

# WITHDRAWAL SHEET

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| DOCUMENT NO. & TYPE | SUBJECT/TITLE   | DATE    | RESTRICTION |
|---------------------|---|---------|-------------|
| 1. memo             | Reed and Ken Apfel to Chief of Staff [Panetta] re: Wisconsin Waiver, 2p (partial) | 7/9/96  | P5          |
| 2. memo             | Wisconsin Waiver, 2p (partial)  | 7/11/96 | P5          |

**P1** National security classified information [(a)(1) of the PRA].  
**P2** Relating to appointment to Federal office [(a)(2) of the PRA].  
**P3** Release would violate a Federal statute [(a)(3) of the PRA].  
**P4** Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].  
**P5** Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].  
**P6** Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

**PRM** Personal records misfile defined in accordance with 44 USC 2201 (3).

### RESTRICTIONS

**B1** National security classified information [(b) (1) of the FOIA].  
**B2** Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].  
**B3** Release would violate a Federal statute [(b)(3) of the FOIA].  
**B4** Release would disclose trade secrets or confidential commercial financial information [(b)(4) of the FOIA].  
**B6** Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].  
**B7** Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].  
**B8** Release would disclose information concerning the regulation of financial institutions [(b)(9) of the FOIA].  
**B9** Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

July 9, 1996

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Bruce Reed  
Ken Apfel

SUBJECT: Major Issues -- Wisconsin Waiver

Here is a brief summary of issues the White House needs to resolve in the next few days so that the President can announce the Wisconsin waiver next week.

**I. Overview**

On May 29, Gov. Thompson delivered a 400-page request for specific waivers of 69 AFDC, 18 Medicaid, and 5 Food Stamp provisions. HHS sees no problem with at least 54 of the 69 welfare provisions and 7 of the 18 Medicaid provisions. USDA has more limited waiver authority (it cannot allow changes that would make any families worse off), but most of the waivers can be worked out.

The earliest the waiver can be approved without legal challenge is July 11, which marks the end of 30-day period for public comment. Dole stopped in Wisconsin last week to attack the Administration for not getting the waiver done yet. Last month, the House overwhelmingly passed a bill to deem the entire Wisconsin waiver approved, but the Senate is less likely to move that legislation -- unless we stir it up again by turning down too much.

**II. Major Policy Issues**

There are two schools of thought on how to approach the major remaining policy and legal issues in the Wisconsin plan. One approach, advocated by HHS, is to treat Wisconsin as another waiver request; and try to hold the line on a handful of issues -- time limits, residency requirements, etc. -- that HHS has denied states in the past. The other approach would be to treat Wisconsin as the political equivalent of another welfare reform bill, and judge its elements based on what we are willing to accept or reject in national legislation from Congress. The first approach would deny Wisconsin some provisions even though states could do them under the Breaux-Chafee welfare bill we support. The second approach would take the same position on Wisconsin that we have staked out in the national debate: yes to a work-based welfare block grant, no to a Medicaid block grant.

**1. Medicaid:** On Medicaid, the state will get very little of what it asked for. Although the health plan was designed to expand coverage up to 165% of poverty by placing welfare recipients in managed care, we will have to reject the basic framework, which is a block grant that ends the Medicaid guarantee. HCFA is also firmly opposed to allowing premiums of \$20 a month and forcing recipients to accept insurance from their employer if it is available. However, we can grant a pending Medicaid 1915(b) waiver that will place welfare recipients in managed care and use the savings to expand coverage, and pledge to keep working with the state to approve as much of the W-2 waiver as we can while preserving the guarantee. As always, budget neutrality will be a problem. The Medicaid provisions are the primary reason we need to keep Congress from passing legislation to deem the waiver approved, because such a bill would be their current reconciliation package in miniature -- generally acceptable welfare reform linked to unacceptable Medicaid.

**2. Time Limits:** The Wisconsin plan includes a 5-year lifetime limit, like our bill and all the major congressional plans. The issue for the waiver is whether to impose terms on who should get extensions to the time limit. Wisconsin wants to leave that decision to the discretion of the caseworker. In other states, HHS has always forced states to accept mandatory extensions for anyone who reaches the time limit and can't find a job. The one exception is the two-county waiver we granted Wisconsin in 1993, which essentially left that decision to the state.

We have two realistic options: 1) allow the state to implement the exact terms statewide that we granted in 1993; or 2) let the state develop its own terms. Under the first option, Thompson could only complain a little, since he has bragged in the past that his two-county waiver was the toughest in the country. Under the second option, the state could do what it will be able to do anyway if welfare reform becomes law. As a practical matter, Wisconsin will probably implement the same rules whichever option we choose. (Mary Jo Bane favors a third option, to "clarify" the 1993 terms along the lines of what HHS has demanded from other states -- but others at HHS consider this a non-starter, since it would enrage Thompson without enabling us to say he had agreed to the same terms once before.)

**3. Entitlement:** The toughest issue in the entire waiver is how best to make sure that recipients get jobs and child care, without handing Thompson the chance to claim we vetoed his waiver by insisting upon an individual entitlement, which we have not done in the congressional debate. The intent of the Wisconsin plan is to provide enough work and child care to go around, and to use some savings from caseload reduction toward that purpose, but like Braux-Chafee and other congressional reform bills, there is no explicit guarantee. Indeed, the Wisconsin statute specifically denies that any individual is entitled to such benefits.

The Wisconsin legislature enacted a specific non-entitlement provision, for two reasons: 1) the major national welfare reform bills end the entitlement; and 2) the state wanted to avoid the due-process constraints of *Goldberg v. Kelly*, a 1970 Supreme Court case which requires states to grant a recipient notice and an evidentiary hearing (including the

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opportunity to submit evidence, cross-examine opposing witnesses, and retain a lawyer) before terminating any benefits to which the recipient has a statutory entitlement. Wisconsin is willing to provide certain post-termination opportunities for review, but argues that requiring a full evidentiary hearing before terminating benefits would make it easier for recipients to get around work requirements, and would keep the system looking more like a welfare program than the real world of work.

There is no having it both ways on this question: any outright guarantee will maintain the individual entitlement and the consequent due process safeguards, even if we call it an assurance or something else. HHS would like to do just that, and impose due process procedures that go much further than the state proposed. That would have the advantage of protecting recipients if the state runs out of money. On the other hand, it might prompt Thompson to reject the terms of the waiver, claim that we had vetoed welfare reform a third time in order to preserve the current system, and lobby Congress to pass a full Wisconsin waiver.

A second approach would be to go along with the request to waive the entitlement, but require the state to "make best efforts to ensure that those eligible receive services and benefits." Holding Wisconsin to a "best efforts" standard would make it easier for courts and the Administration to review the waiver if Wisconsin fails to provide jobs, and probably would not be interpreted as an individual entitlement. Recipients would get the notice and review proposed by the state, but could not go to court and demand a full evidentiary hearing prior to any sanction. We can make clear that if the state fails to meet this best efforts standard, we have the authority to revoke its waiver.

A third approach would be to simply give Wisconsin what it wants, by waiving the entitlement without imposing a best-efforts standard. That would quiet Thompson, but alarm advocates (who will be upset no matter what we do).

[ 210A(110) ]

### III. Legal Issues

On two of labor's main concerns (worker displacement and the minimum wage), we lack the legal authority to grant exactly what the state wanted. The provision that requires workfare participants to be placed in new (not existing) job vacancies is in a section of the Social Security Act that cannot be waived under current law. But every major welfare bill would remove that provision, so Wisconsin will be free to do what it wants once welfare reform becomes law. On the minimum wage, we can essentially grant the state's request to pay participants the minimum wage for 30 hours a week of work but not additional hours of

education and training. But the state will have to reduce hours or raise benefits once an increase in the minimum wage goes into effect.

[REDACTED]

July 11, 1996 (1:34pm)

## Wisconsin Waiver

### *Status of Waiver*

**Administration Action** On May 29, Gov. Thompson delivered a 400-page request for waivers of 69 AFDC, 18 Medicaid, and 5 Food Stamp provisions. The Administration is prepared to grant many of the requested waivers and have been working closely with the State to work out mutually agreeable alternatives in some problem areas. However, a number of critical issues remain unresolved. Changes made by the State since its original waiver request raised some additional concerns. Some waiver requests the Executive Branch cannot legally grant -- such as more stringent Food Stamp sanctions, changes to Foster Care, minimum wage and other labor issues in work programs, and receiving AFDC funds without providing State matching funds.

Last week, Dole stopped in Wisconsin to attack the Administration for not completing its review of the waiver. ~~However~~; the earliest the waiver can be approved without legal challenge is July 11 -- which marks the end of the required 30-day period for public comment.

**Congressional Action** Last month, the House overwhelmingly passed a bill to deem the entire Wisconsin waiver approved, after defeating an Obey-Klecicka substitute <sup>on a party line</sup> in a relatively close vote. The Senate is less likely to move similar legislation because of the range of procedural options available to Senate Democrats. It is also not clear how the Senate's legislation would look. CBO would likely advise the Senate that it would score the House's bill at over \$5 billion. In addition, Gov. Thompson publicly disavowed parts of the waiver request having to do with worker displacement.

*unless we make them angry.*

**Public Comments** The Administration received comments on this demonstration from an extremely large number of organizations representing program recipients; providers of social services including child care; state and national labor organizations; local officials including the Mayor of Milwaukee; the Catholic archbishop of Milwaukee and representatives of other religious groups; members of the state legislature and members of the State's congressional delegation. In addition, thousands of private citizens participated in letter campaigns or signed a petition to the department regarding this waiver application. With few exceptions, the individuals and organizations urged denial of modifications of the waivers. The objections focused especially on the lack of guarantees of services and jobs, on various provisions that make families worse off, and on privatization, displacement and the minimum wage.

### *Key Elements of AFDC Waivers*

**Work Program** Wisconsin's waiver would replace AFDC's cash welfare system with a program that provides temporary jobs slots (generally up to five years). The State would pay private sector or local government contractors fixed amounts to provide job slots to those applicants the contractor deems eligible. After a two-week job search, an applicant would be placed in one of four programs -- an unsubsidized work or job search (where some child care assistance would be available), a trial subsidized job, or one of two types of community service jobs.

Wisconsin projects this plan would cut welfare caseloads in half. As an incentive to reduce welfare caseloads, contractors could retain funds from higher-than-expected caseload reductions, and generally would have to pay the costs of lower-than-budgeted caseload reductions.

**Benefits** Assistance would be based solely on the hours of work -- no work, no money. Accordingly, benefits would not be adjusted based on family size. Since families would be required to provide co-payments for using child care services, benefits could decline with larger family size.

**Protections and Contingencies** Only issues related to financial eligibility could be appealed to the State. All other eligibility, job placement, and sanction decisions would be at the contractor's discretion, with no right to appeal to the State. Extensions to the time limit for those who "play by the rules" would also be at the contractor's discretion. It is unclear whether any housing vouchers for children would be available after the time limit.

*no - State ad review*

### *Key Elements of Medicaid Waivers*

*Medicaid*  
The waiver would end the Federal entitlement to Medicaid for poor families with children. In its place, families below 165% of poverty would pay a premium for more limited coverage than is available under Medicaid. Those who fail to pay premiums, those who drop out of the program, and most of those with access to employer-sponsored coverage would be ineligible.

## **MAJOR POLICY ISSUES**

There are two ways of approaching the major remaining policy issues in the Wisconsin plan.

- One approach is to base policy judgements on the principles that the Administration has consistently articulated in its own legislative proposals, and that have provided the basis for previous approvals of waiver demonstrations. For example, we would ask whether the provisions are consistent with the protections for children advocated by the Administration. We could also use the standard of consistency with the principle of assuring jobs, health care and child care that both the President and Governor Thompson have articulated in describing the Wisconsin waiver.
- An alternative approach is to base policy judgements on what would be allowed under national legislation that the Administration would be willing to accept -- such as the Breaux-Chafee welfare bill -- *[rather than what the Administration wants from Congress.]*

The first approach would deny some provisions of the Wisconsin waiver that the State would be allowed to implement under the Breaux-Chafee welfare bill. *and prompt a fierce reaction from Thompson*  
The second approach would anger some important constituencies and set a new standard for waivers. Many States that have received waivers would want to renegotiate the existing protections for workers and children, and future requests would undoubtedly seek to go even further than Wisconsin.

### **Entitlement and Due Process**

## Background

The toughest issue in the entire waiver is how best to make sure that recipients get jobs and child care, without handing Thompson the chance to claim we vetoed his waiver by insisting upon an individual entitlement to welfare, which we have not done in the congressional debate. (We have, however, pressed Congress for much stronger due process protections than Wisconsin proposes.) The stated intent of the Wisconsin plan is to provide enough work and child care to go around, and to use savings from caseload reduction toward that purpose, but there is no explicit guarantee. The Wisconsin statute specifically denies that any individual is entitled to a job slot. The problem is how to structure a response and hold them to their stated intent. There is not a simple mechanism for doing this.

The central question is whether to waive paragraph 402(10)(A) of the Social Security Act, which is the basis of the entitlement to assistance. That paragraph reads:

"[The State plan for aid and services to needy families with children must] provide that all individuals wishing to make application for aid to families with dependent children shall have opportunity to do so, and that aid to families with dependent children shall, subject to paragraphs (25) and (26), be furnished with reasonable promptness to all eligible individuals"

This paragraph is the basis of the Goldberg v. Kelly <sup>(~~case~~)</sup> due process requirements that the State requests not apply to their demonstration. A wide variety of groups oppose a waiver of this provision, including among others the Archbishop of Milwaukee, other religious groups, Democratic Congressmen and labor organizations. Governor Thompson and other Republicans in Congress are likely to strongly criticize the Administration if this provision is not waived. Bob A G

## Wisconsin Request

The Wisconsin legislature enacted a specific non-entitlement provision that also limits due process, for two stated reasons: 1) The major national welfare reform bills end the entitlement; and 2) the state wanted to avoid the due -process constraints of Goldberg v. Kelly, a 1970 Supreme Court case which requires states to grant a recipients notice and an evidentiary hearing (including the opportunity submit evidence, cross-examine opposing witnesses, and retain a lawyer) before reducing or terminating any benefits to which the recipient has a statutory entitlement. Wisconsin argues that requiring a full evidentiary hearing before reducing or terminating benefits would make it easier for recipients to get around work requirements, and would keep the system looking more like a welfare program than the real world of work. Due process procedures similar to Goldberg v. Kelly would also make more of the contractors' decisions appealable to the State.

To ensure there is no appearance of entitlement, Wisconsin seeks almost full contractor discretion in providing assistance. A contractor could effectively refuse to provide assistance by placing individuals in permanent unsubsidized job search. Applicants and (former) recipients could appeal to State only on matters of income eligibility. They could not appeal to the State the denial or termination of a job opportunity for any other reason.

*substant*

The Administration has sought much stronger due process provisions in welfare bills. Both Castle-Tanner and Chafee-Breaux are much stronger than Wisconsin; the Republican bills are not much stronger. States would have to set specific rules for providing assistance, and follow them. Applicants and beneficiaries could appeal to the State who wrote the rules, not just to a contractor that has incentives to deny assistance.

Options and discussion

While the fundamental choice is whether to waive the entitlement and the related due process protections, the suboptions are as stark. Options include:

- Waiving the entitlement:
  - Waive both the entitlement and due process procedures
  - Waive the entitlement, but set up due process procedures that are less stringent than Goldberg v. Kelly
- Not waiving the entitlement:
  - Retaining all current due process procedures
  - Specify that Goldberg v. Kelly (including appeals to the State) applies only to the denial or termination of a job slot, but not to reducing benefits for failure to work. Allow the State to develop their own procedures as long as they meet Goldberg v. Kelly.

Goldberg v. Kelly does not apply to assistance that is discretionary. As a result, waiving the entitlement voids its due process requirements unless some other entitlement is set up in its stead (such as a guarantee of a job slot). Absent an alternative entitlement, appeal rights would be those the State proposes unless more substantial ones were required by the waiver terms and conditions. Added appeal rights might include, for example, a timely post-termination evidentiary hearing before the State. (Goldberg v. Kelly requires a pre-termination hearing).

The State says it intends to provide timely assistance to all who are eligible. Therefore, it is not clear that waiving the entitlement is necessary for Wisconsin to accomplish its goals. Under W-2, any entitlement would be very different from the current one. A remaining entitlement could be structured so that Goldberg v. Kelly rules applied only to whether or not someone was offered a job slot or fired, but not to whether their benefit was reduced for failure to work. Current due process protections are more substantial than Goldberg v. Kelly requires, so the State could be given substantial flexibility to design its own procedures. This would substantially reduce the burden of fair hearings while providing assurances that a job would be available.

Any due process procedures need to factor in the financial incentives contractors will have. They will be paid based on the number of people they remove from the welfare rolls. If fewer people leave the rolls than the State budgeted, the contractor would have to pay the added costs (unless it were due to increasing local unemployment rates). Absent rights to appeal to the State, financially strapped contractors may inappropriately deny or terminate job slots to reduce costs.

*NOT BALANCED*

*NO*

*Any thing... Thompson will say we will build a 3rd tier in order to preserve current system*

*Do we trust the state to do the right thing?*

**Time Limits**

Wisconsin proposes to limit participation in any one job component of W-2 to two years, with a five year time limit on overall participation. Some individuals might effectively have less than a five year overall time limit. Contractors could provide extensions at their discretion, but generally would have to pay the costs themselves. These optional extensions would be based in part on the contractors' assessment of an individual's ability to get a job in the local market. A parent whose request for an extension was denied would not have the right to appeal the decision to the State. When an extension was not granted, it is not clear whether any vouchers would be available for children needing assistance to retain housing.

States could review decision

There are three basic options:

- Grant the State's request without further clarification.
- Grant terms identical to those used in the existing "Work, Not Welfare" demonstration
- Use terms similar to "Work, Not Welfare", but specify that individual capacities must be considered when deciding whether to grant an extension to the time limit.

Wisconsin's current small "Work, Not Welfare" demonstration calls for extension on cash assistance when local conditions were such that individuals "who play by the rules" could not find a job. When approving the existing waiver, it was intended that the State's criteria for extensions should factor in individual's capacities to do work, and that extension would be granted to those who met them. However, the State's procedures (which have not been used since no one has reached the time limit yet) look only at local economic conditions and are optional to the counties rather than mandatory. The waiver also calls for child vouchers for housing "if a child will be made homeless as a result of the termination of benefits". It is not clear whether the State intends to continue the vouchers under W-2.

The Administration's legislative position has emphasized vouchers for children whose parents reach the time limit more than extensions for parents who play by the rules but do not find jobs. "Work, Not Welfare" provides less in vouchers than the Administration has sought. It cannot be compared directly to the Castle-Tanner and Chafee-Breaux proposals; they require vouchers in all cases where the time limit is less than five years. With respect to extensions, the Administration has sought to increase the number of exemptions States could offer, but has not proposed the specific exemptions it has sought in waivers (such as jobs that are suitable to a person's intellectual and other capacities). On the other hand, it has sought for States to have standard procedures for deciding who got an extension (rather than leaving it up to contractors.)

C-T + C-B do not require vouchers beyond 5 yrs.

It is unlikely that Wisconsin would use the "Work, Not Welfare" procedures if W-2 waivers are granted without modification. The State plans to leave the decision to contractors, and not have written procedures. Each extension would effectively be paid for by the contractor, not the State, so their financial incentive would be to deny as many as possible.

Wisconsin will explore any flexibility in terms reasonable to state in 1998 contract. About a month we're not sure about time limits.

Similarly, using terms identical to "Work, Not Welfare" would lead to a different outcome. Now, the counties are using State funds when approving an extension. Under W-2, contractors would effectively use their own.

Any mt. will bill will give State broad discretion in the area.

Any modification the giving the State's full request will have Wisconsin a partial issue on time limits. He would be somewhat more difficult for us to convince us for giving terms identical to what he accepted before.

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## *Medicaid*

Wisconsin has submitted a welfare waiver with significant Medicaid financial and programmatic implications. In connection with the work-based system, the Wisconsin waiver proposes to provide health insurance to current Medicaid eligibles and expand Medicaid eligibility for all families and children under 165% of poverty, subject to payment of premiums. Although the plan would expand coverage to some populations, the plan is predicated on a block grant financing structure and would eliminate the federal entitlement to Medicaid for the AFDC population (although if passed under current law, the waiver would not be structured as a block grant, despite such rhetoric). If the Administration approves the Medicaid proposal, the waiver would set a precedent for waiving mandatory eligibility and services that states could potentially use to restrict eligibility when expenditures exceed revenues. Approval of the Wisconsin plan would also undermine the Administration's objection to Republican proposals that deny the federal guarantee of Medicaid eligibility. The Administration could also be criticized for approving a plan that, similar to the Republican reconciliation package, would link a generally acceptable welfare reform proposal to unacceptable Medicaid changes.

In addition to the above concerns, the following eligibility restrictions could compromise the guarantee of Medicaid coverage. Recipients would lose Medicaid eligibility due to non-payment of premiums, or if they have access to any employer-sponsored health insurance after 12 months of employment. In addition, recipients would not be eligible for Medicaid if they had employer-subsidized insurance (at 50% or greater) for any one month during the past 18 months or currently. The Wisconsin plan would also limit several mandatory services, including treatment services for children under the EPSDT requirements, and skilled nursing and home care services.

If the Wisconsin health plan is approved without the above restrictions on eligibility, budget neutrality requirements will be harder for the state to achieve.

## *OTHER ISSUES*

### *Residency Requirement*

[REDACTED]

[Revised]

**Labor Issues**

Labor organizations, including the AFL-CIO, AFSCME, and SEIU at the international and state levels, have expressed deep concerns about W-2. In addition to supporting retention of the entitlement, due process standards, and time limit extension protections, unions have raised three labor-specific issues, two of which can be worked out favorably:

First, they have opposed Wisconsin's proposal to waive anti-displacement language in the current AFDC statute which protects public employees from losing their positions to welfare recipients serving work assignments. This issue can be worked out favorably for the unions. After public criticism, Governor Thompson withdrew all but one of his requests to waive anti-displacement provisions. Since HHS does not have the legal authority to waive any anti-displacement language and has taken that position in denying states' requests for similar waivers, labor organizations will expect the Administration to deny Wisconsin's remaining waiver request relating to displacement.

Second, they have expressed concerns that W-2 wage levels will violate federal minimum wage protections. HHS proposes to require Wisconsin to pay the equivalent of the minimum wage (including any future increases) to W-2 participants for time spent at work. Labor organizations will appreciate this proposed minimum wage protection (which HHS has insisted upon for other states). They will continue to be concerned, however, that the Administration is allowing Wisconsin to require W-2 recipients to engage in non-work activities (such as job search, education, and training) as a condition of participation in W-2 for which they will receive no remuneration.

Third, they oppose Wisconsin's proposal to permit private entities to compete for and operate W-2 agencies. While the W-2 proposal does provide a right of first refusal for counties which meet the state's contract performance criteria, labor organizations will perceive the contracting process as stacked against them. In supporting their position, unions have argued that public sector accountability and civil service protections are important to maintain in the operating of any public assistance program. Wisconsin currently runs a county-based AFDC program, and AFSCME represents the workers in every county agency in the state. *We propose to quit the program.*

**Benefit Reductions**

The State has proposed benefit reductions in three areas. First, they would switch to a system of flat grants to families based on participation in work activities. Large families would face a benefit reduction, but small families would receive a grant increase. This change is central to the W-2 proposal, and must be approved for Wisconsin to test its approach. Approval is, however, likely to provoke significant negative criticism.

Second, Wisconsin would require participants to make co-payments for subsidized child care. Recipients would have to make these payments from their W-2 grant, thereby reducing the overall benefit. Under the proposal, the copay increases with the number of children in care, and the cost of care. As a result, benefits effectively go down as family size increases. The Administration discussed the possibility of capping the copays for lower income families.

Third, the State would reduce SSI children's grants to the smallest amount by which current benefit are increased when family size increases (the difference between two and three persons). It is not clear why this benefit level was selected. One possibility is using the average increment, rather than the smallest one.

### *Cost Neutrality*

Welfare waivers normally include provisions that limit total Federal spending to the amount that would have been spent absent a waiver. In all but two cases, this has been based on random assignment with experimental and control groups -- and only one of those was not based on the research evaluation data. Preliminary estimates are that Wisconsin's request would increase Federal spending by more than \$100 million annually, an amount that is roughly 25% of their AFDC grant. (HHS and USDA do not have complete detailed estimates.) This increase is comprised of:

- An AFDC block grant that is increased to the 1994 level. (Wisconsin, like many States, has declining spending and caseload)
- Increases in Food Stamp spending to the 1994 level that would result from Food Stamp expansions and cuts in AFDC benefits. (Food Stamp spending is also going down.)

Wisconsin is likely to criticize the Administration for any decision that does not give the State significant increases in Federal funding. Wisconsin in essence seeks financial credit for past caseload decreases, much of which is due to the State's low unemployment rate and healthy economy. If Wisconsin is provided historical funding levels, most other States are likely to request it as well.

The third option appears to be the best approach -- agreeing to work with the State to develop an adequate formula for determining what costs would have been under current law. There is plenty of time, since the waiver would not be implemented for over a year. The Administration could not be attacked for short-funding the State, since the number would not be known. There would also be no precedent for other States to apply for similar funding increases.

### ***Medicaid Cost Neutrality***

In considering Medicaid waivers in general, budget neutrality is assumed if the agreed upon estimate of spending absent the waiver is greater than the estimate of spending with the waiver. Should the federal entitlement be retained, it is highly unlikely that the Wisconsin Medicaid waiver alone would be budget neutral.

Wisconsin has been using managed care in its Medicaid program since 1983. The state currently enrolls its SSI and AFDC populations in Primary Care Case Management. In five of the largest counties, Wisconsin has established a voluntary HMO plan for the AFDC population which has enrolled 93% of the AFDC population in those counties. The state has recently submitted a 1915(b) waiver to establish mandatory HMO enrollment for the entire AFDC population, 45% of whom are already enrolled into managed care. The state assumes that the waiver will save only \$16.8 million in FY 1997 off of a base of \$481 million in fee-for-service expenditures.

HHS has proposed to allow the state to use these savings to offset the costs of the expansion population. The Administration's policy to date which has been not to allow states to use managed care savings from proposed or operating 1915(b) waivers. OMB staff estimate that if all states "took credit" for savings associated with their current managed care programs, the costs to the federal government for the period from FY 1997- FY 2001 would equal approximately \$3 billion. We assume that approximately 50% of the AFDC adults and children will be enrolled in managed care under current law.

In addition to the concerns about precedent, OMB staff, based upon state estimates, believe that the savings from the 1915(b) are not enough to offset the costs of the expansion population. Thus, we believe that if Medicaid is to stand alone, it will not be budget neutral with or without the use of the managed care savings.

Mickey Kaus

## Adopt the Wisconsin Plan

When President Clinton embraced the radical Wisconsin welfare plan, both right and left accused him of cynically abandoning his Democratic principles to appease the voters. The president's own welfare bureaucrats rebelled, telling the New York Times that they had "serious concerns" about the Wisconsin plan. That prompted Clinton and his chief of staff to re-embrace the plan, which only heightened the appearance of a cynical sellout.

Is it possible that the president is actually doing the right thing? I think he is. The Wisconsin plan constitutes the most serious attempt to transform the culture of welfare since Franklin Roosevelt created the Works Progress Administration to replace the "narcotic" of cash aid. Modern welfare reformers have long called for a grand left-right compromise, in which the left would agree that welfare recipients should work, while the right agreed to spend the money to provide the necessary public jobs and child care. The particular compromise struck in Gov. Tommy Thompson's "Wisconsin Works" ("W-2") proposal is not perfect, but it's as close as we're likely to get any time soon. If federal welfare officials somehow succeed in blocking it, then Republicans will be justified in arguing that welfare needs to be moved out of Washington's control and returned to the states.

The W-2 plan is certainly tough

enough. Clinton's own 1994 welfare proposal required work after two or three years on the dole. Wisconsin's would require work from day one (excepting mothers with newborns less than 12 weeks old).

But W-2 has other sensible—and expensive—features traditionally sought by the left. Assuming the state's projections are right, and it comes up with the funds it says it will, W-2 will offer subsidized child care, not just for those who now qualify for welfare but for all low-income parents who need it to work—plus subsidized health care for all low-income families, including the working poor. Wisconsin anticipates spending about 13 percent more initially under W-2 than it now spends on welfare. Child-care spending would increase from about \$48 million to \$158 million.

Most important, Thompson recognizes that many welfare recipients will not immediately be welcomed into the private sector. They will need public jobs. Unlike virtually all congressional Republicans, Thompson steps up to his responsibility to pay for those jobs. Wisconsin anticipates creating almost 30,000 community service positions, one for every two adults on welfare. Significantly, these jobs would be available to fathers who live with their families. Parents incapable of working full-time would be given tasks commensurate with their

abilities, though they would be paid a bit less.

So what about those "serious concerns"? Among other things, the rebellious administration officials argue that Wisconsin's community service positions will, by some calculations, pay less than the minimum wage. But even FDR, in creating the WPA, recognized that last-resort public jobs should pay a bit less

### Taking Exception

than the lowest-paying private-sector work, lest people be tempted to leave low-wage private jobs and go on the public payroll.

Nor will Wisconsin's community service jobs pay wages that vary with family size. Small families will get more than welfare now pays, larger families less. Administration officials have argued that this single pay scale violates traditional welfare principles, under which benefits vary with "need." But it accords with traditional work principles, under which you don't get a raise just because you have another child.

The Post, in an editorial, has asked: "What do you do with a child whose mother turns out to be unwilling . . . to work?" But this is the central dilemma of all work-oriented welfare reforms, since, if you keep sending checks to such a

family, you in effect abandon any work requirement. Wisconsin would keep providing health care but not cash. The state plans to closely monitor the status of children whose mothers refuse work. State officials insist that, as one puts it, under W-2, "the number of child welfare cases will decline, because work is a centering activity."

There are really only two major complaints regarding W-2. First, Wisconsin intends to limit community service jobs to two years and place an overall five-year limit on aid. Though the plan allows for case-by-case extensions, the Clinton administration has previously insisted that states guarantee jobs or aid indefinitely to all those who have "played by the rules"—who are looking for work but are unable to find it. Wisconsin's reformers argue that, in practice, people find private jobs far faster when they know they have only so many years of aid coming to them. That isn't implausible. Why not let the state find out if it's right?

But what really disturbs many administration officials, not to mention liberal activists (and Archbishop Rembert Weakland, who wrote on this page last Thursday) is Wisconsin's statement that "an individual is not entitled to services or benefits under Wisconsin Works." The state seems to be trying to wriggle out of its promises. Actually, it's trying to wriggle out from under the Supreme

Court, which has ruled that when the government creates a welfare "entitlement" it gives recipients a constitutional "property" right that can be taken away only after a fairly elaborate legal proceeding that typically takes 30 to 90 days. Wisconsin rightly wants to be able to fire a worker who, say, shows up drunk, without paying him or her for 90 days.

Yes, it would be better if the state somehow guaranteed it would meet its obligations under W-2, but you can't blame the Wisconsin legislators for concluding that the only way to stop judges from imposing more "due process" than a work-based system can stand is to say explicitly, "Don't consider this an entitlement."

Even if the Clinton administration can't force Wisconsin to give ground on this "entitlement" issue, it should approve W-2. What the voters to whom Clinton is "selling out" seem to possess and what W-2's critics, including The Post, seem to lack—is a sense of urgency. The concentration of welfare-dependent, single-parent families in the nation's ghettos is our most pressing social problem. The left-right deal embodied in W-2 is our best hope for a solution. We can't afford to wait for the perfect plan.

*The writer is a contributing editor of the New Republic.*

# The Washington Post

AN INDEPENDENT NEWSPAPER

## No Time To Suspend Home Rule

A COLUMN IN Sunday's Outlook section by Dwight Cropp, a former aide to D.C. Mayor Marion Barry, and former school board member Julius Hobson Jr. called on Congress to suspend the District's Home Rule Charter and impose a receiver to run the government's day-to-day operations. The authors justify their retreat to such a radical and defeatist position on grounds that the city is in deep disrepair and that "too little has changed" in the year since a financial control board was appointed by President Clinton to steer it toward fiscal health. While we agree that the delivery of core services in public safety, education and public works has deteriorated to an alarming degree, and that many of the city's elected leaders have proven to be spectacularly unequal to the task, we believe the basic premise of their article and the solution they advance are fundamentally wrong for the District of Columbia.

D.C. residents shoulder the same burdens of citizenship as other Americans. They pay taxes and fight with honor in American wars, and they advance the nation's interests abroad. As recently as Sunday, men and women from the D.C. National Guard were leaving the District for Europe, where they face possible deployment to Bosnia as part of the peacekeeping mission. To deny these Americans, and the thousands of other residents they leave behind the right to participate in electing the men and women who enact the local laws under which they are governed is to deny all District residents simple justice.

It is already the case at the federal level that as far as District residents are concerned, the government is not responsible to the governed. The District has no voice in the Senate; its vote is null and void in the House. To now deprive District citizens of their voice and vote in the selection of leaders to run their city—as Messrs. Cropp and Hobson would have Congress do—would revisit a great injustice upon this city.

The driving force behind Mr. Cropp's and Mr. Hobson's capitulation to Congress is their concern that the arrangement with a financial control board "isn't working." Their case rests on the city's failing physical infrastructure, shaky police, fire and emergency services, sporadic public health crises and struggling public school system, all of which the authors regard as threats to the city and the federal government. They get no argument there. But to hold the control board responsible for not making serious headway against those problems in one year is ludicrous. It

has taken that time to prevent the mayor and council from resorting to the budget gimmicks and rosy revenue projections that have been a District mainstay for years. And Mr. Cropp should know, since he served at Mr. Barry's side in an earlier tour in city hall, that many of the problems he now rightfully deplors began years ago on his watch. They are a consequence of bad governing, not of a flawed system or unworkable institutions. Suggesting otherwise amounts to saying that Mayor Barry and his administration and the D.C. Council have done the best that could be done, that it was the system that failed them. To disenfranchise District residents and make them subservient to a congressionally appointed receiver because a crop of local politicians has consistently fallen short would be the ultimate outrage.

Besides, the problems ailing the city won't be cured by saddling it with a receiver for three to five years and then reestablishing the government under a ceremonial mayor and an independent professional city manager, as Mr. Cropp and Mr. Hobson propose. Even when the District is weaned from unwise spending and chaotic management, and streamlines its agencies—which we believe can happen with the current arrangement, as was the case in New York and Philadelphia, though it won't be easy—the city still will need economic development, new investment and a strengthened revenue base.

Neither a home rule government nor a city manager can solve the acute problem of the widening gap in income earned in the city by nonresidents—including most D.C. government workers, whose income flows untaxed to Maryland and Virginia. Only Congress can address that gap. And a city manager form of government won't make Congress reconsider a federal payment formula that fails to compensate the District adequately for lost revenue caused by the federal presence. Again, only Congress can.

Financial and management integrity can be restored in the District government. Mr. Cropp and Mr. Hobson think not. To them, District residents cannot have both a government that is responsive and efficient and home rule. Agreed, we don't have both right now. But that's not home rule's fault. It's the fault of particular politicians who are not up to the job. Are we now asked to pay them the ultimate undeserved compliment of saying no one could have done any better?

**OFFICE OF THE MAYOR  
CITY OF MILWAUKEE**

**FAX COVER SHEET**



**DATE:** September 3, 1996

**PLEASE DELIVER TO:** Bruce Reed  
Special Assistant to the President

**FROM:** John O. Norquist  
Mayor, City of Milwaukee

**NUMBER OF PAGES INCLUDING COVER SHEET:** 4

**IF YOU HAVE ANY PROBLEMS WITH THIS TRANSMISSION, PLEASE  
CALL (414) 286-3453.**

**MAYOR'S OFFICE FAX NUMBER IS (414) 286-3191.**

**MESSAGE:**

I spoke to the President about Wisconsin's W-2 waiver request when he was in Milwaukee on Labor Day. I'm sending you this material as a follow-up to that conversation and I will be calling you this afternoon to discuss it further.

John O. Norquist  
Mayor

Milwaukee  
150  
1846 1996

WR - Wisc. Waiver

**TO:** Bruce Reed  
Special Assistant to President Clinton

**FROM:** John O. Norquist, Mayor of Milwaukee

**DATE:** September 3, 1996

**RE:** Wisconsin's W-2 Medicaid Waiver Request

The basic theory of Wisconsin's W-2 Health Plan, which the state is asking a Medicaid waiver for, is sound.

But the specifics of the W-2 Health Plan are badly, badly, badly flawed.

W-2 participants who get monthly cash grants are taken care of, but those who go to work are likely to lose coverage ... for two reasons.

•First, the plan's payment mechanism is hostile and cumbersome. Workers must make out-of-pocket payments, or get employers to consent to deduct payments. They have no automatic deduction system, like all the rest of us.

•Second, the plan's eligibility cut-off is irrational. Workers lose coverage if the employer offers coverage but doesn't pay a cent. There is no fair policy of allowing workers to retain coverage until the employer offers an affordable plan by picking up most of the premium.

The combination of these two flaws, according to both the University Wisconsin-Institute for Research on Poverty and the Thomson Administration itself, is that thousands of Wisconsin's poor who now get Medicaid will--precisely because they played by the rules and landed private-sector jobs--lose all health care coverage.

President Clinton must insist that both flaws in the W-2 Health Care plan be corrected as a condition for granting a Medicaid waiver.

Specifically, the President must require Wisconsin to alter its W-2 Health Plan so that:

•All eligible working parents who sign up for W-2 Health Plan coverage have their sliding-scale payments automatically deducted from their paychecks.

•All working parents remain eligible for W-2 Health Plan coverage until their employers offer a decent plan and pay at least 75% of the premium for family coverage.

More detail follows.

Office of the Mayor  
City Hall  
200 East Wells Street  
Milwaukee,  
Wisconsin  
53202  
(414) 286-2200

## The Theory

The W-2 Health Plan theoretically expands health care coverage to all low-income parents below 165% of the poverty line (and they can keep coverage until 200% of the poverty line) who lack insurance.

A poor parent would no longer need to be getting a welfare grant (or someone who had just gotten off welfare within the last 12 months or so) to get health coverage. Rather, coverage would be available even if the parent had left welfare years ago to take a job, or had never been on welfare because she was working ... provided the family's income was less than 165% of poverty (200% after health care eligibility is determined) and the parent had no private-employer coverage.

In brief, the W-2 health plan would be available, in theory, based on payment of a sliding-scale fee and without a time limit, to all low-income parents in Wisconsin who lack access to private insurance and who are:

- getting a cash grant without a work obligation (there are some under W-2);
- getting a cash grant but working it off under W-2's Transitions program or so called Community Service Jobs program;

or

- working for a regular employer.

## The Problem

Great theory, but the reality falls far short. The W-2 health plan in practice will result in thousands of parents who now have Medicaid, and who do the right thing by pursuing and taking private-sector jobs, losing all health care coverage. That's because the W-2 Health Plan has two huge design flaws. Flaws that really stick it to low-wage workers, the very people that President Clinton wants to help.

● **First, the plan fails to provide workers who accept private-sector jobs with a simple method of consistently paying their sliding-scale premiums by requiring automatic payroll deductions.**

Instead, they must bring cash in an envelope to the W-2 office to pay their premium ... presumably taking off from work, for which they could be fired. And they must keep up this cumbersome process month after month, for failure to keep up their premiums means termination of coverage, with no right to re-enroll for months.

They could mail a check...but they must first have a checking account, which most don't. And the checks must not bounce, which some will. And again they must remember to keep up this cumbersome process month after month.

The law was amended--over Governor Thompson's objections--to allow workers to ask their employer to deduct their sliding-scale fees from their paychecks. But many workers will not know to ask, and others will be afraid. And even if they ask, their employers need not agree: the law makes it optional for the employer. If their employers don't agree, no premium payment is made. And even if the employer does agree, many low-wage workers switch employers: in which case they must ask again, and their employer must agree again, or it won't happen.

What low-income workers under W-2 can't do is what all the rest of us depend upon: automatic bi-weekly or monthly paycheck deductions.

In short: we impose on the poorest, most vulnerable, and most overwhelmed workers a cumbersome and ineffective system of paying for health insurance that no union and no good employer would ever tolerate for a minute.

● Second, the plan cuts off workers' right to buy W-2 Health Care Plan coverage long before many can afford private-sector coverage.

The W-2 Health Plan provides that, if you have a private-sector job, you lose your eligibility to purchase W-2 Health Care coverage if your employer merely offers you coverage ... even if the employer picks up 0% of the cost.

There's a very weak "grace period" for the first 12 months: you only lose W-2 coverage if your employer picks up more than 50% of the cost. Given the cost of health insurance, that could mean a \$10,000 worker being denied access to W-2 coverage if the employer asks her to pay \$2,001 of a \$4,000 policy.

But after the first year, the "grace period" ends. You lose W-2 coverage period if your employer offers any form of coverage ... even if you must pay \$4,000 or \$3,000.

The combination of these two flaws, according to both the University of Wisconsin Institute for Research on Poverty and the Thompson Administration itself, is that thousands of Wisconsin's poor who now have Medicaid will lose health care coverage.

#### What the President Must Do

President Clinton must insist that both flaws in the W-2 Health Care plan be corrected as a condition for granting a Medicaid waiver. Specifically, he must require Wisconsin to alter its W-2 Health Plan so that:

● All eligible working parents who sign up for W-2 Health Plan coverage have their sliding-scale payments automatically deducted from their paychecks.

● All working parents remain eligible for W-2 Health Plan coverage until their employers offer a decent plan and pay at least 75% of the premium for family coverage.

WR-Wisc

NY Times May 3, 1981

## Wisconsin's Bold, Risky Welfare Plan

Gov. Tommy Thompson has signed far-reaching legislation that, if he gets Washington's approval, would make Wisconsin the first state to end its welfare program. Under the law, the state would instantly stop giving cash aid to able-bodied applicants. Instead they would be put to work in private-sector jobs, subsidized if need be, or in community-service jobs.

There is much to admire in Wisconsin's forthright emphasis on work and support services. Mr. Thompson is one of the few Republican leaders who acknowledges the fact that welfare reform is expensive. The plan will initially exceed Wisconsin's current welfare expenditures by about \$40 million a year, or 13 percent. The program would provide generous health and child-care subsidies to all working-poor families, not just those on welfare. That way welfare parents would no longer face the loss of these key benefits when they find work. The plan would also allow mothers to keep most of the child-support payments that are made by absent fathers. Individuals who are incapable of holding steady jobs could receive ongoing support for engaging in limited work and rehabilitation activities.

But there are troublesome provisions that are most easily seen by comparing the Wisconsin plan with President Clinton's welfare proposal. Mr. Clinton would have allowed welfare parents to spend up to two years in training or education programs. The Wisconsin plan provides for no training that is separated from work. This may steer some parents from intensive literacy and other needed training.

Mr. Clinton's plan would have imposed a two-year time limit on cash benefits, after which parents who obeyed the rules would be given a public-sector job if they could not find work on their own. The Wisconsin plan would impose no time limits on

health or child-care benefits. But it would set a time limit of five years on job subsidies, without any commitment to extend the limit for parents — perhaps half of those who start out in subsidized jobs — who obeyed the rules but could not find unsubsidized work.

Mr. Thompson points out that, under his plan, the state would have the leeway of extending job subsidies beyond five years on a case-by-case basis. Guarantees, he says, muffle the welfare parent's incentive to find work and invite endless judicial challenge. That may be so. But his proposal exposes innocent children to risk. The record of states in creating public service jobs is poor. What happens when Wisconsin ends aid not tied to work, but fails to create the 40,000 jobs it might take to empty out its welfare rolls? What happens if Wisconsin's economy turns sour and the state cannot find money to cover health benefits for needy families?

Mr. Clinton's best response is to embrace the good parts of the Wisconsin plan without embracing all of its risks. He should insist that the plan be phased in slowly so that, for example, welfare benefits of large families would not, as proposed, be cut quickly. Wisconsin should be required to monitor its programs and publicize how many needy parents are thrown out of subsidized work. Mr. Clinton should also require a concrete commitment from Wisconsin that it will spend whatever it takes to provide the benefits it has promised.

Mr. Clinton's pledge to "end welfare as we know it" — with its ironclad job offer for parents who obey welfare rules — is better than Wisconsin's pledge to end welfare, period. But Mr. Clinton can nevertheless embrace Wisconsin's right to experiment as long as he insists that the state smooth the plan's harshest edges.

WR - Wisconsin

MJS 7/5/96

# Weakland opposes W-2 program

MJS 7/5/96 p. 1A

## Archbishop makes plea for children

By FRANK A. AUKOFER  
of the Journal Sentinel staff

Washington — Warning of "a tragedy for the poor and a moral blemish on the earth's most affluent society," Milwaukee Archbishop Rembert Weakland urged President Clinton and Congress in an article Thursday to reject Wisconsin's welfare reform program.

The program, called Wisconsin Works, or W-2, was developed by Gov. Tommy Thompson and approved by the state Legislature. Thompson has asked the Clinton administration to approve waivers from current federal law that would allow the program to go forward.

A 30-day period for public comment on the waiver requests ends next Wednesday,

and Clinton's chief of staff, Leon Panetta, has promised a final decision within a few days after that. Wisconsin welfare officials say more time may be needed to iron out details.

Clinton endorsed W-2 in a May 18 radio broadcast.

Weakland, who recently ended a six-month sabbatical, made his appeal in an opinion article in Thursday's

Washington Post. W-2 amounts to a repeal of a longstanding commitment by American society to care for the poor, especially children, he charged.



Weakland

Weakland has written and spoken before about welfare. Shortly before beginning his sabbatical, Weakland issued a

moving, personal plea that the church and government not forget about the poor, and drew upon his own life growing up poor.

"Catholic social teaching holds that the poor, especially children, have a moral claim on the resources of the community to secure the necessities of life," Weakland wrote.

Please see W-2 page 9

Report says one in six Milwaukee kids would get child care with W-2...

Milwaukee Journal-Sentinel (47)

7-5

7/5/96

MJS P9A

## W-2/Weakland urges Congress to reject plan

From page 1

in the Post. "For more than 60 years, our society has recognized this claim with a covenant that ensures a minimal level of assistance for food, clothing and shelter to poor children and their families."

He said millions of children had relied on that covenant since the 1930s, and noted that more than 120,000 children in Wisconsin relied on Aid to Families with Dependent Children (AFDC), the welfare program that would be replaced by W-2.

In response, Kevin Keane, a spokesman for Thompson, said, "It's very disappointing that the leader of Wisconsin Catholics is defending a system that hurts the people they claim to want to protect, that traps the poor in a life of dependency."

Weakland said that he and other Catholic bishops "who grapple with the needs of the poor" agreed that the current

welfare system was in need of major reforms, and had offered constructive proposals.

People of good will, he wrote, can argue over the need to modify AFDC so it better serves its basic purpose.

"But it is patently unjust for a society as affluent as ours to nullify that covenant," he wrote.

As approved, "the Wisconsin Works program does just that. The enabling statute for the W-2 proposal specifically states no one is entitled to W-2 services, even (those) who are eligible to receive them."

"It is one thing to change the rules of the welfare system. It is quite another thing to say, 'Even if you play by the new rules, society will not help you.' This is not welfare reform but welfare repeal."

### 'Not Morally Justifiable'

Such a message, Weakland wrote, "may be politically attractive in this election year; it is

not morally justifiable."

He said critics of the welfare system alleged that public assistance undermined personal responsibility. He said that was a generalization.

"In the first place," he wrote, "the children of the poor did not choose their families. We should not afflict these children with hunger in order to infuse their parents with virtue."

Weakland said his experience in developing a pastoral letter for the U.S. bishops on economic injustice had impressed on him the truth that poor families were especially vulnerable to economic downturns triggered by national and international events.

Moreover, he said that even prosperous states like Wisconsin, with its low unemployment, could not ensure that everyone who wanted to work could earn a wage to support a family.

"So long as this is the case," he wrote, "it is unwise and unjust for the federal government

to abandon its commitment to the poor. Our covenant with needy children must remain the responsibility of the entire American family."

Weakland said the president and Congress needed to recognize that they could not repeal the assurance of public assistance for the poor in Wisconsin without having repeal become a national policy.

"Once such a repeal is granted to a single state," he wrote, "others will seek similar license. The poor will lose their safety net by degrees as surely as if Congress and the president repealed it all at once."

Weakland said he could appreciate the burden of difficult choices in an election year. But he said the short-term political outlook should not cloud moral vision.

"America's 60-year covenant with its poor children and those who nurture them must remain unbroken," he wrote.

\* \* MILWAUKEE JOURNAL SENTINEL FRIDAY, JULY 5, 1996 . 9A

## \* Thompson aide criticizes archbishop's welfare stance

**'We're proud to disagree,'  
Keane responds**

By MEG JONES  
of the Journal Sentinel staff

Sharply disagreeing with Milwaukee Archbishop Rembert Weakland's Washington Post opinion article against W-2, a spokesman for Gov. Tommy Thompson responded Thursday by saying the archbishop had never proposed anything to help poor people get off welfare.

"They have not offered anything constructive. They talk one way but they don't want to do the action that's needed," Kevin Keane said in a phone interview.

Keane, the governor's press secretary, also pointed out that he and Thompson are Catholic.

Keane said the system proposed by Thompson was more compassionate because it helps

people get off welfare.

"If the archbishop thinks it's compassionate to hand a family a check once a month and then walk away, if the archbishop thinks it's compassionate to trap children in families in generations of dependency and poverty, then we're proud to disagree with him," Keane said.

Keane said the governor's welfare reforms had helped 40,000 people get off public assistance. He also said Wisconsin had one of the lowest child poverty rates in the nation.

"So, with all due respect to the archbishop, I think Gov. Thompson has a record of credibility in helping these poor people," Keane said.

"There are people who talk and there are people who do something about the problem. I think that's the difference we have right now between the two men."

# \*Weakland's work defended

MJS 7/6/96 p. 18

**Keane taken to task for remark on archbishop's efforts to help poor**

By JO SANDIN  
of the Journal Sentinel staff

A spokesman for Gov. Tommy Thompson ignored years of work, pages of proposals and hours of testimony when he accused Milwaukee Archbishop Rembert Weakland of failing to offer con-

structive proposals to help poor people get off welfare, the head of the Wisconsin Catholic Conference said Friday.

John Huebscher, executive director of the conference, which formulates and publishes positions on public policy, responded to statements made Thursday by Kevin Keane, the governor's press secretary.

In voicing disagreement with Weakland's Washington Post opinion article opposing

the governor's Wisconsin Works, or W-2, welfare program, Keane suggested that the archbishop was a talker, not a doer on the matter of helping the poor.

Keane, who could not be reached for additional comment on Friday, had said Thursday: "They have not offered anything constructive."

Weakland's article was prompted by Thompson's request that President Clinton approve waivers from federal law that would allow the W-2

program to go forward. Federal officials have said a decision on those waivers likely will be made this month.

Huebscher suggested that reporters might have reached Keane at a bad moment on the July 4 holiday. "I'd like to cut him a little slack," he said.

Huebscher said, however, that he also would remind Keane that Wisconsin's five Catholic bishops last September released detailed proposals for welfare reform for which Huebscher has been a

vocal advocate at legislative hearings. The proposals represented years of study and discussion on the matter, Weakland said at the time.

## Priorities Outlined

At a Sept. 13 news conference releasing a 10-page summary of the proposals, Weakland carefully avoided criticizing the governor's W-2 plan. However, he urged all policy makers against using

Please see WEAKLAND page 7

Milwaukee Journal-Sentinel  
(63)

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P. 78

## Weakland/ Record defended

From page 1

calls for personal responsibility as excuses for abandoning the poor. And Weakland and the other bishops strongly encouraged adoption of reforms that would include these priorities:

- Reducing poverty by adjusting funding levels to meet increased demand in times of economic recession. "Policies must never deny children basic benefits because of the behavior of their parents," the bishops' proposals said.

- Valuing families by allowing single parents to remain at home with their children until the youngest is at least 2, "preferably 3."

The bishops' program said family caps on the number of children eligible for welfare payments were "an unjust response to poor children who did not choose their parents and may lead to an increase in abortions."

- Making use of all available community resources, including those of churches and parochial schools as places where first-time parents may develop parenting and job skills.

- Rewarding work with an increased minimum wage adequate to the basic needs of a single adult and with a combined income from wages, wage subsidies, tax incentives and government cash assistance sufficient for the size of each family.

- Encouraging the working poor by ensuring universal health care and child care subsidies adjusted for income available to families below 175% of the poverty level.

- Avoiding "one size fits all" approaches by offering greater counseling and support to high-risk individuals such as unmarried minors and those who lack a high school diploma, a recent work history, English proficiency, literacy, and unimpaired physical or mental ability.

Huebscher added that after the bishops released their statement, the National Conference of Churches, in speaking out on welfare reform, took pains to endorse the work of the Catholic Church in that area of public debate.

"Evidently, some people think we have made some constructive contributions," Huebscher said. "I'd also point out that these are the same bishops, this is the same church, and this is the same body of social teaching that Mr. Keane praises when we come out for parental choice for religious schools. So presumably we have done something to contribute to the needs of poor people."

For the entire text of Weakland's opinion article in *The Washington Post*, see Sunday's *Crossroads* section.

# Hundreds protest

7/7 MJS p. 11A  
**Most urge Clinton  
 to reject W-2 waivers, but  
 some support changes**

By FRANK A. AUKOFER  
 of the Journal Sentinel staff

Washington — Milwaukee Archbishop Rembert G. Weakland is far from alone in his opposition to Wisconsin's welfare reforms.

Here at the Administration for Children and Families, which is part of the Health and Human Services Department, many hundreds of letters from all over the country voice some of the same concerns.

The vast majority urge the Clinton administration, as Weakland has, to reject the reforms, or at least to insist on changes to guarantee assistance to needy children. Called Wisconsin Works, or W-2, the program was developed by Gov. Tommy G. Thompson and passed by the state Legislature.

The letters arrived in response to a 30-day public comment period that is legally required before the administration can grant the waivers from current federal law that would allow Wisconsin to implement W-2.

The comment period ends Wednesday. Clinton endorsed W-2 in a radio broadcast May 18.

Among those who have asked that the federal waivers be blocked or revised are Mayor John Norquist; Ellen Bravo, executive director of 9to5, the National Association of Working Women; and representatives of the Wisconsin Conference of Churches, the Interfaith Confer-

ence of Greater Milwaukee, the Child Abuse Prevention Network and the Milwaukee Council on Alcoholism and Drug Dependence.

Many of the letters are from individuals and representatives of church, labor and social welfare organizations and coalitions. The vast bulk of them are identical form letters signed by individuals, as in one that says, "Mothers and children will become poorer and low-wage workers in states will experience declining wages and job security."

A different form letter, however, allowed the writers to fill in a blank area after the statement, "I think W-2 is bad especially because..."

Genie Ogden of Madison filled in the blank by writing, "There will be a lot more hungry people, especially children. This will lead to more school dropouts and crime and more homeless families."

But there also were many handwritten letters, a few of which supported W-2. Several of those complained about welfare and the vast bureaucracy it had produced.

But one directed at Clinton from Sister Marie V. Brocato, SCN, executive director of Sacred Heart Southern Missions in Walls, Miss., said, "W-2 would destroy Wisconsin's safety net, imperiling its families and children, and would also set a terrible example for welfare reform in the rest of the country — welfare reform that does not protect children as you have called for."

A Milwaukee physician, Paul D. Burstein, wrote to say that he believed W-2 had some merit. He said, however, "Wisconsin's

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# welfare reform

poor women and children will be left without medical coverage or care."

Federal officials separated most of the handwritten and form letters from other letters that came from lawmakers and representatives of interested organizations.

Among Wisconsin's national lawmakers, Democratic Sen. Russ Feingold forwarded letters of concern from some of his constituents. He did not comment himself nor, apparently, did any other member of the state's congressional delegation.

Among the letters objecting to W-2 was one from Norquist, reiterating his complaint that it did not "truly end welfare." He said the program would not end cash grants, did not make work pay, provided welfare recipients with better health care than unsubsidized workers, and perpetuated the massive bureaucracy of the current system.

There were a number of letters from members of the state Legislature, both individually and in groups. One group consisted of the eight members of the Legislature's Black Caucus, who opposed W-2 and identified themselves as "We who represent this fragile population."

Some of the letters contained detailed critiques of the reform program; others simply argued that it was wrong and urged Clinton to deny the waivers.

Among the latter, the Washington-based Feminists for Life said, "Removing the safety net for women and children by abolishing AFDC would add one more reason to a long list why women have abortions as a

last resort, not a free choice."

Many of the letters from organizations reinforced Weakland's objection, which he raised in an Op-Ed page article in The Washington Post Thursday, that W-2 was written in such a way that benefits could be denied even to people who played by the rules and met all of the program's requirements.

Mary Jo Tietge, president of the League of Women Voters of Wisconsin, made that point and also argued that W-2 did not provide for a fair hearing process or evaluation by independent observers.

Archbishop Weakland's Op-Ed piece on W-2..... In Crossroads

WR - Wisconsin

THE WHITE HOUSE

WASHINGTON

July 14, 1996

MEMORANDUM FOR JACK QUINN AND BRUCE REED

FROM: ELENA KAGAN *EK*

SUBJECT: WISCONSIN WAIVER -- OPTION 2

Below is a first cut at what a strengthened Option 2 would look like. There are some pretty obvious ways of making it even stronger -- or of making it weaker. For example, we could either increase or decrease the percentage of state failures (now listed as 10%) evidencing violation of the "best efforts" standard. Similarly, we could either add additional prohibited grounds or delete the one now listed. I am sure there are other approaches too, and I would be grateful for any ideas or comments.

Keep in mind that the stronger we make the provision, the more we increase the chance that a court will find it to be an entitlement (regardless of the initial disclaimer) -- and that Governor Thompson can accuse us of dishonesty. I am not sure what a court would do with the provision as formulated below. I do think, however, that it puts us on fairly solid ground from a rhetorical standpoint.

No applicant, even if fulfilling eligibility requirements, is entitled to an employment position or any associated services or benefits under this demonstration program.

The State, however, shall use all best efforts to ensure that each eligible applicant receives an offer of an employment position and any associated services or benefits. This standard requires the State to have a substantial reason, not relating to or based on insufficiency of financial resources, to decline or fail to offer an employment position and any associated services or benefits to an eligible applicant. Failure to offer an employment position and any associated services or benefits to more than 10% of all eligible applicants shall constitute highly probative evidence of a violation of this standard, although no such evidence is necessary to prove a violation.

A failure by the State to use all best efforts to ensure that each eligible applicant receives an offer of an employment position and any associated services or benefits shall result in the establishment of an entitlement on the part of each eligible applicant to an employment position and any associated services or benefits.

\* \* \* \*

One final idea, which I'm not sure is legally permissible: perhaps we could, either as a supplement to or a substitute for the above, vary the money the State receives along with the State's performance; to the extent that the State does not offer jobs to all eligible applicants, the State will get less money. Assuming such an incentive structure leaves the State some real choice, this kind of arrangement should not create an entitlement. I am not sure, however, that there is room to vary payment in this way under existing law. I will check on this on Monday.

WR-Wisconsin

DRAFT

September 15, 1993

MEMORANDUM FOR WALTER BROADNAX

FROM: Carol Rasco  
SUBJECT: Wisconsin Waiver Request

The President has expressed his strong desire to work with the state of Wisconsin to reach agreement on a time-limited welfare demonstration. I have contacted Secretary Whitburn in Wisconsin to let him know that we would like to continue to work together toward an agreement.

The President would like us to explore the following areas:

1. Ask Wisconsin to require participants in this demonstration to take parenting classes, obtain regular immunizations for their children, and make use of well-baby checkups and other preventive services. In return, the state should assure participants that it will aggressively pursue their child support cases.

2. Strengthen the evaluation and reporting requirements so that Wisconsin will have to let HHS know every 3-6 months how many of those who have exceeded the time limit find jobs, how many look for work but cannot find it, and how many refuse to work. This will enable us to tell right away whether the demonstration is working, and whether the state is doing everything it can to help people find jobs.

3. Work with Wisconsin's Congressional delegation on the possibility of grant money that could be used in the two test counties to create jobs or community service slots if people who have passed the time limit are having trouble finding work.

4. Make sure that the children of any recipients who choose not to work will still receive health care.

5. Urge the Department of Agriculture to approve the waiver for cashing out food stamps.

The President would like the White House to take part in these negotiations, and to assure the state of Wisconsin that we are doing everything we can to reach some kind of agreement.

WR Wisconsin

## REVIEW & OUTLOOK

### Welfare Take-Back

"Much of my thinking about what happens with welfare reform rests on my belief that my husband will do as he said he will do, which is to fix those parts of the bill that are unfair; that the Republicans put in."

—HILLARY CLINTON  
AT THE DEMOCRATIC CONVENTION

You can't say she didn't warn you. Most people thought Bill Clinton committed himself to welfare reform for all the states. But we have Mrs. Clinton's promise that her husband will get rid of the parts "that the Republicans put in." Tough cookie, for that's exactly what just happened in Wisconsin, one of the most oft-cited models of serious welfare reform.

Back in May, President Clinton startled the country when he praised Wisconsin's radical "W-2" plan to abolish welfare. "Clinton Backs Proposal to Scrap Welfare," blared the Washington Post's front page. But White House aides made clear *sotto voce*, as is their habit, that the President hadn't really promised to sign the waivers from federal regulation that Wisconsin would need to implement W-2.

And when the President did sign that famous bill limiting Washington's role in welfare, not much notice was given to the fact that it still left federal bureaucrats with some veto power over what the states did. Wisconsin still needed federal waivers for about one-fourth of its reforms. On Monday, in a major



Bill Clinton

test case of the White House's sincerity in letting the states go their own way, the Clinton Administration offered up boilerplate praise of W-2, but then rejected two linchpins of the program opposed by liberal critics.

Wisconsin's W-2 program, which passed the state legislature with bipartisan support, has as its goal not to send any checks to able-bodied recipients unless they are working in a normal job. For those with little work experience, the state will provide community service jobs or places in "sheltered workshops" where they can learn skills. Pilot programs have been successful. Fond du Lac has seen its welfare rolls cut by more than half in two years as recipients have found jobs.

Two key elements are needed to expand W-2 statewide, however. The state wants to require that W-2 participants be Wisconsin residents for at

least 60 days. It would also like flexibility to use federal Medicaid money to subsidize health care for welfare recipients who obtain jobs. If their employer doesn't provide health insurance, the state would offer full health benefits for a stiding co-payment. A working mother with two kids could earn as much as \$20,000 a year and remain eligible for subsidized health care. But if she is able-bodied and still declines to take a job, she would lose Medicaid eligibility.

Wisconsin's GOP Governor Tommy Thompson believes his state's success with welfare reform has earned it the right to fully implement W-2. Wisconsin's pre-W-2 reforms and a business-friendly climate have already cut the state's welfare rolls by 24% since 1993. Only 9% of the state's residents lack health insurance or protection, the lowest in the nation. Governor Thompson thinks the state could reduce that to 4% if given flexibility in using federal Medicaid dollars. "Having a mild residency requirement and flexibility on Medicaid is essential to W-2's success," says Rep. John Gard, who chairs the Wisconsin Assembly's welfare reform committee.

This week, the federal Health Care Financing Administration, which runs Medicaid, sent Wisconsin a letter. It approved Wisconsin's plan to spend federal welfare dollars as a block grant. "However, we must convey that your Medicaid proposal is not approvable in its current form because it runs counter to federal guarantees of health care for low-income persons." In addition, the residency requirement was rejected. Thus with two paragraphs from Washington, W-2 got "fixed."

Governor Thompson is irritated at the take-back. "This means you can't trust Bill Clinton," he told us yesterday. "We're trying to expand health care to anyone willing and able to get a job. The Administration wants as much of the status quo as it possibly can."

We suspect the Clinton White House doesn't much care what Gov. Thompson thinks. Most voters do want Thompson-style reforms of the welfare system, and Bill Clinton got their votes by ostentatiously signing the welfare reform bill. Now, with this turn-down, which few of these voters will hear about beyond Wisconsin, he's signaling to activist liberals with iron stomachs that they can rejoin the Clinton entourage. Say this about it, all previously accepted political definitions of promise and principle are being revised by this Presidency.

### Family Matter

In the income distribution wars, the datum "Median Family Income" is something like a cruise missile: controversial and indispensable. Before the Clinton campaign and administration shifted into the "happy days are here again" mode this spring, their spokespeople could be counted on for periodic volleys about the troubling decline in median family income. Nowadays the statistic is the preferred weapon of a few lonely guys to the campaign's left and the Republican-led Joint Economic Committee on the right.

So what about median family income? The measure, which seeks to give a snapshot of the well-being of the average family, fell from 1988 to 1993. Even after a jog upward in 1994, real income—*income including taxes and after inflation*—still lagged behind a 1989 high. Seen over the longer time frame of 24 years, the median family's troubles look more distressing. While GDP per capita rose 46% percent from 1970, median family income rose only 9.5%.

The class warriors of course have an explanation. They say that the gap between these two statistics exists because the rich hogged more than their share of the economy's growth, an argument many Americans don't find convincing. A very uneconomic factor actually played an important role in the math here: the size and shape of the American family.

Just look at the numbers. In 1990, the average family size was 3.58. By 1980 the figure was 3.29, and in 1970 it was 3.17. A single family that breaks up of course becomes two households, one led by dad and the other by mom. So the number of families increased 33% in the period since 1970. Population over this same period increased by only 27%. Two-income families

earned more than they had before mom went to work. But it looks like that was more than offset by the splintering of families into two units, and the rise of the single mom.

The result is that, when you control for family size, the famous "median family income" is not so low. The median income for married couples in 1994 was 19% higher in inflation-adjusted dollars than it had been in 1970. In other words, at least one-quarter of the class "gap" disappears when you take family size into account when calculating this statistic. For *mean*, or average, family income, the gap narrows even more dramatically. Art Laffer, who called our attention to these facts, notes that median family income suffered particularly during the eras of the Bush and Clinton tax hikes. Both presidents' economic programs, readers will recall, heaped an additional burden on the struggling family unit by raising the tax penalty on married filers.

None of this is to say that higher incomes aren't better than lower ones. The proven way to reach that goal is to achieve economic growth faster than has prevailed over the course of the current recovery. Bob Dole aims at growth with his 15% tax cutting ideas, while President Clinton proposes to use the tax code to address perceived problems, which is to say constituent groups.

The recovery has currently picked up some steam, showing how a little better growth can buy more general satisfaction than targeted projects such as family tax breaks for day care or college. In fact the more likely result of such games is price rises and yet greater economic distortion. The Laffer conclusion, and one we share: The harder politicians hammer on the tax structure to "help" specific groups, the more they skewer them.

### Asides

#### New Baseball Card

Orioles infielder Roberto Alomar spit at an umpire after a called third strike, and later said the ump was upset because his kid died of a rare disease. Baltimore fans cheered Alomar

as he came onto the field yesterday. In soccer, also full of prima donnas, a red card for aggravated petulance means you sit out a game, even in the World Cup. Maybe we need a baseball card for uncontrolled droolers.

## A Primer on the Perils of Foreign Aid

By MANSOOR IJAZ

Two weeks ago, Prime Minister Gen. Zia Bhutto's brother, Murtaza Bhutto, was gunned down in what many witnesses described as a carefully orchestrated execution—further, highlighting Pakistan's descent into lawlessness. Ms. Bhutto and her cronies, meanwhile, stand accused—by her late brother, among others—of continuing to squirrel away vast amounts of the nation's wealth in an increasingly internationalized manner.

Until a British tabloid, the Sunday Express, reported in June on Ms. Bhutto's new 25-acre, \$1 million "Fort Knox" hideaway in England, few outside the Pakistani political machinery paid much attention. Corruption, after all, is a way of life in Pakistan. Yet systemic corruption in countries like Pakistan is cause for grave concern about whether U.S. economic and security interests are best served by current American policy.

Ms. Bhutto, with her Harvard and Oxford education, has long been touted by Western leaders—most recently by President Clinton—as the last hope for maintaining a moderate course in the world's second most populous and only nuclear-capable Muslim nation. She was hailed as the only leader who could bring about political, economic and social reforms in this important U.S. ally. Then, in 1987, she got married.

Her husband, Asif Ali Zardari, known as Mr. Thirty Percent (for the cut he allegedly demands of each investment project in Pakistan), has become the country's symbol of corruption run amok. So notorious is his reputation for unjustified rewards that last month Ms. Bhutto was forced to create a new cabinet post in order to legitimize his role in Pakistan's

business affairs—widely referred to as "Zardarism."

When Ms. Bhutto started her current term in late 1993, for instance, the 30 Dassault Mirage 2000-5 fighter jets her government sought, to replace a like number of embargoed U.S. F-16s, were priced at \$45 million each. When new Chief of Army Staff Gen. Jehangir Keramat and President Farooq Leghari canceled the deal this May, the price had ballooned to \$90 million per plane—\$30 million more than Dassault's top-of-the-line fighter. Even after adjusting for currency devaluation and equipment upgrades, \$29 million per plane was left unexplained. Similarly unexplained were the aggressive tactics used by Pakistan's current ambassador to the U.S., Mabecha Lochi, in pushing for immediate return of F-16 monies authorized last year by Congress's Brown Amendment—until it was revealed that her brother Amir Lodhi, a former Washington-based Bank of Credit & Commerce International insider turned state's evidence, was the Mirage deal's middleman and a close business associate of Mr. Zardari. Zardarism indeed.

Simple arithmetic shows the relevance of such dealings to U.S. economic interests. The unexplained overcharge of \$600 million for the 30 planes would have resulted in plenty of graft monies. By coincidence, the U.S. taxpayer-funded International Monetary Fund standby loan facility granted to Ms. Bhutto's government in October, 1995 was also \$600 million. Yet no Clinton administration official seemed to notice this, nor that military equipment was being released to Pakistan under the Brown Amendment while crucial economic aid to Pakistan's poor was frozen in retaliation for the purchase of nuclear components from China. And, apparently, relations had deteriorated so badly between the U.S. and Pakistan that neither was able to halt the imposition of Afghanistan at the hands of the Islamabad-backed rebel Taliban group.

A similar fate may well face Pakistan.

What went so wrong in using U.S. foreign aid to prop up Ms. Bhutto as a beacon of American ideals? Once again American foreign-policy planners failed to distinguish between petty graft and the systemic corruption pervading Third World governments. Time and again, such wide-scale corruption robs societies of their material, moral and intellectual resources. It also turns the country into a breeding ground for terrorism. Most of all, it robs people of hope—hope that they can work instead of aimlessly roaming

*Too often, our millions are sent to fund the very forces that destroy the institutions we so avidly seek to establish.*

city streets; hope that their children can learn to read and write instead of working in sweatshops and carrying AK-47 rifles; hope that law and order will prevail over anarchy.

Given recent events, Ms. Bhutto's government will likely have to agree to the establishment of an independent corruption commission, an idea vigorously pursued by President Leghari. If she doesn't, her government might fall at the hands of the coalitoned opposition.

Her failure would be our failure. If America's foreign-policy makers reasoned that Ms. Bhutto's savvy would prevail, or that the alternative leaders were worse, they were simply wrong. Whether under Ms. Bhutto, or former Prime Minister Nawaz Sharif, or cricket star and possible prime minister candidate Imran Khan, Pakistan—and America's interests in the region—could have no worse outcome than for the country's already systemic corruption to foster further violence, and religious extremism as salvation.



Benazir Bhutto

It is high time that American aid packages include strict conditions tying further disbursements to progress against corruption. Just as a bank requires a home mortgage recipient to insure the investment adequately, so must the U.S. and other international donors stipulate that Pakistan address the risks it faces. The IMF, for example, should implement its recently announced "good governance" proposals, which address the causes of corruption, and countries like Pakistan should stop fighting their adoption. In essence, monitoring teams should follow taxpayers' dollars right into the hungry mouths of starving children and single mothers, ensuring the funds don't go instead to perks for the elite.

U.S. aid should be used foremost for education, primary medical care and nutrition programs. The global investment community will take care of infrastructure development—not because international investors are necessarily philanthropists, but because it makes good business sense to do so. Yet we should not do so until we are more certain that institutions exist to guard our new investments from widespread extremism and public-sector corruption—and in the case of Pakistan, Zardarism.

Pakistan demonstrates once again that foreign-aid efforts must not be distracted by anyone's notions of some abstract good. Too often, our millions are sent to fund the very forces that destroy the institutions we so avidly seek to establish. If we are not more vigilant, one day soon we may find that terrorism on American soil was born of Third World policies funded with our own money.

*Mr. Ijaz is chairman of New York-based Crescent Investment Management.*