 1.6 | 1.6 | $1.6 |
| Total | 9.7 | 30.4 | $15.5* |

* $15.5b plus $1.4b for administration plus $.6b in emergency assistance equals $17.5b, the projected expenditure on the cash portion of the proposal.
4. Earned Income Tax Credit

The current Earned Income Tax Credit (EITC) would be continued for all families with children. The EITC benefit would continue to be paid once a year and would not reduce benefits paid by the cash assistance program. Continuation of the EITC reduces the burden of the social security payroll tax.

C. Technical Changes

The proposal also contains some very important - but highly controversial - technical changes from current welfare practices. These departures lower the program's cost significantly by reducing payments to many current recipients. The changes are intended to count income and provide assistance on a fairer basis to those most in need. But they will work some hardship by eliminating or reducing the benefits of some current recipients. Therefore they will engender controversy and significant opposition. But the economies they realize are necessary if structural reform is to be achieved with no higher initial cost.

1. Change In the Definition Of An Eligible Unit: The "Filing Unit"

The new program changes the definition of the group of people -- the household or "filing unit" -- that will be considered in counting income and determining need. At present, AFOC and SSI have a very "narrow" definition -- usually an individual, couple, or single parent with child. The resources of the total household in which a recipient lives are not counted. By moving to a broader filing unit definition -- all relatives living together -- we focus cash assistance more precisely on those most in need. But we also cut off benefits to many present and potential recipients of current programs (especially SSI recipients living with relatives) and lower the benefits of others. The aged and disabled are likely to oppose this change most strongly. To hold them harmless (which I personally prefer) would cost about an additional $1 billion.

Most current programs provide assistance if a family's income falls below set levels for only a very short period of time - usually the current month. The new program would, in general, provide cash support on the basis of income received in the prior six or twelve months. Changing the accountable period will reduce or eliminate benefits for many present recipients and, therefore, produce strong opposition.

D. Administrative Structure

Many details have yet to be worked out with respect to administrative structure.

In general, State and local agencies under DOL supervision would be responsible for the employment placement process and the public job and training programs.

To maximize efficiency, to minimize the opportunities for fraud and abuse, and to hold down administrative costs, a single agency structure for the cash assistance aspect of the welfare reform proposal is recommended. To underscore the "work" emphasis of your proposal, there could be either a single intake or two "doors" into this single structure: those required to work could apply through the manpower agency for income supplements, while those not required to work would normally apply to HEW or a State social agency. We propose that HEW administer the cash assistance structure, process applications, determine eligibility, run the computers, and insure the fiscal integrity of the cash assistance program. While HEW would administer cash assistance, checks for those required to work would be sent in Labor Department envelopes to emphasize that the payment is a cash supplement. The Labor Department will determine whether individuals are required to work (e.g., temporary disability, custodial responsibilities) and whether a job is available. The State and local role in the administration of cash assistance is not yet clear.
II. COSTS AND IMPACT

Costs

Our current estimates suggest this proposal would not increase net Federal expenditures. Table 3 shows the estimates of the costs of the new program compared to costs of existing program in FY 1978.

TABLE 3
Illustrative Cost Table FY 1978

<table>
<thead>
<tr>
<th>Current Income Assistant 1/</th>
<th>Proposed Cash Assistance</th>
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<tr>
<td>AFDC $ 6.6 B</td>
<td>New Federal Program $16.9 B</td>
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<tr>
<td>SSI 5.7</td>
<td>Emergency Assistance</td>
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<tr>
<td>Food Stamps 5.0</td>
<td>Block Grants $17.5 B</td>
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<tr>
<td>UI (26-39 weeks) 1.3*</td>
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<tr>
<td>Housing Assistance .4</td>
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<td>$19.0 B</td>
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<table>
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<tr>
<th>Employment Programs 2/</th>
<th>Total $24.9 B</th>
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<tbody>
<tr>
<td>CETA $ 5.5 B</td>
<td>Public Service Jobs $ 6.1 B</td>
</tr>
<tr>
<td>WIN .4</td>
<td>Training Stipends 1.3</td>
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<tr>
<td></td>
<td></td>
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<tr>
<td>$ 5.9 B</td>
<td>$ 7.4 B**</td>
</tr>
<tr>
<td>Total $24.9 B</td>
<td>Total $24.9 B</td>
</tr>
</tbody>
</table>

Notes for Cost Table

1. Federal Share only.

2. Assumes an unemployment rate of 5.6 percent, participation rate of 85 percent, and $300 million for higher wages for supervisors.

* Currently, UI program expenditures are declining as the economy expands. Therefore, the availability of this amount is questionable (See further discussion on p.11).

** The cost of the programs may be changed as we gain more information and further refine our cost estimates. If so, corresponding adjustments will be made in the costs of the employment and cash assistance programs. Therefore, the numbers above should be viewed only as approximate.

Secretary Marshall believes that the numbers on the above chart (under "proposed") should be changed as follows: $15.5 B for cash assistance and $9.4 B for the employment program. He believes this provides sufficient funds for 1.4 million job and training slots and indicates a shift from cash assistance to work.
This estimate that the proposed program involves no higher initial cost makes three important assumptions:

- Income-related housing assistance programs are folded into the jobs and cash assistance programs.
- Our cost estimates fold in $1.3 B in extended UI which reflects current expenditures under that program. While most expenditures for this program would phase out at the assumed 5.6% unemployment rate, we are assuming that money, currently being spent for these purposes, is available for our reform proposal.
- Unemployment is 5.6 percent.

While these estimates are the best we can produce at this time, there will undoubtedly be further refinements of the simulation models and the computer programs on which they are based. We intend to invite a wide variety of experts, including technicians and officials at the State and local level, to review carefully our assumptions and procedures. If these improvements alter estimated Federal costs, changes will have to be made in the program specifications to return to zero cost. We have identified several possible reductions in program costs (Tab B).

**Impact on Recipients**

While this proposal would not change net Federal expenditures, it would redistribute Federal funds among recipients and States. Actual effects on recipients would depend on whether the States choose to supplement Federal benefits.

Three major groups would receive more Federal dollars than under current programs:

- **Two-parent families with children**: These families receive substantially more cash assistance than they receive under the current Food Stamp program, and also are the principal beneficiaries of the expanded PSE commitment.
- **Single-parent families with children in low-benefit states**.
- **Individuals and childless couples in those States that have only limited General Assistance programs**.

Many current recipients would receive substantially less Federal support:

- **Current AFDC and SSI recipients in high benefit states**. The precise impact will depend on the extent to which States supplement the Federal benefit.
o Current SSI recipients living with relatives. These recipients would be included in larger filing units under the new proposal. In addition, other recipients will receive lower Federal benefits under the new rules that will permit no deductions from gross income and take account of income over a longer period of time.

o Households that currently receive Extended Unemployment Insurance. Most of these benefits go to households that are not technically poor and that will not be eligible for assistance under the new program.

**Fiscal Relief**

The amount of fiscal relief that the States and local government will obtain under this proposal depends upon the extent to which they supplement Federal benefits.

In assessing the potential fiscal relief, it seems most realistic to assume that the States will supplement recipients of AFDC and SSI up to current benefit levels plus Food Stamps.

Under this assumption, the States would receive some fiscal relief:

- Savings in current General Assistance programs would be in excess of one billion dollars. These savings would be reduced by any contribution States and local governments make to the proposed emergency assistance program.

- The replacement of current AFDC and SSI programs with the Federal program and State supplements will decrease State and local costs in some States (though it will increase them in others).

A relatively high fraction of the $1 billion in fiscal relief is concentrated in California, New York, and in the States of the Northeast and Midwest where AFDC and SSI benefits are relatively high and the bulk of General Assistance benefits are paid.

To ensure that States do provide supplements, it may be necessary for the Federal government to hold the States harmless against increases over their current expenditures. Federal expenditures for such a guarantee are not included in this proposal.

The estimates must be considered highly tentative, and are virtually certain to change as we gain better information and understanding of State programs.
III. NEXT STEPS

A. Information to be Developed

Using the program outlined above as our working hypothesis, we will, if you approve, move forward on the following fronts:

- We will go State by State to determine the impact of the tentative welfare reform package on recipients and on States and localities;

- We will begin to take detailed soundings on Capitol Hill to determine the state of the political waters (for example, membership in the House — and on the Ways and Means Committee — has changed substantially since the last welfare reform fight);

- We will get reaction from governors, mayors, recipient groups, and other interested parties;

- We will review — and make more explicit — the basic components of the plan, and pay special attention to the refinement of our current cost model; and

- We will establish a more formal intra-governmental process so that other affected Executive agencies and departments have an opportunity to critique the proposal.

B. Timetable

As you know, we have thus far only focused on issues of the "first order" of magnitude. As we undertake the process described above, second and third level issues will start to come into focus. (See Tab B, for a listing of some of these important issues). And some first order issues, i.e., how the Medicaid program is affected by welfare reform, remain to be decided.

Per your instructions, we intend to complete the next round of information gathering and analysis within four to six weeks.

Starting in mid-June, we will construct the complete legislative package. At that time, we propose that you become involved in the process again — to review the state of our present proposal and to provide additional guidance on other outstanding issues of significance. At that time, we may also be able to make a convincing case for some additional funds.
C. A Final Note

The politics of welfare reform are treacherous under any circumstances, and they can be impossible at no higher initial cost, because it is likely that so many people who are now receiving benefits will be hurt.

The States are our natural allies in welfare reform — most members of Congress would still prefer not to deal with the subject at all — and there is virtually no relief in this proposal for governors and mayors. In addition, there will be problems in cutting benefits for the aged, disabled, and the blind, and there will be disputes over our ability to put a significant number of the 3.4 million mothers on welfare to work.

I suggest that we stress to the States and to the Congress that we are only presenting a working plan and that we are engaging in this process before submitting legislation in order to assess impact and to determine what improvements are necessary to make the plan work fairly and effectively for all — beneficiaries, States, cities, and taxpayers.
## BENEFIT STRUCTURE (IN 1978 DOLLARS)

<table>
<thead>
<tr>
<th>Benefits at Various Earnings Level</th>
<th>Total Income at Various Earnings Levels</th>
<th>Break-even Level of Earnings Total Income (Benefit &lt; 0)</th>
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<tr>
<td>No Job</td>
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<td>1200</td>
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<tr>
<td>3300</td>
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<td>700</td>
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<tr>
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<tr>
<td>4000*</td>
<td>1900</td>
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<td>1400</td>
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<td>Two Parents, Two Children</td>
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<td>Two Parents, Five Children</td>
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<td>5200</td>
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The benefit at zero income is the "basic benefit." When income is zero the total income of a family will equal the benefit.

* The higher benefit applies only if a member of the household cannot be assured a job.

** Not eligible for public job.

Special public jobs at minimum wage, 40 hours/week ($5200).
Cost estimates of the proposal are subject to revision. If costs are less than those of current programs, it will be possible to modify the proposal by liberalizing various features. If costs are greater than those of current programs, it will be necessary to make the jobs or cash programs less liberal in several key respects. The changes that might be necessary are inter alia:

**Cash Assistance**

- The basic benefits could be reduced.
- The Earned Income Tax Credit could be integrated with the cash assistance system, by reducing cash assistance benefits to offset the effect of the EITC.

**Jobs**

- Jobs under the present plan are assured to the principal earner of all families with children, whether or not the family is eligible for cash assistance. The assurance could be limited to households eligible for cash assistance.
- The assurance of a job could be limited to two-parent families only.
- Under the present plan workers are assured public service employment after five weeks of unemployment. This period could be increased to 8, 10, 12, weeks.
Several issues remain to be addressed. They are:

- **The role of State Supplements.** Should the Federal agency that administers the cash assistance program also administer State supplements? Should the Federal government "hold harmless" States for State supplement expenditures that exceed the State's old share in AFDC plus SSI State supplements?

- **Fiscal Relief.** Should more resources be devoted to the basic Federal program to increase the limited fiscal relief to States (assuming the States have supplement programs) in the current proposal?

- **Regional Cost-of-Living Differentials.** It is generally agreed that some adjustment of benefits to reflect living cost differences among areas could be desirable. The amount of any such adjustments, and the manner of measuring and implementing them, are complex issues on which there is currently inadequate information.

- **Inflation Proofing (Indexing).** Should benefits be automatically adjusted to reflect changes in the cost-of-living?

- **Relationship to Medicaid.** Currently, cash assistance and health care are closely linked. Reforms in eligibility for Medicaid and possibly in the program itself will have to be addressed in the next month before any legislation can be prepared.

- **Relationship to Social Services, Including Day Care.** Delivery of cash assistance and social services, including day care, are intertwined in the AFDC program. The relationship between the new cash assistance and jobs programs and the need for social services has not been resolved.

- **Puerto Rico, Guam and the Virgin Islands.** Should these outlying territories be included in the new program?

- **Institutional Population.** Should individuals in institutions such as long-term care facilities, be covered by the new system, or should they be categorically ineligible and covered in special programs that are oriented to institutional settings?

- **Assets Test.** Should an asset test be applied to those units where income exceeds the disregard?

- **Work Requirement for Single-Parent Families.** Should single-parents with no children under 14 (or 12 or 6) be required to work?
THE WHITE HOUSE
WASHINGTON

Date: May 20, 1977

FOR ACTION:

Hammond Jordan
Frank Moore
Judy Powell
Jack Watson

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat/Schultze/Lance memo re; Welfare Reform

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 9 a.m.
DAY: Tuesday
DATE: May 24, 1977

ACTION REQUESTED:

x Your comments

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)
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May 24, 1977

Siegel

Welfare Memo

Comments

Although this apparently is a good compromise within the constraints we have imposed with respect to costs, there are several substantive and political areas that give me concern.

1. I'm concerned about the lack of concrete incentives for those not required to work, to actually work. Especially concerned about omission of day care for single parent households. Without this provision, work becomes almost impossible. Although I am firmly committed to a national day care system, this objection (or at least concern) is founded on the work incentive ethic that the President is committed to.

2. I'm very concerned that federal benefits apparently are, in no way, indexed. Cost of living adjustments are not made by the federal government, shifting the total burden of adjustments to states. Is there any reason, either in terms of theory or basic equity, that people and state governments are being penalized because of the cost of living (which is out of their control) of their areas?

3. Very concerned about the political effects of substantially reducing the federal supports to recipients in high benefit states. The high benefit states unfortunately correspond to the high electoral college vote states. We will apparently be helping the states of the deep south and the border states, where we have our base and remain strong, and be penalizing the northeast, industrial midwest and California, where we are weak. This could further damage our standing in these areas (Cadell's data on New York, New Jersey and Pennsylvania especially disturbing in this regard, since this area expects the most out of government in terms of services, and in the case of welfare reform, would be getting the least.)

4. I believe that a special selling (or consultation/information) program must be developed for our black and hispanic constituents. Outsides of the low benefit deep south states, these constituents are concentrated in the high benefit states that are going to be hurt by the compromise plan. Some defense of the equity and impact of the plan must be tailored to these groups -- the heart of our non-southern political base.
CEQ's decision memo on the environmental message contained proposals for five new Executive Orders. Attached are five proposed Orders and two related policy statements which implement your decisions:

1. Off-Road Vehicles --directs the head of an agency to close trails and areas under his control to off-road vehicles whenever it is determined that their use is causing significant adverse effect on the environment.

2. Wetlands --directs agencies to minimize destruction of wetlands and to avoid new construction in wetlands unless there is no practical alternative. A policy statement is also attached.

3. Floodplain Management --directs agencies to refrain from supporting development in floodplains unless there is no practical alternative. A policy statement is also attached.

4. Exotic Organisms --restricts introduction of foreign plant and wildlife species into this country.

5. NEPA Regulations --authorizes CEQ to replace its present NEPA guidelines with regulations which cover procedures only.

The attached documents have been approved by the interested agencies, and the proposed Orders have been approved as to legality by Justice and OMB.

We recommend that you sign the five attached Orders and two related policy statements.

SEVEN SIGNATURES NEEDED
THE WHITE HOUSE
WASHINGTON

May 24, 1977

Bob Lipshutz

For your information the attached Executive Order Establishing Committee on Selection of Federal Judicial Officers was signed by the President and given to Bob Linder for appropriate handling.

Rick Hutcheson
MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ
      DOUG HURON

RE: Executive Order Establishing Committee on Selection of Federal Judicial Officers

The attached proposed order, drafted at Justice, creates a seven member committee which would recommend candidates for vacancies on courts other than Circuit Courts or District Courts, such as the Court of Claims and the Court of Customs and Patent Appeals. It could also be used for other judicial vacancies, including those on the Supreme Court, if you desired the Committee's assistance in filling a particular vacancy.

We recommend that you sign the attached order.
EXECUTIVE ORDER

ESTABLISHING THE COMMITTEE ON SELECTION OF FEDERAL JUDICIAL OFFICERS

By virtue of the authority vested in me by the Constitution and statutes of the United States of America, and as President of the United States of America, in accordance with the provisions of the Federal Advisory Committee Act (5 U.S.C. App. I), it is hereby ordered as follows:

Section 1. Establishment of the Committee. There is hereby established the Committee on Selection of Federal Judicial Officers, hereinafter referred to as the Committee. The Committee shall consist of a Chairman and six other members to be appointed by the President.

Sec. 2. Functions. When requested by the President, the Committee shall conduct inquiries to identify persons who may be qualified to serve as Federal judicial officers, other than United States Circuit Judges or District Judges, and shall conduct investigations of those persons to determine their qualifications.

Sec. 3. Procedures; Report. (a) When notified by the President that he desires its assistance in filling a Federal judicial vacancy, other than a United States Circuit Court or District Court vacancy, the Committee shall conduct inquiries to identify persons who may be qualified to serve in the position and shall conduct further inquiries to determine those persons' qualifications.

(b) In conducting its inquiries the Committee shall follow any procedures established by the President in his letter of notification or by the Attorney General acting on behalf of the President.
(c) The Committee shall submit to the President and to the Attorney General, within 60 days from the date it is notified by the President that he desires its assistance, a report listing the names of no more than five persons whom the Committee considers well qualified to serve in the position. In determining which persons are well qualified the Committee shall apply criteria established by the President or by the Attorney General acting on behalf of the President.

(d) The Committee shall conduct such additional inquiries and submit such additional reports as may be requested by the President.

(e) The Committee shall perform no function except when requested by the President to assist him in filling a vacancy.

Sec. 4. Ineligibility of Committee Members. No member of the Committee shall be eligible to be nominated to fill a position as a Federal judicial officer with respect to which the Committee's assistance has been requested.

Sec. 5. Cooperation by Executive Agencies. The Committee is authorized to request, through its Chairman, from any Executive department or agency such information or assistance as the Committee deems necessary to carry out its functions under this Order. Each department or agency shall, to the extent permitted by law, furnish such information or assistance to the Committee. The Committee also is authorized to request from any State agency such information and assistance as the Committee deems necessary, and to obtain such information and assistance to the extent permitted by State law.

Sec. 6. Travel Expenses; Administrative Support; Financing. (a) Members of the Committee shall serve without compensation. While engaged in the work of the Committee, members may receive travel expenses, including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 5702 and 5703).
(b) The Attorney General shall furnish to the Committee necessary staff, supplies, facilities and other administrative services.

(c) All necessary expenses incurred in connection with the work of the Committee, to the extent permitted by law, shall be paid from funds available to the Attorney General.

Sec. 7. Federal Advisory Committee Act Functions. Notwithstanding the provisions of any other Executive order, the functions of the President under the Federal Advisory Committee Act (5 U.S.C. App. I), except that of reporting annually to the Congress, which are applicable to the Committee, shall be performed by the Attorney General in accordance with the guidelines and procedures established by the Office of Management and Budget.

Sec. 8. Termination of the Committee. The Committee shall terminate on December 31, 1978, unless sooner extended.

THE WHITE HOUSE,
THE WHITE HOUSE
WASHINGTON

May 24, 1977

Bob Lipshutz -

The attached was returned in the President's outbox and is forwarded to you for appropriate handling.

For your information, the signed Executive Order on this subject has been given to Bob Linder for appropriate handling.

Rick Hutcheson

Re:
D. C. Judicial Nomination Panel
Authority to Recommend District Court Judges
<table>
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<th>ACTION</th>
<th>FOR STAFFING</th>
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<th>AGENCY REPORT</th>
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| BOURNE | LANCE |              |
| BREZINSKI | LINDER |              |
| BUTLER | MITCHELL |              |
| CARP | POSTON |              |
| H. CARTER | PRESS |              |
| CLOUGH | E. RAINWATER |              |
| FALLOWS | SCHLESINGER |              |
| FIRST LADY | SCHNEIDERS |              |
| GANNILL | SCHULZE |              |
| HARRISON | STEEL |              |
| HOYT | SMITH |              |
| HUTCHESON | STRAUSS |              |
| JAGODA | WELLS |              |
| KING | VOORDE |              |
THE WHITE HOUSE
WASHINGTON
May 17, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ
DOUG HURON

RE: Proposed Executive Order Giving D.C. Judicial Nomination Panel Authority to Recommend District Court Judges

You have directed that Federal District Judges within the District of Columbia be selected on a merit basis. To implement that directive the Justice Department has prepared the attached Executive Order which amends the earlier Order establishing Circuit Court Nominating Panels by authorizing the Circuit Panel for D.C. also to recommend nominees for the District Court.

We recommend that you approve the attached order.

[ ] Approve [ ] Disapprove

Also attached is a list of the eleven individuals who have been selected to serve on the D.C. Panel. The list has been cleared by Hamilton's office and the Attorney General following consultation with local officials and residents, Secretaries Califano and Harris, and Peter Bourne.

We recommend that you appoint these people to the D.C. Panel.

[ ] Approve [ ] Disapprove
EXECUTIVE ORDER

RELATING TO THE UNITED STATES CIRCUIT JUDGE NOMINATING COMMISSION

By virtue of the authority vested in me by the Constitution and statutes of the United States of America, and as President of the United States of America, Section 3 of Executive Order No. 11972 of February 14, 1977, is amended by redesignating the present text as subsection (a), redesignating the present lettered subsections as numbered paragraphs (1), (2), (3), and (4), and by adding the following new subsection (b):

"(b) The Panel for the District of Columbia Circuit shall have the additional function of recommending nominees for the United States District Court for the District of Columbia, in accordance with the standards and procedures prescribed by this order for recommending nominees for circuit judges."

THE WHITE HOUSE,
PROPOSED MEMBERS OF DISTRICT OF COLUMBIA JUDICIAL NOMINATING PANEL

Chair: Joseph Tydings -- former United States Senator and United States Attorney for Maryland (white)
Lorraine Williams -- Vice President for Academic Affairs, Howard University (black)
Michael Gottesman -- counsel for labor clients, including United Steelworkers (white)
Wesley Williams -- partner in Covington and Burling, former Chief Counsel for Senate District Committee (black)
Patricia King -- Professor, Georgetown Law Center; member of Board of Governors of D.C. Bar (black)
Erwin Griswold -- former Dean of Harvard Law School and Solicitor General of the United States (white)
Floretta McKenzie -- Deputy Superintendent, Maryland Department of Education (black)
Robert Watkins -- partner in Williams and Connolly (black)
Julia M. Walsh -- prominent stockbroker (white)
Marna Tucker -- partner in small firm; public interest background (white)
John Jacob -- Executive Director, Washington Urban League (black)

Electrostatic Copy Made for Preservation Purposes
Date: May 20, 1977

FOR ACTION: Jim King

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary


ACTION REQUESTED:

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 6:00 P.M.
DAY: MONDAY
DATE: MAY 23, 1977

Other: X Your comments

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)
Mr. Linder

Please check the form of the attached. Thanks.

Rick
MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ
DOUG HURON

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We recommend that you approve the attached order.

_____ Approve  _____ Disapprove

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We recommend that you appoint these people to the D.C. Panel.

_____ Approve  _____ Disapprove
EXECUTIVE ORDER

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THE WHITE HOUSE,
PROPOSED MEMBERS OF DISTRICT OF COLUMBIA JUDICIAL NOMINATING PANEL

Chair: Joseph Tydings -- former United States Senator and United States Attorney for Maryland (white)

Lorraine Williams -- Vice President for Academic Affairs, Howard University (black)

Michael Gottesman -- counsel for labor clients, including United Steelworkers (white)

Wesley Williams -- partner in Covington and Burling, former Chief Counsel for Senate District Committee (black)

Patricia King -- Professor, Georgetown Law Center; member of Board of Governors of D.C. Bar (black)

Erwin Griswold -- former Dean of Harvard Law School and Solicitor General of the United States (white)

Floretta McKenzie -- Deputy Superintendent, Maryland Department of Education (black)

Robert Watkins -- partner in Williams and Connolly (black)

Julia M. Walsh -- prominent stockbroker (white)

Marna Tucker -- partner in small firm; public interest background (white)

John Jacob -- Executive Director, Washington Urban League (black)
MEMORANDUM FOR: Bob Lipshutz
FROM: Billy Nichols
Subject: Two Proposed Executive Orders Entitled "Relating to the United States Circuit Judge Nominating Commission" and "Establishing the Committee on Selection of Federal Judicial Officers"

The above entitled proposed Executive orders were submitted by the Department of Justice along with the enclosed transmittal letter approving them as to form and legality.

With the concurrence of an attorney in the Department of Justice who normally reviews proposed Executive orders for form and legality, the proposed orders have been edited in minor detail in this office, without any change in their substance.

The purposes of the two proposed orders are explained in the transmittal letter from the Department of Justice.

We have been informally advised by the Department of Justice that cost estimates are $10,000 during the first year for the cost of the Panel for the District of Columbia Circuit to recommend nominees for the United States District Court for the District of Columbia, and $15,000 during the first year for the Committee on Selection of Federal Judicial Officers to recommend all nominees for other than District and Circuit Court appointments.

These proposed Executive orders have the approval of the Director of the Office of Management and Budget.

Enclosures

cc: Mr. Robert D. Linder - The White House
Honorable Bert Lance  
Director, Office of Management and Budget  
Old Executive Office Building  
Washington, D.C. 20503

Dear Mr. Lance:

In accordance with the provisions of Executive Order No. 11030, as amended, there are enclosed two proposed Executive orders, entitled "Amending Executive Order No. 11972, Establishing the United States Circuit Judge Nominating Commission," and "Establishing the Committee on Selection of Federal Judicial Officers." The orders have been prepared in this Office at the request of the Attorney General.

The first order would amend Executive Order No. 11972 of February 14, 1977, to provide for utilizing the United States Circuit Judge Nominating Panel for the District of Columbia Circuit for securing recommendations of nominees for the United States District Court for the District of Columbia.

The order establishing a Committee on Selection of Federal Judicial Officers is primarily intended to provide a means for identifying persons to fill vacancies on the United States Court of Claims and the United States Court of Customs and Patent Appeals. However, the order is drafted more broadly so that it may be utilized for securing recommendations to fill any Federal judicial vacancy other than vacancies on the United States Circuit Courts or District Courts, including vacancies on the United States Supreme Court should the President choose to seek the Committee's assistance. The order itself does not set forth procedures or criteria. The procedures and criteria would be spelled out in the request for the
Committee's assistance so that they could be tailored to the needs of the particular vacancy. The order is patterned after Executive Order No. 11971, establishing the Committee on Selection of the Director of the Federal Bureau of Investigation.

Subject to your approval, both of the proposed orders are approved as to form and legality. We would appreciate it if the orders could be submitted for the President's consideration as soon as possible.

Sincerely,

John M. Harmon
Acting Assistant Attorney General
Office of Legal Counsel