

NLWJC - Kagan

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Welfare-Legislation

Reddot
COPY to
Bruce

Elena -

Since I'm not yet on email, I haven't sent this to Bruce. Please share this draft with him if you think he should see it before he returns.

If you'd like to talk this weekend, please beep me (if I'm not yet on the White House operator's list, you can page me manually by calling 757-1111 for pager #4697).

Cynthia

File -
Welfare -
Legislative
Strategy

TO: Bruce Reed and Elena Kagan
FROM: Cynthia Rice
DATE: February 28, 1997
SUBJECT: Bipartisan Congressional Meetings regarding Welfare to Work
CC: Diana Fortuna and Lyn Hogan

Goals

Ideally, I think we want the bipartisan Congressional meetings to:

- Reinforce the President's image as a welfare reform leader who is tough on work but cares about kids.
- Engage Congressional leaders in a public-private effort to move a million more people from welfare to work.
- Garner support for the President's Welfare-to-Work Jobs Challenge and Work Opportunity Tax Credit proposals.

We want to avoid having the President appear as if he:

- Wants simply to spend more money on welfare.
- Wants to "re-open the bill."

Establish Responsibility

In my view, the President must first persuade members of Congress that they have a responsibility to help welfare reform succeed and that they can play a critical role in ensuring people move from welfare to work. Most members feel as though they've done their part to reform welfare and now it's the governors' responsibility. They've turned their attention to other issues and are waiting passively for a progress report. Instead, we should foster the view that they are community leaders ideally positioned to forge the local public-private partnerships that will make welfare reform succeed.

Of course, lecturing the Congressional leadership would be ill-advised. Instead, the President could lead by example, by sharing with the group what he is doing to bring business, government, civic, and religious leaders together. He could also distribute materials they might find useful in their own efforts, such as information about model welfare-to-work efforts and private and public resources available to employers.

View Welfare through the Eyes of a Small Businessperson

The President may wish to suggest that members of Congress view welfare reform through the eyes of a small businessperson, with whom many members may sympathize. (Ideally, we would announce a small business association's endorsement of the President's plan that day.) That businessperson probably:

- Has never considered what he could do to help reform welfare, and, most likely, no one has ever asked him to help.
- Wouldn't know where to find a welfare recipient to hire. Calling a local government agency would probably be fruitless. Calling a local social service group might inundate the business with too many job seekers.
- Thinks hiring welfare recipients is too risky. Former welfare recipients, particularly those without much work experience, may be less productive, at least at first. They may need special assistance which the company is not prepared to provide.

Looking at welfare from this perspective indicates that successful welfare reform requires:

- Leaders from all walks of life personally asking business owners and other employers to hire welfare recipients.
- Public and private agencies providing easy-to-use information about resources available to both employers and welfare recipients.
- Temporary financial protection for employers hiring people on welfare.

Make the Case that the President's Proposals are Critical to Welfare Reform

The new law does a lot to motivate welfare recipients to work. Among other things it:

- Sanctions those who won't work.
- Imposes time limits.
- Provides child care to make work possible.

The new law gives states vast flexibility to design welfare programs suitable to their own needs and circumstances. But the new law doesn't target any funding specifically for work-related activities, and, according to the Congressional Budget Office, it does not provide adequate funds to meet the strict new work rates.

As a result of these and other concerns, the President has proposed two new welfare-to-work initiatives:

- Welfare-to-Work Jobs Challenge: The Jobs Challenge is designed to help cities and states provide subsidies and incentives to private business to create jobs for welfare recipients. It would establish a \$3 billion fund to help move a million of the hardest-to-employ welfare recipients into jobs by the year 2000. It would also allow the use of vouchers that individuals could use to obtain the tools to succeed on the job.
- Work Opportunity Tax Credit: The President would create tax credits to help create jobs for the hardest-to-employ -- long term welfare recipients. A new tax credit would let employers claim a 50 percent credit on the first \$10,000 a year of wages, for up to two years, for workers they hire who were long-term welfare recipients. In addition, the budget expands a smaller, existing tax credit to include certain food stamp recipients.

Expect Both Resistance and Support from Key Participants

The current views of likely participants vary widely:

- House Republicans: In a letter to the President last month, Ways and Means Committee chairman Bill Archer expressed concern that “welfare recipients should not be given jobs at the expense of the working poor who may not qualify for a corporate tax credit.”
- House Moderate Democrats: The “Blue Dogs” have long advocated a separate fund dedicated to welfare-to-work activities. A \$3.6 billion work fund is part of the balanced budget plan they proposed this week (as well as the one they proposed last year). The Blue Dogs would like to lay this plan on the table at the bipartisan welfare-to-work meeting. Their budget does not include any employer tax credits, not because they dislike them particularly, but because they believe the budget should be balanced before taxes are cut.
- Leadership Democrats: Some Democrats view employer tax credits as a business giveaway and cite studies which found similar credits increased hiring only marginally. They may accept credits only as part of a package which also includes the \$3 billion fund, which they prefer.
- Senate Republicans: Some Senate Republicans would rank a block grant for legal immigrants higher than these work initiatives, and doubt that a balanced budget deal would contain funds for both.

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