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THE PRESIDENT HAS SEEN
8-28-97

THE WHITE HOUSE
WASHINGTON

August 23, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Education -- National Testing Initiative: Our National Testing Initiative faces a serious challenge when Congress returns from recess and takes up the Labor-HHS-Ed appropriations bill. Mr. Goodling will offer an amendment to the bill in the House prohibiting the Department of Education from spending any funds to develop the tests, and a Republican Senator will probably introduce a similar rider in the Senate. Because many members of Congress have not yet focused on the testing issue, it is difficult to predict how these votes will turn out. But the expected riders pose a real danger -- especially in the House, where Republicans may form an unusual alliance with members of the Black and Hispanic Caucuses. A memorandum more fully describing our strategy for thwarting the Goodling amendment is now in circulation at the White House; you will get it by early next week. Secretary Riley and Mr. Goodling will debate national standards and testing on Face The Nation this Sunday.

2. Welfare -- FLSA and Privatization, Round 2: We are preparing for a new battle with Congressional Republicans on the privatization of social services and the application of the FLSA and other laws to workfare participants. As you may have seen, Speaker Gingrich told the Midwest Republican Leadership Conference yesterday that "we ought to finish welfare reform by passing . . . a welfare reform implementation bill, because the Clinton Administration, working with the unions and the bureaucrats, is trying to undermine and destroy welfare reform." Gingrich further said that this effort would be a "major part of our September and October legislative agenda." We hope to diffuse gubernatorial support for this broad effort by agreeing to exempt workfare participants from FICA and FUTA. We met with labor leaders about 10 days ago to discuss this strategy and to encourage them to put together a broad coalition, including non-labor groups, to support our efforts.

3. Welfare -- Work for College Students: You recently asked the DPC's view of programs that enable welfare recipients to remain in college while fulfilling work requirements. We strongly support these efforts. As you know, New York State's new welfare law requires the provision of on-campus work slots to all workfare participants attending college. We simply do not understand why Mayor Giuliani objects to this provision, and we will encourage other mayors and local officials running workfare programs to provide on-campus slots to participants attending college. Along similar lines, we are working with Secretaries Shalala and Riley on a letter to college presidents encouraging them to use the federal work-study program to provide

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jobs to students receiving welfare, so that these students can both stay in school and meet the welfare law's work requirements. The Secretaries will send this letter next week, as students begin to return to school.

4. Welfare -- Welfare-to-Work Implementation: On September 3, the Vice President will announce state-by-state allocations for the FY 1998 welfare-to-work formula grants included in the new balanced budget -- a total of over \$1 billion, of which 85% will go to local private industry councils and 15% will go to states. He also may be able to announce the process and timetable for allocating the new program's competitive grants, which will total about \$350 million in FY 1998. The Vice President will make these announcements at his second quarterly meeting with the Welfare to Work Coalition to Sustain Success, the group of civic and religious organizations mentoring welfare recipients that he chairs.

5. Welfare -- Jonathan Alter Column: We are attaching a column by Jonathan Alter on welfare reform in which he notes that the success of the law "blows the doors off even the most optimistic predictions" and concludes that "if the economy holds up and the private sector does its part, we're on the threshold of the greatest social-policy achievement in a generation."

6. Crime -- Sex Offenders: Federal appeals courts in the Second and Third Circuits upheld the New York and New Jersey sex offender laws last week. Both decisions dismissed constitutional objections to laws to register sex offenders and notify residents of their presence in a community, even as applied retroactively (to people who committed sex crimes before enactment of the laws). The decisions bode well for the federal sex offender law you signed last year, which requires states to impose community notification systems or risk losing federal funds; the federal law is even less vulnerable to constitutional challenge than the New York and New Jersey laws because it applies only prospectively. We are discussing with Rahm whether you should issue next week, in the wake of these decisions, a directive requiring registration of all sex offenders released from federal or military prisons.

7. Crime -- COPS Program: The COPS Office will announce on Friday \$73 million in grants to police departments to fund 1,000 additional officers and deputies. The grants will go to 48 states and two U.S. territories, bringing the total of community officers funded under the COPS program to more than 64,000.

8. Food Safety -- Hudson Foods Recall: In the wake of Hudson Foods' recall of 25 million pounds of ground beef, USDA investigators are attempting to determine the source of the *E. Coli* contamination. In addition, USDA has stepped up its efforts to prepare legislation that will further improve food safety systems. We will work closely with USDA on this legislation, which may include proposals to enhance USDA's authority to require recalls and to facilitate USDA's ability to trace contamination in livestock.

BETWEEN THE LINES

A REAL PIECE OF WORK

THE PRESIDENT HAS SEEN

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Welfare reform is one year old and a huge success so far. But will business do its part?

BY JONATHAN ALTER

WHAT A DIFFERENCE A year makes. Last summer, conservatives were arguing that an increase in the minimum

wage would absolutely, positively mean fewer jobs. Liberals were arguing that the welfare bill was deeply immoral and would throw a million or more children into poverty. Don't hold your breath waiting for confession of error. But it's worth noting that the success of welfare-reform legislation, signed by President Clinton one year ago this week, blows the doors off even the most optimistic predictions. The caseload is on a path toward dropping by nearly 2 million since the bill was signed—bringing the total reduction since 1993 to nearly 4 million women and children (and a few men), or more than a quarter of all welfare recipients. When you hear the Clintonites bragging, it's more than just spin.

The strong economy obviously helps, but it's not a complete explanation. In the 60-year history of welfare, through many fat economic times, the largest previous caseload drop was 250,000 in a single year. And it's not as if folks are getting routinely booted off the rolls. Only Florida and Wisconsin are doing that now. In other states, the time limits haven't kicked in yet. So what accounts for the change? No one knows for sure. Of course, the threat of a cutoff has a way of concentrating the mind. The most important change, as Clinton domestic-policy chief Bruce Reed puts it, is in expectations. These days, when poor mothers go into state agencies to apply for welfare, they find themselves facing bureaucracies that are structured around work, not merely writing checks. Even the American Public Welfare Association, the advocacy group for case workers, is taking the word "welfare" out of its name.

All the good news is tempered by the knowledge that the hardest part lies ahead. Those who could get jobs on their own have, by now, largely done so. From here on, the government and the private sector will have to be especially innovative. The government's role probably won't be in actually providing jobs; "workfare" hasn't proven a good avenue into permanent work, and the Clinton administration (thanks to union pressure) is making it increasingly impractical with loads of federal rules.

Instead, the action is in government support for stepped-up private-sector efforts. A new Coopers & Lybrand survey of the fastest-growing small companies shows 60 percent of employers would be willing to hire welfare recipients (26 percent already

have). Some employers may be responding to what Clinton in St. Louis last week called their "moral obligation" to help, a duty that applies especially to those who bellyached about the old system. But most managers aren't saints; they just need warm bodies for entry-level jobs. The only way companies will get them is if there is state-supported child care, transportation and help for employers with what might be called "the alarm-clock problem"—basic work skills.

I went to St. Louis in advance of the president last week to listen in as nearly 300 local employers gathered in small groups for private discussions about hiring welfare recipients. "To go from cynical to skeptical—that would be tremendous movement," says Eli Segal, who is spearheading Clinton's new Welfare to Work Partnership, which initially targeted St. Louis, a once depressed city now experiencing a 24-year low in unemployment. The partnership (1-888-USA-JOB1) is asking companies there and elsewhere to hire applicants off welfare.

Dennis Drummond of Jefferson Smurfit Corp., a paper-products company, came over the border from Illinois to tell other executives about his experiences in hiring 17 welfare recipients. "The first thing you learn is they come in late. They've often never owned an alarm clock," he explained, echoing familiar frustrations. "You're ready to fire them.

They don't know where the bathroom is. But we didn't know where it was when we were new either. If you work with them, give them a 'buddy' at the start, they often turn into outstanding employees."

Keith Guller, an oxygen-equipment manufacturer in St. Louis, told me he can't get anyone to answer his help-wanted ads for low-wage work. So he's turned to "job intermediaries" that help screen, train and place the unemployed. Clinton spoke at one such St. Louis program called Mid-Tec. "If they go through Mid-Tec, the odds are better they'll be good," Guller says. They learn technical skills—plus how to behave in a job. These nonprofit intermediaries, sprouting everywhere, may turn out to be the hot charities of the late '90s. They are essential to welfare reform.

Also essential are state officials with their heads screwed on right. Missouri has a transportation-assistance program and guaranteed child care to anyone who meets the income threshold. It's also "seamless" (the new buzzword in policy circles), which means that the child-care state money goes directly to the day-care centers instead of to the worker. So is the program in Illinois, which has nearly doubled the money for child care in one year. Ohio, on the other hand, is actually cutting child-care funding, which is idiotic if you expect poor mothers to actually work.

How far can all of this go? Under Michigan's Project Zero, every single one of the 413 welfare families in Ottawa County near Grand Rapids is now off the dole. The results aren't the same in Detroit, but the signs are encouraging there, too. Yes, the hard-core welfare recipients shall always be with us, beset by personal demons. Yes, homelessness and visits to food banks are rising a bit in areas with the toughest new laws. But if the economy holds up and the private sector does its part, we're on the threshold of the greatest social-policy achievement in a generation.



Fresh start: Clinton at a St. Louis program that moves the poor from dole to payroll