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Oct. 10, 1997 - DPC Weekly Report

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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

10-14-97

October 10, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

Copied
Reed
Kagan
LOS

SUBJECT: DPC Weekly Report

✓ **1. Education -- Charter Schools Bill:** Ten Democrats and fourteen Republicans on the House Education Committee voted on Thursday to approve amendments to the Charter Schools Program. The bill would provide incentives to states that allow the number of charter schools to increase, give charter schools significant autonomy, and periodically review charter schools to ensure that academic performance requirements are met. The bill also incorporates your goal of increasing the number of charter schools to 3,000 by the year 2000. Prior to committee action, the DPC and Department of Education worked with members to make substantial improvements in the bill. We believe you should endorse the bill shortly after you return from South America, as one of a series of events to counterattack the Republicans' Education Week October 20-24.

good The Education Department is also preparing to release a study that week showing that students who take 8th grade algebra and advanced math classes are much more likely to go to college -- another good argument for our 8th grade math test.

good **2. Education -- National Tests:** As the Labor/HHS conference proceeds, Reps. Obey, Porter and a number of others have begun to float possible compromises on the national tests. Each of the proposals presumes that we receive the funds and authority to develop the tests under NAGB's control. They differ primarily with respect to the circumstances under which test implementation would be permitted to proceed. Specific proposals -- none of them very attractive -- include (1) requiring specific Congressional authorization before implementation; (2) requiring a majority of states to sign up before implementation could begin; and (3) making test implementation an allowable state and local use of Chapter II funds, but providing no specific funding for initial implementation. A more promising possible compromise would give us an authorization and funding for our test, but also provide new funding to statistically link tests already used by states and local school districts to the NAEP performance standards so that states could continue to administer existing tests and provide students with a statistically-derived score on the national test as well.

Goodling and Ashcroft publicly are hardening their opposition to the tests. Ashcroft has announced that he now has 35 Republican Senators lined up in opposition to the tests (though he has not produced a list of them), up from the 27 he named a week ago. Both Goodling and

Ashcroft have sent Secretary Riley a series of letters continuing to criticize steps the Education Department had taken prior to its temporary halt on test development.

In addition, Goodling announced at Thursday's scheduled mark-up on America Reads that he was postponing action on the bill until we reversed our position on national testing. In reality, Goodling is under strong pressure from the right wing on his committee not to advance a reading bill that reflects our priorities. Consequently, Goodling is now in the position of blocking two key steps to improve early reading -- higher standards and tests and a reading program that helps families, schools and volunteers help kids learn to read.

On Wednesday, John Doerr, Jim Barksdale and 4 additional high-tech CEO's met with Gingrich, Lott, Goodling, and a number of other Republicans in both houses to urge them to support the tests. Feedback from their meetings as well meetings Legislative Affairs has had suggest that both Lott and Gingrich are urging that a compromise be found.

3. Welfare -- Exempting Workfare from FICA Taxes: Rep. Shaw appears to have abandoned his effort to exempt workforce from the FLSA, and come around to our view that we should only address FICA and FUTA taxes. We have expressed support for a new proposal he introduced this week to exempt workfare participants from FICA and FUTA. Unlike Shaw's earlier proposals, this one applies only to employment taxes: it does not exempt workfare participants from minimum wage, health and safety, antidiscrimination, and other worker protection laws; neither does it undermine the welfare law's work requirements. Governors strongly support the legislation, though many think it does not go far enough; unions will not actively oppose it. The Department of Labor has some concern that employers will try to interpret the FICA/FUTA exemption to cover not only participants in traditional workfare programs, but also recipients of subsidized private sector jobs. DPC and the Department agree, however, that we can address this potential problem through regulation. It is unclear what vehicle Shaw will use to move his legislation. He tried to add the proposal to a tax technicals bill in the Ways and Means Committee on Thursday, but had to withdraw it as non-germane before a vote could be taken.

4. Welfare -- Senator Murray's Proposal: As you may know, Senator Murray has long advocated a proposal that would wholly exclude individuals with a history of domestic violence from the welfare work requirements and time limits. Currently, states can exempt these women from work requirements and time limits, but still must put 30 percent of their overall caseload to work and move 80 percent off of welfare after 5 years. Under Senator Murray's approach, if 10 percent of the caseload were granted domestic violence waivers, then only 20 percent of the total caseload would have to work and only 70 percent would be subject to the time limit. This proposal has passed the Senate several times -- most recently as part of the Labor-HHS appropriations bill -- but has always been dropped in Conference. Murray now is lobbying the Administration to make a push for the amendment.

DPC and HHS have told Murray that we have serious concerns with her approach and have suggested some alternative language. (We also have made clear that irrespective of any legislation, we are intending to address this issue in regulations.) We believe that adoption of the Murray proposal would (1) give states a way to "game" the work rates and time limits by handing out waivers to people whether they need them or not, and (2) encourage states to ignore these women, rather than giving them the services, supports, and work opportunities that will help them become self-sufficient. Our preferred approach is for HHS to excuse states from penalties for failing to meet work rates if the states show (1) that their failure is attributable to granting temporary waivers to victims of domestic violence and (2) that they have provided these women with needed services. We believe that this approach will both limit states' ability to game the system and ensure that states provide needed services to victims of domestic violence.

5. Welfare -- California Caseload Numbers: New data from California show that caseloads there have begun to drop steeply. In 1993 and 1994, the welfare rolls rose in the State; in 1995 and 1996, the caseloads fell, but only by 2 percent and 7 percent respectively. The rate of decline this year has nearly doubled from last, with caseloads dropping 7 percent in only seven months. The LA Times carried an article on Thursday noting this caseload "plummet." Twenty two percent of the nation's welfare recipients live in California.

6. Welfare -- Studies on Welfare Reform: We have received some preliminary data from two studies tracking individuals who left the welfare rolls in Massachusetts and Maryland. The Massachusetts study found that six months after going off welfare, about 50 percent of these people were working; about 30 percent had other means of support or had left the state; 9 percent had children who had grown too old to qualify; and 6 percent were in the process of reapplying for welfare. The average wage of former recipients was \$6.72 per hour, with the majority of those employed working in the clerical, sales, health care, and service industries. The Maryland study similarly found that 54 percent of former recipients were working within three months of leaving the rolls and that four-fifths were still off the rolls after six months. The study did not account for the remaining recipients, but plans to do so in a follow-up report to be released next year. The study found that welfare recipients with younger children were more likely to return to the rolls. It found no increase in foster care caseloads as a result of welfare reform.

7. Welfare -- Review of SSA's Children's Disability Determination Process: In a meeting with you last month, disability advocates expressed concern about the process for redetermining the eligibility of 288,000 children for SSI benefits under the new childhood disability standard. At that meeting, you stated that you had asked SSA to send you a report on its process in 30 days. While that meeting was going on, Ken Apfel was testifying at his confirmation hearing that he would begin a "top-to-bottom" 30-day review of the process as soon as he was confirmed. He was confirmed a few weeks later. SSA has requested that, instead of having two overlapping 30-day reviews, we have a single 30-day review beginning from the date of Apfel's confirmation. Advocates appear to be comfortable with this revised timetable, and we have approved it.

THE PRESIDENT HAS SEEN

10-14-97

*OK
this is important
to me*

8. Adoption -- Senate Legislation: A bipartisan group of Senators led by Rockefeller and Chafee and including Craig, Jeffords, Dewine, Bond, Coats, Levin and Landrieu have announced agreement on child welfare legislation called the Promotion of Adoption, Safety and Support for Abused and Neglected Children Act (PASS). As you know, the House passed a child welfare bill last spring, but Senate action had been stalled. Like the House bill, PASS incorporates many provisions of your Adoption 2002 proposal. It also includes other measures that we support, including judicial reforms and reauthorization of the Family Preservation and Support Act. The Senate bill, however, also contains a provision that we do not like to "delink" federal adoption assistance from means-tested programs (effectively providing such assistance regardless of income). We do not believe this provision will increase the number of adoptions; in addition, it costs \$2.4 billion and is paid for with an offset that the Administration had hoped to use for other priorities (such as child care). We therefore are working with HHS, OMB, and the First Lady's Office to develop a less expensive and more sensible proposal that Chafee and Rockefeller might accept.

9. Health Care -- Surgeon General Confirmation: The Senate Labor and Human Resources Committee held its confirmation hearing for Dr. David Satcher this Wednesday. The hearing went extremely well, and Senators on both sides of the aisle praised Dr. Satcher. Few controversial issues were raised. He was not questioned on many of the high profile issues we were expecting, including needle exchange and AIDS research in Africa. It appears likely that the full Senate vote on Dr. Satcher's confirmation will take place as early as the week of October 20.

10. Health Care -- Kassebaum-Kennedy Implementation: As you know, there was a story in *The New York Times* last Sunday that reported that some insurers are giving agents incentives to not enroll high-risk populations. Such actions are completely inconsistent with the spirit of the Kassebaum-Kennedy law. We are meeting with HCFA, the agency responsible for administering this provision of the new law, to review all of the Federal and State statutory authority to stop such practices. We will keep you apprised as we move forward.