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THE PRESIDENT HAS SEEN
8-11-97

THE WHITE HOUSE
WASHINGTON

August 9, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

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SUBJECT: DPC Weekly Report

1. Health -- Pediatric Labeling: You, the Vice President, and the First Lady are scheduled to participate in an event on Wednesday to announce a proposed FDA regulation to ensure that drug companies test their products for use in children and provide information to pediatricians and other health care professionals on correct dosage levels for children. The drug industry's failure to test and label their products for use in children causes serious harm. Doctors may prescribe incorrect doses of drugs, resulting in under- or over-medicating fragile patients; alternatively, they may decline to prescribe needed medications altogether, for fear of giving the wrong dose and harming their patients. For example, doctors rarely prescribe protease inhibitors for children suffering from AIDS because they do not know how to do so safely. Pediatricians, children's hospitals, consumer advocates, and AIDS groups strongly endorse this regulation.

2. Health -- Implementation of Children's Health Initiative: We have started a process with HHS, OMB, the First Lady's office, and others to ensure effective implementation of the children's health initiative. By next week, we will have a complete schedule for issuing guidelines and regulations to help the states interpret the new legislation and design children's health plans. The schedule also will list meetings with state representatives (Governors, Medicaid Directors, etc.), children's advocates, health care providers, and others who are interested in the initiative. We will evaluate how you, the First Lady, and Secretary Shalala can most effectively highlight the new opportunities to cover uninsured children. In addition, we are now reaching out to foundations to determine their interest in using private dollars for outreach efforts designed to cover the 3 million children currently eligible for, but not enrolled in, Medicaid. The foundations have expressed some interest, and we will keep you informed of developments.

3. Immigration -- Commission Report: The U.S. Commission on Immigration Reform is preparing a report on structural reforms to the current immigration system. A draft of the report comments favorably on a proposal to abolish the Immigration and Naturalization Service (INS) and delegate its main functions to the Departments of State, Labor, and Justice. Under this scenario, the Department of Justice would have responsibility for immigration enforcement, including the Border Patrol, investigations, detentions, and deportations; the State Department would perform functions relating to immigration benefits, services, and visa processing; and the Department of Labor would have responsibility for all workplace-related immigration activities.

The report also discusses other options for structural reform, including establishing a new Cabinet-level department or independent agency on immigration and/or creating an Office for Immigration Policy at the Domestic Policy Council. The Commission will release its final report in late September. We said last week that we would give careful consideration to the Commission's recommendations; the Attorney General, though stating strong support for the job the INS is doing, also expressed a willingness to consider significant structural changes. Either DPC or REGO will begin an interagency process to evaluate the Commission's report and other proposals for structural reform of the immigration system.

4. Crime -- Community Policing Grants: On Thursday, the COPS Office released \$92 million to fund approximately 1,300 police officers in 48 states. To date, the COPS program has funded an estimated 63,000 police officers and deputies.

5. Education -- Testing Lawsuit: The NAACP Legal Defense Fund filed a federal suit this week against the Johnston County School District in North Carolina, challenging a year-old policy requiring all students in grades 3 through 8 to achieve a specified score on North Carolina's reading and math tests before going on to the next grade. The plaintiffs claim that the high-stakes testing policy discriminates against African American and Hispanic students, because (1) these students disproportionately fail to attain the specified score and (2) the tests are not valid measures of individual student performance in school. The plaintiffs also claim that the district's test procedure discriminates against special education students by failing to provide accommodations, such as extra time. The case is one of the first ever to challenge state education standards and high stakes testing. The DPC has requested a briefing from the Justice Department this week to discuss the appropriateness of filing an amicus brief in support of the school district.

6. Tobacco: The U.S. Court of Appeals for the Fourth Circuit will hear oral argument on Monday in the tobacco industry's challenge to the FDA rule. Walter Dellinger will argue for the government. We will not know which judges will hear the case until Monday morning.

7. Welfare -- Welfare-to-Work Partnership: You will travel to St. Louis on Tuesday to highlight the success of welfare reform and underscore the critical role of the private sector. You will join Eli Segal in announcing that over 500 companies have joined his welfare-to-work partnership and that about 200 companies in St. Louis alone have committed to hiring welfare recipients. The two of you also will announce the Welfare to Work Partnership's new toll-free hotline and web page to help companies hire welfare recipients. Most important, you will be able to announce new caseload numbers: the rolls declined by an additional 200,000 people in May for a 1.4 million drop in the nine months after you signed the welfare law and a 3.4 million drop (24% of the caseload) since you took office.

8. Welfare -- New York and California Plans: State officials in New York and California finally reached agreement on welfare plans last week. The New York law requires that all individuals able to work accept any workfare assignment offered to them. New parents are exempt from the work requirement until the infant is 3 months old, with extensions allowed

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until the age of one. The plan also exempts from work those who are over 60, ill or incapacitated, or needed in the home because of the illness or incapacity of a family member. In response to a recent notorious case where a woman with a history of heart trouble died on a work assignment, counties must make work assignments consistent with an individual's limitations and consider an individual's medical reports. In addition, counties must allow workfare on college campuses for students on welfare (an idea Mayor Giuliani has resisted).

The plan increases the amount of earnings that can be disregarded for welfare purposes. Child care will be provided for children under 13 whose parents are assigned to work. The final plan preserves current benefit levels, rejecting Governor Pataki's proposal to gradually drop benefits as a family approaches the five-year time limit. After five years, families with children can move to a "safety net" program that offers non-cash benefits (using state rather than federal funds). Also in this program are those without children and immigrants not eligible for federal funds. Finally, New York chose to take advantage of a new state option to purchase food stamps from USDA for people who will lose food stamps under the welfare law. New York will buy food stamps for elderly or disabled legal immigrants and legal immigrant children, which will preserve benefits for about two-thirds of the legal immigrant population.

After a confrontation in California last month that culminated in Governor Wilson's veto of a Democratic bill, the Governor and the legislature reached an agreement earlier this week. They compromised on a plan to limit current welfare recipients to 24 continuous months of benefits and new recipients to 18 continuous months of benefits, with a six-month extension option. At the end of this period, recipients must leave the rolls for at least one year before they can requalify for benefits. Able-bodied adults must work or be in training for at least 20 hours a week; in the year 2000, that requirement increases to 32 hours a week. Women with infants are exempt from the work requirements for three months to one year, at the county's option. Children can continue to get aid after their parents reach the five-year lifetime limit. The state also enacted a lifetime ban on welfare for convicted drug felons. Democrats were unable to win approval of a provision that would assist legal immigrants losing federal food stamps.

9. Welfare -- Child Support Enforcement: You asked recently about a recent GAO study criticizing the nation's child support system. As you know, child support collections increased from \$8 billion in 1992 to \$12 billion in 1996. But during that time, the percentage of cases in which support is collected remained nearly constant at 20 percent. The main problem is that states have not moved quickly enough to automate their collection systems. Eight states, with about 40% of the nation's welfare caseload, will fail to meet the October 1, 1997 deadline for setting up computer registries needed to implement the 1988 Family Support Act. A much greater number of states need to do substantial work to update their computer systems to implement the provisions of the new welfare law. In response to state deficiencies in this area, Reps. Hyde and Woolsey have introduced legislation that would give all responsibility for child support collection to the federal government. The Administration has opposed this bill, arguing that the states should retain primary responsibility for this function. Given the inadequacies in child support enforcement, however, we must devise proposals for improving state systems. We

accordingly have established an interagency working group, involving HHS, Treasury, and Justice, to track state efforts and consider a range of options for improving child support enforcement.

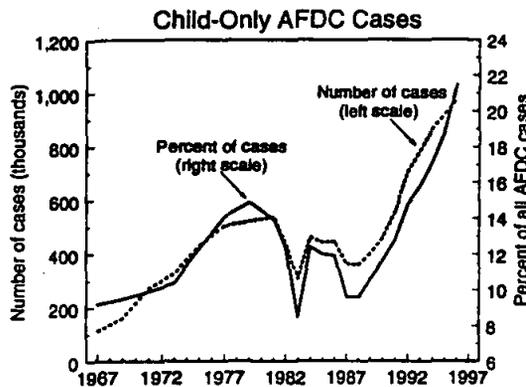
10. Welfare -- CEA Analysis of Child-Only Cases: In response to a recent item in CEA's weekly economic briefing on the growth of child-only welfare cases (attached), you asked whether certain features of the welfare law need to be fixed. The issue is that one part of the law (work requirements) appears to treat states with growing numbers of child-only cases unfavorably, while another part of the law (time limits) is too generous to such states. Because child-only cases count when measuring a state's caseload reduction credit, a growing child-only caseload reduces the size of that credit -- and means a state must put more people to work. On the other hand, a state with more child-only cases can grant more "hardship exceptions" to the 5-year time limit. This is because child-only cases are included in the denominator of the 20% hardship-exception calculation even though none of these families (which are excluded from the time limit elsewhere in the law) need the exception.

We do not believe a fix is needed at this time. On the caseload reduction credit, the tremendous decline in welfare caseloads is already making the work participation rates far easier to meet than expected. In addition, letting states exclude child-only cases in calculating the credit might give states a positive incentive to create child-only cases by sanctioning parents. On time limits, we are loath to re-open the issue of hardship exceptions so early in the implementation process, especially given that many groups (battered women, people with disabilities, grandmothers, etc.) are pressing for more, rather than fewer, exceptions to the lifetime limit.

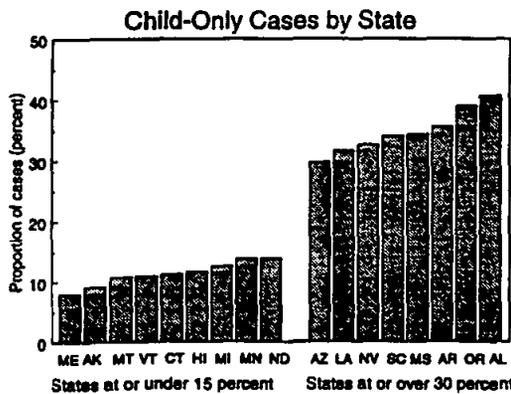
TREND

The Growth of Child-Only Welfare Cases

Single mothers with children represent the largest fraction of the welfare caseload. But recent years have seen tremendous growth in the number of "child-only" cases. Although a full explanation remains elusive, the surge in child-only cases has some immediate implications for welfare reform.



The facts. Child-only cases accounted for 21.5 percent of all AFDC cases in 1996, up from 9.6 percent in 1988 (see upper chart). The number of such cases increased from 360,000 to 980,000, resulting in nearly 1.7 million children in child-only AFDC households in 1996. Variation across states is also considerable: In 1996, child-only cases were 30 percent or more of the cases in eight states and 15 percent or less in nine others (see lower chart).



Why has the child-only caseload grown? Child-only cases fall into four main categories:

- caretaker is a non-recipient relative
- parent is an SSI recipient
- parent is an ineligible non-citizen
- parent has been sanctioned

Only scattered information is available about the reasons for growth in child-only cases, but it suggests that growth has probably occurred in each category.

Implications for TANF. Further analysis should provide a better understanding of the causes, but some immediate implications for welfare reform can be drawn from the way child-only cases are treated under Temporary Assistance for Needy Families (TANF):

- **No work requirement.** Child-only cases are not subject to work requirements. Hence, the changing composition of the caseload must be taken into account on a state-by-state basis to estimate accurately the number of work-related placements or the caseload reduction needed to meet work requirements. Estimates that ignore the growth of child-only cases overstate the difficulty of meeting work requirements, substantially for some states.

① No lifetime limit. Child-only cases are not subject to the 5-year lifetime limit on TANF benefits. The growth of child-only cases means a substantial portion of TANF children will be protected from loss of benefits.

And, for TANF aficionados:

- Caseload reduction and hardship exemption. Work requirements and the 5-year lifetime limit do not apply to child-only cases. But, curiously, child-only cases are included in computing the change in a state's caseload after 1995, which is used to reduce the state's caseload work requirements. Child-only cases are also included in determining the number of cases that fall under the "hardship exemption" to the 5-year lifetime limit on eligibility: That is, states may exempt for hardship a number of otherwise "non-exempt" cases equal to 20 percent of the total caseload. As a result, given two states that are equally successful in reducing the non-exempt caseload, it appears that the state with the higher proportion of child-only cases will have a harder time meeting work requirements and an easier time meeting the 5-year time limit.

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