

TO: Orson Porter
FROM: David Riemer, Director of Administration
DATE: December 6, 1996
RE: Concerns about W-2

The Mayor and I have four major concerns about W-2 and its implementation.

*** Welfare Grants vs. Wage-Paying Jobs.** W-2 is often touted as "replacing welfare checks with paychecks." It doesn't. According to the state's own projections, 75% of W-2 participants will remain stuck in a giant bureaucratic system that strikingly resembles...the current welfare system. Madison bureaucrats will continue to mail monthly welfare checks; impose sanctions when they decide that the participants haven't engaged in enough "work activity"; hold hearings (including right to subpoena witnesses and documents) if the participants object; hold another hearings if the participant doesn't like the result of the first hearing; and so forth.

The so-called community service jobs (CSJs) that this 75% will hold (50% will have what are formally called CSJs, and 25% will have "Transitions" work slots that involve even less demanding "work activity") will only remotely resemble real jobs. They will get a monthly check first, then do the work later...unlike real work, where you work first, get paid later. They won't get a paycheck, pay FICA or Medicare, get or file a W-2 (!) form, or qualify for the EITC...unlike real work, where all these things happen.

In short, the design of W-2 consigns 75% of Wisconsin's former AFDC population and most new W-2 entrants to a bureaucratic system that imitates the old welfare system, fails to replicate the discipline of private-sector employment, and fails to familiarize so-called workers with many of the essential customs, burdens, and benefits of private-sector employment. W-2's failure to habituate participants to the rules of the private labor market will greatly reduce the odds that they'll make the leap into private-sector jobs.

Under TANF, the State could easily correct this huge design flaw. W-2 could be easily amended to offer able-bodied adults wage-paying CSJs--where they work first and get paid later, pay payroll taxes, get W-2s, qualify for the EITC. This would greatly accelerate participants' movement into the private sector...as well as increase their net income (because of the EITC) without adding any extra costs to the state.

***Making Working NOT Pay.** W-2 imposes very rapid increases in child care co-payments as income rises. For families with two or more kids, the co-pays climb even more steeply with income because they're also based on the cost of child care. The effect for many W-2 workers who do manage to make it into private-sector jobs is that, when taken together with the EITC phase-out, working more hours or advancing into higher-wage jobs means less net income. In some cases, as workers' wages go up, they will lose thousands of dollars of net income.

***Disappearing Health Care.** Whether Wisconsin's Medicaid waiver request is granted or not, W-2 will yank the health care of the very adults who have worked hardest and played by the rules most assiduously.

If the waiver is NOT granted and Wisconsin continues to function under Medicaid, those W-2 workers who manage to get into low-wage private jobs will, once their M/A 12-month extensions run out, have no publicly-supported health insurance plan to turn to. The majority will

lose their health insurance altogether, since most of their low-wage employers will either offer no coverage or require unaffordable levels of cost-sharing

But if the waiver IS granted and Wisconsin is allowed to operate the W-2 health plan, the same W-2 workers who manage to make it into the bottom end of the private sector will find themselves with "access" to a health plan that, while theoretically extensive, in practice is beyond the reach of many...or not even available. This is because the W-2 health plan:

--Imposes completely unrealistic enrollment maintenance requirements (e.g., every month, without fail, individuals wishing to sign up for and stay in the plan must either take time off from work to bring cash premiums down to the W-2 office and hope the money isn't stolen or lost, or put the cash in an envelope and mail it to the W-2 office and hope it's not stolen or lost, or try to set up a checking account with no credit history so it won't be necessary to send cash and then remember to write the checks and hope they aren't lost, or ask their employers to automatically withhold part of their wages and then get their employers to agree and then hope that the employers remember to mail in the withholding); and

--Cuts off ability to enroll in the W-2 plan altogether if the employer offers any kind of family health insurance plan, regardless of its provisions and regardless--after 12 months--of whether the employer picks up any part of the premium(for the first 12 months, the employee is denied access to the W-2 health plan "only" if the employer pays more than 50% of the premium).

***Bureaucratic Strangling of Competition and Outcome-Based Contracts.** One of the selling points of W-2 was that its proponents promised that it would be implemented in a new and creative way: relying on competition to determine the best local providers of placement services and putting those providers at risk for outcomes. The promise has not been kept.

The state bureaucrats got hold of the implementation process. They imposed regulations, rules, and guidelines far in excess of anything the law itself required. They told the potential local vendors that, even if caseloads increased, there would be no automatic increase in funding--just a chance to plead for access to a contingency fund. Then they told the potential vendors that, if they did everything the state wanted and made a profit, they would have to give back all the profit except 7%.

The effect of massive overregulation, 100% risk shifting, and a 7% profit cap has meant that, in Milwaukee, where 50% of the caseload and costs arise, there is apparently a pathetically small number of vendors competing to be W-2 agencies. The state has refused so far to release the actual number of bidders. But the common wisdom is that, for six regions, there have been no more than twelve bids. It appears that no non-profit agencies bid against each other (they appear to have agreed to "divvy up" the regions among themselves, taking the risk that neither federal nor state anti-trust enforcers would crack down on them.) Though Milwaukee was supposed to be one of the national hotbeds of competition by for-profit vendors (EDS, Lockheed, Maximus, etc.), both EDS and Lockheed dropped out as bidders (EDS is one non-profit bidder's subcontractor) and so only Maximus and an outfit named Curtis appear to have bid.

Meanwhile, it is still unclear what outcomes the state will hold the W-2 agencies accountable for--other than, as mentioned, handling all cases with no increase in funding. But as for meaningful outcome measures, e.g., percentages who have wage-paying jobs in excess of \$10,000 per year, aggregate earnings, or other outcome measures that prove that former AFDC moms and other unemployed parents have been effectively connected to the private labor market...silence.

John O. Norquist
Mayor

Milwaukee

150
1846 1996

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 Thompson 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.

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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.**

John O. Norquist
Mayor

Milwaukee
150
1846 1996

September 6, 1996

D. Reimer

President Bill Clinton
White House Offices
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

It was wonderful to see you again in Milwaukee on Labor Day. Please visit again.

I wanted to offer some advice on the matter we discussed: Wisconsin's W-2 waiver request. It remains a contentious political issue. The new federal welfare law mooted only half the state's waiver request. Your administration still must decide what to do about the other half, the proposed transfer of about \$200 million in federal Medicaid funds to a new health insurance plan for the poor.

As the federal officials ponder, you get steadily attacked in the local press by Governor Thompson and his appointees.

It may be tempting to defer this one until after the election. But my advice is to act.

Specifically, you should approve the waiver ... but on the condition that the W-2 health plan's most serious flaws are fixed.

The basic theory of the new W-2 health plan is sound. It offers low-income parents, based on ability to pay, a good health care benefits package regardless of whether they're unemployed or working. Initial eligibility goes up to 165% of the poverty line, and people can remain in the plan up to 200% of poverty. This is all better than Medicaid, which helps fewer poor people and largely excludes the working poor.

But the W-2 health plan has two serious flaws that hurt the working poor. First, the plan's mechanism by which the working poor actually pay their fair share of the premium is so hostile and complex

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President Clinton
September 6, 1996
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that thousands just won't pay. That means they and their kids will end up uninsured. Second, the plan cuts off the working poor from continuing coverage if their employer offers them any plan ... even one the employer pays nothing towards.

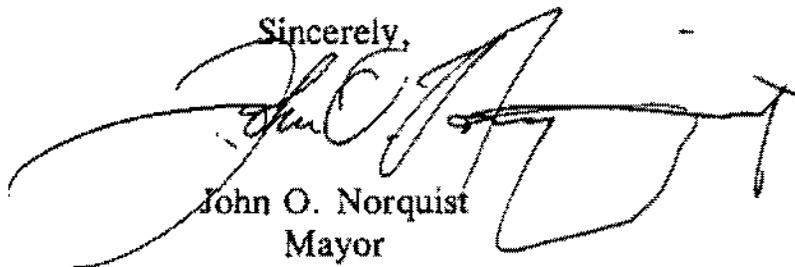
So my recommendation, both on the merits and politically, is that you approve the W-2 Medicaid waiver, let Wisconsin's new health plan for the poor become operational, but require that its two worst defects be corrected. Specifically, you should require Wisconsin to alter the W-2 health plan so that:

* All eligible working parents who sign up have their sliding-scale payments automatically deducted from their paychecks, and

* All working parents remain eligible until their employers offer a decent plan and pay at least 75% of the premium for family coverage.

Eliminating welfare and replacing it with work will have a profound positive effect on the lives of poor people. Historians will praise the fundamental changes in you have made in the system. Without improvements in the health care, however, that praise will turn to scorn.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'John O. Norquist', is written over the typed name and title.

John O. Norquist
Mayor

bc: Bruce Reed
David Riemer ✓
Paul Nannis



STATE REPRESENTATIVE
ANTONIO R. RILEY

18TH ASSEMBLY DISTRICT

LEGISLATIVE & BIOGRAPHICAL SKETCH

Biographical details

- State Representative Antonio R. Riley, born in Chicago, Ill., on August 22, 1963, has represented the 18th Assembly District on Milwaukee's Near West Side since 1992. He is a Democrat.
- Graduated from Riverside High School, Milwaukee, in 1982. Graduated with majors in political science and history from Carroll College, Waukesha, in 1987.
- Administrative Specialist for Department of City Development, Milwaukee, in 1991. Staff Assistant to Milwaukee Mayor John O. Norquist in 1992.
- Member of Mid-Town Neighborhood Association board of directors; 1994-95 Center for Policy Alternatives Flemming Fellowship member; Lisbon Avenue Community Health Center advisory board; Transcenter for Youth board member; member American Council of Young Political Leaders; Carroll College Public Administration Advisory Council member.

Legislative highlights

- Spearheaded historic efforts to end Wisconsin's current welfare system and replace it with a work-based alternative in 1993.
- Named by the Milwaukee Sentinel as the best freshman legislator of the 1992-94 session.
- Is a leading advocate for increased educational opportunities for low-income workers, for affordable child care and health care and for public assistance policies that recognize the importance of helping low-income unmarried men.
- Leading efforts to expand options for state investment in commercial development projects in economically targeted neighborhoods.
- Secured a \$250,000 state grant for the Lisbon Avenue Community Health Center in 1993.
- Wrote and passed legislation designed to preserve and protect housing stock in central city neighborhoods in 1993.
- Wrote and passed legislation permitting local governments to enforce stronger noise control standards in 1996.
- Co-chair of Legislative Council Committee on Child Care Economics in 1995.
- 1995-1996 committee assignments: Welfare Reform; Ways and Means; Criminal Justice and Corrections; Housing; Urban and Local Affairs; Transportation.



Photo by Mary Gash for The Journal

REP. ANTONIO RILEY (D-Milwaukee) testifies at a legislative hearing in the state Capitol last week. He helped craft landmark legislation that

promises to scrap Wisconsin's main welfare program by 1999, making it the first state to do so.

Welfare reformer knows all about hunger

Riley rose from poverty to help shape state's plan to dump welfare

By DAVE DALEY
Journal Madison bureau

Madison, Wis. — Antonio Riley knows poverty and hard times from the inside, from the mean streets of Chicago and Milwaukee.

His father was shot to death trying to help a patron during a bar holdup in Chicago's inner city.

His cab driver stepfather, ail-

ing from a heart attack, put his pride aside in the 1970s and reluctantly went on welfare in Milwaukee so the family of nine could eat.

His mother sold candy out of their near West Side home to help make ends meet.

Don't talk to Tony Riley, now a Democratic state representative from Milwaukee's North Side, about lazy welfare loafers feeding off the public trough.

"It's easy to bash those people," Riley says. "It's a lot harder to find them a job."

This is the Tony Riley who helped craft the landmark legislation that promises to scrap the

state's main welfare program by 1999, making Wisconsin the first state in the nation to pledge to dump welfare and start over.

The radical reform idea is drawing national attention, for Republican Gov. Tommy G. Thompson and for the bill's main Democratic sponsors — Riley and state Rep. Barbara Notestein (D-Milwaukee). Thompson has signed the bill into law.

For first-term legislator Riley, at age 30, the national media spotlight is heady stuff. Three years ago, he was selling cosmetics in Milwaukee. Now he's do-

ing interviews with ABC News and CNN.

"Some might say I'm just a freshman, wet behind the ears, but that's what we're here for, to try to make a difference," Riley said last week in an interview in his state Capitol office. "It's good to know you can make a difference. I can lose the next election tomorrow and still feel good."

BRINGS LEGITIMACY

Part of the attention paid to Riley is luck and timing, colleagues say.

Please see Riley page 13

Riley/He knows welfare from inside

From page 2

As an African-American who was once on welfare himself briefly after leaving home, and who represents a central city Milwaukee district, Riley has impeccable credentials to take the lead on an issue as politically charged as welfare reform, Democrats say.

Assembly Speaker Walter Kunicke (D-Milwaukee) appointed Riley vice chairman of the As-

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■ Riley, others fight bill on residential facilities

sembly's welfare reform committee because, he says, Riley brings a legitimacy to the issue not available to "a white male who's never been on welfare."

"He deserves a lot of credit for this bill," Kunicke adds. "He knows firsthand that the current welfare system is backward and keeps people impoverished."

Riley calls the current welfare system, with its built-in disincentives to work, a "jailer of people." He agrees that his race and personal welfare experience have given him a legitimacy to boldly call for throwing out the system.

"We can't have a bunch of white males from the Heritage Foundation writing up and doing this thing," he says.

In 1990, Riley ran the Milwaukee campaign office for then-Speaker Tom Loftus, the Democratic candidate against Thompson that year.

Two years later, Democrats were looking for a candidate to run in an open 18th Assembly seat on the near West Side. They

sought out Riley, then working as an aide to Milwaukee Mayor John O. Norquist.

Riley, happy working for the mayor, was reluctant at first. But talks with key black leaders and follow-up phone calls from state Rep. Peter Bock (D-Milwaukee), got him into the race.

Riley's hair is starting to thin a little on top. Gold-framed glasses give him a studious look, and he peppers his conversations with references to Plato. His dark suits and natty ties are those of a successful young urban professional.

But the clothes and a nice car, Riley emphasizes, are relatively new, and he candidly talks about an upbringing in a poor, inner-city neighborhood and a family broken by divorce and poverty.

"Here I am, the bastard child of a bartender who was shot to death," he says bluntly.

Although he was born in Chicago, his roots are in Milwaukee, where he was raised by his mother and stepfather in a house filled with the noise of eight brothers and sisters.

He grew up in the Merrill Park neighborhood, went to school at 27th Street Elementary School, and to church at Hope Lutheran. Then it was on to Riverside High School, where he was a debate champion and class president four years in a row, graduating in 1982.

REMEMBERS HIS ROOTS

At Carroll College in Waukesha, Riley majored in political science and history, graduating in 1987. Then it was on to a job, selling cosmetics at first and working his way up to director of the sales staff.

Now a rising star in Milwau-

kee and the state Capitol, Riley says he does not forget his roots. And the memory of his family's on-and-off stays on welfare during the 1970s is still biting.

"There were days we had nothing," he says. "The hot breakfast at school, that was it."

Riley lives on W. Mount Vernon Ave. with two of his brothers, Vince, 27, and Demetrius, 16, the youngest in the family.

On the welfare issue, he worked with Notestein and state Rep. Shirley Krug (D-Milwaukee), who formed a working group of Assembly Democrats to craft the Democratic substitute to Republican Thompson's proposal for another pilot program to reform welfare.

Krug, who two years ago sponsored another major overhaul of the welfare system that failed in the Assembly, says there is some risk for Riley in pushing a radical overhaul of the welfare system.

"He's setting himself against the old guard, and that's partly why he's getting so much attention," Krug says.

Riley says he knows that. But the phone calls, letters and personal responses so far have been overwhelmingly in support of his position scrapping the system and starting over, he says.

"The issue for me is tough, given my district," Riley added. "I almost backed off, at one point. But sometimes you've got to be the voice in the wind, saying the things people don't necessarily want to hear."

A DOZEN WAYS TO MAKE A DIFFERENCE

Twelve New Democrats Tell the Lessons They've Learned from Innovation

Editors' note: Even as President Clinton was announcing an end to the era of big government, innovative Democrats around the country were already paving a path to the future. New Democrats in city halls, state legislatures, and controllers' offices from Massachusetts to Minnesota, Milwaukee to Montana—not to mention California, New York, and Texas—have been engaged in the local experiments needed to show the rest of America how to deliver smaller but more effective government.

These experiments are both a matter of process and policy.

They speak to the need articulated by Texas State Comptroller John Sharp to once again make government the instrument of common purpose. Government, he says, "exists to help people achieve as a community what they can't as individuals." In practice, say Missoula Mayor Daniel Kemmis and Colorado House Minority Leader Peggy Kerns, this means devolving power and authority to those levels of government that can best be held accountable. Mayor Richard M. Daley in Chicago, State Comptroller H. Carl McCall in New York, and State Controller Kathleen Connell in California

have made fiscal accountability the bywords of their offices, seizing an issue once monopolized by Republicans.

The success or failure of welfare reform is now, in part, in the hands of people like Milwaukee Mayor John O. Norquist, Wisconsin State Rep. Antonio R. Riley, and Massachusetts State Sen. Therese Murray, whose front-line experiments will serve as guides for the rest of the country.

The success of New Democrats lies in their ability, as demonstrated by state legislators Ted Mondale and Ember Reichgott Junge in Minnesota and Louis Caldera in California, to harness market principles to social reform whether the issue be low-income housing or charter schools.

Finally, what all these innovators have in common is the desire and ability to free the energies and imaginations of our citizens from the shackles of bureaucratic solutions that long ago became as much of a burden as the problems they were designed to solve.

In short, these are the men and women on the front line of American politics who are showing their fellow Democrats how to get—and stay—ahead of the curve.



Stay Focused On People, Not Programs

By Antonio R. Riley

Ever since Franklin Delano Roosevelt tackled the Great Depression with a combination of flexibility and boldness, Americans have looked to Democrats to make the American Dream accessible to all. Unfortunately, we in the party haven't always matched FDR's resolve to do what he knew needed to be done even if it rocked the boat. The poor and the working poor have suffered for our failure of daring and imagination.

Instead of leading the fight to replace ineffective programs and bureaucracies, many in our party have fallen into the habit of defending them. Instead of caring about outcomes and what works, many of us find it easier to

defend what is. That attitude does a disservice to our most needy constituents. Republicans don't care about the poor and the working poor. But we Democrats do—and that's why we must retake the lead on social policy issues.

Let's keep our eyes on the prize: Our focus should be positive outcomes for people, not programs.

In 1993, I helped lead the charge to scrap Wisconsin's welfare system, including Aid to Families With Dependent Children, and replace it with a work-based alternative. Because my family had been on welfare for a time when I was a child, and because nearly two-thirds of my constituents in central Milwaukee receive some form of welfare, many liberal Democrats and many Republicans were shocked to find me at the front of this demolition-and-construction project.

I was guided by one fact: AFDC backfires. It was doing my constituents more harm than good—and my constituents knew it, too. AFDC does keep food on the table, but it does little to connect people to work. In fact, it traps many in a cycle of poverty. That had to change.

I'm often asked, "Why not reform AFDC instead of blowing it up and starting over?" The answer is that social conditions are vastly different than they were when AFDC came on the scene in 1935. Welfare as we know it was specifically created to keep women at home with their children and out of competition with men for scarce jobs. Clearly, today that approach is obsolete at best and harmful at worst. Yet here we are 61 years later, defending a program that basically pays poor folks to stay at home because we haven't developed alternatives. We need a program suited to our times. And that means jobs and education, not government handouts.

Wisconsin Works, our state's work-based alternative to welfare, is far from perfect. Its general architecture is sound, but some of its details are appalling (sub-minimum wages for some workers, no earned income tax credit, and virtually no educational opportunities). When the new Democratic majorities take over after the November election, as I'm sure we will, we'll fix those problems.

In Wisconsin, we've moved away from the poor-bashing that welfare invited and toward a productive debate about what it takes to get people to work. There's a lesson here for Democrats everywhere: Put people, not programs, first.

—Antonio R. Riley is a member of the Wisconsin Assembly.



Harness Market Forces To Leverage Change

By Ted Mondale

Pick up a newspaper, flip through the radio dial, or channel surf on television for a while, and you will be sure to hear plenty about the public's low opinion of government these days. The reason is simple: Because liberals and conservatives, Republicans and Democrats, remain locked into old ways of thinking, and the important public policy debates of our time have devolved into partisan mudslinging. Officeholders can crow to their constituents that they "stood their ground" and "stuck by" their promises, but they can point to little progress. No wonder Americans toss their hands in the air every time they hear about the latest government shutdown, another failing social program, or the most recent unfulfilled political promise.

In 1995, my colleagues and I in the Minnesota legislature did a remarkable thing—we broke through the gridlock on several fronts, most notably on the interrelated problems of urban decay, affordable housing, and metropolitan sprawl. How did we do it? By rejecting both the liberal dogma of strict government control and the con-

servative mantra of no control at all. In their place, we adopted a new approach that harnesses market forces to leverage change, and gives local governments and developers strong incentives to act voluntarily in their communities' best interest. Democrats across the nation can learn from our experience.

For years, the supply of affordable housing in our state in areas close to new job growth had been dwindling, and the situation was getting worse. Existing market forces and public policies were driving urban sprawl and adding to the concentration of poverty in our core cities.

Acting in a bipartisan spirit, last year we began changing those conditions and restoring hope by passing the Metropolitan Livable Communities Act. Its goals are to increase the supply of affordable housing in developing suburban communities; to help developed communities attract and expand businesses that pay living wages; and to intensify land-use in metropolitan areas through the cleanup of polluted industrial "brownfields" and through incentives for mixed-use, transit-oriented development.

Participation is entirely voluntary. Communities that opt in get access to new environmental cleanup and affordable housing development accounts administered by the state's Metropolitan Council. (These accounts, by the way, are funded not through new taxes, but by redirecting existing revenues.) Participating communities also automatically receive higher priority over nonparticipants for existing discretionary road, sewer, and transit funds also controlled by the council. And as a final incentive for participation, communities that opt out of the system now but change their minds later will have to buy their way back in for all the years they remained out.

Today, thanks to voluntary agreements made by 97 Minnesota communities, we will see the construction of more than 100,000 low- and moderate-income housing units by 2010. In addition, based on the law's first year of performance, the Metropolitan Council projects that more than 1,000 acres of brownfields will be redeveloped in our core urban areas over the next 10 years, creating more than 20,000 jobs and attracting \$800 million in private sector investment. As Minnetonka City Manager David Childs puts it, the law gets city councils, their staffs, and developers "thinking in a positive way without someone holding a hammer to you."

As this election year heats up and as we're driven to the political edge by negative campaign ads and accusations, it's worth keeping our experience in Minnesota in mind. Breaking through the gridlock is doable. It isn't a matter of breaking promises or losing political ground. It's a matter of using common sense and getting things done—the essence of what governing is all about. And that's something the public certainly would like to see more of.

—Ted Mondale is a member of the Minnesota Senate.

SHARING THE RISK

A Memo to Fellow Legislators (But Mostly to Republicans)

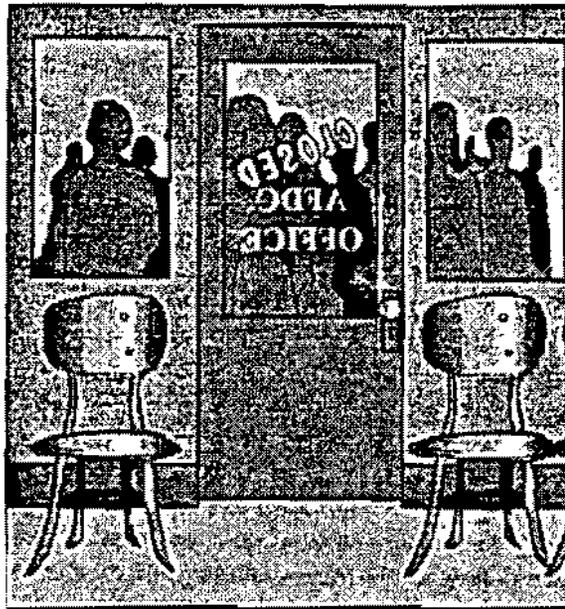
ANTONIO R. RILEY

For most of us politicians, calling for the end of the current welfare system is an easy thing to do. It's easy because practically every voter hates it and because advocating the elimination of an entrenched, wasteful government bureaucracy sounds so daring and action-packed. In today's opinion climate, it's a feel-good, risk-free political stand for most of us.

For most, but not for all.

Some of us represent districts in which many, and sometimes the majority, of the constituents depend on welfare's meager offerings to keep food on the table. And for us, the decision to support the dismantling of the welfare system was an agonizing risk.

Of the eight African-American legislators (all Democrats) in state government — who, combined, speak for the bulk of Wisconsin's urban poor — all but three voted to repeal the state's Aid to Families with Dependent Children (AFDC) program in 1999. Those five legislators, myself included, now have a lot of explaining to do to alarmed and confused constituents. And some other legislators — chief among them Rep. Barbara Notestein (D-19th Dist.) who, as chair of the



Assembly's Special Committee on Welfare Reform, has been leading the charge for replacing welfare — have also found themselves embroiled in serious dialogues with their mainly liberal constituencies.

To give you some idea of the risks some of us took in voting to repeal AFDC, imagine being a legislator from, say, the Appleton area, where there are many nice,

big homes and telling your constituents that you voted to have the state's major homeowner-subsidy program — the home-mortgage deduction — taken from them unless they accepted low-income housing in their neighborhoods.

Let me tell you why I voted the way I did and how I've been explaining my stand to constituents. More importantly, let me begin making the case that other legislators — those for whom it was relatively painless to vote to repeal AFDC — will have to share in taking risks as Wisconsin moves to replace AFDC with new programs

I believe this shared risk-taking must happen if we are to create programs that

Antonio R. Riley, a Democrat, represents the 18th District in the Wisconsin Assembly.

effectively reduce welfare dependency and set former recipients on the road to self-sufficiency. Specifically, if we are to "end welfare as we know it," Republicans — and some Democrats — will have to reinterpret some cherished political positions and begin their own intensive, sometimes grueling, discussions with alarmed and confused constituents.

The repeal was a piece of cake politically; now comes the replacement — a nitty-gritty, down-and-dirty process that will have everyone pulling their hair out by the end. But if we pull it off — if we Democrats and Republicans don't remain prisoners of our own rhetoric — and can create programs that really move people off the dole, then we will have done ourselves and the public proud.

Good Copy, Bad Karma

When the media learned that an African-American legislator from a poor central-city district who had once been on welfare himself was actively pushing his governor and legislature to repeal and replace the state's AFDC program, I soon found myself giving interviews to reporters from *The New York Times*, *The Washington Post*, *Time*, CNN, ABC, and CBS. Even some local reporters picked up on the story.

My story made for good copy and visuals. It was the kind of story the media find irresistible. And I confess I found all the fuss very exciting and flattering. But, after the deluge of media attention, I knew I'd have some serious explaining to do to my constituents. The national media weren't the only people taking notice of what I was doing.

I represent the 18th Assembly District on Milwaukee's Near West Side. While the neighborhoods that make up the district have many strengths, it's also true that they are some of the poorest in the city. Many of the children in the district grew up in families headed by a single mother who receives AFDC benefits.

And because the media tended to concentrate on the more sensational aspects of the story — my race and my status as a former

welfare recipient (and, unfortunately, also because I didn't do a good enough job of insisting that my full position be reported)—many of my constituents were, to say the least, puzzled about my position on welfare.

Now, I ran my campaign for office with explicit promises that I'd be a maverick, a politician ready to support new approaches, mix it up a little, and make controversial votes. I wanted — and still do intend — to spark debates on issues that my party may think have been long-settled, so I had no illusions that I'd get away with assuming a leadership role in the effort to repeal AFDC without being taken to task by some constituents.

Many of those who voted for me knew exactly what they were doing. And many of them have congratulated me for taking on a failed welfare system that breeds dependency and helps fuel poverty.

But for many other constituents, unfamiliar with their brand new state representative, my position was deeply alarming.

I got angry letters blasting me as out of touch with the needs of my constituency. I received phone calls from poor, single mothers asking me what they were supposed to do without AFDC. I met with groups of very skeptical, sometimes nearly hostile constituents who demanded that I explain myself.

Almost universally, these alarmed constituents wondered aloud how on-earth I could advocate junking AFDC, the primary means of support for poor women and their children, especially considering how small a portion of the state budget is dedicated to them. They correctly pointed out that welfare programs make up only five percent of the entire state budget. They asked me frankly, with irritation and disbelief in their voices: "What the hell are you doing?"

What the Hell I'm Doing

Here's what I tell them:

I voted to junk our current welfare system, first and foremost, because it doesn't work.

Consider: fewer AFDC recipients are now working than 10 years ago; while 10 years ago, the child-poverty rate in Wisconsin was the fifth lowest in the country, we have now moved up to 22nd; and in 1994, for African-American youth, the poverty rate is 54.1%, a rate exceeded only by Louisiana.

Under our current system, it often makes more sense for recipients to remain on the public dole than it does for them to risk losing the few benefits they get for low-wage, no-benefit work. Welfare now forces people to make a cruel choice between the dignity of work and economic common sense.

Welfare as we know it is a trap, a jail. It's something that wastes people's lives.

I also voted to end the current welfare system because I had grown sick and tired of the piecemeal, tinkering approach to welfare reform.

In particular, Gov. Tommy Thompson's Work-Not-Welfare (WNW) pilot program struck me as yet another half-assed effort. Under WNW, welfare recipients would receive benefits and job-training and placement assistance for two years, and then they would be on their own again regardless of whether they'd found jobs.

While I can accept the rationale behind time-limited benefits, I found I could not stomach other parts of Thompson's proposal. For example, it baffles me that Thompson can put WNW forward as meaningful welfare reform at all when it will be tested over 10 years in just two counties statewide and does not include Milwaukee County, where nearly half of the state's AFDC population lives. Leaving Milwaukee out of the experiment and instead selecting two counties with very strong economies — Fond du Lac and Pierce Counties — tells me that Thompson is more interested in rigging the test for a successful outcome than he is in exposing his reform ideas to tough realities. Another glaring

shortcoming of WNW, to my mind, is the lack of a job-creation component. What good does drop-kicking people who can't find work back into joblessness do?

We must make work pay. Under our current system, it pays better for poor people not to work. This is absurd because the vast majority of poor people — like the vast majority of all people — prefer work over welfare, dignity over dependence. I want to create programs that encourage people to seek and keep private-sector jobs, even relatively low-paying ones.

To make it a smart economic choice to work, we should: provide child-care, health-care, and transportation subsidies for those who need them; where necessary, provide wage supplements to private-sector jobs; and expand and adjust the Earned Income Tax Credit for the working poor, allowing them to keep more of their earnings during the year.

Whatever we replace AFDC with, we have to be careful it's not a "one-size-fits-all" program.

People need state help for different reasons and for varying lengths of time. Some people have been

locked out of work for years, some need only temporary help in finding another job, and others need to be completely retrained for new kinds of work. But all of them need jobs. And jobs can provide the kind of responsiveness we need to individual circumstances.

There is, however, a well-known hitch to the jobs solution — lack of jobs. In Milwaukee, for example, for every job opening, there are at least five job-seekers. So creating jobs will be an essential task if we are to replace welfare.

Creating jobs in the private sector must be our priority. Because we can't fuel too much private-sector job creation without interfering with market forces, though, we'll also need to create short-term, transitional

*Welfare as we know
it is a trap, a jail.
It's something
that wastes
people's lives*

community-service jobs for those unable to find private-sector work.

While requiring work will be a key part of replacing welfare, there are some people who are physically or mentally incapable of work. And, while we have to be careful about how we define disability for work, we'll need to provide programs to care for these people. We may also want to allow single mothers to stay home and raise their kids during the early years and then reintegrate them into the workforce.

Finally, no replacement to AFDC will work unless there is both a strong public-private sector commitment to job creation and economic development and a similar joint commitment to employing welfare recipients. Government can't do it alone. Elected officials like me and community and business leaders must work hard to persuade the private sector to become better team players by pointing out the social costs of not investing more heavily in people.

Now, when I'm done making these points (sometimes it takes hours of vigorous give and take), many of those constituents who were initially alarmed at my position have been enlisted in the cause of replacing welfare. They are fired up and want to do whatever they can to make sure AFDC gets replaced with the kind of programs that I've outlined. They want their voices to be heard in the coming public-policy debates and decisions. (And as far as I'm concerned, they had better be included or those who develop the policies without them will suffer long-term public-relations migraines.)

Realpolitik

But even though I now have many new allies among the formerly skeptical, they still have some justifiable lingering concerns. As a political reality check, they ask: "But won't the kind of programs we want be more expensive than the current welfare system and therefore intolerable to taxpayers. And won't many politicians and voters adamantly resist some of the programs, particularly the community-service jobs component, as

bureaucratic nightmares? Given the political realities in Wisconsin today, aren't we endangering what little we have now for pie-in-the-sky schemes?"

Tough *realpolitik* questions. I answer that I believe Wisconsin's taxpaying voters value the responsibility and dignity that comes with work — even short-term, community-service jobs — and are hard-nosed enough to realize that paying people to work out of poverty is a better investment than paying people to remain in poverty. But I qualify this response by acknowledging that convincing Republicans and some conservative Democrats to join us — and I stress that their support for replacing welfare along the lines we want is crucial — will not be easy.

That answer leaves a sense of urgency in the air.

Republicans and conservative Democrats will have three principle objections to the programs I sketched above. I ask you, my friends, while you consider such objections and my responses, to share in some political risk-taking.

Objection No. 1: Same Old, Same Old

All you're doing is replacing one set of public subsidies and handouts with another similar set of public subsidies and handouts. You say it's not welfare, but it really still is.

Response

If you argue that any kind of public subsidy or handout is welfare, then you're right: what I'm proposing is still welfare. (But, of course, if you want to be nit-picky, you'd have to consider home-mortgage deductions a form of public subsidy and, *ipso facto*, welfare, too.) However, that approach to the argument completely obscures the fundamental reorientation of welfare policy that I'm advocating.

Under the current welfare system, it is more often than not a more rational economic decision to stay on the public dole than it is to get a job. The programs I want — programs aimed at making work pay — would change

that without offering utter poverty as the alternative. Instead of just giving money and services to people who need help, the programs with which I want to replace welfare would connect people to jobs and provide the help necessary to make those jobs pay enough to support a family while it climbs out of poverty to self-sufficiency.

Objection No. 2: "Make-work"

Community-service jobs? Yikes! What you're proposing is government make-work jobs for everyone who can't get a private-sector job. That's going to be a bureaucratic nightmare — and expensive, too. And another thing: no one deserves to be guaranteed a job.

Response

This is the toughest sell.

There's no doubt about it: providing jobs — even temporary, transitional, minimum-wage jobs — to everyone who can't find work in the private sector will be a massive chore for government. People are right to be wary of this proposal.

But it's absolutely crucial to the success of replacing welfare. It simply won't work without a community-service jobs component.

Why? Because the labor market generated by the private sector simply isn't big enough to provide jobs for everyone who needs one. Generally speaking, there is one job for every five people looking for work. And, if we are to move away from the handout system of welfare and instead encourage work, there is no realistic alternative to community-service jobs — unless you can countenance a return to the current system of Dickensian poverty on the streets.

By offering all able-bodied recipients the opportunity for employment, the programs I'm recommending would recover the enormous waste of human capital under the current system and enable many to experience (and pass on to their children) the dignity of labor. Isn't the value of labor, or earning one's living, essential to conservative political and sociological theory?

If you don't accept community-service jobs, if you don't see that paying people to work is better than addicting them to handouts, then you must by default defend something very much like the current welfare system or socio-economic chaos.

Objection number 3: Cost

What you're proposing will cost more than the current welfare system. Wasn't the idea to reduce costs?

Response

What I'm proposing will probably cost more in the short term. But I'm not entirely sure. If we roll all the money we're currently spending on welfare into the new programs — who

knows? — it might cost the same or less.

I disagree that the primary goal of welfare reform is to cut costs. I think the real motivation behind the clamor for new policies is that the current ones are not working — they're causing dependency, not reducing it; they're not reducing poverty, they're exacerbating it. If our goal is to create programs that do in fact reduce dependency and poverty, then we're going to have to be ready to do what's necessary to accomplish that goal. And if what we create works, costs will go down.

Keep in mind, though, just as you wouldn't expect a new business to survive undercapitalized, I don't think we should underfund the start-up costs of our welfare-

If we roll all the money we're currently spending on welfare into the new programs — who knows? — it might cost the same or less

replacement programs. Health-care and day-care subsidies aren't cheap, but they are necessary to make low-wage work a realistic alternative to welfare or poverty.

A Challenge to Challenge

I understand that it will be difficult to persuade voters that the changes I'm recommending are necessary. I understand that many people just love to bash welfare recipients and love to hear their public representatives do it, too.

I believe, however, that there's a way for conservatives to appeal to their constituencies without having to resort to mean-spirited, simple-minded welfare-

bashing. That way will require learning the facts of life facing many of the people who live, for example, in my district and being able to sketch their predicaments to constituents. Once conservatives do that, they will be able to talk about replacing welfare, not with punitive programs, but with programs intended to extend opportunities to participate in the American Dream — a dream of independence and self-reliance — to all Americans. Challenging people's views is dicey, especially for politicians. But if Wisconsin is to follow through on its promise to replace welfare with a workable alternative, then all of us — Democrats and Republicans — must be willing to take risks.

Speaker: King's vision still left unfulfilled

By DENIS KENNEDY
Daily News staff

SALISBURY — On the day Martin Luther King Jr. would have turned 67, local residents were reminded yesterday that his work is not yet done.

A Wisconsin legislator told the crowd at the region's third annual King breakfast that King's legacy is not just a plea for civil rights, but economic and social opportunity that still eludes the nation.

"He had a broader and more encompassing dream of America," state Rep. Antonio R. Riley told a gathering of
Vision, page A12



BRYAN EATON PHOTO

Wisconsin state Rep. Antonio R. Riley.

VISION: Speaker says King's work not yet done

Continued from page A1

almost 400 at Sailor Bill's restaurant.

King, who was assassinated in 1968, saw the importance of "freedom to live full, productive and self-determined lives," Riley said.

Riley, a Democrat who was a leader in the 1993 enactment of Wisconsin's work-based welfare reform package, linked King's message to that effort.

Riley called the welfare system "an obstacle on the road to economic freedom" because recipients often lose money when they get a job.

"I know poor people prefer work over welfare. They prefer jobs and dignity over handouts and depen-

dence," said Riley, who harked back to growing up in a welfare family.

Riley suggested King might have agreed and pushed for such equality of opportunity, noting that a central theme of the 1963 March on Washington was jobs.

"Economic well-being gives you the power to be truly free," Riley said.

Riley recited a portion of the 1963 speech, calling the address "still living and potent words."

Riley called on the public to work to keep King's legacy alive, despite the growth of "an antisocial concept of the individual" across the nation.

"However you choose to further the dream, you must realize the importance of community and

action. ... You cannot do it alone," he said.

Riley warned against the "danger" of King's holiday becoming "an empty kind of celebration," creating "indifference, which is worse than forgetfulness."

The breakfast was the third sponsored by the Citizens Against Prejudice Action Coalition and included a substantial number of students from local schools.

Local entertainer and songwriter Jonathan Tynes provided musical selections. The invocation was offered by the Rev. John Foley of East Parish Methodist Church in Salisbury and the benediction was said by the Rev. Errol Leslie of the Community United Methodist Church in Hyfield.

M. P. ...
John O. Norquist
Mayor

185771
September 6, 1996

WRHsc W2

Milwaukee
150
1846 1996

President Bill Clinton
White House Offices
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

It was wonderful to see you again in Milwaukee on Labor Day. Please visit again.

I wanted to offer some advice on the matter we discussed: Wisconsin's W-2 waiver request. It remains a contentious political issue. The new federal welfare law mooted only half the state's waiver request. Your administration still must decide what to do about the other half, the proposed transfer of about \$200 million in federal Medicaid funds to a new health insurance plan for the poor.

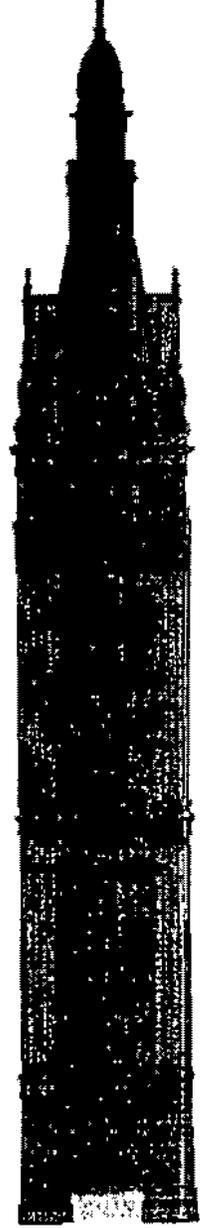
As the federal officials ponder, you get steadily attacked in the local press by Governor Thompson and his appointees.

It may be tempting to defer this one until after the election. But my advice is to act.

Specifically, you should approve the waiver ... but on the condition that the W-2 health plan's most serious flaws are fixed.

The basic theory of the new W-2 health plan is sound. It offers low-income parents, based on ability to pay, a good health care benefits package regardless of whether they're unemployed or working. Initial eligibility goes up to 165% of the poverty line, and people can remain in the plan up to 200% of poverty. This is all better than Medicaid, which helps fewer poor people and largely excludes the working poor.

But the W-2 health plan has two serious flaws that hurt the working poor. First, the plan's mechanism by which the working poor actually pay their fair share of the premium is so hostile and complex



Office of the Mayor
City Hall
200 East Wells Street
Milwaukee,
Wisconsin
53202
(414) 266-2300

SEP 13 1996

President Clinton
September 6, 1996
Page 2

that thousands just won't pay. That means they and their kids will end up uninsured. Second, the plan cuts off the working poor from continuing coverage if their employer offers them any plan ... even one the employer pays nothing towards.

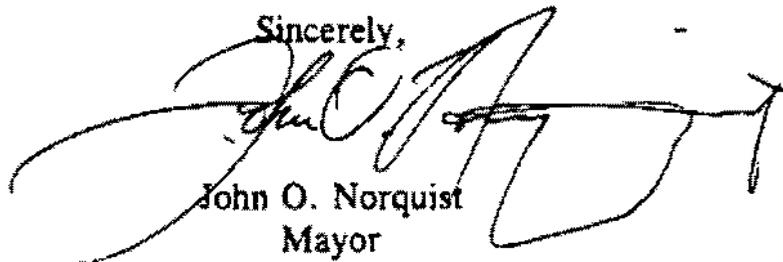
So my recommendation, both on the merits and politically, is that you approve the W-2 Medicaid waiver, let Wisconsin's new health plan for the poor become operational, but require that its two worst defects be corrected. Specifically, you should require Wisconsin to alter the W-2 health plan so that:

* All eligible working parents who sign up have their sliding-scale payments automatically deducted from their paychecks, and

* All working parents remain eligible until their employers offer a decent plan and pay at least 75% of the premium for family coverage.

Eliminating welfare and replacing it with work will have a profound positive effect on the lives of poor people. Historians will praise the fundamental changes in you have made in the system. Without improvements in the health care, however, that praise will turn to scorn.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'John O. Norquist', is written over the typed name and title.

John O. Norquist
Mayor

THE WHITE HOUSE
WASHINGTON

Facsimile from Diane Ikemiyashiro
Office of Presidential Letters and Messages

Voice: (202) 456-5519 FAX: (202) 456-5426

Number of Pages (including cover): 2

Date: Sept. 3, 1996

Time: 12:45 pm

To: Bruce Seal

Voice: 6-6515

FAX: 6-5557

incoming letter(s) from: Gov. Thompson
re: W-2

for your review

per my e-mail or voice-mail message to you

per your request

Additional comments:



TOMMY G. THOMPSON

Governor
State of Wisconsin

183216
W-2 Wisc W-2

August 21, 1996

The President
The White House
Washington DC 20500

Dear Mr. President:

Three months ago, I delivered to you the Wisconsin Works (W-2) waiver application, a plan you described as a "sweeping welfare reform plan, one of the boldest yet attempted in America." You pledged that your administration would work with Wisconsin to make an effective transition to "a new vision of welfare based on work, that protects children and does right by working people and their families." Wisconsin and the nation are poised to "end welfare as we know it." We are still waiting for your approval.

Signing the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 will be a significant step, but it is not enough. Important elements of W-2 can not be implemented without your approval of our waiver request. A fully implemented W-2 is more extensive and more compassionate because it goes beyond cash assistance and provides health care, child care, and directs all child support collected to the family. This will protect children at risk of becoming the welfare casualties of tomorrow. That's prevention.

W-2 health care extends coverage to mom, dad, and children in all low-income families and provides child care for working families. It commits the state to requiring the child support agency to serve all low-income working families receiving W-2 services including child care, health care, and food stamps. All families must cooperate to establish paternity and child support orders. One hundred percent of the funds collected are returned to the families rather than offsetting state or federal costs -- a sixty million dollar increase to low-income working families. Wisconsin seeks to remain in the forefront as a national welfare reform leader by providing child support, comprehensive health care coverage, and child care subsidies to its working poor. As long as families qualify and need the help, it's there.

Mr. President, I urge you to keep your word and approve the Wisconsin Works waiver. Based on our past and current successes, Wisconsin is in a unique position to keep the momentum going -- to be the first in the country to end welfare as we know it and replace it with self-sufficiency through work. It is absolutely critical that you approve the W-2 waiver application as submitted. Anything less would be a broken promise to the people of Wisconsin.

Sincerely,

Tommy G. Thompson
Governor

cc: Congressional Delegation



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

FACSIMILE COVER SHEET

To: Bruce Reed

Organization: _____

From: Amy Busch

Date: 8/23

Immediate Office of the Secretary
200 Independence Avenue, SW
Room 605-F
Washington, DC 20201

Phone: (202) 690-5400
Fax: (202) 690-7098

Recipients' Fax Number: _____

Number of pages including cover: 4

Remarks: Bruce —
Hewssa's in a mtg
on this now w/ MTB —
MTB said this is going
out "instantaneously" —
wanted to make sure you
had OK'd. — Amy

WR. W-2 W-2

Tommy G. Thompson
Governor
1 State Capitol Building
Madison, Wisconsin 53701

Dear Governor Thompson:

I am writing to provide an update on the status of your Wisconsin Works (W-2) waiver requests relating to Medicaid. As you know from correspondence from the Administration for Children and Families dated August 22, Wisconsin will be able to pursue virtually all of its welfare reform waivers under the new flexibility guaranteed to states to design their own welfare reform programs under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. However, we must convey that your Medicaid proposal is not approvable in its current form because it runs counter to this Administration's clear commitment to maintain an enforceable federal guarantee of health care for low-income persons. Our position is consistent with the new welfare law which ensures the continuation of the Medicaid guarantee for current eligible populations. In addition, the passage of the new legislation will complicate the demonstration of budget neutrality, which is required for all demonstrations, and we will need time to measure the impact of the new law on W-2.

I wish to be clear that the Administration shares Wisconsin's desire to expand coverage for low-income, uninsured persons, especially those who are leaving welfare for work. As we have done with 12 other states, we would be pleased to work with you to design a Medicaid demonstration that expands coverage to those families working under W-2, consistent with the Administration's policy to maintaining the guarantee for eligible families and assuring budget neutrality for federal taxpayers. Your staff should call Lu Zawistowich at (410) 786-6650 to initiate further discussion.

Sincerely,

Bruce C. Vladeck
Administrator

D R A F T - 8/21/96
MJB

August 23, 1996

J. Jean Rogers, Administrator
Division of Economic Support
Wisconsin Department of
Workforce Development
1 West Wilson Street
P.O. Box 7935
Madison, Wisconsin 53707-7935

Dear Ms. Rogers:

I am writing in response to your letter of August 8, 1996 to Howard Rolston, and to acknowledge receipt on August 22, 1996 of Wisconsin's state plan submission under the TANF block grant.

Under the landmark legislation signed yesterday by President Clinton, states, including Wisconsin, have unprecedented new flexibility to design their own welfare reform plans without seeking waivers from the federal government. You must be pleased that the PRWORA allows states to shape their plans without the strictures of strict cost neutrality, random assignment evaluations, and the policy restrictions required under the old law--a change in approach that your governor, among others, argued articulately and forcefully in favor of. In general, we agree with the assessment in your August 8 letter that the AFDC waiver requests sought by Wisconsin for the W2 demonstration are no longer necessary under the new legislation. Since you clearly have greater flexibility under the new legislation than under the old waiver process, we are ceasing our comprehensive review of the W-2 welfare provisions.

However, we would be pleased to honor your request that we continue consideration of several smaller matters within W2. You ask that we continue to consider several W-2 child support waiver requests and to determine whether past waiver demonstration savings would continue to be available to the state. We are currently reviewing your requests in the context of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to determine whether your requests are approvable and will provide you with the results of our analysis as soon as it is complete.

In addition, we will also review the other title IV-A and IV-D, and child care proposals to determine whether the areas you

Ms. Jean Rogers - page 2

identify are permissible under the new legislation. Although our preliminary review generally supports your assessments, some legal and other issues may remain. As we have noted during our numerous discussions concerning W2, we believe that your authority to deny W-2 eligibility to applicants during their first 60 days of residence in Wisconsin is unclear. As you are aware, in the context of waivers of the AFDC program, HHS was advised by its General Counsel's office and the Department of Justice that such a policy raises issues of constitutionality.

You will receive separate letters from the Health Care Financing Administration and the Food and Consumer Service of the Department of Agriculture regarding the status of your request for waivers of the Medicaid Program and the Food Stamp Program, respectively.

Our Chicago regional office will be in touch with you regarding your new state plan submission.

Thank you for your continuing interest in welfare reform.

Sincerely,

Mary Jo Bane
Assistant Secretary

cc: Richard Wegner
Marion Steffy

OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
Washington, DC 20201



White W-2

F A X C O V E R S H E E T

DATE:

TO:

May Jo Bane 401-4678
Bruce Reed 456-7431

PHONE:

FAX:

FROM: John Monahan
Director

PHONE: (202) 690-6060
FAX: (202) 690-5672

RE:

CC:

Number of pages including cover sheet: *5*

Message:



UNITED STATES
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the
Regional Director

**FACSIMILE
REGION V**

105 W. Adams
Chicago, Illinois 60603
Phone: (312) 353-5160

Date: 7/8/96
Time: _____

**To: John Monahan, Director
Office for Intergovernmental Affairs
HHH Building, Room 605F
200 Independence Avenue, S.W.
Washington, D.C. 20201
(202) 690-6060
FAX: (202) 690-5672**

Copy to:
MJ Bane
Bran Baul

**From: Hannah Rosenthal
Regional Director, Region V
105 West Adams Street, 23rd Floor
Chicago, Illinois 60603
(312) 353-5160
FAX: (312) 353-4144**

Number of pages: Cover page plus 3

NOTE:

Per your request



AN EVALUATION OF

**THIRD-SEMESTER EFFECTS OF
THE WISCONSIN LEARNFARE PROGRAM**

Interim Report

**STATE OF WISCONSIN
LEGISLATIVE AUDIT BUREAU**

SUMMARY

Wisconsin's Learnfare program is intended to encourage enrollment, regular attendance, and high school graduation or the completion of high school equivalency programs among 13- to 19-year-old recipients of Aid to Families with Dependent Children (AFDC). These teenagers, who can be either dependent children or parents, risk losing a part or all of their families' monthly AFDC grant if they do not maintain enrollment and acceptable school attendance. In addition, the program offers participating families assistance in identifying and correcting the causes of attendance problems, and services such as day care for the teenagers' children and transportation. A pilot program operating in four counties is expanding the Learnfare program to include 6- to 12-year-olds. The effect of Learnfare on this younger population is being evaluated in a separate study.

This interim evaluation report describes the effects of Learnfare on the school participation of teenagers and on their families' public assistance payments during the teenagers' first three semesters after introduction to Learnfare. Analyses of other possible effects, such as effects on the teenagers' school completion, are not possible until additional data have been accumulated.

The study uses an experimental design. Between March 1993 and April 1994, 3,205 teenagers in ten counties were selected for this study. Before any were introduced to the Learnfare program, one-half were randomly chosen to experience Learnfare as usual. The remaining teenagers were assigned to a control group and made exempt from the program. Learnfare was not explained to these teenagers or their families, so that their behavior will indicate how the Learnfare teenagers might have behaved in the absence of the program. To observe the long-term effects of the program and to preserve the comparability of the Learnfare and non-Learnfare groups, teenagers remain in the study and in the group to which they were assigned for the duration of the study, regardless of their continuing participation in AFDC or Learnfare.

As subjects entered the study, we began to collect information regarding their monthly school participation and AFDC case histories. This information was used to analyze the effects of Learnfare on the group as a whole and on different groups of subjects: teenagers who were and were not enrolled in school when they entered the study; teenage parents and non-parents; teenagers by age group; and teenagers within and outside Milwaukee County.

When the school participation of specific groups of teenagers was examined separately, some beneficial effects of the program were evident in the first and second semesters for dropouts, teenage parents, older teenagers, and teenagers who lived outside Milwaukee County. However, in the third semester, no effects of Learnfare were detectable for any of these groups, or for study teenagers as a whole.

Two age groups, 14- and 15-year-olds and 16- and 17-year-olds, did have Learnfare effects in the third semester. However, these effects were detectable only in measures related to days of attendance, not in measures of rate of attendance. Since measures of attendance days do not

take into account variation in the number of required school days, we place relatively little weight on these results when they are not accompanied by Learnfare effects in rates.

Data describing the levels of school participation among the groups of teenagers who responded to Learnfare in any of the three semesters are included in the body of this report; additional detail and results for those groups of teenagers for whom no detectable response was found are described in Appendix II.

The consequences that additional school participation might have for the teenagers' later success in school, or any other longer-term consequences, cannot be determined at this point. As expected, too few subjects had graduated by the end of the third semester to allow for detection of any significant effect on the rate of school completion.

*WR Wise W-2***FAX COVER SHEET**

July 9, 1996



TO: Bruce Reed
Senior Policy Advisor to the President

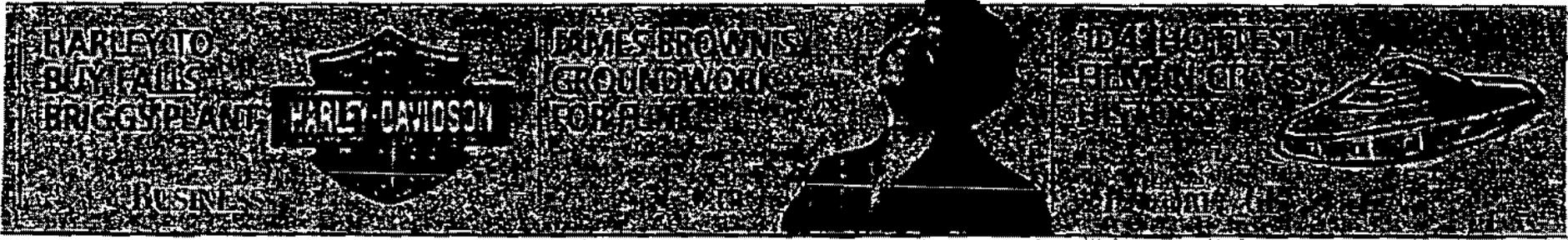
FROM: Orson C. Porter
Office of Mayor John O. Norquist

THE FOLLOWING FAX TRANSMISSION CONTAINS 3 PAGES INCLUDING THIS COVER SHEET.

IF THERE IS ANY PROBLEM RECEIVING THIS TRANSMISSION, CONTACT (414) 286-2200.

MESSAGE: This is another perfect opportunity for the President to articulate his concerns on W-2. The Governor and the Archbishop exchanged words on all of the local television stations last night. The Mayor is requesting that someone call the Archbishop. He can be reached at (414) 769-7989...Let's talk.

TUESDAY, JULY 9, 1996 — FINAL EDITION



Governor demands apology from Weakland

By RICHARD P. JONES
of the Journal Sentinel staff

Milwaukee — Milwaukee Bishop Rembert Weakland should "read his Bible instead of playing piano in New York," Gov. Tommy Thompson said Monday as he demanded an apology for the cleric's criticism of his welfare initiative.

"I would think the bishop should be thanking us and

congratulating us," Thompson said.

Last week, in an opinion column in the Washington Post, Weakland urged President Clinton to reject Thompson's Wisconsin Works (W-2) program to require work for welfare benefits.

At a news conference, Thompson poked at the prelate with the reference to Weakland's recent six-month sabbatical. Weakland is working on a Columbia University

Gov. Tommy Thompson:

"The bishop should come back to Wisconsin and read his Bible instead of playing piano in New York."

...doctoral dissertation in music about Ambrosian chant.

"The bishop should come back to Wisconsin and read his Bible instead of playing piano in New York," Thompson added, noting the Bible

...was replete with examples of taking personal responsibility, of working and caring for one's family.

Asked Monday night about the demand for an apology, Weakland said in a telephone

interview that he understood Thompson may have made his comments in anger.

"I think he'll regret being intemperate," Weakland said.

"My feeling is that we both are on the same wavelength as far as ending welfare. Our differences are in the details."

Please see W-2 page 8

Manpower disappointed over role in job centers. 1D

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blasts Weakland for opposing plan

From page 1

Weakland reiterated his opposition to W-2, saying he didn't like what he described as a one-size-fits-all approach to welfare.

Weakland said he has supported offering greater counseling and support to high-risk people, such as unmarried mothers, those who lack a high school diploma, a recent work history, English proficiency or literacy and those who have impaired physical or mental ability.

Defending the governor from Weakland's criticism of W-2, Thompson's press secretary, Kevin Keane, said last week that the governor was working to help the poor while Weakland was simply talking about it.

Asked about state Democratic Party Chairman Mark Sostarich's suggestion that Thompson apologize for the comment, the governor said, "Well I think if anyone should apologize, it's probably the archbishop (who) should apologize to the people of the state of Wisconsin."

Thompson said that contrary to what Weakland wrote in the Post, Wisconsin had increased aid for children considerably since he has been governor.

"Here's a guy who writes a letter to the Washington Post and doesn't even bother to contact this state administration," Thompson said.

Following the news conference, Keane said Thompson was upset that his welfare initiative has been portrayed as harmful to children and that Weakland had never approached the governor with any constructive alternatives.

"It does bother the governor that throughout this whole debate, the archbishop has not once called him, or written him personally to express his concerns," Keane said. "His lobbyist will come and talk to our staff, but that's not the very re-

spectful thing, either.

"If the archbishop has such concerns that he's writing Op-Ed pieces for the Washington Post, you would think he'd show the governor the courtesy of talking to him about it in person."

John Huebscher, lobbyist for the Wisconsin Catholic Conference, said Thompson's remarks about Weakland and the archbishop's column should be placed side by side, so readers could draw their own conclusions.

Keane said that from 1985 to 1993, childhood poverty decreased 13% in Wisconsin and that Wisconsin had one of the lowest child poverty rates in the nation.

"That's a tremendous investment in child care," Keane said. "We're going to maintain the Cadillac health care system. We're putting more money into transportation and job training to help these families get into jobs."

Keane also said a family of three would fare better under W-2 than under the Aid to Families with Dependent Children program.

"Yes, they have to work under W-2, but the reward is much greater than not working," Keane said. "That's the whole promise of W-2."

Huebscher said the critical difference under W-2 was the lack of an entitlement or guaranteed benefit for children.

"You have to remember the threshold argument in the bishop's column is the lack of entitlement," Huebscher said. "The law explicitly says even if you're eligible, there's no automatic entitlement to these services."

"And that's why the issue of the entitlement or the guarantee is so critical. We're talking about children here who have nowhere else to go, and that assurance has to be there."

Joe Williams of the Journal Sentinel staff contributed to this report.

W-2/Thompson

W.R. Wise W.R.

FAX COVER SHEET
July 16, 1996



TO: Bruce Reed
Policy Director to the President

FROM: Orson C. Porter
Office of Mayor John O. Norquist

THE FOLLOWING FAX TRANSMISSION CONTAINS 3 PAGES INCLUDING THIS COVER SHEET.

IF THERE IS ANY PROBLEM RECEIVING THIS TRANSMISSION, CONTACT (414) 286-2200.

MESSAGE: If possible, the Mayor would like to meet with Rahm, Marcia and yourself friday afternoon. He will be in Washington for a morning conference. I will call your office with further details. Please stay in touch...



JEFFREY PHILIPS/STAFF PHOTOGRAPHER

The front-running group along the hilly roads in the Alpine Valley Supercenter in the world, is a strong contender for the gold medal in the Olympic time trial Aug. 3. Story in Sports, 1C.

golden opportunity

about the cost of putting on the Olympic Games and fret over the possibility of a deficit, economists and civic boosters are ready to return fire with a bagful of fat dollar signs.

"A lot of people don't see the importance from their own perspective," said Jeffrey

Humphreys, a University of Georgia professor who did an analysis of how much the region would gain by playing host to the Games.

"They don't think they'll benefit. But they will. This is the biggest onetime, peace-

Please see ATLANTA page 8

average closed down 10000 points — nearly 3% in one session — on fears that corporate earnings for the last three months would disappoint and bring the five-year bull market to an end.

A rally attempt that trimmed the Dow's loss to less than 100 fozzled in mid-afternoon. The selling continued, pushing the index to the fourth worst point drop in its 100-year history. It ended the day at 5349.51.

The Nasdaq market index, dominated by small companies and high-tech firms, tumbled almost 4%, dropping 43.9 points to 1060.38, about where it began the year.

The Dow is now off 7.4% from its May 22 record high of 5778. The Nasdaq has lost more than 15% from a high of 1249.14 June 5.

Please see STOCKS page 8

adise



with South Carolina Gov. David I. Governors Association meeting on is chairman of the association.

elections, special sessions and the distance from the United

Please see RESORT page 8

Deal on reform best for W-2, McCurry says

But Thompson urges Clinton to 'be decisive,' grant state its waivers

By FRANK A. AUKOFER
of the Journal Sentinel staff

Washington — If the Clinton administration and congressional Republicans reach agreement quickly on national welfare reform, Wisconsin can move forward with its programs without federal waivers, White House spokesman Mike McCurry said Monday.

However, McCurry said the administration continued to work on waivers from current federal law that would allow the state to implement its program, called Wisconsin Works, or W-2. An administration source said a decision

Working on Welfare

Continuing coverage of welfare reform in Wisconsin and the nation.

was not likely this week.

Pending before Congress are a number of welfare reform proposals, including one developed by the National Governors' Association under the chairmanship of Gov. Tommy Thompson, that would distribute federal welfare money to states in the form of block grants and allow the states to develop their own reform programs.

Told of the White House remarks, Thompson issued a statement from Fajardo, Puerto Rico, where the governors are meeting.

Please see WELFARE page 8

"Our heads are spinning. We don't know which direction the White House wants to go. One day they want waivers. The next day they want a welfare bill, even though the president has already vetoed two welfare bills. It's time for the president to be decisive and act, so that we can get on with the important work of emancipating children and families from the welfare trap."

In recent days, President Clinton has said that a bipartisan agreement on national welfare reforms could come soon, and McCurry reiterated that Monday. He said a bill could be considered in the House this week.

House Speaker Newt Gingrich, House Majority Leader Dick Armey and other Republican leaders wrote Clinton a letter Monday urging him to "resist weakening the bill" by trying to remove provisions that would limit how long a person can receive welfare and would ban benefits to non-citizens.

They noted that Clinton is under "considerable pressure" from Democrats to keep those provisions out of the final bill, but they wrote, "We will oppose any efforts that maintain the failed welfare state through weak welfare reforms."

Under its current proposal, Wisconsin would start W-2 in September 1997. The program would abolish Aid to Families with Dependent Children in fa-

vor of a program that would require welfare recipients to go to work in order to receive benefits.

If national legislation, acceptable to Clinton, passed Congress, McCurry said, it would "render moot the whole waiver process that states use currently, and would make it possible in the case of Wisconsin to implement welfare reform earlier than would otherwise be the case."

"We could actually liberate Wisconsin to move ahead much more quickly with passage of federal welfare-reform legislation."

At the same time, McCurry said, the administration is moving forward with the Wisconsin waiver requests. A 30-day public comment period ended Thursday. An administration source said most of the issues between the administration and Wisconsin officials had been worked out, but there still were some difficulties with how W-2 would relate to Medicaid, the federal-state health care program for the poor.

McCurry said there were no more than a handful of issues remaining. Administration and state officials, he said, "can easily get it done and proceed."

He also said Clinton's priority continued to be the passage of bipartisan welfare reform legislation that would give governors the flexibility to make changes in welfare without having to go through the federal waiver process.

"We've always maintained that's preferable," he said. "But at the same time, we've gone ahead and continued the work to reform welfare as we know it using the waiver process at the state level."

Clinton is to address the governors by satellite hookup today.

McCurry said the president likely would address the "historic moment" in which to achieve national welfare reform. But he said he did not expect the president to specifically talk about W-2, unless it was in the context of a national program.

Richard P. Jones of the Journal Sentinel staff and The Associated Press contributed to this report.

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Parents rescue boy from alligator's grip

Associated Press

Homestead, Fla. — A 7-year-old Brazilian boy fell into an Everglades canal and was bitten by an alligator before his par-

ents jumped in and pried him loose.

Alexandre Teixeira, of Sao Paulo, was in stable condition with puncture wounds to the shoulder and chest Sunday.

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| <input checked="" type="checkbox"/> Refinance | <input checked="" type="checkbox"/> Self-Employed - OK |
| <input checked="" type="checkbox"/> Pay Cash For Any Purpose | <input checked="" type="checkbox"/> Bankruptcy - OK |

An Illinois, Wisconsin, Indiana, Colorado, Kansas, Georgia



Bruce Reed

WR-Wisc W-2

Bruce:

We have several letters to the President pro and con on Wisconsin that we have not yet responded to. Attached is a draft generic response, but I assume that, at this point, we might as well wait to respond after Tuesday. If we felt it was easier to respond now, Presidential Letters says they could probably push out an interim response tomorrow or Friday. Let me know what you think.

Diana

MEMORANDUM

From: Dave Bonfili
To: Diana Fortuna
Subj: SUGGESTED BASIC RESPONSE TO WISCONSIN LETTERS

THE BASIC RESPONSE COULD BE:

Dear :

Thank you for your letter concerning Wisconsin's welfare reform waiver request. As you know, I have consistently supported state efforts to develop welfare reform plans which respect my fundamental principles by requiring work, strengthening child support enforcement, and providing child care, health care, and a job to go to.

As you also know, I have pressed this Congress for bipartisan welfare reform legislation. For far too long, they have failed to act. Until Congress decides to pass legislation I can approve, I must look elsewhere for an effective means of achieving reform.

Working together with innovative governors and state legislatures around the country, my administration has begun to reform our welfare system one state at a time. Over the past four years, I have approved welfare waivers in 39 states. Consequently, while Congress continues to debate, 75% of all welfare recipients nationwide are being directly affected by state-based reform efforts.

No welfare reform proposal is perfect. Nevertheless, Wisconsin's plan has the makings of a solid, bold ~~attempt~~ ^{plan} to move our poorest Americans from welfare to work.

For good reason, federal requirements mandate that any waiver request be open to thirty days of public comment. I appreciate the letters I have received from [legislators/citizens/etc.] in Wisconsin and around the country highlighting the strengths and weaknesses of the Wisconsin proposal. The Department of Health and Human Services is now considering these comments and expects to act on the waiver request shortly.

In the meantime, I hope you will do what you can to help me move bipartisan federal welfare reform legislation forward. Together, we can give our fellow Americans the welfare system they deserve.

Sincerely,

WR - Wise W-2



Government Affairs

1313 L Street, N.W.
Washington, D.C. 20005
Phone: (202) 898-3321
Fax: (202) 898-3304

FAX TRANSMISSION COVER SHEET

Date:

To: Jennifer O'Connor

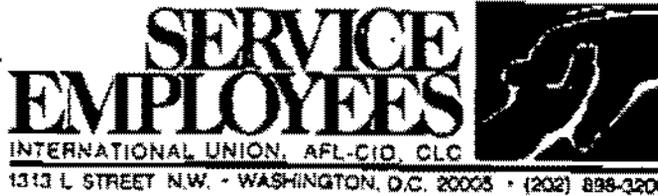
Fax#: 456-7929

Sender: Carolyn Kazdin

cc: Bruce
Reed

YOU SHOULD RECEIVE 2 PAGE(S), INCLUDING THIS COVER SHEET. IF
YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CALL (202) 898-3263.

re: Wisconsin Welfare Waiver



ANDREW L. STERN
INTERNATIONAL PRESIDENT

BETTY BEDNARCZYK
INTERNATIONAL SECRETARY-TREASURER

July 2, 1996

The Honorable Donna Shalala
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, S.W. #615F
Washington, D.C. 20201

Dear Secretary Shalala:

The Wisconsin welfare reform plan, Wisconsin Works, has been welcomed by many policy makers as a bold, innovative step towards achieving meaningful welfare reform. But a careful review of the state's request for waivers to implement the initiative suggests otherwise. Behind the rhetoric of replacing welfare with a work-based system, the Wisconsin plan actually contains many components which threaten to undermine the wages, job opportunities, and working conditions of existing low-wage workers.

As a union representing over 1.1 million members in both the public and private sectors, the Service Employees International Union (SEIU) is gravely concerned about the impact the Wisconsin welfare reform plan will have on working families in general, not just those on the welfare rolls. By creating a whole new subclass of workers who are denied access to national laws governing the workplace, the Wisconsin welfare plan jeopardizes the hard-won employment rights and protections that workers in this country currently enjoy.

Welfare Recipients and Workers

Governor Thompson indicated that the goal of the Wisconsin plan is to "provide benefits that reward work and self-sufficiency." Admittedly, some of the changes proposed are in line with that objective, such as liberalizing the earned income and asset limitations. But how does a system reward work if it treats those participating in its jobs programs as second-class workers?

In the introduction to the waiver requests, Thompson stresses mainstreaming welfare recipients into the workforce, stating: "W-2 creates a true melting pot of job seekers from all economic levels and unites the former welfare recipient with the rest of the unemployed population." Rather than uniting welfare recipients with other workers, however, the Wisconsin plan drives a deep wedge between the two groups, affording rights to one group and denying them to the other.

PATRICIA ANN FORD
EXECUTIVE VICE PRESIDENT

ELISEO MEDINA
EXECUTIVE VICE PRESIDENT

PAUL POLICICCHIO
EXECUTIVE VICE PRESIDENT

Secretary Shalala

July 2, 1996

Page 2

One of the most egregious breaches of present employment law contained in the proposal is that W-2 participants will be expected to work at subminimum wage rates. Participants enrolled in community service jobs will be expected to work up to 30 hours per week in exchange for their \$555 per month benefit check. This roughly translates into \$4.25 for each hour worked. But W-2 participants will also be expected to participate in education and training activities for up to 10 hours per week, bringing the total level of participation to 40 hours per week. When both the work activities and education activities are combined, the average hourly wage rate drops to roughly \$3.33 per hour.

It is arguable that welfare recipients, like most regular workers, need not receive compensation for time spent in education and training activities. But on the flip side, welfare recipients, like regular workers, should not be docked for non-participation in unpaid education and training activities. But that's exactly what the Wisconsin plan calls for. If a W-2 participant fails to attend her education and training courses, she will be docked at the rate of \$4.25 per hour for each hour missed. If during a given week she misses all 10 hours of education and training, but still meets the 30 hours of work obligation, her grant nonetheless will be reduced by \$42.50. As a result, her hourly wage will drop to just \$2.85 — a mere two-thirds of the federal minimum wage.

It is ironic that at the same time Congress is considering an increase in the minimum wage from \$4.25 to \$5.15 per hour, it is also heralding a plan which would lower the minimum wage for a whole class of workers.

Aside from nonparticipation in education and training activities, W-2 participants can have their work subsidies sanctioned for a number of other reasons which are unrelated to their work performance as well. For example, recipients can have their work grant docked if their children do not attend school or if they don't cooperate with establishing child support orders. Again, these sanctions translate into subminimum wages for each hour the participants work. No regular employer would have the ability to violate the minimum wage provision of the Fair Labor Standards Act because his employees' children have poor school attendance records. By the same token, W-2 participants -- if they are truly to be mainstreamed with other workers — should not have their work grants (wages) reduced for non-work-related violations either.

In short, W-2 participants are expected to fulfill all the obligations of a typical worker, including showing up every day and putting in a full day's work, but they aren't entitled to receive the same benefits (including unemployment compensation, family leave, and minimum wage and overtime protections) afforded other workers.

Secretary Shalala
July 2, 1996
Page 3

Wage Effects

Placing this new subclass of W-2 workers side-by-side with regular workers is certain to have a negative spillover effect on the low-wage labor market. Employers who can enjoy certain liberties in hiring W-2 participants, including state-paid subsidies of up to 80 percent of wages, will soon begin to expect similar concessions from its regular workforce.

Hourly wages of low-income workers could also head into a downward spiral. According to BLS data, the average hourly wages of low-income workers with children in Wisconsin (those in the bottom 20th percentile of earnings) was \$6.43 in 1994. Not only is this wage \$2.18 above the minimum wage, it is also \$4.30 more than the average subsidized wage employers will have to pay W-2 participants. Employers will certainly think twice about maintaining the wages of regular workers if they can employ a W-2 participant under a trial job at one-third the cost.

Displacement Protections

Clearly, the Wisconsin plan poses a very real threat to both the wages and jobs of non-welfare workers. Consequently, it is essential that the JOBS displacement language be preserved in its entirety. Without strong, enforceable displacement protections, regular workers will be unable to compete with welfare recipients for jobs in Wisconsin.

Initially, Wisconsin requested a waiver to eliminate nearly all the displacement protections under the JOBS bill. In some cases, currently employed workers could have been directly replaced with W-2 participants. Public outcry over this obvious injustice led to an amendment to the displacement waiver. But the amended version would still jeopardize the jobs of low-wage workers. By allowing employers to fill existing job vacancies with W-2 participants earning subsidized wages, the Wisconsin plan takes job opportunities away from the current low-wage workforce. Employers would be free to convert a job slot that had previously paid prevailing wages -- say, \$6.50 per hour -- to a trial job costing just \$2.13 per hour (given a 50 percent subsidy from the state). The worker who would have filled that job if the wage rate remained at \$6.50 would lose out. The tragic irony is that workers who are shut out of the job market by welfare recipients may soon be forced to turn to welfare themselves.

There are only two sure ways to avoid displacement of regular workers. First, employers must be required to create new jobs for welfare recipients earning subsidized wages, rather than seeking to fill existing positions at bargain wages. Second, if employers do seek to fill existing vacancies, they must hire welfare recipients at prevailing wages and benefits and treat them just like any other workers. This is the

Secretary Shalala
July 2, 1996
Page 5

expedient to achieve taxpayer accountability by keeping the welfare administrative function within the public sector.

Medicaid

The Wisconsin plan does away with the current Medicaid program -- and its entitlement -- and replaces it with a managed care system where participants, regardless of how low their incomes, must pay at least \$20 of the premium each month. Participants with incomes up to 200 percent of poverty are expected to pay significantly more, up to \$143 per month. While SEIU disagrees with the notion of charging poor families a health insurance premium, we do applaud the move to expand health coverage to working poor families who are not on the welfare rolls. It is an important step towards providing universal health care for all Americans, regardless of income or health status.

SEIU strongly feels, however, that health insurance should not only be available, but affordable as well. This plan creates an undue cost burden on certain families by mandating that W-2 participants with children over age 12 participate in their employer's health plan, even if it is unaffordable. This brings up another way that W-2 participants are treated differently from regular workers: no other workers are subjected to such a mandate for health coverage. Although SEIU supports the notion of full participation in health insurance plans, we object to forcing employees to pay more for a health plan than they can justly afford.

Comprehensive family health insurance plans can easily run between \$600 and \$800 per month. For a worker earning \$5.00 per hour, for example, a 50 percent copayment on such a health plan could consume more than half of her take home monthly earnings! Placing such an enormous cost burden on someone struggling to escape welfare dependency hardly coincides with a philosophy that rewards work and self-sufficiency. Consequently, SEIU believes that health insurance for the poor should continue to be available without any copayment requirements.

Another key concern we have deals with the loss of entitlement to health care for the poor. Applicants for W-2 may meet all the program's eligibility requirements and be ready, willing and able to participate in the work plan, but still be denied assistance. This brings a dramatic halt to the current Medicaid expansion effort to cover all poor children up to the age of 19 by the year 2002. Under the W-2 plan, the poorest of the poor could still be locked out of receiving medical insurance coverage. And in an ill-advised departure from current practice, children also lose coverage if their parents are dropped from the W-2 program for any reason, thereby forcing innocent children to pay for their parents' mistakes.

Secretary Shalala

July 2, 1996

Page 6

The W-2 health plan also changes the service package for participants. In particular, crucial preventive services, known as early periodic screening, diagnosis and treatment (EPSDT) will be significantly altered by the Wisconsin plan. Children will no longer have access to some home health, skilled nursing care, dental services, and over the counter products. It is shortsighted and potentially harmful to disallow such services which have proven highly beneficial in preventing serious illness and disease among vulnerable children.

Child Care

Quality, affordable child care is a crucial ingredient in any welfare to work plan. The W-2 plan recognizes this fact and greatly expands funding for child care, making it available to non-welfare families as well as W-2 participants.

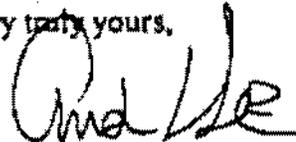
But the structure of the sliding fee scale results in dramatically increasing costs as family earnings rise. A parent with a gross income of \$1,000 per month with one child in licensed day care in Milwaukee would see her maximum copayment increase from \$35 to \$256 per month. If this same parent receives a \$200 per month raise, her maximum child care copayment would rise to \$446 -- consuming nearly 100 percent of her gross increase in earnings. Such a "dollar for dollar" cost increase creates a strong disincentive to work, which runs counter to the goal of the W-2 program. SEIU is committed to ensuring access to decent, affordable child care for all working parents, commensurate with the family's ability to pay.

Conclusion

In the months ahead, many states will be looking to emulate the Wisconsin model for welfare reform. Although the W-2 plan does contain some innovative strategies for moving people from dependence to self-sufficiency, it also contains numerous problems and pitfalls.

We urge you to ignore the hype and heed the cautions surrounding the W-2 plan. SEIU is anxious to work with you in fashioning welfare reform initiatives which truly reward work, and the workers struggling for economic independence.

Very truly yours,



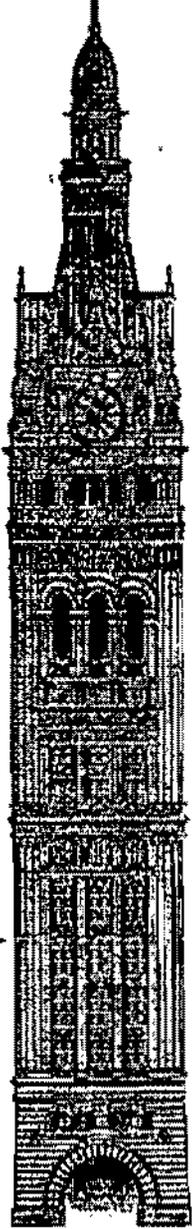
Andrew L. Stern
International President

John O. Norquist
Mayor

September 6, 1996

WR: Wisconsin W-2

Milwaukee
150
1846 1996



President Bill Clinton
White House Offices
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

It was wonderful to see you again in Milwaukee on Labor Day. Please visit again.

I wanted to offer some advice on the matter we discussed: Wisconsin's W-2 waiver request. It remains a contentious political issue. The new federal welfare law mooted only half the state's waiver request. Your administration still must decide what to do about the other half, the proposed transfer of about \$200 million in federal Medicaid funds to a new health insurance plan for the poor.

As the federal officials ponder, you get steadily attacked in the local press by Governor Thompson and his appointees.

It may be tempting to defer this one until after the election. But my advice is to act.

Specifically, you should approve the waiver ... but on the condition that the W-2 health plan's most serious flaws are fixed.

The basic theory of the new W-2 health plan is sound. It offers low-income parents, based on ability to pay, a good health care benefits package regardless of whether they're unemployed or working. Initial eligibility goes up to 165% of the poverty line, and people can remain in the plan up to 200% of poverty. This is all better than Medicaid, which helps fewer poor people and largely excludes the working poor.

But the W-2 health plan has two serious flaws that hurt the working poor. First, the plan's mechanism by which the working poor actually pay their fair share of the premium is so hostile and complex

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



President Clinton
September 6, 1996
Page 2

that thousands just won't pay. That means they and their kids will end up uninsured. Second, the plan cuts off the working poor from continuing coverage if their employer offers them any plan ... even one the employer pays nothing towards.

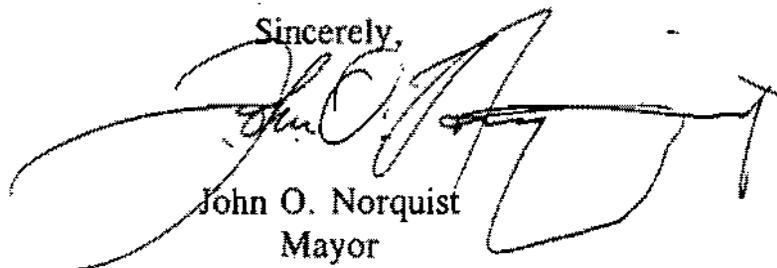
So my recommendation, both on the merits and politically, is that you approve the W-2 Medicaid waiver, let Wisconsin's new health plan for the poor become operational, but require that its two worst defects be corrected. Specifically, you should require Wisconsin to alter the W-2 health plan so that:

* All eligible working parents who sign up have their sliding-scale payments automatically deducted from their paychecks, and

* All working parents remain eligible until their employers offer a decent plan and pay at least 75% of the premium for family coverage.

Eliminating welfare and replacing it with work will have a profound positive effect on the lives of poor people. Historians will praise the fundamental changes in you have made in the system. Without improvements in the health care, however, that praise will turn to scorn.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'John O. Norquist', is written over the typed name and title.

John O. Norquist
Mayor

bc: Bruce Reed

→ To be sent on Fri, Labor Day
→ Clearance by word of LD Wash

WR - Wisconsin (W-2)

D R A F T - 8/21/96
MJB

August 23, 1996

J. Jean Rogers, Administrator
Division of Economic Support
Wisconsin Department of
Workforce Development
1 West Wilson Street
P.O. Box 7935
Madison, Wisconsin 53707-7935

→ Elena

Dear Ms. Rogers:

I am writing in response to your letter of August 8, 1996 to Howard Rolston, and to acknowledge receipt on August 22, 1996 of Wisconsin's state plan submission under the TANF block grant.

Under the landmark legislation signed yesterday by President Clinton, states, including Wisconsin, have unprecedented new flexibility to design their own welfare reform plans without seeking waivers from the federal government. You must be pleased that the PRWORA allows states to shape their plans without the strictures of strict cost neutrality, random assignment evaluations, and the policy restrictions required under the old law--a change in approach that your governor, among others, argued articulately and forcefully in favor of. In general, we agree with the assessment in your August 8 letter that the AFDC waiver requests sought by Wisconsin for the W2 demonstration are no longer necessary under the new legislation. Since you clearly have greater flexibility under the new legislation than under the old waiver process, we are ceasing our comprehensive review of the W-2 welfare provisions.

However, we would be pleased to honor your request that we continue consideration of several smaller matters within W2. You ask that we continue to consider several W-2 child support waiver requests and to determine whether past waiver demonstration savings would continue to be available to the state. We are currently reviewing your requests in the context of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to determine whether your requests are approvable and will provide you with the results of our analysis as soon as it is complete.

In addition, we will also review the other title IV-A and IV-D, and child care proposals to determine whether the areas you

Ms. Jean Rogers - page 2

identify are permissible under the new legislation. Although our preliminary review generally supports your assessments, some legal and other issues may remain. As we have noted during our numerous discussions concerning W2, we believe that your authority to deny W-2 eligibility to applicants during their first 60 days of residence in Wisconsin is unclear. As you are aware, in the context of waivers of the AFDC program, HHS was advised by its General Counsel's office and the Department of Justice that such a policy raises issues of constitutionality.

You will receive separate letters from the Health Care Financing Administration and the Food and Consumer Service of the Department of Agriculture regarding the status of your request for waivers of the Medicaid Program and the Food Stamp Program, respectively.

Our Chicago regional office will be in touch with you regarding your new state plan submission.

Thank you for your continuing interest in welfare reform.

Sincerely,

Mary Jo Bane
Assistant Secretary

cc: Richard Wegner
Marion Steffy

Tommy G. Thompson
Governor
1 State Capitol Building
Madison, Wisconsin 53701

Dear Governor Thompson:

I am writing to provide an update on the status of your Wisconsin Works (W-2) waiver requests relating to Medicaid. As you know from correspondence from the Administration for Children and Families dated August 22, Wisconsin will be able to pursue virtually all of its welfare reform ^{plans} waivers under the new flexibility guaranteed to states to design their own welfare reform programs under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. However, we must convey that your Medicaid proposal is not approvable in its current form because it runs counter to this Administration's clear commitment to maintain an enforceable federal guarantee of health care for low-income persons. Our position is consistent with the new welfare law which ensures the continuation of the Medicaid guarantee for current eligible populations. In addition, the passage of the new legislation will complicate the demonstration of budget neutrality, which is required for all demonstrations, and we will need time to measure the impact of the new law on W-2.

I wish to be clear that the Administration shares Wisconsin's desire to expand coverage for low-income, uninsured persons, especially those who are leaving welfare for work. As we have done with 12 other states, we would be pleased to work with you to design a Medicaid demonstration that expands coverage to those families working under W-2, consistent with the Administration's policy to maintaining the guarantee for eligible families and assuring budget neutrality for federal taxpayers. Your staff should call Lu Zawistowich at (410) 786-6650 to initiate further discussion.

Sincerely,

Bruce C. Vladeck
Administrator



TOMMY G. THOMPSON

Attachment I

Governor
State of Wisconsin

August 21, 1996

The President
The White House
Washington DC 20500

Dear Mr. President:

Three months ago, I delivered to you the Wisconsin Works (W-2) waiver application, a plan you described as a "sweeping welfare reform plan, one of the boldest yet attempted in America." You pledged that your administration would work with Wisconsin to make an effective transition to "a new vision of welfare based on work, that protects children and does right by working people and their families." Wisconsin and the nation are poised to "end welfare as we know it." We are still waiting for your approval.

Signing the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 will be a significant step, but it is not enough. Important elements of W-2 can not be implemented without your approval of our waiver request. A fully implemented W-2 is more extensive and more compassionate because it goes beyond cash assistance and provides health care, child care, and directs all child support collected to the family. This will protect children at risk of becoming the welfare casualties of tomorrow. That's prevention.

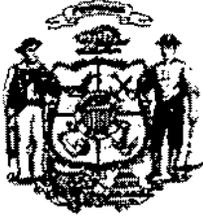
W-2 health care extends coverage to mom, dad, and children in all low-income families and provides child care for working families. It commits the state to requiring the child support agency to serve all low-income working families receiving W-2 services including child care, health care, and food stamps. All families must cooperate to establish paternity and child support orders. One hundred percent of the funds collected are returned to the families rather than offsetting state or federal costs - a sixty million dollar increase to low-income working families. Wisconsin seeks to remain in the forefront as a national welfare reform leader by providing child support, comprehensive health care coverage, and child care subsidies to its working poor. As long as families qualify and need the help, it's there.

Mr. President, I urge you to keep your word and approve the Wisconsin Works waiver. Based on our past and current successes, Wisconsin is in a unique position to keep the momentum going -- to be the first in the country to end welfare as we know it and replace it with self-sufficiency through work. It is absolutely critical that you approve the W-2 waiver application as submitted. Anything less would be a broken promise to the people of Wisconsin.

Sincerely,

Tommy G. Thompson
Governor

cc: Congressional Delegation



TOMMY G. THOMPSON

Governor
State of Wisconsin

RECEIVED

1996 AUG 22 P 12: 52

August 22, 1996

The Honorable Mary Jo Bane
Assistant Secretary
Administration for Children and Families
370 L'Enfant Promenade S. W., Suite 600
Washington D C 20447

Dear Ms. Bane:

Attached is my recent letter to President Clinton requesting immediate approval of the Wisconsin Works (W-2) waivers as submitted. So as not to delay Wisconsin proceeding to come under the new block grant upon enactment, I request these be immediately acted upon. In addition, Wisconsin wants to confirm that currently approved demonstration grants for use of already earned waiver savings continue to be accessible to Wisconsin for already approved periods, as awarded from the current IV-A appropriation which is available until October 1, 1999. Nothing in this submittal should be construed as waiving Wisconsin's right to these already earned waiver savings and/or any other waiver savings to which the state is or may become entitled. At this time, Wisconsin is also submitting the state plan for the Temporary Assistance for Needy Families (TANF) block grant.

Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, I hereby certify that the State of Wisconsin will assume full responsibility for the implementation of the Title I, TANF block grant for Federal Fiscal Year 1996. I am designating the Wisconsin Department of Workforce Development as the state administering agency for the purpose of carrying out the policies and programs of the block grant. I delegate authority to Richard C. Wegner, Acting Secretary, to make the assurances required by law. At his direction, Robin Gates, Acting Deputy Secretary, may also sign any documents.

Wisconsin is fortunate to have an Aid to Families with Dependent Children (AFDC) replacement plan already in place. The W-2 program will serve as our TANF block grant model. W-2 implementation has been thoroughly planned over the past 18 months. We have begun the transition into the program by instituting numerous welfare reform initiatives under Section 1115 waiver authority, which are also consistent with the TANF legislation. In addition, through the W-2 planning, development, and legislative processes, the State has already provided for extensive public input, therefore, fulfilling the 45-day requirement for comments.

The Honorable Mary Jo Bane

August 22, 1996

Page 2

Our plan is to collectively use the following documents as Wisconsin's policy for continued phase-in of the TANF block grant: 1) TANF block grant plan which includes the appropriate assurances for compliance with federal law and agreements to follow appropriate statutory regulations; 2) state law, Chapter 49; 3) current approved waivers; 4) Job Opportunities and Basic Skills (JOBS) state plan; 5) JOBS supportive services plan; 6) AFDC state plan; and 7) W-2 program narrative. These documents are attached. Modifications and changes to the documents listed above will be forwarded to you as necessary.

All award notices should be sent directly to: Richard C. Wegner, Acting Secretary, Department of Workforce Development, 201 East Washington Avenue, P. O. Box 7946, Madison, WI 53707-7946.

Should there be any need for your staff to communicate with us or conduct briefings or other meetings, please contact J. Jean Rogers, Administrator, Division of Economic Support, Department of Workforce Development, 1 West Wilson Street, P. O. Box 7935, Madison, WI 53707-7935, (608) 266-3035.

I look forward to your prompt approval.

Sincerely,


Tommy G. Thompson
Governor

Attachments

Wisconsin State Plan
for
Administration of the
Block Grant to States for
Temporary Assistance for Needy Families (TANF)
FFY 1996

Submitted:
August 22, 1996

Prepared by:
Wisconsin Department of Workforce Development
Division of Economic Support
1 W. Wilson St. P. O. Box 7935
Madison, WI 53707-7935

Implementation

Wisconsin's plan is to collectively use the TANF block grant plan outlined herein which includes the appropriate assurances for compliance with federal law and agreements to follow appropriate statutory regulations and the following documents as policy for phase-in of the TANF block grant: 1) state law, Chapter 49; 2) current approved waivers; 3) Job Opportunities and Basic Skills (JOBS) state plan; 4) JOBS supportive services plan; 5) AFDC state plan; and 6) W-2 program narrative. These documents are attached following the TANF plan. Modifications and changes to the documents listed will be forwarded to you as necessary.

Section 1: General Provision Assurances

The State assures the following:

Wisconsin will conduct a program designed to serve all political subdivisions in the State (not necessarily in uniform manner), and will provide assistance to needy families with (or expecting) children and provide parents with job preparation, work, and support services to enable them to leave the program and become self-sufficient.

The program will require a parent or caretaker receiving assistance to engage in work (as defined by the State) once the State determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months (whether or not consecutive), whichever is earlier.

Parents and caretakers receiving assistance under the program shall be engaged in work activities in accordance with section 407.

Reasonable steps shall be taken to restrict the use and disclosure of information about individuals and families receiving assistance under the program attributable to funds provided by the federal government.

Goals shall be established and action taken to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and numerical goals shall be established for reducing the illegitimacy ratio of the State.

Wisconsin will conduct a program, designed to reach State and local law enforcement officials, the education system, and relevant counseling services, that provides education and training on the problem of statutory rape so that teenage pregnancy prevention programs may be expanded in scope to include men.

Section 2: Special Provisions

The State intends to require families moving into Wisconsin from another state to meet a durational residency requirement.

The State intends to provide assistance under the program to individuals who are not citizens of the United States.

The State will set forth objective criteria for the delivery of benefits and the determination of eligibility and for fair and equitable treatment, including opportunities for recipients who have been adversely affected to be heard in a State administrative or appeal process.

Section 3: Certification that the State will Operate a Child Support Enforcement Program

The State certifies that during the fiscal year, the State will operate a child support enforcement program under the State plan approved under part D.

Section 4: Certification that the State will Operate a Foster Care and Adoption Assistance Program

The State certifies that during the fiscal year, the State will operate a foster care and adoption assistance program under the State plan approved under part E. and the State will take such actions as necessary to ensure that children receiving assistance under such part are eligible for Medical Assistance under the State plan under Title XIX.

Section 5: Certification of the Administration of the Program

The State certifies that the Wisconsin Department of Workforce Development is the State agency that will administer and supervise the program for the fiscal year.

The State also assures that local governments and private sector organizations have been consulted regarding the plan and design of welfare services in the State so that services are provided in a manner appropriate to local populations; and have had at least 45 days to submit comments on the plan and design of such services.

Section 6: Certification that the State will Provide Indians with Equitable Access to Assistance

The State will provide each member of an Indian tribe, who is domiciled in the State and is not eligible for assistance under a tribal family assistance plan approved under section 412, with equitable access to assistance under the State program funded under this part attributable to funds provided by the federal government.

Section 7: Certification of Standards and Procedures to Ensure Against Program Fraud and Abuse

The State certifies that the State has established and is enforcing standards and procedures to ensure against program fraud and abuse, including standards and procedures concerning nepotism, conflicts of interest among individuals responsible for the administration and supervision of the State program, kickbacks, and the use of political patronage.

Section 8: Non-discrimination Assurances

The State assures that the following provisions of law will apply to programs and activities funded under TANF:

The Age Discrimination Act of 1975 (42 U. S. C. 6101 et seq.)

Section 504 of the Rehabilitation Act of 1973 (29 U. S. C. 794)

The Americans with Disabilities Act of 1990 (42 U. S. C. 12101 et seq.)

Title VI of the Civil Rights Act of 1964 (42 U. S. C. 2000d et seq.)

Attachments:

Old IV-A, JOBS - Supportive Services plan

Waiver request

Waiver legislation

Collected T-C form approved waivers

Wisconsin GOP defines W-2 victory

By NATALIE DORMAN
of the Journal Sentinel staff

Washington — Two of Wisconsin's Republican congressmen said House approval of Wisconsin's W-2 welfare reform program represented a victory for returning power to the people instead of leaving it in the hands of Washington bureaucrats.

"It's about wresting power away from the bureaucracy and giving it back to the people," Rep. Mark Neumann (R-Wis.) said during Thursday's debate. "Don't you have confidence in the (state) representatives from your district who voted on this bill?"

"I see absolutely nothing that would lend me to believe that people in Washington can Washingtonize the bill and make it better," he added.

"Whose judgment do we lean on for welfare reform?" asked Rep. Scott Klug (R-Wis.). "Folks at the lunch counter in Madison, Wis., or the Washington bureaucrats with forms and file cabinets?"

Three of the state's Democratic congressmen — Reps. Jerry Kietzka, Dave Obey and Tom Barrett — argued that the public must be given another chance to comment on the federal waivers necessary to begin W-2, or Wisconsin Works, before Congress has a chance to approve them.

"We haven't had a single opportunity for public input," said Barrett, who along with Kietzka and Obey unsuccessfully tried to get an amendment passed requiring a 30-day comment period. "We have an obligation to try to listen to the concerns of the people from Wisconsin."

In addition, the Democrats said the 30-day comment period is part of the normal process by which federal waivers are approved.

House approves W-2's waivers

GOP attempts to pressure Clinton

Associated Press, Knight-Ridder
News Service

Washington — Trying to put President Clinton in a tight spot, House Republicans pushed through a bill on Thursday to grant fast-track approval to Wisconsin's plan to replace welfare with work.

The 289-136 vote authorizing Wisconsin to implement a complete welfare takeover

came only eight days after Wisconsin Gov. Tommy Thompson formally requested federal waivers so the experiment could begin.

"The president endorsed the Wisconsin proposal now we are giving him the opportunity to personally approve it by signing this bill," said Ways and Means Chairman Bill Archer (R-Texas), in explaining the congressional in-

tervention in what originally is an executive branch decision.

Wisconsin's congressional delegation voted along party lines, with Republicans in favor of the bill, and Democrats opposed.

The bill does not require federal review of the changes Wisconsin wants to make. Whether the bill supported

Please see WELFARE page 7

Welfare/House GOP approves W-2 waivers

From page 1

by 60 Democrats, would ever reach the president is uncertain; there are no plans right now for a similar bill in the Senate. But the vote could keep some pressure on Clinton as Republicans try again to fashion a national welfare bill he would sign.

Democrats noted that Clinton had granted waivers to 38 states, including Wisconsin, to carry out limited welfare reform experiments, and they contended there was no purpose in the legislation other than to embarrass the president.

"It is not real, it will not become law, it is simply a part of a political game tweaking the president of the United States," said Rep. David Obey (D-Wis.). The proposals are not slated to go into effect until Oct. 1, 1997, and "there is absolutely no reason for 435 people who don't know their ear from second base about what's in this package to actually vote on it."

In a 400-page document, Thompson had asked the Health and Human Services Department for waivers from 83 regulations dealing with federal assistance and asked the Agriculture Department for five waivers regarding the federal food stamp program.

Speaking at a bill-signing in Lake Geneva, Thompson said he watched the House debate on television and called House Speaker Newt Gingrich (R-Ga.) to relay his compliments.

"He thought, and I agree with him, that this was a bigger vote than the whole welfare reform bill when it passed Congress the first time," Thompson said of Gingrich. "So it's obvious to me people are looking at Wisconsin for leadership and want the president to give us the waivers and give us the chance to show the way to change welfare as we know it in our society. I'm flattered. I appreciate it and I think it's going to apply a great deal of pressure on President Clinton to give us our waivers."

The House action, thought to be the first time Congress has sought to pre-empt the executive branch in granting waiver approval, stemmed from a May 18 radio address in which Clinton praised the Wisconsin Works, or W-2, plan as one of the most innovative being proposed by state legislatures.

Angry Republicans accused Clinton of trying to steal a GOP issue just before presumptive GOP presidential nominee Sen. Bob Dole (R-Kan.) was to make a major address on welfare in Wisconsin.

House Democrats, led by Wisconsin Reps. Jerry Kleczka, Tom Barrett and Obey, offered a substitute version of the bill urging the federal department to make a decision by July 31 under the normal administrative review process. Their proposal was defeated, 233-194.

Members of the Journal Sentinel staff contributed to this report.

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ast year, an assis-
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McCann's office is
g an investigation.
Assistant District
teddin declined to

comment on whether any issues
raised in the audit had prompt-
ed an inquiry by his office. He
said the agency would investi-
gate any specific SDC allega-
tions if formally requested by a
state lawmaker, but added that
no lawmakers had contacted his
office.

The Milwaukee FBI office,
meanwhile, continues to show
an interest in the federal dollars
spent by SDC, according to a
source familiar with the agen-
cy's work. Because a large por-
tion of SDC's budget comes
from the federal government,
the FBI has jurisdiction over any
irregularities involving those
funds.

Michael Santimauro, head of
the Milwaukee FBI office, had
no comment when asked this
week about SDC.

Although some state law-
makers, County Executive F.

Correspondent Alan M. Schlein in
Washington and Journal Sentinel
reporters Alan J. Borsuk, Meg
Jones, Steve Schultze and Mary
Zahn contributed to this report.

Thomas Ament and Mayor John
Norquist are calling for SDC to
be restructured or taken over by
Milwaukee County, supporters
say many community programs
— the heart of the agency — are
working well.

And they say the agency
should be kept separate from
city or county government and
should be given a chance to
straighten out its problems.

State Rep. Annette Polly Wil-
liams (D-Milwaukee) de-
nounced much of the attention
being focused on SDC as part of
a propaganda campaign of the
white power structure to con-
vince residents that black peo-

ple are incompetent.

Williams contended that the
media have tried to portray
SDC as being controlled by
blacks but that in reality it is
white-dominated organizations
such as City Hall and United
Way that have control. On the
other hand, she said, SDC's sys-
tem of area councils, which elect
a third of the SDC board, has
given poor people a voice they
didn't have elsewhere.

As for Ament's proposal for
the county takeover of SDC, she
said: "Don't they have their
hands full already? Why would
they want to take over SDC? Is
it because they care so much
about poor people?"

State Rep. Antonio Riley (D-
Milwaukee) said: "We have to
be very careful not to have a
mob mentality. ... We must do
our utmost to preserve the com-
munity input."

Milwaukee Ald. Fred Gordon
said: "It's clearly a situation that
calls for some serious restruc-
turing. I've always main-
tained that the board is too large
and it certainly needs to be
pared down. But he said, "I'm
not in favor of dismantling and
scrapping it. It has served a
valuable function."

Ald. Marvin Pratt said that
SDC "historically has served the
community well over a long pe-
riod of time and I would like to
see it maintained under local
control." But he said the revela-
tions in the audit meant "it's go-
ing to take a while to regain the
confidence of elected officials,
including myself."

County Supervisor Lee Hol-
loway said: "What you have to
do is restructure, tighten-up,
hire more competent staff peo-
ple. I think overall, the agency
has functioned very well."

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Kohl doubts federal funding state lawmaker calls for criminal

U.S. Health and Human Services Secretary Donna Shalala said Thursday that her agency will carefully scrutinize the Social Development Commission in light of this week's audit that documented widespread fiscal mismanagement.

Other department officials said that if the audit is accurate, SDC could lose its extensive federal funding and another contractor would be found to help those in need.

Also Thursday, Gov. Tommy Thompson sharply criticized the agency, calling SDC "one of the poorest run operations that's come down, that's had public dollars."

Thompson, asked about the agency during a bill signing in Lake Geneva, said his "suggestion" would be that "we don't put more state dollars out there until we see it run better."

"It's a mess. . . It's sad. I'm a businessman. I like to see things operate smoothly."

In Washington, Shalala pledged that her inspector general would look into the allegations and be in contact with state and county auditors. SDC administers Head Start and other programs with federal money, and more than 80% of the anti-poverty agency's budget is federal dollars, mostly from



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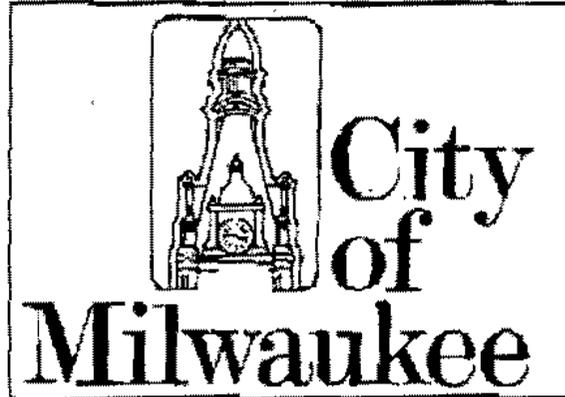
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FAX COVER SHEET
June 7, 1996



Bruce Reed
TO: ~~Marcia L. Hale~~ *Rahm Emanuel*
Director of Intergovernmental Affairs

FROM: Orson C. Porter
Office of Mayor John O. Norquist

THE FOLLOWING FAX TRANSMISSION CONTAINS 4 PAGES
INCLUDING THIS COVER SHEET.

IF THERE IS ANY PROBLEM RECEIVING THIS
TRANSMISSION, CONTACT (414) 286-2200.

MESSAGE: For your info...The Mayor is hopeful that the President
will return his phone calls.

House approves W-2's waivers

GOP attempts to pressure Clinton

Associated Press Knight-Ridder News Service

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Please see WELFARE page 7

Welfare/House GOP approves W-2 waivers

From page 1

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Democrats noted that Clinton had granted waivers to 28 states, including Wisconsin, to carry out limited welfare reform experiments, and they contended there was no purpose in the legislation other than to embarrass the president.

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House Democrats, led by Wisconsin Reps. Jerry Kleczka, Tom Barrett and Obey, offered a substitute

May 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Background on Wisconsin Waiver and Radio Address

The radio address you will tape this afternoon is about welfare reform. It recaps your record on waivers, executive actions, and child support enforcement; praises proposals we have just received from Wisconsin and Maryland; and challenges Congress to pass the bipartisan welfare reform legislation put forward by Chafee-Breaux and Castle-Tanner.

The news will be your support for the Wisconsin plan, which is the most revolutionary any state has put forward. The Wisconsin plan has received broad editorial praise in The New York Times, Business Week, and elsewhere. It is particularly important for you to signal your support early -- not only because you're going to Wisconsin on Thursday, but because Dole is going to Wisconsin Tuesday to make a major speech on welfare reform.

I. Summary of the Wisconsin Plan

The Wisconsin plan came about as a direct result of your call for an end to welfare as we know it. Some Democrats in the legislature suggested abolishing AFDC, and Thompson took them up on their offer. The final proposal passed with significant (although not unanimous) bipartisan support, and was signed into law last month. Mayor Norquist has been supportive, although he wanted it to go further by covering anyone who was out of work.

Like the original PPI plan, the Wisconsin plan requires people who apply for assistance to go to work immediately, either in the private sector or a job provided by the state. The state says it will guarantee health care and child care, and may end up spending more money than it does now as a result. Like the Breaux-Chafee and Castle-Tanner bills, the plan imposes a 5-year lifetime limit, with a 20% hardship exception for people who can't find work. The plan also includes other key principles of yours, such as requiring minor mothers to live at home and stay in school, and strengthening the requirements to cooperate with paternity establishment.

Last week, HHS received the first half of the waiver; the rest is expected next month. A 30-day period for public comment is required before we can grant the waiver.

and there are legal and technical issues that HHS and the state must still work out. We will probably be in a position to grant the first waiver in July. The second waiver will depend on how difficult the state tries to make things for HHS, and how difficult HHS makes things for us.

Three aspects of the Wisconsin plan have raised concern among advocates and labor. First, some fear the legislation would require some recipients to work off their welfare at below the minimum wage -- but the initial waiver request appears to be based on the minimum wage. Second, as with many waiver requests, the public employee unions want greater protection against displacement. The basic protections of the Family Support Act cannot be waived, so they already have some protection; but the additional protections we seek will be a flashpoint in negotiations with the state. Third, there are potential legal and policy issues related to the required co-payments for child care.

There is a sentence in the address -- "I pledge that my administration will work with Wisconsin to make an effective transition to this new vision of welfare based on work, that protects children and does right by working people and their families" -- to sum up these concerns without attracting too much attention.

HHS will need to work out these issues with the state, and Thompson may try to throw up as many roadblocks as possible. But by signalling our strong support early for the thrust of the Wisconsin plan, we will make it harder for him to portray the administration as an obstacle to reform.

II. Waiver Update

The radio address also praises Maryland's new plan, which was submitted three weeks ago. The Maryland plan is less sweeping (no time limits, for example), but it does some good things. It provides child care to working parents to divert them from welfare in the first place; toughens child support enforcement; and cracks down on welfare fraud.

On Thursday, Minnesota became the 38th state to receive a waiver from us, but it was too trivial to highlight (expanding a demonstration to another county). We should be able to get to 40 states out of 50 by July.

Wisconsin Shuffle

By Paul Offner

WASHINGTON
 In the debate over Gov. Tommy G. Thompson's welfare reform plan, one thing is clear: There is a distressing gap between what the Governor Thompson practices at home in Wisconsin and what he advocates for the nation.

Since taking office in 1983, Governor Thompson, a Republican, has spent lavishly on helping welfare recipients find jobs. It has worked. Since 1986, the welfare rolls have dropped by 33 percent (a strong economy has helped, as well). This success is the most persuasive evidence to date that spending adequately on welfare pays off in the long run.

Yet on the national level, Governor Thompson has been leading the fight to cut Federal financing of welfare and begin a program of giving states block grants. Such steps would effectively prevent other states from following Wisconsin's lead.

Consider how Wisconsin has paid for its gains. In 1983, the state cut welfare grants by 6 percent. Mr. Thompson persuaded Washington to let him spend all the savings — the Federal share as well as the state's — on welfare reform. Thus, Wisconsin's quickly became the best financed plan in the nation, spending \$10 million in 1988, \$33 million in 1989

Paul Offner is the District of Columbia's Commissioner of Health Care Finance.

and \$48 million in 1990. Last year, the state budgeted \$58 million. (All figures are in 1984 dollars.)

Lawrence Mead, a conservative professor of public affairs at Princeton's Woodrow Wilson School, showed that Wisconsin's welfare caseload didn't increase during the 1989-1992 recession, largely because many welfare mothers were enrolled in job training and placement programs. So while Governor Thompson trumpets block grants and spending cuts, his experience argues against his prescriptions.

Now, with President Clinton's endorsement, Wisconsin is seeking Federal waivers to put its full-scale plan in place. This promising plan would involve creating thousands of government jobs for those who can't find private ones; providing rehabilitation services for those unable to work; sending all child-support money collected directly to custodial parents rather than to the state; and giving child- and health-care subsidies to all low-income working families, not just to those that have been on welfare.

The plan is not without its problems. It ends the guarantee of benefits to poor families and imposes a five-year limit on cash assistance —



changes that are bound to increase child poverty. But on the whole it's a serious attempt to get people off welfare and into the workplace, the sort of strategy both political parties say they support.

But it would cost a lot of money, as even Governor Thompson admits. If allowed to proceed, the state expects initially to spend 13 percent more per year than it does now. It could be much more. With Wisconsin's unemployment rate at only 3.7 percent and with a supportive Legislature, this

The governor undercuts his own welfare reform.

may not be a problem. But if Federal spending is cut, what states in less enviable positions do?

It was not too long ago that both political parties seemed to understand the importance of financing welfare reform. In November 1993, 162 of 175 House Republicans co-sponsored a bill that authorized creating 2.6 million public-service jobs for welfare recipients at a cost of \$12.7 billion over five years. But since the Republicans took control of Congress in 1994, both parties have been committed to cutting billions of dollars from welfare programs. Even President Clinton has fallen into line.

If the cuts go through, states won't have the money to create jobs or provide vocational training and day care. Mostly what they'll be able to do is drop people from the rolls. Even Governor Thompson will tell you that's not real welfare reform.

Welcome to the '88 Campaign

By Ken Bode

ARLINGTON, Va.
 At the close of the 1988 Republican National Convention, the Bush-Quayle ticket was trailing Dukakis-Bentsen by 217 points. So James Baker, Vice President George Bush's friend and fellow Texan, went home to assure the state's Republicans that victory was still in reach.

Addressing a crowd of big-money supporters, Mr. Baker took no more than three minutes to explain that the key to overtaking the Democrats would be "values" issues. His list: Abortion (they're for it, we're against), Gun control (they favor it, we dem't), A mandatory pledge to the flag in school (Gov. Michael Dukakis vetoed it in Massachusetts, Mr. Bush would have signed it), And weekend prison furloughs for convicted murderers.

Mr. Baker's litany was drowned out by a foot-stomping ovation. The ensuing campaign featured Willie Horton commercials, visits by Mr. Bush to lag factories, attacks on Governor Dukakis's American Civil Liberties Union membership and promises nev-

Once again, debating 'values,' not the vital issues.

er to raise taxes — all in the name of "values." Mr. Dukakis, waving off the attacks, watched his lead evaporate.

Both parties learned from his landslide defeat. Which is why Bob Dole is ignoring Richard Nixon's longstanding advice to go back to the middle after winning the primaries and the nomination by veering to the right. Sagging in the polls, Mr. Dole is opening his revamped, regular-guy campaign by attacking late-term abortions, crime-coddling Clinton-appointed Federal judges and gay marriage.

Meanwhile, President Clinton — mindful that his gays-in-the-military stand cost him dearly early in his term — is trying to inoculate himself against further harm on that and other values issues. He opposed gay marriage as quickly as did Mr. Dole. He has spoken against teen-age pregnancy and teen-age smoking and in favor of school uniforms and the V-chip television censor.

He is also fighting any perception that he is soft on crime. The President has long supported the death penalty (a defining issue in 1988 — Mr. Dukakis

opposed it). The Federal crime bill with its 100,000 extra police officers, the new anti-terrorism legislation and White House support for mandatory, minimum sentences are all part of Mr. Clinton's defense against being "Hortonized."

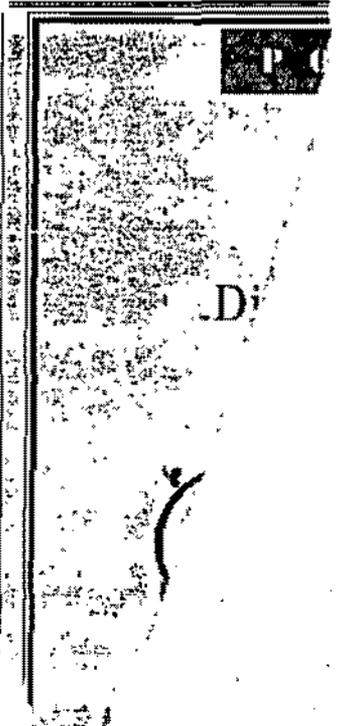
Welfare is another "value" issue in the campaign. When Bob Dole was a county attorney in Kansas, he signed welfare checks, including, for a time, those of his own grandparents. This would seem to indicate a man who sees the need for compassionate government — a view consistent with his many votes for food stamp and other social programs.

But last week Mr. Dole flirted with the idea of requiring drug testing for all welfare recipients. (He seemed to retreat after being asked by a reporter how he would have felt if his grandparents had been tested.)

If "values" define this campaign, it will allow far more important issues to be buried. In 1988, the savings and loan crisis was all but ignored. Mr. Bush had nothing to say. His son Neil's ties to the failed Silverado Saving and Loan Association were potentially embarrassing. Mr. Dukakis gave one speech about the crisis, but was warned off, since Democrats were being blamed for the legislation that made the irregularities possible.

Distracted by Willie Horton, voters did not hear about the savings and loan crisis until a year later, when the \$30 billion tab arrived. What will we miss this year?

Ken Bode is moderator of "Washington Week in Review" on PBS and a political analyst for CNN.



COVER SHEET
May 28, 1996

*W2 Wisconsin
(w-2)*

TO: Bruce Reed
202/456-5557

FROM: David Riemer
Office of Mayor John O. Norquist

THE FOLLOWING FAX TRANSMISSION CONTAINS 2 PAGES INCLUDING THIS
COVER SHEET.

IF THERE IS ANY PROBLEM RECEIVING THIS TRANSMISSION, CONTACT (414)
286-2200.

MESSAGE:

Bruce--

In a few minutes, Governor Thompson and several other
Republican governors will be holding a press conference to demand
that President Clinton sign the W-2 waiver, all other pending
waivers, and federal welfare/Medicaid legislation.

A copy of the Republican Governors Association news advisory
is attached.

Mayor Norquist wants to talk to you about this.

Based on his conversations with the President and Mike McCurry
last week, he also wants me to fly to Washington ASAP to meet with
you and Rahm Emanuel. The Mayor wants me to explain fully the
conditions he believes the President should attach to W-2...so that
it truly does what the Governor and President want, i.e., replace
welfare checks with paychecks and make work pay.

My direct line is 414/286-8577.

David

SUNDAY, 28, 1996 2:16PM

5-28-96 :12:55PM :

4800- 91NO. 0482305P. 1/1:# 2/ 2

REPUBLICAN GOVERNORS ASSOCIATION

N ★ E ★ W ★ S**A D V I S O R Y**

286-3130

For Immediate Release:
May 24, 1996Contact: Kirsten Fedewa
Tel: 202/863-8662**MEDIA ADVISORY****GOP GOVERNORS SHOW SUPPORT FOR THOMPSON'S W-2
WELFARE PROGRAM
HOLD MEDIA AVAILABILITY ON TUESDAY, MAY 28, 1996**

- WHO:** Governor Tommy Thompson, R-WI, and Governors John Engler, R-MI, Chairman of the Republican Governors Association; Steve Merrill, R-NH, Vice-Chairman; Terry Braustad, R-IA; and David Beasley (SC).
- WHAT:** Media availability with GOP governors who echo Governor Thompson's call for President Clinton to approve Wisconsin's W-2 waiver. On May 20, 1996, the Republican governors welcomed the President's endorsement of the W-2 plan and called on him to immediately sign all pending waivers as well as national welfare/Medicaid legislation.
- WHEN:** 3:15 p.m., Tuesday, May 28, 1996.
- WHERE:** Taft/McKinley Room, 7th Floor, Pfister Hotel, 424 E. Wisconsin Avenue, Milwaukee.
- WHY:** Following on the heels of recent visits by President Clinton and Bob Dole, the presumptive GOP presidential nominees, several Republican governors join with Thompson in calling on the President for immediate and meaningful action in the area of welfare reform. The need for welfare and Medicaid reform has already reached critical levels, and in light of Wisconsin's place as a key battleground state in the presidential election, the issue of welfare reform -- and in particular the W-2 program -- could have national political implications.

In the last six presidential elections, the state has split election winners between Republicans and Democrats evenly. With a popular GOP governor and majorities in the state legislature and U.S. House delegation, the state will be of major importance to the national campaign.

For more information, please contact Kirsten Fedewa or Pat Dailley (RLJA) at 202/863-8662.

*New America's Majority*

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
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*WR Wisconsin
(w-2)*

F A X C O V E R S H E E T

DATE:

TO: *Bruce Reed 456-7431* PHONE:
 MaryJo Bane 401-4678 FAX:
 Rick Tarplin 690-7380

FROM: John Monahan PHONE: (202) 690-6060
 Director FAX: (202) 690-5672

RE:

CC:

Number of pages including cover sheet: *6*

Message:

ON WISCONSIN FOCUS

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GOP candidate waylaid in Wisconsin

Dole left off balance as Clinton rolls by

By Craig Gilbert
of the Journal Sentinel staff

May 23, 1996

As he was wrapping up his welfare speech in Fond du Lac on Tuesday, deriding Bill Clinton's "new-look" conservatism, Bob Dole trotted out an old campaign cliché, credited to Harry Truman:

"Given a choice between a Republican, and a Democrat who tries to act like a Republican, the American people will choose the real thing every time."

Sounds good. We've heard it before. Conservatives believe it. Liberal Democrats believe it.

But what if it isn't true?

Bill Clinton's 20-point lead in the polls — his whole strategy of playing man-in-the-middle between congressional Republicans and his own party's left — seems to be premised on the opposite idea: that many voters would rather have a politically elastic Democrat playing gatekeeper to the Republican Revolution.

The Republican Revolution has turned out to be the best thing that happened to Bill Clinton. Clinton floundered politically with a Democratic Congress. But with Republicans controlling Congress and most of the nation's statehouses, he has proved to be a clever counterpuncher, repudiating parts of the conservative agenda, embracing, even taking credit for others.

So far it is working politically. He's on a roll, and Dole is off balance. What has happened over the past week in Wisconsin is a perfect example.

Dole's visit here Tuesday was a natural for the Republican challenger. His first big policy speech after announcing his retirement. A battleground state. A good conservative issue (welfare reform). A showcase example of state-based policy reforms. And a hot GOP governor (Tommy Thompson).

But Dole was waylaid on his way in, and waylaid on his way out. The two bookends to his visit were Clinton's quasi-endorsement Saturday of Thompson's welfare reforms, and the president's Milwaukee summit with German Chancellor Helmut Kohl today. Saturday's announcement undermined Dole's welfare speech on the national stage. Today's state visit overshadowed Dole's trip on the Wisconsin stage.

That left Dole to complain about Clinton's political skills:

"As you all know, if you've ever seen a spin machine, they've got a great one in the White House. They spin all week, and all weekend. They've been in overtime. I think the machine probably needed oil, and they have plenty of oil -- now they're gonna get some more from Iraq . . ."

The danger of this kind of rhetoric is that it leaves Dole looking ineffectual. At the same time, he has to make the case that Clinton is style over substance, talk over action, good politics over good government. It's a potent argument if he can make it effectively, if leaving the Senate somehow transforms him into a more compelling candidate.

Longtime friend Mike Grebe, who flew to Wisconsin with Dole from Washington, says Dole's retirement decision has "re-energized his Republican Party base" and put the candidate at ease on the campaign trail.

"I've spent a lot of time around the guy," says Grebe, a Milwaukee lawyer active in the national party. "He's very relaxed and he's very confident."

Thompson expressed the hope Tuesday that most voters will come to see Clinton as a pretender and Dole as "the real American -- you don't get something for nothing . . . What you get from Bill Clinton is whatever you want to hear."

But in interviews after Dole's speech, he acknowledged that Dole has his work cut out for him.

"Bob Dole has to articulate what he wants to do for America," Thompson said. "He hasn't been able to convey it to the degree that he needs to. He has tried, and he has made some attempts at it, but so far he has been unsuccessful in making the great leap that needs to be done."

Added Thompson, almost under his breath: "He's got a long ways to go."

Longtime friend Mike Grebe, who flew to Wisconsin with Bob Dole from Washington, says Dole's retirement decision has "re-energized his Republican Party base" and put the candidate at ease on the campaign trail.

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President's first remarks include W-2

<http://www.enrwa.com/news/523clint.html>

ON WISCONSIN NEWS

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President's first remarks include W-2

From the Journal Sentinel

May 23, 1996

A patient group of Democrats, including Milwaukee Mayor John Norquist and his wife, Susan Mudd, greeted President Clinton, who arrived at Mitchell Airport a few minutes after 11 p.m.

All got generous portions of presidential attention, with the city's first couple accompanying Clinton in the limousine taking him to the Pfister Hotel.

According to Milwaukee County Executive F. Thomas Ament, Clinton stretched the greetings on the tarmac into a discussion on W-2, Wisconsin's brand of welfare reform, for which the president recently announced his support.

"There's general support for the program," Ament said, "but there were also some concerns raised."

Qualms include provisions of the program that would disqualify participants from earned-income tax credits and that would pay participants less than minimum wage for some job assignments, Ament said.

Meanwhile, back at the president's Milwaukee lodging, celebrity-seekers turned the Pfister lobby into a smoke-filled room worthy of an American political convention. Chomping on fast food and puffing on cigars, they placed bets on the exact time they would see the president.

"I'll give you half my cigar if you're right," bargained Linda Yaeger, of Columbia, Mo., who was chowing down on a burger and smoking as she waited. In town for the Community Transportation Expo '96, Yaeger had never seen a president (or a German head of state) in person before Wednesday.

Yaeger and fellow Columbia resident Marty Pliske, 42, had walked over from the Hilton to hail the chief as well as the chancellor.

"Why not see them both?" Pliske said.

Not all the fans were from out of town.

Ron Rickun, 59, of Milwaukee, had brought his 87-year-old father, Samuel, down to see the president for a second time.

"I just want to see the president," said the elder Rickun, who navigated the crowded lobby in a walker. He had just got out of the hospital earlier in the week, he admitted, and was staying up way past his usual

President's first remarks include W-2

<http://www.owis.com/news/523ofirst.htm>

bedtime of 8 p.m.

During the 1992 campaign, Clinton had gone out of his way to shake the frail man's hand and made a lasting admirer.

Not everyone at the Pfister was a fan.

Outside the hotel, about two dozen anti-abortion demonstrators quietly unfurled banners objecting to Clinton's April 10 veto of a proposed ban on a late-term abortion procedure.

A 30-year-old man from Madison, who would identify himself only as Kim, silently held a full-color, 6-by-5-foot picture of an aborted fetus.

"The picture says 1,000 words," he said.

It was the end of a long day for Clinton, who spoke at the Coast Guard Academy commencement in New London, Conn. After the address, Clinton went by helicopter to New York City to receive an award for patriotism, then back to Stamford, Conn., to attend a Democratic National Committee dinner.

Jo Sandin, James E. Causey and Tom Vanden Brook of the Journal Sentinel staff contributed to this report.

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ON WISCONSIN EDITORIALS

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Special Clinton-Kohl report

Today, world's eyes are on Milwaukee

From the Journal Sentinel

May 23, 1996

To some outsiders, Milwaukee is a city situated between Chicago and Minneapolis, but they're not quite certain just where.

In the view of residents here, however, we are one of America's best-kept secrets — "A Great Place on a Great Lake" -- until, that is, someone changed the slogan to "Milwaukee: Genuine American."

So the choice of Milwaukee as the site for a meeting today between President Clinton and German Chancellor Helmut Kohl makes a lot of sense to people out here in the hinterlands, no matter which slogan one has sworn allegiance to.

Living here, however, doesn't mean we can't recognize presidential politicking when we see it. Surely the Clinton-Kohl parley has a certain overarching, seasonal political texture to it, signaled the other day when, less than a week before his trip here, the president endorsed Wisconsin's welfare reform effort.

The city has rolled out a red carpet like none other in recent memory; the photo opportunities will be multitudinous; and Pere Marquette Park, where the president and the chancellor will greet Milwaukeeans today, has been given a makeover.

In Washington, D.C., this might just be another meeting of heads of state. Here, it's a "twofer," a rare chance for Midwesterners to observe diplomacy and presidential politics at the same time.

Not that this will be a session without substance. While Milwaukeeans wonder at which of our fine restaurants these notorious eaters will be eating lunch, Clinton and Kohl may be discussing the state of affairs in post-Cold War Europe or the likely outcome of another presidential contest — the one featuring Russian President Boris Yeltsin and the resurgent Communist Party's candidate, Gennady Zyuganov.

But here's another thought: Taking the presidency and diplomacy on the road reinforces the notion that there really is more to the United States than just Washington, D.C.

So a little politics gets played while the two leaders are in Milwaukee, soaking up the city's German heritage and getting the VIP treatment.

Besides, how better to get Pere Marquette Park spruced up?

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Copy to Bruce Reed
MJ Bunch
Kevin Thun

Candidates differ over style

Dole scoffs at Clinton on W-2

President's support called cynical ploy

By Craig Gilbert
of the Journal Sentinel staff

May 22, 1996

Fond du Lac — Three days after President Clinton endorsed Wisconsin's sweeping welfare reforms, Bob Dole came to the state to charge him with bad faith, broken promises and "calculated cynicism."

"We know what happened this weekend. When Bill Clinton hears I am coming to Wisconsin to talk about welfare reform, he suddenly decides he supports what Gov. Thompson has done," Dole told a roomful of business people and Republican supporters Tuesday.

"If this keeps up, Bill Clinton won't have to make speeches anymore. All he'll have to do is find out my stand on an issue and say, 'Me, too.'"

With Gov. Tommy Thompson at his side, the presumptive Republican presidential nominee came here to lay out his welfare agenda and repudiate what he called the Clinton "spin machine."

It was Dole's first major policy speech since announcing last week that he would resign from the U.S. Senate to concentrate on the presidential campaign.

The Kansas senator said he favored requiring all able-bodied welfare recipients to work, a five-year lifetime limit on benefits, allowing states to stop payments to unwed teens, denying most benefits to "illegal non-citizens" and allowing states to require drug testing of welfare recipients.

Many of those provisions were part of two GOP welfare bills that Clinton vetoed.

White House spokesman Mike McCurry dismissed Dole's speech as "bereft of any new ideas" and disputed suggestions by Dole and Thompson that the administration was backing away from Clinton's 3-day-old "endorsement" of the Wisconsin plan.

The political framework of Dole's visit was set over the past week. The Dole camp scheduled a welfare speech in Wisconsin, and two days later, Clinton used his weekly radio address to praise the Wisconsin Works (W-2) welfare overhaul launched by Thompson, a Dole supporter and highly touted Republican governor. Clinton's remarks seemed to take Republicans by surprise.

Dole scoffs at Clinton on W-2

<http://www.cnn.com/news/522dole.html>

Dole scored Clinton on Tuesday for his welfare vetoes and expressed skepticism about the president's support for Thompson's plan and his intent to give the governor the federal waivers needed to implement it.

"We were all excited (about the speech), but we knew it was Saturday," Dole said dryly. "And then would come Sunday, and then Monday, and then probably a change. We all hoped the president meant what he said. But I'm sorry, it's another attempt to have it both ways."

Dole said that in his administration, states would have more latitude to experiment with welfare reforms, although he would support a national program of change because "we cannot reform welfare one waiver at a time. Such a response is too little, too late for the families trapped in a failed system."

Speaking before Dole at the Ramada Plaza, Thompson also lambasted Clinton, calling his endorsement of W-2 a "desperate attempt to get on the caboose of the welfare reform train being pulled by Bob Dole and Republicans."

After promising in his 1992 campaign to "end welfare as we know it," Clinton has not pushed the issue aggressively. Instead, he has allowed reform to proceed state by state, giving most governors the federal waivers for which they asked.

Citing comments from Clinton staff members that federal officials might want to alter some details of the Wisconsin program, Thompson declared, "Mr. President, ending welfare is not negotiable."

But in interviews after the speech, Thompson acknowledged the political impact of Clinton's attempts to neutralize Dole on a significant campaign issue.

"There's no question about it, it's difficult (for Dole)," Thompson said in an interview for the ABC-TV "Nightline" program. "Let's give the president the credit due him. He's a great politician. What he sees is an opportunity to undercut Bob Dole whatever chance he gets. That's very permissible in our modern-day politics."

"What Bob Dole's got to do is say, 'Here's the record. This is what Bill Clinton said in 1992 when he was a candidate and this is what he has done since then: absolutely nothing.'"

In an interview with the Journal Sentinel, Thompson said he tried to dissuade Dole from coming to Wisconsin on Tuesday. Thompson said he didn't think there was enough time to plan the visit, and that he feared local coverage would get lost in the massive media buildup to the historic joint visit to Milwaukee by Clinton and German Chancellor Helmut Kohl on Thursday.

"I just didn't think it was the time to do it," Thompson said. "But he said, 'We're coming.'"

And Thompson declared the day a success, saying, "I don't think Bob Dole could have gotten anything more out of anything than he did today in Wisconsin."

On his flight to Wisconsin from Washington, Dole was accompanied by Thompson and longtime friend and Republican Party leader Michael Grebe. While in the state, Dole also visited Brenner Tank in Oshkosh, a company that has participated in Thompson's W-2 prototype -- Work Not Welfare -- and greeted workers and former welfare recipients employed there.

In his speech, Dole assailed the legacy of Great Society liberalism and the "killing compassion of the welfare state." He accused Clinton of "four years of broken promises" and suggested that one reason to vote for Dole would be to keep Clinton's 1992 "New Democrat" campaign promises.

"Some of them weren't bad," Dole said.

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ON WISCONSIN MILWAUKEE NEWS

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Mayor, 9 to 5, urge Clinton to block W-2

From the Journal Sentinel

May 22, 1996

They join several groups seeking presidential intervention in plan

Milwaukee Mayor John Norquist and 9 to 5, the National Association of Working Women, on Tuesday joined a growing list of politicians and advocates asking President Clinton to intervene in Wisconsin's welfare reform plans.

In a letter addressed to Clinton and in remarks at a City Hall news conference, Norquist asserted that the sweeping Wisconsin Works (W-2) plan did not go far enough to overhaul the welfare system.

"W-2 does not end welfare," Norquist said. "If you read the law, you will find that it continues to offer cash grants. There is only one way to end welfare, and that is to replace it with work. That means real jobs with real paychecks."

Ellen Bravo, executive director of the Milwaukee-based 9 to 5, said: "President Clinton talked about needing to protect children. But these reforms are going to hurt children."

Bravo was referring to Clinton's national radio address Saturday, in which he conditionally endorsed Wisconsin's welfare reforms.

Bravo and several 9 to 5 members who are former welfare recipients met Monday in Washington with Vice President Al Gore and White House staffers to lobby against federal waivers that would allow W-2 to be implemented. The women were from Wisconsin and several other states.

The state needs waivers from federal rules to implement W-2, prompting several Wisconsin groups to ask the Clinton administration to block or alter Wisconsin's welfare plan significantly. Among those groups are the Wisconsin Conference of Churches, the Interfaith Conference of Greater Milwaukee, the Child Abuse Prevention Network and the Milwaukee Council on Alcoholism and Drug Dependence.

Under W-2, conditionally guaranteed benefits would be replaced with work requirements, including two categories of jobs in which the state would pay participants flat monthly cash grants. Researchers have estimated that 75% of W-2 participants could wind up with those grants.

Norquist contended that W-2 would fail to make work pay for all of its participants, that it would give recipients with subsidized jobs better health care benefits than those who were privately employed, and that it would "perpetuate the massive bureaucracy of the current welfare system."

Mayor, 9 to 5, urge Clinton to block W-2

<http://www.onwis.com/news/milwaukee/522work.html>

"How long should able-bodied people receive cash grants? Bob Dole and (Gov.) Tommy Thompson say five years," Norquist said. "But the answer ought to be zero years. That's how long people should get cash grants."

Bravo said the women from 9 to 5 outlined for Gore their criticisms of the W-2 law. They include:

Community service jobs would pay less than the minimum wage and would make recipients ineligible for the earned income tax credit.

Many recipients will not be able to afford co-payments required to receive child care benefits.

Some child care would be unregulated and inadequate, opening the door to potentially unsafe conditions for children.

W-2 does not allow education or training unless a recipient working in a private job can pay \$500, to be matched by an employer or the state, to attend vocational training after work hours.

There is no provision for family leave in a medical emergency.

Mike Nichols, Fran Bauer and Joel Dresang of the Journal Sentinel staff contributed to this report.

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WAL - Wise (encl-2)

N.Y. Times: 5-3-96

Wisconsin's Bold, Risky Welfare Plan

Gov. Tommy Thompson has signed far-reaching legislation that would, if he gets Washington's approval, 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. Guarantee, he says, nullify 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.

OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
Washington, DC 20201



Wf Wisconsin (w2)

F A X C O V E R S H E E T

DATE:

TO: *Bruce Reed*

PHONE:
FAX:

FROM: John Monahan
Director

PHONE: (202) 690-6060
FAX: (202) 690-5672

RE:
CC:

Number of pages including cover sheet:

Message:

*→ ~~Wf~~ ~~Wisconsin~~ How are my edits. Ann,
Mary Jo, + others are submitting this.*

Draft 5/17 -- 11:30am
770 words

The President's Radio Address
Welfare Reform
May 18, 1996
[taped May 17, 1996]

Good morning.

Four years ago, I challenged America to end welfare as we know it. A few days after I took office, I met with the nation's 50 governors and urged every one of them to send me a welfare reform plan that would help meet that challenge.

Many of them have. In the last 3 years, my administration has granted welfare waivers to a record 38 states -- more states than all previous administrations combined. We have cleared away federal rules and regulations so states can build effective welfare reforms of their own. The state-based reforms we have encouraged have brought work and responsibility back to the lives of 75 percent of the people on welfare.

We're doing a lot more than signing waivers. We've also pressed ahead on fundamental reforms to make the welfare system reflect the basic values that have stood us so well for so long: That if you bring a child into this world, you must take responsibility for that child ... That government will not subsidize irresponsible or reckless behavior ... That welfare is a second chance, not a way of life.

That is why I signed an executive order to require federal employees to pay child support ... toughened sanctions on welfare and food stamp recipients who refuse to work ... took action to require teenage mothers to stay in school and sign personal responsibility contracts, if they are to receive welfare benefits ... and sent Congress a sweeping welfare reform plan.

Our hard work is paying off. America is witnessing what the New York Times calls a "quiet revolution" in welfare reform. The number of Americans on welfare has dropped by 1.3 million since January 1993. Food stamp rolls are down. So are teen pregnancy rates. What numbers are up? Child support collections, which have jumped 40% ... and the number of people who are required to work as a condition for receiving welfare.

Today, I am pleased to report that two more states -- Wisconsin and Maryland -- are adding momentum to this "quiet revolution". Last week, Wisconsin submitted to me for my approval the outlines of a bold welfare reform plan -- and I am encouraged by what I have seen so far. The Wisconsin plan ~~is a serious effort~~ to replace a welfare system that is based on dependency with a system based on work.

proposes

~~write up the bill~~

it has the looks of a solid plan. As the state says

The state says

Under the Wisconsin plan, people on welfare who can work must work -- immediately. The state will make sure they find work. ~~It will see to it~~ that families have health care and child care so parents can concentrate on getting off welfare and going to work. People who don't show up for work won't get paid, but people who go to work will have the dignity of earning a paycheck, not a welfare check. The plan also says to teen parents: stay in school, live at home, and turn your lives around.

All in all, ~~it's a solid plan, and~~ I look forward to working with the state to realize a new vision of welfare based on work, that protects children and does right by working families. ~~people and their families~~

And Wisconsin is not alone. Maryland just came up with its own innovative reform plan. The Maryland plan cracks down on welfare fraud. It comes down hard on parents who turn their backs on child support enforcement. ~~And like Wisconsin,~~ it helps working parents with child care so they won't be driven onto the welfare rolls in the first place.

The reforms in Wisconsin, Maryland, and other states are heartening for two reasons. First, because they give us hope that we can break the vicious cycle of welfare dependency. Second, they make clear that there is a widespread national consensus, shared by both Republicans and Democrats, on what welfare reform should look like.

So the states can keep sending me strong welfare reform proposals -- and ~~I'll keep~~ signing them, happily. I will keep doing everything in my power to reform welfare, state by state, if that's what it takes. But there's a faster way to bring this welfare reform revolution to the entire nation. There's a bipartisan welfare reform ~~bill~~ sitting in the House and Senate right now. ~~This bill would do what Americans agree welfare reform must do:~~ require welfare recipients to work, limit the time people can stay on welfare, toughen child support enforcement, and protect our children.

So I say to Congress: Send me ~~that~~ bill. I'll sign it. Let's get the job done, and bring welfare reform to all 50 states. And then we'll move on to the other challenges we face as we stand at the dawn of a new century.

Thanks for listening.

will keep

My Administration

are

plans

I want a bi-partisan bill that does



DEPARTMENT OF HEALTH & HUMAN SERVICES

Amy Busch

Special Assistant in Public Affairs

Phone: (202) 690-6889 Fax: (202) 690-5673

To: Rahn Frawley

Fax: 406-6423 Phone: _____

Date: _____ Total number of pages sent: _____

Comments:

WJI info _____

Internal Use Only

*WR-Wisconsin
(W-2)*

WISCONSIN

STATISTICS RELATED TO WELFARE REFORM

AFDC: The total number of AFDC recipients in Wisconsin has decreased 23.6 percent, from 241,098 in January 1993, to an estimated 184,209 in January 1996.

Teen Pregnancy: According to the CDC, the birth rate for teens aged 15-19 declined four percent from 1991 to 1993. The birth rate for teens 15-17 declined two percent from 1991 to 1992, and remained stable in 1993. Teen pregnancy rates, currently unavailable for 1993, declined from 1991 to 1992 in 30 of 41 states that reported data to CDC. In Wisconsin, teen pregnancy rates dropped by 6.3 percent.

Child Support Enforcement: In FY 1995, Wisconsin distributed \$427,487,251 in child support collections, up from \$293,459,750 in FY 1992 (a 45.7 percent increase). In addition, the number of cases in which families received child support services rose 39.3 percent, from 399,159 in FY 1992 to 411,085 in FY 1995. The state also increased paternity establishment by 45.4 percent, from 17,678 in FY 1992 to 20,994 in FY 1995.

WELFARE REFORM DEMONSTRATIONS APPROVED BY THE CLINTON ADMINISTRATION

Wisconsin's reform plan, "Work Not Welfare," will require that most AFDC recipients either work or look for jobs. The plan provides case management, employment activities and work experience to facilitate employment. Receipt of AFDC benefits will be limited to 24 months in a four-year period, except under certain conditions, such as an inability to find employment in the local area due to a lack of appropriate jobs. Upon exhaustion of benefits, recipients become ineligible for 36 months.

With exceptions, children born while a mother receives AFDC will not be counted in determining a family's AFDC grant. In addition, child support will now be paid directly to the AFDC custodial parent in cases where the funds are collected by the state.

Wisconsin's request was received July 14, 1993, and granted Nov. 1, 1993. WNW is a signature initiative of Governor Thompson. Although approved by the state legislature with some Democratic support, WNW has been criticized by advocates, labor, and minority leaders.

In addition, under Wisconsin's AFDC Benefit Cap (ABC) Demonstration Project, no additional benefits will be provided to existing Aid to Families with Dependent Children cases due to the birth of a child, with exceptions, although additional children will remain eligible for Medicaid benefits and food stamps. All AFDC recipients will be offered family planning services and instructions on parenting skills. The new rule goes into effect ten months after the demonstration is implemented.

As of May 17, 1996

For this waiver, Wisconsin's application was received on Feb. 9, 1994, and approved on June 24, 1994.

Under Wisconsin's statewide "Pay for Performance" (PFP) project, AFDC applicants must meet with a financial planning resource specialist to explore alternatives to welfare. Failure to do so without good cause results in denial of eligibility for AFDC benefits for all members of the family.

Individuals who still want to apply for AFDC after meeting with the financial planning resource specialist must complete 60 hours of JOBS activities prior to approval for AFDC. At least 30 of the 60 hours must include contact with employers. Not completing this requirement without good cause will result in denial of AFDC benefits for all members of the family.

Recipients who do receive AFDC will be required to participate in JOBS for up to 40 hours per week. For each hour of non-participation, the AFDC grant will be reduced by the Federal minimum wage. If the AFDC grant is fully exhausted, the remaining sanction will be taken against the Food Stamp allotment. If hours of participation fall below 25% of assigned hours without good cause, no AFDC grant will be awarded and the Food Stamp amount will be \$10.

Wisconsin's waiver was requested April 18, 1995 and approved August 14, 1995. Although passed by the Legislature with bipartisan support, the statewide family cap has been criticized by advocates and the Catholic Church.

Governor Thompson repeatedly has criticized the waiver process describing it as a process in which the governors have had to come to Washington to "kiss the ring" of the bureaucrats to obtain approval. In this Administration, we have approved all four of Wisconsin's waiver requests in a manner that demonstrates our resolve to provide state flexibility. All but one of these requests was approved within the 120 day target established by the President for reaching a decision, and the one exception was approved within 135 days.

Governor Thompson also has claimed repeatedly in various forums that the Federal Government only allowed Wisconsin to implement the Work Not Welfare (WNW) demonstration in two counties. In point of fact, the State never requested authority to implement the project in more than two counties nor did HHS ever indicate that we would restrict the scope of the demonstration.

Being the first state to propose time limits with very limited extensions, WNW also required careful attention in resolving a number of issues. This included a visit to the State by senior HHS officials to work out agreements around several issues. For example, the State originally asked for a strict time limit. After lengthy discussion we agreed to allow the State to impose a time limit as long as there was an exemption for

persons who have made all appropriate efforts to find work and are unable to find employment because local labor market conditions preclude a reasonable job opportunity. In addition, we agreed with the State's concern that the demonstration was not best suited to a random assignment evaluation. As a consequence, we allowed the State to employ a non-experimental evaluation design that we believe will also contribute to our knowledge concerning the application of non-experimental impact evaluation of welfare reform.

PENDING AND ANTICIPATED WAIVER REQUESTS

Wisconsin has passed legislation to implement a project called Wisconsin Works (W2) that would eliminate the AFDC program by January 1999. W2 would replace the AFDC cash and health care entitlements with work requirements in subsidized or unsubsidized jobs.

Wisconsin's waiver application appears to follow the provisions in the W2 legislation and proposes to amend two existing demonstrations: Pay For Performance, which is operating statewide; and Work Not Welfare, which is operating in a small number of counties. Provisions of W2, if approved, would apply in addition to those existing demonstrations statewide and/or in the respective counties.

Wisconsin proposes to guarantee placement in jobs; increase the value of assets and a car that recipients can own; change health coverage provisions; base payment amounts on type of employment rather than family size; and limit total lifetime participation in job placement to 24 months and in AFDC to 60 months. Clarifications are needed on several remaining issues and questions about how these provisions would be implemented.

HHS received Wisconsin's application on May 9, 1996. This waiver application is the state's first step in implementing W2 legislation. In the near future, we expect additional, larger applications.

ADDITIONAL BACKGROUND

The state legislature has recently passed Governor Thompson's welfare reform initiative, Wisconsin Works. Governor Thompson has stated publicly that he has completed welfare reform for the state and the Clinton Administration is the final hurdle. Labor, community advocates, and religious organizations have provided vigorous opposition to many issues in the Governor's proposal, particularly the lack of protections for beneficiaries reaching the time limit, payment of a sub-minimum wage to some beneficiaries, and displacement of organized state and local employees. Numerous Democratic state legislators have expressed support for the final welfare reform package.



WR-Wisc CW2

Administration for Children and Families
Washington, D.C.

DATE: Thu May 16 19:15:24 1996

FAX TO: Bruce Reed

FROM: Ann Roeewater

SUBJECT:

----- MESSAGE -----

Attached are bullet points on Wisconsin and Maryland as discussed, plus backgrounders on each state (note that the background piece on Wisconsin was prepared for the President's trip next week).

We'll be here in the morning to review your next draft.

Wisconsin--W2

- o I was pleased to hear that the state of Wisconsin has recently submitted a bold welfare reform plan to the federal government.
- o While we don't yet have sufficient detail to judge all the parts of the plan, I am excited by its basic thrust.
- o Instead of simply providing cash to a family that applies for benefite, the state would guarantee work along with the necessary supports such as child care to enable work. We look forward to working with the state to realize a vision of welfare based on work, that protects children and is fair to families that work.
- o Work in the private sector would of course be the primary objective, but where that was not available, the state would provide work that the recipient would be required to perform to get assistance.
- o Just as I urged two weeks ago, to better prepare young parents for their responsibilities, the Wisconsin plan would strengthen its current requirements for minor parents to be in school with tougher rules for requiring them to live at home.
- o Work with necessary supports, rather than unconditioned welfare certainly represents my values and the values of the American people.

Talking Points: President's Visit to Wisconsin

- o My Administration is committed to working with States to allow flexibility in the design of new approaches to their local welfare problems while assuring that proposals are legally allowable and meet Federal standards.
- o Supporting, encouraging, and requiring employment should be the keys to any serious approach to reform welfare. The essential elements of Wisconsin's proposed amendments to their current welfare reform demonstrations, Pay For Performance and Work Not Welfare, appear to aim for those objectives.
- o Expanding necessary supports such as child care for working families and those struggling to join the work force is a critical element of significant welfare reform, and I applaud Wisconsin's intention to do this.
- o I am especially pleased that Wisconsin is following my directive to the States to require teenage parents on welfare to live with their parents or with other responsible adults. Parents or other caring adults should assist, support, and guide their parenting teenage children, and Wisconsin appears ready to put such a plan into action.
- o We are aware that there is some controversy surrounding elements of Wisconsin's most recent plan. We have already heard from state legislators including members of Wisconsin's Black legislative caucus; religious organizations including the Archdiocese of Wisconsin and the Interfaith Conference of Greater Milwaukee; and the American Federation of State, County, and Municipal Employees. Our welfare reform application process includes a 30-day public comment period, and we are committed to considering public comments on all welfare reform proposals.
- o Our staff at the Department of Health and Human Services has already begun to work with staff at the Wisconsin Department of Health and Social Services to discuss elements of the proposed waiver amendments.

Issues to be further discussed and resolved include the following:

The proposal does not appear to ensure that individuals who, through no fault of their own, cannot obtain or maintain employment would be allowed an extension to the AFDC time limits. This Administration has approved time limits as part of state welfare reform demonstrations only when we are convinced that they protect children and do not punish families in which the adults are playing by the rules.

- . It appears that benefit levels for parents who are disabled may be lower than those for other participants. This would be unfair and would violate the Americans With Disabilities Act.
 - . Many labor and religious organizations have contended that work might be at less than the minimum wage.
 - . We are concerned that larger AFDC families in Wisconsin would experience a benefit reduction at the same time that these parents are required to increase their work efforts to ready themselves and their families for unsubsidized employment.
 - . There are potential legal and policy issues related to required co-payments for child care.
 - . Further, we are concerned that the State would deny children's benefits in the first instance when an adult does not comply with the program. Other states have implemented more progressive sanction schedules so that children's benefits are not be jeopardized when an individual is first sanctioned.
 - . Finally, there is a legal problem with the proposal to provide foster care benefits rather than AFDC benefits to a child who is eligible for AFDC.
- o My Administration is proud of the way we have worked with States to implement and test alternative approaches and policies to the current welfare system. I am committed to trying to resolve these issues and any others that arise.
 - o We will work with Wisconsin in a spirit of partnership as we continue to identify sound approaches for aiding low income families and children to attain their full potential.

Maryland--Family Investment Program

- o The state of Maryland also recently submitted an exciting reform plan.
- o Maryland would begin by providing child care and other assistance where it can prevent families from ever having to come on welfare.
- o It would also strengthen work, child support and anti-fraud requirements for those who come on assistance.
- o In addition, it would provide employment and other assistance to non-custodial parents to enable them to find work and pay child support.
- o Again, there are further details we need to obtain from the state, but we look forward to working with them to enable them to implement bold welfare reform.

MARYLAND - Family Investment Program (FIP)**Description:**

Statewide, would introduce new provisions and expand, with some modifications, previously approved Family Investment Program (FIP) pilot county provisions to be statewide:

- o Impose immediate full-family sanctions for fraud and for failure to cooperate with JOBS or child support enforcement requirements.
- o Replace the current \$90 and \$30-and-one-third exclusions with a flat 20% earned income deduction.
- o Eliminate the \$50 child support pass-through.
- o Reduce the adverse notification period to 5 days.
- o Allow case managers to set AFDC certification periods up to 1 year and require eligibility to be re-established before the end of each certification period.
- o Allow \$2,000 in countable resources and exclude one vehicle per household, life insurance, and certain real property.
- o Count stepparent income only if it is more than 50% of the poverty level.
- o Allow non-custodial parents and stepparents to participate in JOBS.
- o Provide welfare avoidance grants of up to 3 months benefit amount (up to 12 months in special circumstances).
- o Allow IV-A child care funds in lieu of AFDC for families diverted from cash assistance.
- o Modify JOBS program requirements.

Status:

Application received: April 26, 1996

Proposed implementation date: July 1, 1996



Region VI
1200 Main Tower Building
Dallas, Texas 75202

ATTENTION:

THIS IS A FACSIMILE DOCUMENT CONSISTING OF 1 PAGES AND COVER SHEET

PLEASE DELIVER TO OR NOTIFY:

NAME: *Bruce Reed*

(202) 456-5557

FROM: *John Monahan*

DALLAS FAX: (214) 767-3617

CONFIRMATION NO.: (214) 767-3301

WISCONSIN - "WISCONSIN WORKS"**Background**

The Wisconsin Works (W2) project is based on comprehensive state legislation which would eliminate the AFDC program by January 1999. W2 would replace the AFDC cash and health care entitlements with work requirements in subsidized or unsubsidized jobs. We have not yet received a waiver application for W2.

Description

W2 would among other things:

- o Guarantee placement in subsidized/unsubsidized jobs, child care and health care coverage to families whose gross income does not exceed 115% of the federal poverty level (FPL).
- o Raise the resource limit to \$2,500 and the vehicle equity limit to \$10,000.
- o Determine payment amount not according to family size, but based on the type of job placement: unsubsidized, trial job, community service job, or transitional placement. Parents with a child less than 12 weeks old would be exempt.
- o Limit participation in job placements to 24 months, with extensions. Limit lifetime participation in W2 to 5 years.
- o Replace regular Medicaid coverage for AFDC recipients with a health plan that would cover families with incomes below 200% of FPL that spend down to 165% of FPL.

Issues

- o It is not clear what elimination of the entitlement means, unless it simply means that recipients will have to work to receive benefits and that there will be a time limit.
- o We have not yet dealt with the issue of whether a State may disregard family size in determining the AFDC grant; i.e., we must determine whether a waiver is required, and if so, what our policy position should be.
- o There could be minimum wage issues involved in the payment schedules proposed by the State.
- o There do not appear to be reasonable protections for recipients that are doing everything they can to obtain and retain employment but are unable to find a job.
- o There may be issues involving required co-pays for health care and child care.

**OFFICE OF THE MAYOR
CITY OF MILWAUKEE**

FAX COVER SHEET



DATE: May 15, 1996

PLEASE DELIVER TO: Bruce Reed

FROM: David R. Riemer
Chief of Staff

NUMBER OF PAGES INCLUDING COVER SHEET: 5

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

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

MESSAGE:

Attached is a letter the Mayor recently sent to the New York Times in response to a May 3 editorial on W-2. (A copy of the editorial is attached.) I thought you would like to know the Mayor's thinking about the flaws he sees in W-2 as you consider the Thompson administration's waiver request.

If you have any questions about Mayor Norquist's views on this matter, please contact me at 414-286-8577.

John O. Norquist
Mayor

May 13, 1996

Milwaukee
150
1846 1996

Letters to the Editor
The New York Times
229 West 43rd Street
New York, NY 10036

Dear Letters to the Editor:

Your critique of Wisconsin's new plan to replace welfare with a work-based system ("Wisconsin's Bold, Risky Welfare Plan," May 3, 1996) fell shy of the mark. You faulted Wisconsin Works (known locally as W-2) for some of its best features, while failing to emphasize several of its most serious flaws.

You are wrong, for instance, to claim that President Clinton's plan to allow AFDC recipients cash grants for up to two years before requiring work is superior to W-2, which permits no such grace period. When able-bodied adults ask government for help, it's in their own best interest that they immediately go to work. Letting them linger on welfare for two years will only leave them with a lower income. A two-year spell of cash grants will also so distance them from the discipline of the workplace, that they'll face a tough time when they later try to move into private-sector jobs.

A second defect you claimed in the Wisconsin plan, its refusal to permit education and training in lieu of work, is another of W-2's virtues. The Clinton plan's willingness to let education and training substitute for work never made sense. Study after study has shown that enrolling low-income recipients in education and training programs that are divorced from real jobs doesn't work. The millions that have been spent on educating and training low-income adults in a vacuum is one of this nation's untold tragedies. The Wisconsin approach is far better.

Your editorial noted, correctly, that W-2 errs in imposing an arbitrary limit on community service jobs. A limited number of low-income adults will never succeed in getting work in the private sector. In addition, we have not outlawed recessions; over the course of a low-income adult's life, she or he may face long stretches of unemployment due to downturns in the economy. W-2's arbitrary cut-off of community service employment after five years is both silly and unfair. Giving bureaucrats the power to make exceptions on a case by case basis, which W-2 permits, is an inadequate answer.

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

Page 2

May 13, 1996

But the biggest problems with W-2 are five flaws your editorial never mentioned. I repeatedly urged Governor Thompson and the legislature to correct these mistakes. Regrettably, they remain embedded in W-2.

First, although W-2 claims to end welfare entirely, for over half of all ex-AFDC recipients what it really does is replace AFDC with a brand new form of welfare. According to the Thompson administration's own estimates, 75% of ex-AFDC recipients will continue to get cash grants every month. They will have to "work off" their cash grants in two types of community service jobs; if they don't engage in either work or what is loosely described as "work-related activity," their cash grants will be "sanctioned." But these individuals won't have real jobs. They won't be paid wages. They won't pay taxes. They won't qualify for the Earned Income Tax Credit (including Wisconsin's own supplemental Earned Income Tax Credit). They won't get regular paychecks. And--irony of ironies--the 75% of ex-AFDC recipients enrolled in W-2 will not get W-2 forms.

Second, the Wisconsin plan often fails to make work pay. This is because for many low-income adults struggling to improve their wages, increases in earnings are more than wiped out by the W-2 plan's rapid escalation of child care co-payments. Harriet Brown's op-ed piece ("Wisconsin's Welfare Boomerang," May 7, 1996) also made this point. The independent Wisconsin Legislative Fiscal Bureau showed that in certain cases, as wages rose from \$4.25 an hour to \$12 an hour, total disposable income (taking wages, the EITC, Food Stamps, taxes and all co-pays into account) declined from over \$15,000 to under \$12,000.

Third, W-2 replaces Medicaid with a new health care plan that, while theoretically covering more people, creates huge practical barriers to enrollment and cuts off thousands from subsidized health insurance long before they're able to afford to join a private plan. Most observers have concluded that Wisconsin's uninsured population will increase starkly.

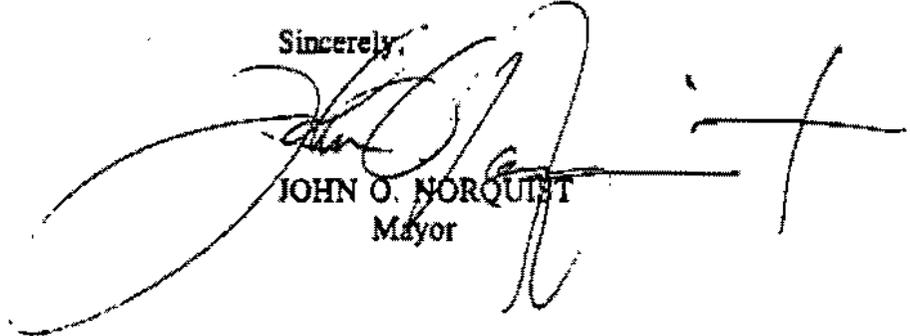
Fourth, Wisconsin's plan perpetuates the worst defect (if often least discussed) of the current welfare system: it only helps families with children. W-2 thus ignores absent parents (mostly fathers), whom we want to pay child support. And it ignores childless individuals (both women and men), whom we want to encourage to avoid creating children until they are in a position to provide financial support.

Page 3
May 13, 1996

Fifth, W-2 perpetuates the massive bureaucracy of the current welfare system. Most people think the federal bureaucracy is big, but it's small compared to the welfare bureaucracy of the fifty states. W-2 could have been a way to clear Wisconsin's bureaucracy out of the way. But the state's welfare bureaucrats somehow hijacked W-2 while Governor Thompson wasn't looking. The policies they built into the program--such as doling out cash grants and then checking to see if work happened, and imposing mindbogglingly complex rules for health care coverage--turned W-2 into a vehicle for achieving the bureaucrats real goal: long-term job security for themselves.

The ball is now in President Clinton's court. Governor Thompson will soon be submitting a request for a mega-waiver to Washington. The President should resist the advice of federal welfare bureaucrats to water down W-2. He should take advantage of Wisconsin's plan by insisting that it become a vehicle for replacing welfare with a non-bureaucratic system that immediately offers the able-bodied poor real work from which they earn real wages.

Sincerely,



JOHN O. NORQUIST
Mayor

FAX COVER SHEET

May 28, 1996

*Send To
Bruce Reed
100 ft w w*



TO: Rahm Emanuel
202/456-6423

FROM: David Riemer
Office of Mayor John O. Norquist

**THE FOLLOWING FAX TRANSMISSION CONTAINS 3 PAGES
INCLUDING THIS COVER SHEET.**

**IF THERE IS ANY PROBLEM RECEIVING THIS
TRANSMISSION, CONTACT (414) 286-2200.**

MESSAGE:

Bruce--

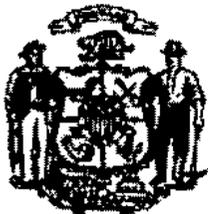
Gov. Thompson announced today that he's formally sending his W-2 waiver request to President Clinton. Attached is Gov.'s letter to the President and a proposed waiver form for the Pres. to sign.

At the press conference today, Gov. Thompson said: "Let's see if President Clinton is going to keep his word."

Gov. Engler stated: "The people of America can't trust President Clinton on welfare reform."

"Gov. Branstad said: "How many times will Bill Clinton shift on welfare? As often as he has to."

David

**TOMMY G. THOMPSON**

**Governor
State of Wisconsin**

May 28, 1996

The Honorable William J. Clinton
The White House
1600 Pennsylvania Avenue
Washington DC 20500

Dear President Clinton:

Thank you for your endorsement of my "Wisconsin Works (W-2)" welfare replacement plan, which you featured on the May 18, 1996 Radio Address to the Nation. In the address, you stated you were encouraged by our sweeping reform plan, "... one of the boldest yet attempted in America."

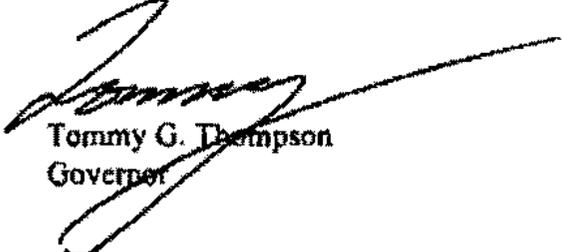
You said, as it relates to Wisconsin's welfare reform plan, that "... we should get it done," and pledged your administration's help to make an effective transition to this new vision of welfare.

Mr. President, enclosed please find the waiver provisions necessary to carry out your pledge. We look forward to your earliest approval, so that Wisconsin can truly end welfare as we know it and ensure only work pays.

I know you share my belief that families and communities have suffered under today's broken welfare system, so I trust that you will avoid any delay or appearance of delay in allowing us to begin repairing the damage.

Your words of support for Wisconsin's plan are appreciated. Please sign the attached approval form and notify me as soon as we receive your authorization.

Sincerely,



Tommy G. Thompson
Governor

WISCONSIN



WORKS

*Federal Approval
of the
"Wisconsin Works" (W-2) Program*

I hereby authorize approval of the "Wisconsin Works" (W-2) waiver application submitted by Governor Tommy G. Thompson on May 28, 1996.

Signed

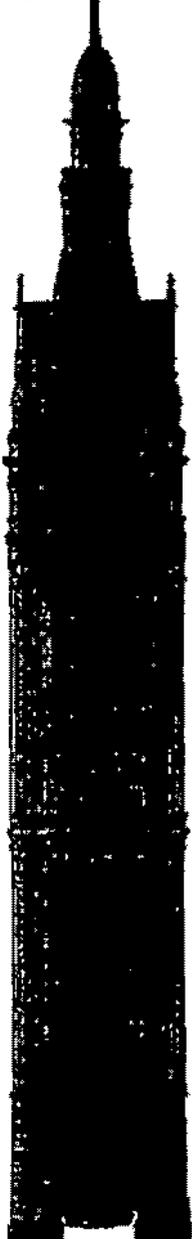
Dated

POTUS book

John O. Norquist
Mayor

May 21, 1996

Milwaukee
150
1846 1996



President Bill Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

I am writing to ask you to approve Wisconsin's pending welfare plan, Wisconsin Works (W-2), on the condition that it be fundamentally changed to end welfare in this state.

Only if W-2 is modified to end welfare will it provide a workable model for the nation.

W-2 in its current form doesn't end welfare. It fails to end welfare in four ways.

First, W-2 fails to end welfare cash grants. Although Governor Thompson claims that W-2 ends welfare cash grants, it doesn't. For three-quarters of all ex-AFDC recipients, W-2 simply replaces AFDC with a new form of welfare cash grants. According to the Thompson administration's own estimates, 75% of ex-AFDC recipients will continue to get cash grants every month. As with the current welfare system's "workfare" program, they will have to "work off" their cash grants in two types of community service jobs. If they don't engage in either work or what is loosely described as "work-related activity," bureaucrats will attempt to "sanction" their cash grants. But these individuals won't have real jobs. They won't be paid wages. They won't get a paycheck. Therefore, they will not, as you recently stated they must, "have the dignity of earning a paycheck, not a welfare check." They won't pay taxes. They won't get W-2 forms. They won't qualify for the Earned Income Tax Credit (including Wisconsin's own supplemental Earned Income Tax Credit).

Second, like welfare, W-2 fails to make work pay. This is because for the relatively small percent (25%) of W-2 participants who stop getting monthly cash grants because they secure private-sector jobs, increases in earnings are more than wiped out by the W-2 plan's rapid escalation of child care co-payments. The independent Wisconsin Legislative Fiscal Bureau showed that in certain cases, as wages rose from \$4.25 an hour to \$12 an hour, total disposable income (taking wages, the EITC, Food Stamps, taxes and all co-pays into account) declined from over \$15,000 to under \$12,000.

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May 21, 1996

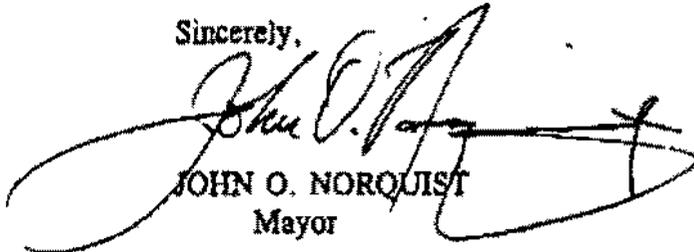
Third, like welfare, W-2 gives welfare recipients a better health plan than it offers unsubsidized workers. Under W-2, those who get monthly cash grants (75% of all participants) are automatically enrolled in a Medicaid-like health care plan. But the minority who move off welfare into private-sector jobs (25% of participants) will have trouble getting health care. This is because—for unsubsidized workers only—the W-2 health plan creates huge practical barriers to enrollment and cuts off thousands long before they're able to afford to join their employer-sponsored plan. Most observers have concluded that Wisconsin's uninsured population will increase sharply.

Fourth, because it doesn't end welfare, W-2 perpetuates the massive bureaucracy of the current welfare system. The policies Governor Thompson built into the program—such as doling out cash grants to most participants and then "sanctioning" their grants if work doesn't happen, and imposing mindbogglingly complex rules for health care coverage for the minority of people who get unsubsidized jobs—require a massive state bureaucracy to implement the program.

I ask you to approve W-2 on the condition that it truly end welfare. Specifically, you should require Governor Thompson to correct the four pro-welfare flaws described above as a condition for receiving a federal waiver.

Unless W-2 is modified to end welfare as I have outlined, it will neither succeed in getting Wisconsin's grant recipients into the private sector nor provide a sound model for other states in replacing welfare with work.

Sincerely,



JOHN O. NORQUIST
Mayor

Wisconsin--W2

- o I was pleased to hear that the state of Wisconsin has recently submitted a bold welfare reform plan to the federal government.
- o While we don't yet have sufficient detail to judge all the parts of the plan, I am excited by its basic thrust.
- o Instead of simply providing cash to a family that applies for benefits, the state would guarantee work along with the necessary supports such as child care to enable work. We look forward to working with the state to realize a vision of welfare based on work, that protects children and is fair to families that work.
- o Work in the private sector would of course be the primary objective, but where that was not available, the state would provide work that the recipient would be required to perform to get assistance.
- o Just as I urged two weeks ago, to better prepare young parents for their responsibilities, the Wisconsin plan would strengthen its current requirements for minor parents to be in school with tougher rules for requiring them to live at home.
- o Work with necessary supports, rather than unconditioned welfare certainly represents my values and the values of the American people.

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Talking Points: President's Visit to Wisconsin

- o My Administration is committed to working with States to allow flexibility in the design of new approaches to their local welfare problems while assuring that proposals are legally allowable and meet Federal standards.
- o Supporting, encouraging, and requiring employment should be the keys to any serious approach to reform welfare. The essential elements of Wisconsin's proposed amendments to their current welfare reform demonstrations, Pay For Performance and Work Not Welfare, appear to aim for those objectives.
- o Expanding necessary supports such as child care for working families and those struggling to join the work force is a critical element of significant welfare reform, and I applaud Wisconsin's intention to do this.
- o I am especially pleased that Wisconsin is following my directive to the States to require teenage parents on welfare to live with their parents or with other responsible adults. Parents or other caring adults should assist, support, and guide their parenting teenage children, and Wisconsin appears ready to put such a plan into action.
- o We are aware that there is some controversy surrounding elements of Wisconsin's most recent plan. We have already heard from state legislators including members of Wisconsin's Black legislative caucus; religious organizations including the Archdiocese of Wisconsin and the Interfaith Conference of Greater Milwaukee; and the American Federation of State, County, and Municipal Employees. Our welfare reform application process includes a 30-day public comment period, and we are committed to considering public comments on all welfare reform proposals.
- o Our staff at the Department of Health and Human Services has already begun to work with staff at the Wisconsin Department of Health and Social Services to discuss elements of the proposed waiver amendments.

Issues to be further discussed and resolved include the following:

The proposal does not appear to ensure that individuals who, through no fault of their own, cannot obtain or maintain employment would be allowed an extension to the AFDC time limits. This Administration has approved time limits as part of state welfare reform demonstrations only when we are convinced that they protect children and do not punish families in which the adults are playing by the rules.

- . It appears that benefit levels for parents who are disabled may be lower than those for other participants. This would be unfair and would violate the Americans With Disabilities Act.
 - . Many labor and religious organizations have contended that work might be at less than the minimum wage.
 - . We are concerned that larger AFDC families in Wisconsin would experience a benefit reduction at the same time that these parents are required to increase their work efforts to ready themselves and their families for unsubsidized employment.
 - . There are potential legal and policy issues related to required co-payments for child care.
 - . Further, we are concerned that the State would deny children's benefits in the first instance when an adult does not comply with the program. Other states have implemented more progressive sanction schedules so that children's benefits are not be jeopardized when an individual is first sanctioned.
 - . Finally, there is a legal problem with the proposal to provide foster care benefits rather than AFDC benefits to a child who is eligible for AFDC.
- o My Administration is proud of the way we have worked with States to implement and test alternative approaches and policies to the current welfare system. I am committed to trying to resolve these issues and any others that arise.
 - o We will work with Wisconsin in a spirit of partnership as we continue to identify sound approaches for aiding low income families and children to attain their full potential.

Maryland--Family Investment Program

- o The state of Maryland also recently submitted an exciting reform plan.
- o Maryland would begin by providing child care and other assistance where it can prevent families from ever having to come on welfare.
- o It would also strengthen work, child support and anti-fraud requirements for those who come on assistance.
- o In addition, it would provide employment and other assistance to non-custodial parents to enable them to find work and pay child support.
- o Again, there are further details we need to obtain from the state, but we look forward to working with the them to enable them to implement bold welfare reform.

MARYLAND - Family Investment Program (FIP)**Description:**

Statewide, would introduce new provisions and expand, with some modifications, previously approved Family Investment Program (FIP) pilot county provisions to be statewide:

- o Impose immediate full-family sanctions for fraud and for failure to cooperate with JOBS or child support enforcement requirements.
- o Replace the current \$90 and \$30-and-one-third exclusions with a flat 20% earned income deduction.
- o Eliminate the \$50 child support pass-through.
- o Reduce the adverse notification period to 5 days.
- o Allow case managers to set AFDC certification periods up to 1 year and require eligibility to be re-established before the end of each certification period.
- o Allow \$2,000 in countable resources and exclude one vehicle per household, life insurance, and certain real property.
- o Count stepparent income only if it is more than 50% of the poverty level.
- o Allow non-custodial parents and stepparents to participate in JOBS.
- o Provide welfare avoidance grants of up to 3 months benefit amount (up to 12 months in special circumstances).
- o Allow IV-A child care funds in lieu of AFDC for families diverted from cash assistance.
- o Modify JOBS program requirements.

Status:

Application received: April 26, 1996

Proposed implementation date: July 1, 1996

OK

Wisconsin Waiver -- Talking Points

The President supports the Wisconsin welfare reform plan, and is committed to granting the waiver to get it done. The Administration just received the W-2 waiver request on Wednesday, and must allow a 30-day period for public comment and legal review, to make sure that once the waiver is granted it will not be overturned in court. In 1992, courts vacated a California welfare waiver because the Bush Administration had granted it without adequate public comment and review.

The latest Republican proposal to approve W-2 through legislation is just another cynical political stunt. Here's why:

First, this legislation has nothing to do with speeding up welfare reform in Wisconsin. At Gov. Thompson's request, the Wisconsin plan will not even go into effect until September 1997 -- fifteen months from now. He won't start moving people from welfare to work one day sooner whether he gets the waiver from the Administration in 30 days or special dispensation from Congress.

Second, if the Republican leaders who came up with this stunt were serious, they would pass a national welfare reform bill that provides health care and child care like the Wisconsin plan and the President's plan. Ending welfare by requiring welfare recipients to work and providing them health care, child care, and a job to go to has always been the heart of the President's plan -- and he vetoed the bill Congress sent him last year because it failed to do that. If that kind of welfare reform is good enough for Wisconsin, it should be good enough for this Congress to do for the country.

"Although Mr. Thompson is indeed a Republican, much in his welfare reforms is close to Mr. Clinton's heart. . . . In fact, praise for Wisconsin and scorn for the two congressional welfare bills are entirely consistent." The Economist, May 25, 1996

Instead of wasting Congress's time with gimmicks, Republican leaders should pass sweeping national welfare reform legislation to require work, impose strict time limits, and crack down on child support enforcement -- without taking health care away from the poor, the elderly, and the disabled. There are welfare reform bills with broad bipartisan support in both houses (Castle-Tanner in the House, Breaux-Chafee in the Senate) that would do just that.

It's time for Republican leaders to stop playing political games and get welfare reform done for the whole country. Don't hold welfare reform hostage. Don't send America's children a poison pill by taking away their health care. Let's put politics aside and get real welfare reform done, so we can make work and responsibility the law of the land.

The Capital Times
Thurs 6/28/96
p. 3A

More glitches found in W-2 waivers

By David Clumber
The Capital Times

A nonpartisan legislative agency has found more problems with Gov. Tommy Thompson's request to exempt his Wisconsin Works welfare reform plan from federal requirements.

In a six-page memo dated June 11, the Legislative Council found the Thompson administration's federal waiver request varies on at least nine points from the waiver plan passed by the Legislature and signed by the Governor.

In eight of those nine cases, the administration's waiver proposal is more restrictive than the original W-2 law.

On the remaining point, the waiver requests would give more benefits to W-2 participants who violate state rules than the original law intended.

The latest disclosures touched off more talks for the Clinton administration to show its consideration of the waiver request. "It's very confusing what they're asking for," said state Rep. Rebecca Young, D-Ishewaunee.

Each point has to be scrutinized very carefully. How many substitutes are there? Nobody knows.

Earlier this week, U.S. Sen. Russ Feingold, D-Madison, called on the Thompson administration to "scrub" his waiver requests and simply submit the law as it was enacted.

But Jean Rogers, administrator of the state Division of Economic Support, dismissed the memo as "overzealous hair-splitting." It amounts to nothing, she said. The waiver is in compliance with legislative intent.

The Legislative Council identified the following areas in which the waiver request varies from the W-2 law as it was enacted, according to the council, the waiver requests would:

- Allow W-2 participants who had no health protection rules have access to nonmaternity newborn health care and child care benefits.
- The W-2 law calls for all benefits — including job placements, health care and child care — to be cut off if there are three

rule violations, including head or failure to participate in W-2 work programs.

Allow the state to withhold payments for both health care and child care from W-2 waiver's checks.

The W-2 law allows the state to withhold health care payments from participants, but does not address the child care costs.

Allow the state to base its rates for child care payments on the cost of care plus income and family size.

The W-2 law requires participants to pay only a percentage of the cost of care that is not directly related to income and family size.

Link access to W-2 jobs counseling and other programs to program terms who live with their parents.

The council said the detailed waiver requests "indicate that only teen parents who live at home, presumably with their parents, will be eligible for W-2 benefits, such as services of the financial and employment

The council also said other parts of the waiver appear to contradict this provision

By indicating that all waiver parents, regardless of income, must be taking arrangement, will have access to the planning services.

Meanwhile, the council said the W-2 law does not limit access to a financial and employment plan to waiver grants being with their parents," and in fact allows parents to get financial and job counseling regardless of their income or their parents' income.

The federal waivers are needed because the federal government pays 60 percent of the costs of Aid to Families with Dependent Children, the waiver program W-2 is intended to replace.

Clinton has said he supports the W-2 plan "in concept," but administration officials have said previous disclosures of errors in Wisconsin's request may slow the approval process.

The Thompson administration has acknowledged several mistakes in the waiver application, "preventing a provision" that would have allowed W-2 work program participants to take jobs away from other workers.

Wisconsin Law Seeks to End Welfare

By DIRK JOHNSON

CHICAGO, April 25 — Gov. Tommy G. Thompson of Wisconsin today signed legislation that would abolish welfare payments in that state by the fall of 1997 and replace them with a system of work programs, child care and subsidies to private employers who hire the poor.

"This doesn't just end welfare as we know it," the Governor said, "it ends welfare — period."

Since it requires a Washington waiver of Federal welfare law, the new program has essentially been laid at the doorstep of the Clinton Administration, which has already allowed 37 states to experiment with welfare policy, granting more waivers than were granted during the Reagan and Bush years combined.

"Whether it works or not, this is the most revolutionary thing we've seen on welfare," said Doug Besharov, a scholar at the American Enterprise Institute. "This is starting from scratch. It's a new way of thinking."

Mr. Thompson, whose sights on the Republican Vice-Presidential nomination have scarcely been a secret, said today that "the only person standing in the way of welfare's demise is Bill Clinton."

Mr. Thompson conceded that "we're going to spend more" over all in transforming the welfare system into what would amount to an elaborate employment assistance agency.

Replacing welfare with work incentives and child-care programs.

The Governor said he believed that the state could help as many as 30 percent of the people on welfare find jobs in the private sector. Some of the remainder would work in community service jobs created by the state. Still others would work for private employers who would receive a subsidy for hiring people now on welfare.

The program would provide extensive child care benefits, transportation assistance and job training. Mr. Thompson said spending on the program, known as Wisconsin Works, would initially be \$340 million a year, an increase of about \$40 million over what is now spent for cash payments and other support.

"In the long run," he said, "it will save taxpayers money" as welfare beneficiaries leave relief rolls and become taxpayers.

Mr. Thompson has become a national figure through his hotly debated changes in welfare policy, which have included time limits on eligibility and penalties for parents whose children skip school.

Welfare rolls in Wisconsin have declined about 35 percent since Mr. Thompson took office in 1987. An enormously popular politician, he swept to a third term last fall with 67 percent of the vote.

Under the new program, people would no longer get welfare checks, and instead get paychecks. If they fall on the job, the pay stops. "What happens to you," the Governor asked a reporter, "if you don't show up for work?"

The measure means that welfare would no longer be an entitlement, or a right, to those who qualify under law.

While pieces of this measure have been implemented in other states, nothing else comes close to the comprehensiveness of the Wisconsin approach.

Some experts on poverty said it was impossible to predict how the measure would work. But many expressed concern about the effect on poor children.

"Almost everyone agrees that the existing welfare system has deep flaws, but you can make a bad system worse," said Tom Corbett, associate director of the Institute for Research on Poverty in Madison, Wis. "What is going to happen to the children of the people who fail to show up for those work programs?"

"I wish they would go slowly, deliberately and thoughtfully, on these changes," Mr. Corbett said of state officials. "But the political imperative is to rush in and make a big splash."

Nearly 13 million Americans are now on welfare, most of them children, and about three-quarters of all beneficiaries have been affected by policy changes in the last three years — changes, almost invariably, intended to restrict benefits — according to Michael Kharfen, a spokesman for Health and Human Services.

Mark Greenberg, a lawyer for the Center for Law and Social Policy, expressed concern that the program would push new mothers out of the home very soon after giving birth. "We're talking about infants as young as 12 weeks old" going to subsidized child-care facilities, he said.

Mr. Besharov, of the American Enterprise Institute, said he believed President Clinton would issue the waiver, in large part to position himself as being tougher on welfare than is Senator Robert Dole. In granting so many waivers to states to tighten welfare, he said, Mr. Clinton has already demonstrated that he is willing to break with liberals on the issue.

"Traditional Democratic Presidents would never have approved all of those" changes, he said.

During the campaign, he added, Mr. Clinton, who cast himself as a New Democrat in 1992 and vowed to "end welfare as we know it," will surely be asked during a Presidential debate whether he has satisfied his promise.

"And he's going to be able to say, rightly, 'Yes, I have ended it by granting 30-some states these waivers,'" Mr. Besharov said. "When the history is written on this, it will say that Tommy Thompson and Bill Clinton ended welfare as we knew it."

Kennedy Says Dole Is Trying To Sabotage Insurance Bill

By ADAM CLYMER

WASHINGTON, April 25 — Senator Edward M. Kennedy today accused Senator Bob Dole, the presumptive Republican Presidential nominee, of trying to "sink the bill" approved by the Senate this week that would make health insurance more accessible.

As the Senate's representatives on a conference committee to resolve differences between House and Senate versions of the insurance bill, Mr. Dole wanted to appoint a group of senators who favor Medical Savings Accounts, a provision the Senate rejected 52 to 46. The House included the accounts in the version of the bill it passed last month.

But Mr. Kennedy blocked that proposal, formally offered by Senator Trent Lott of Mississippi, Mr. Dole's deputy leader. Mr. Lott in turn blocked Mr. Kennedy's counterproposal of a group of conferees opposed to the savings accounts.

President Clinton has threatened to veto the insurance bill if it includes the savings accounts, under which people would gain tax advantages by putting money aside for the first few thousand dollars of medical expenses while buying insurance policies with high deductibles to cover other costs.

Today Mr. Clinton said in a news conference that the bill, originally intended to keep people from losing insurance when they changed jobs, should be passed "unadorned, sim-

ple, good and strong."

"Let's don't litter this up with special interest amendments" Mr. Clinton said.

Mr. Dole never spoke in the brief Senate exchange on how insurance conferees should be chosen, and later he told reporters, "I don't have to work it out with Ted Kennedy."

But he was there watching the Lott-Kennedy exchange, and when the Senate then slumped into one of its interminable quorum calls — which members use to figure out what to do next — Mr. Dole approached Mr. Kennedy. The Massachusetts Democrat later told a news conference that Mr. Dole had told him that "as a matter of fact, he is not that crazy about Medical Savings Accounts" but needed something politically.

Republicans then blocked Mr. Kennedy from making his complaints about choosing conferees opposed to the Senate position, so Mr. Kennedy went to the press gallery and told reporters, "We're not going to let this bill be hijacked." He called Medical Savings Accounts "a poison pill" for the legislation.

Senate Democrats have also threatened to try to bring up the bill again if no House-Senate agreement is reached in two more weeks, citing Tuesday's 100 to 0 vote to adopt it as a reason for insistence. But considering their difficulties in trying to bring the minimum wage legislation to a Senate vote, that may not be easy to do.

Significant but Spotty Gains Found for Science and Math in U.S. Schools, Report Says

By PETER APPLEROME

Despite a persistent gloom about the nation's schools, a comprehensive assessment of science and mathematics education, from elementary to graduate levels, finds significant progress in test scores, curriculum and academic preparation.

The report by the National Science Foundation, made public yesterday, found that elementary schools are devoting more time to math and science, more high school students are taking advanced science courses, and student achievement for all ethnic groups has improved over the last 15 years on standardized tests.

On the other hand, the report, which largely deals with material gathered from 1977 to 1993, found that achievement varies enormously from state to state and from region to region. Some states, particularly in the Midwest, perform at a level comparable to that of the best performing nations, including South Korea and Taiwan. Others, particularly

in the Southeast, perform at a level equal to the worst, Jordan.

And the report finds continuing chasms in performance among racial groups. Black and Hispanic students, who make up a rapidly increasing percentage of the school population, continue to lag dramatically in test scores, participation in the teaching force and in receiving degrees in math and science.

For example, the report said that of 366 colleges and universities that awarded doctorates in science and engineering, nearly two-thirds awarded no doctorates to black students, and more than half awarded none to Hispanic students. And the number of black males receiving science and engineering doctorates, always a small fraction, has declined over the last 10 years; in 1992, blacks accounted for only 2 percent of such degrees.

Still, the report mostly provides a much more positive view of the nation's schools and colleges and the direction in which they are headed

than the conventional wisdom of incessant educational decline.

"Achievement is up, and there are clear signs that the system is changing for the better," said Luther Williams, assistant director for education and human resources at the National Science Foundation. "I think that has to bode well for the future."

But the signs of progress are more incremental than dramatic.

"The overall trends are up for all groups," said Terrence Russell, executive director of the Association for Institutional Research, an organization of higher education researchers based in Tallahassee, Fla. "That doesn't mean there aren't big differences between different ethnic groups and different regions. Good is not best, but better is better than worse."

The report, the second to result from 1991 legislation requiring the National Science Foundation to make biennial assessments of the state of science and mathematics education in the nation, is a compila-

tion of figures on tests, graduation rates, curriculum changes and other assessments, including national and international studies like the National Assessment of Educational Progress. It makes particular efforts to gauge recent progress in curriculum and standards.

On the N.A.E.P. test, the primary source on student achievement in the United States and most recently given in 1992, performance on math and science tests has improved slightly for all ages and racial ethnic groups over the past 15 years," the report said. For example, the percentage of 13-year-old black students who were found proficient, scoring 250 out of 500 on the test, increased to 51 percent in 1992 from 29 percent in 1978.

And there are signs that students are taking more demanding courses. In 1990, fewer than 20 percent of the states required two or more years of mathematics; in 1992, 86 percent did.

In 1992, 79 percent of high school graduates had studied biology; in 1992, the figure was 93 percent. For

beginning algebra, the figures were 68 percent in 1982 and 79 percent in 1992. For chemistry in the same period they were 32 percent and 55 percent. For advanced algebra, they were 37 percent and 56 percent.

But the report found what it called a "startling" level of diversity in academic achievement between states. Math scores for 13-year-olds in the best performing states — Iowa, North Dakota, Minnesota and Maine — ranked with Taiwan and Korea. The lowest performing states — Alabama, Louisiana and Mississippi — and the District of Columbia ranked with lowest rated nation, Jordan, of 15 surveyed.

Overall, disparities between black and Hispanic students and white and Asian students narrowed, the report said. For example, since 1977, the number of 9-year-olds who scored 200 or above on the test increased by 24 percentage points for black students, 14 percentage points for Hispanic students and 9 percentage

points for white students. Scores for Asian students were not broken out.

The gaps existed even among students of the same socioeconomic status. On the N.A.E.P. science test, instead of the gap narrowing, the number of 13-year-old black students reaching a proficient level, grew more slowly than the percentage of white and Hispanic students.

And, despite the increasing diversity of the nation's schools, there has been no corresponding increase in the diversity of the teaching force. In 1992, white teachers taught about 91 percent of 12th grade science and math students.

There were conflicting figures on the performance of male and female students. On science tests, both had comparable scores in elementary school. Boys did better in middle schools and high schools, but the gap narrowed considerably from 1977 to 1992. But male students did significantly better than female students on Scholastic Assessment Test and American College Test scores.