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May 31, 1997 - DPC Weekly Report

THE PRESIDENT HAS SEEN
6-3-97

THE WHITE HOUSE
WASHINGTON

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan *EK*

SUBJECT: DPC Weekly Report

1. Welfare -- Balanced Budget Legislation: The House Way and Means Committee is moving forward quickly on the welfare portion of the reconciliation bill. The Republicans hope to have draft legislation this Tuesday and to hold a subcommittee markup on Friday, with full committee markup to follow the next week. We briefed a bipartisan group of staff on our welfare-to-work plan on Friday. We emphasized the importance of providing a substantial portion of the money directly to cities and of applying identical program rules and requirements to cities and states. We also urged a competitive (rather than formula) program, a performance-based bonus set-aside, a wide range of allowable activities (including public sector job creation), and strong anti-displacement language. The Republicans seemed skeptical about giving grants directly to cities, but clearly have not reached any final decisions on this matter. They were agreeable to providing some portion (but not all) of the funds on a competitive basis and to including public sector job creation in the list of allowable uses. They were extremely negative about establishing performance-based bonuses or drafting any anti-displacement language that is stronger than the provision in the welfare law. We expect to get an early draft of the legislation Monday morning and to speak with the same group of staff that evening to register our concerns.

We have seen no paper on the immigrant provisions and have not yet discussed this issue with committee staffers. We have heard rumors, however, that trouble us greatly. One is that the Republican legislation, in contravention of the budget agreement, will offer benefits only to legal immigrants on the rolls when the welfare law was passed, rather than to any legal immigrant then in the country. Another is that the legislation will incorporate some of the provisions in last year's immigration bill that we successfully removed at the eleventh hour, such as the ban on Medicaid coverage for immigrants with AIDS.

We also expect the Republican legislation to address the privatization and FLSA issues. We have heard that the legislation will authorize states to privatize the entire eligibility process (excluding appeals) for Medicaid, Food Stamps, and WIC. In addition, the legislation will exempt workfare participants from the FLSA and all other federal laws; require, independent of the FLSA, that workfare participants be paid the minimum wage for any hours worked; but then authorize states to count not only cash assistance and food stamps, but also Medicaid, child care, and housing benefits toward the minimum wage. The Intergovernmental Affairs office is trying hard to keep Democratic Governors from attacking our position on FLSA and signing on to this

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(or some similar) Republican proposal. Governors Chiles and Carper, however, are very unhappy with our insistence that the FLSA applies to workfare participants and may well join a coalition of governors to demand legislative changes.

2. Welfare -- Litigation: You recently asked whether the Department of Justice must oppose suits challenging the welfare law's denial of benefits to legal aliens. The Department is currently the defendant in at least four class actions of this kind. The legal theories presented by the plaintiffs in these cases vary somewhat, but focus on alleged denial of equal protection and due process to legal aliens. The Department has argued in the cases that the challenged provisions in the welfare law have a "rational basis" and fall well within Congress's broad authority over immigration. The Department believes that these constitutional arguments are strong and that a refusal to defend would undermine the federal government's ability to regulate immigration and/or provide welfare services in the future.

3. Welfare Study: A new study, by Mathematica Policy Research and the Institute for Social and Economic Development, provides one of the first glimpses of what happens to families who are dropped from the welfare rolls because they reach time limits. The study looks at Iowa's Limited Benefit Plan (LBP), under which welfare recipients who do not comply with employment and training requirements -- by failing to sign employment and training contracts or to keep appointments -- receive three months of regular cash benefits, followed by three months of reduced cash benefits, and then six months of no benefits. Mathematica found that only 17% of those initially referred to the LBP ultimately lost benefits. Another 53% rectified their situation and returned to the main welfare program, while 30% chose to leave the welfare program entirely before their benefits were scheduled to end.

Among those whose benefits ended (*i.e.*, the 17%), recipients were equally divided between those who were working two to six months later and those who were not. Those who were working had an average income of \$170 per week, with 43% working only part-time. Forty percent of all the families terminated experienced an increase in monthly income, while 49% experienced a decline. According to the study, there was "little systematic evidence of extreme deprivation during the period of no cash benefits." The percentage of those living in emergency shelters remained at 1-2%. Other than food pantries, families did not tend to seek help from community organizations. Families did report a much greater reliance on friends and extended family members. The report notes, however, that Iowa limited its period of no benefits to six months, whereas a system that cuts people off benefits permanently might see family support decline over time and welfare recipients more likely to go to shelters or seek other private help.

4. Crime -- New FBI Statistics: The FBI will release on Sunday preliminary data on crimes reported in 1996. The data show that the number of serious crimes reported in the U.S. is down 3% since 1995 -- the fifth annual decline in a row. The data indicate that this year's decline was fueled by a 7% drop in the number of violent crimes -- including an 11% drop in the number of murders.

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5. **Education -- Vocational Education Reauthorization:** The Department of Education will transmit to Congress early next week the Perkins Career Preparation Education Act, which would restructure the Perkins Vocational and Applied Technology Education Act. The proposed legislation generally aims to promote a stronger academic component in voc-ed programs, thereby bringing vocational education into line with broad standards-based school reform. The legislation also would consolidate 23 existing voc-ed programs into three: a formula grant to states, Tech-Prep education, and a discretionary grant program allowing the Department of Education to fund a wide variety of activities. The proposed grant to states would provide them with enhanced flexibility, removing a number of set-asides that now require states to fund programs for groups such as displaced homemakers and criminal offenders. The bill also establishes new accountability provisions and a system of performance goals and indicators. We expect the House Education and Workforce Committee to adopt much of the Administration's proposal in its bill, though it may well resist our efforts (more symbolic than anything else) to make explicit links between the programs in this bill and our School-to-Work Program.

Good

6. **Education -- Multilingual School Districts:** You have said on a number of occasions that the nation has four school districts in which students speak over 100 foreign languages as first languages. We asked the Department of Education to verify this number and identify the specific school districts. According to the Department, there are now five school districts with over 100 languages and one with just under 100 languages. The five school districts are: New York City (140 languages), Prince George's County MD (128), Montgomery County MD (119), District of Columbia (116), and Fairfax County VA (over 100). In addition, Chicago enrolls students speaking 96 different languages.

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7. **Immigration Study:** A recent study released by the National Research Council and funded by the U.S. Commission on Immigration Reform found that immigration increases the nation's total economic output by about \$10 billion each year and has little negative effect on the income or job opportunities of most native-born Americans. The study finds, however, that immigration has contributed to a 5% decrease in the wages of native high school dropouts since 1980. (For the most part, African Americans have escaped the burden on low-paid native workers because they do not generally live in pockets of heavy immigration.) In addition, the study finds that in communities and states with high concentrations of low-skilled, low-paid immigrants, taxpayers incur a burden: for example, the study estimates that because the average immigrant family in California collects about \$3,000 more in public services (including education) than it pays in taxes each year, native households in the State pay an average of about \$1,000 in taxes to provide services to immigrants. The study made no policy recommendations, but its findings could support efforts to give greater preferences to more highly educated or skilled immigrants.

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