DPC—Memos

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THE WHITE HOUSE

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MEMORANDUM FOR THE PRESIDENT

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SUBJECT: State of the Union/Budget Ideas

This memorandum provides a brief description of new ideas we are considering for the State of the Union. Some work has been done on fleshing them out, but many need additional work and further vetting through the interagency process. Most of these ideas involve increased spending, and you will have to make choices among them and/or scale them back as you consider the FY 2000 budget. Although our offices have worked together on many, if not most, of the ideas in this memo, we have noted, where possible, which of our offices has the lead role with respect to each proposal. Options relating to Social Security are not included in this memo.

EDUCATION AND TRAINING (DPC/NEC as specified)

1. Ending Social Promotion. Last year's budget proposal included $200 million for Education Opportunity Zones in districts that agreed to remove bad teachers, turn around failing schools, and end social promotions. The proposal required authorization, which Congress will never give us. For next year, we recommend a simpler approach that uses existing authority and focuses entirely on ending social promotion. We would like to expand our after-school program from $200 million to $700 million and target this money to districts that end social promotion. These school districts could use the money (as Chicago does) to provide extra help after school and mandatory summer school for students who need it. (Cost: $300 million above FY99 budget.) (DPC)

2. Teacher Quality and Recruitment. Now that we're on track to begin hiring 100,000 new teachers to reduce class size, we have an even greater responsibility to help communities attract talented new teachers to the profession. We envision a five-part strategy on teacher quality and recruitment: (1) a $100 million increase in the teacher recruitment scholarships we enacted this year in the Higher Education Act, which would put us on course to attract 60,000 new teachers at high-need schools over the next five years; (2) a $60 million initiative -- modeled after the successful Troops-to-Teachers program -- that would help states expand alternative certification routes and attract talented people from other professions, such as military personnel and employees in firms being downsized; (3) a nationwide crackdown on teacher education schools, including new regulations authorized by the Higher Education Act to require report cards for education schools; (4) a $50 million increase in the Eisenhower program to send secondary school teachers who teach outside their field back to college to take additional courses in the subjects they're teaching, coupled with a new requirement that new secondary teachers pass competency tests in a subject before they can teach it; and (5) a high-profile effort to help states make the most of the 15 percent set-aside for teacher quality in the recently passed class size legislation. (Cost: about $210 million above FY99 budget). We are also exploring a politically interesting counter to private school choice: vouchers for private school teachers -- i.e., an incentive program to encourage private school teachers to teach in public schools. (DPC)

3. Work-Site Schools. One of the most promising new education ideas sprouting up around the country is the creation of public schools at work sites, designed primarily to serve employees' children. School districts provide the teachers and curriculum; companies provide facilities and upkeep. These schools-at-work serve a host of objectives at once, by (1) providing new facilities at no cost to the district; (2) increasing parental involvement in the schools and parental satisfaction in the workplace; (3) reducing employee turnover and absenteeism; and (4) increasing school diversity, because work sites are more diverse than residential neighborhoods. We propose a $100 million increase in an existing discretionary program to provide grants to 100 communities to launch work-site schools. We also could seek a stand-alone bill (like the charter school law) to advance this idea. In addition, we are working with Treasury to develop a tax credit for businesses that start on-site schools, similar to the Kohl business tax credit for on-site child care that is already in our budget. (Cost: $100 million for start-up grants. No estimate yet for tax credit, but it will be very small.) (DPC/NEC)

4. Public School Choice. As support grows for private school vouchers, we must continue our efforts to expand choices within the public schools. Charter schools are one answer, and we recommend a $20 million increase, to $120 million, to keep us on track to 3,000 charter schools by 2002. Work-site schools are another. We also recommend increased funding for (1) an existing grant program that helps urban and suburban school districts reduce racial isolation by forming interdistrict magnet programs; and (2) magnet schools on university campuses, especially in urban areas. (Cost: $25 million for interdistrict magnet programs; $15 million for 10 university-based schools.) (DPC)

5. School Leadership Academies. Research has shown that an effective principal is the single most important indicator of school success, yet little has been done at the national or state level to improve the management skills of principals. We propose a small initiative to create school leadership academies that would provide training in management, teacher evaluation, school discipline, and other areas to elementary school principals in high-poverty districts. (Cost: $50 million) (DPC)

6. Class size. To stay on course to reach 100,000 new teachers in seven years, we will ask for $1.3 billion in the FY2000 budget. We are planning an ambitious rollout of the class size initiative over the next year, as we award first-year funding, issue guidance to local districts on how the program works, and so on. We also will press Congress to restore the local matching requirement and strengthen the provisions to require competency testing of new teachers. (DPC)

7. Adult Literacy. According to the National Adult Literacy Survey, 44 million adults struggle with a job application, cannot read to their children, or are left on the welfare rolls because they lack basic skills. We are considering: (1) Workplace: a new tax credit and/or Federal grants to encourage employers to provide adult basic education classes at the worksite, and setting aside funds for work-based literacy projects within Welfare-to-Work competitive grants (se welfare section of this memo); (2) Community: expanding the infrastructure and funding for adult basic education through the Adult Education program, encouraging the development of programs focused on easing the transition to the U.S. for new immigrants (through ESL and civics classes), subsidizing the provision of child care on college campuses and other adult education sites, and launching a national information campaign to make people aware of the problem of functional illiteracy and of available services; and (3) Home: using the new *Learning Anytime Anywhere Partnerships* to create software for adult basic education using $200 computers (e.g., WebTV, game players) and subsidizing public housing projects that create computer literacy programs. (NEC)

8. National Campaign to Open Doors of College. Notwithstanding enormous strides we have made in reducing the financial barriers to college, too many families assume college is more expensive than it really is and are not aware of the aid that is available (Even among low-income youth with high test scores, one-fourth say they have not been able to get much information about financial aid for college). We are planning: (1) launching a major national public information campaign about college costs and financial aid (*e.g.* naming a national chairman such as Bill Cosby, having a national college visit day, etc.), (2) building on the authority in the new GEAR UP program, providing *every* middle school (e.g. 7th grade counselor) with the ability to give students a "21st Century Scholar Certificate," indicating the financial aid that they are eligible for, and (3) seeking to provide *every* high-poverty middle school with a college partner. This does not require any new investment, just some focus and creativity. (NEC)

9. Improving the College Success Rate. Getting people in the doors of college is not enough to close the racial and income opportunity gaps. For example, only 21% of African-American and 18% of Hispanic students who begin college complete a bachelor's degree within 5 years compared to 30% of White students. We are considering a package of policies, including: (1) a super-Pell grant for the lowest income families and/or to encourage a full-time focus on school in the first year of college (this would be expensive); (2) expanding successful mentoring and other support services in colleges (including those aimed at graduate school preparation); (3) promoting college course-taking while in high school; (4) improving maticulation between two-year and four-year colleges; (5) encouraging partnerships between predominately minority-serving and predominately majority-serving institutions of higher education (particularly to promote graduate study); and (6) establishing a bridge fellowship program for graduate study in science and technology fields for minorities and women. (NEC)

10. School Modernization. The current assumption is that we will repeat this year's proposal for tax credits to build and renovate schools covering the interest on nearly $22 billion in bonds. We are, however, critically comparing our current proposal against other possible mechanisms to ensure we have the most effective approach. (NEC)

11. Further Expanding Junior ROTC. In response to the Los Angeles riots, Colin Powell proposed and Congress approved in 1992 an expansion of the high school-based JROTC. Since then, 1,000 units have been added primarily in urban areas, bringing the total to nearly 2,600 units with 400,000 participants. The budget increased over that period from $76 million to $166 million. There is a waiting list of more than 450 schools that would like to have a JROTC unit. Because DOD does not plan any further expansion, these 450 schools on the waiting list will not likely be added. We could propose adding another 900 units over the next few years, to reach the authorized maximum of 3,500. Cost: about $235 million. (NEC)

12. Training American Workers for Current and Future Skills Gaps. We should challenge the private sector to make specific commitments to train more American workers, which they pledged to do during the debate on H1-B visas. They could provide more college scholarships for women and minorities, partner with community colleges to develop cutting-edge curricula, and encourage their employees to serve as telementors for middle school students to get them excited about math and science. In addition, we are working on: (1) a program to foster partnerships ("Regional Skills Alliances") between industry and training providers to train both employed and unemployed workers; (2) competitive grants to encourage companies to develop programs in which they subsidize the training of individuals who they then commit to hire; (3) extensions and/or expansions of some of the current training tax provisions (such as the lifelong learning tax credit and Section 127);and (4) a major informational/media campaign by the Departments of Education and Labor to inform all Americans about available training opportunities, financial aid, and job search assistance to allow them to develop the skills required for employment opportunities around the country. (NEC)

13. Making Job Training Universal. We are considering an initiative to make job training more universal. The first component of this initiative would be to seek a significant increase in dislocated worker funding -- about $190 million -- so that we are on path to provide training to every dislocated worker who wants or needs it within five years. The second component would be to ensure that every unemployed person is eligible for core labor market services, e.g., job search assistance. The final component would be to take the steps necessary to ensure that every worker, regardless of where they live, would be able to have access to a One-Stop Career Center (where they can learn about job training, employment service activities, unemployment insurance, vocational rehabilitation, adult education, and other assistance.) (NEC)

14. Community Computing Centers. We have roughly 650 computing community centers, which empower low-income Americans in the Information Age by teaching them to type a cover letter and a resume, search for job vacancies on the Internet, or even start an Internet-related business. These efforts should be expanded. (NEC)

School safety -- see CRIME section

SERVICE (DPC)

1. **AmeriCorps Seniors.** In the wake of John Glenn's return to space, we have an opportunity to give other senior citizens a mission. We propose adding $25 million to the current AmeriCorps program to create a senior corps of 10,000 volunteers to serve as tutors and mentors and in afterschool programs. We would build on a successful demonstration program that recruits seniors to serve 15-20 hours per week over a fixed period of time in schools and other community centers. In exchange, seniors would be eligible for small incentives, including awards to participate in senior learning programs. By inspiring responsibility among seniors, this initiative would provide an ideal complement to Social Security reform. John Glenn has expressed some interest in playing a role in AmeriCorps now that he's retired. We could invite him back to the State of the Union and place him in charge of a national effort to inspire seniors to serve. (Cost: $25 million)

2. **Expand AmeriCorps.** We propose expanding the AmeriCorps program from its current level of 50,000 members per year to approximately 70,000 per year, with the goal of reaching 100,000 per year by the end of this Administration. These additional members could be targeted to serve primarily in after-school and summer school programs. (Cost: $75 million)

3. **Expand Service Component of Work-Study Program.** Nearly 1 million students now receive federal work-study funding. Despite our efforts, colleges and universities are required to use only 7 percent of their work-study money for students employed in community service. The higher education lobby would object, but we could propose a substantial increase in that requirement -- e.g., phasing it up to 25 percent over the next 3 years.

HEALTH CARE AND DISABILITIES (DPC/NEC as specified below)

1. **Long-Term Care Initiative.** This package could include: (1) a tax credit of up to $1,000 for people with three or more limitations in activities of daily living (ADL) or their caregivers, at a cost of about $6 billion over 5 years; (2) a plan for OPM to offer federal employees a choice of high-quality private long-term care insurance policies at lower-than-market prices; (3) a family caregiver support program, costing about $500 to $750 million over five years, that would provide grants to states for "one-stop shops" to assist families who care for severely impaired elderly relatives through counseling, training, and respite services; and (4) a nursing home quality initiative, costing about $500 to $750 million over five years, that would include new enforcement provisions (e.g., increased penalties), new funds for surveys of repeat offenders and improved surveyor training, and perhaps a new commission to oversee HCFA's nursing home enforcement efforts and to investigate other kinds of facilities where health care is offered (e.g., assisted living facilities). (DPC/NEC)

2. **Health Insurance Coverage Expansions.** We could propose again, in new and improved forms: (1) an initiative to encourage small businesses to form purchasing cooperatives for health insurance, costing about $50 to 100 million over 5 years; (2) proposals to improve outreach for children's health insurance; and (3) a proposal, more limited than last year's, to provide a Medicare buy-in for

certain people ages 55 to 65, benefiting about 30,000 people and costing $500 million over 5 years. (DPC/NEC)

3. **Biomedical Research.** We should again propose an increased investment in biomedical research -- perhaps (depending on how we treat tobacco money in the budget) between $500 million and $1 billion. (DPC)

4. **Antibiotics (Super Bug) Initiative.** Resistance to antibiotics is becoming a public health crisis, causing prolonged illnesses and even death. A new initiative, costing about $25 million each year, could address this problem through: (1) a major outreach and education campaign involving hospitals, health professionals, and managed care organizations; and (2) new research and surveillance efforts to understand where and why antibiotic resistance occurs and to develop effective responses. (DPC)

5. **Bioterrorism Initiative.** This initiative, costing $100-300 million each year, would: (1) train epidemic intelligence officers who can coordinate with state health departments to identify and respond to attacks; (2) develop a mass casualty emergency response system that includes primary care, emergency transportation, and decontamination abilities; (3) create and maintain a stockpile of pharmaceuticals; and (4) improve research to develop new vaccines and antibiotics to be used in the event of attack. (DPC)

6. **Prescription drug coverage for Medicare beneficiaries**. We are considering a variety of proposals to address the lack of coverage for prescription drugs in Medicare, including a means-tested Medicaid option, an approach that would apply only in managed care, a traditional benefit for all beneficiaries, and an unsubsidized purchasing mechanism that uses Medicare's size as leverage for drug discounts for beneficiaries. If desirable, a proposal could be included in the budget or coordinated with the March release of the Medicare Commission's recommendations. The cost varies significantly depending on the proposal, ranging from $1 to 20 billion a year. A proposal of this kind probably would depend on tobacco funding (see tobacco section below). (DPC/NEC)

7. **Protecting beneficiaries from HMO withdrawals from Medicare**. This year, a number of HMOs pulled out of Medicare with only a few months notice, leaving 50,000 beneficiaries with no plan options in their areas. You announced that the Administration would develop legislation to prevent this behavior in the future, and we are currently reviewing the best approaches. (DPC)

8. **Redesigning and increasing enrollment in Medicare's premium assistance program.** Over 3 million low-income Medicare beneficiaries are eligible but do not receive Medicaid coverage of their Medicare premiums and cost sharing. Many more may not get enough assistance through a new provision that is supposed to help higher income beneficiaries. We are developing a range of proposals, costing up to $500 million over five years, to use Social Security Offices to educate beneficiaries about this program, reduce administrative complexity for states, and give them incentives to engage in more aggressive outreach efforts. (DPC/NEC)

9. Disease Initiatives. We are working on several initiatives designed to combat particular diseases. These initiatives, which you could choose to do individually or in combination, are: (1) an asthma initiative, which will curb recent steep increases in asthma cases especially among young children, by disseminating new treatment guidelines to state and local public health programs and encouraging them to work with schools, child care organizations, businesses, and other community organizations; (2) a mental illness initiative that will accompany a Surgeon General's report on this subject (and perhaps a White House Conference recommended by Mrs. Gore) and will include public-private partnerships to improve access to prevention and treatment, reforms in federal health programs to improve delivery of mental health services, and funding increases in the mental health block grant; and (3) a heart disease initiative, which could include: a new partnership with aging networks to evaluate and improve nutrition; efforts to measure successful prevention approaches and replicate them nationwide; and the creation of a network of educators, churches, and community-based organizations to launch a nationwide awareness campaign. In each of these initiatives, the public health efforts described above would supplement NIH funding of research projects. The estimated cost of these initiatives is $50 million for asthma, $100 million for mental illness, and $20 million for heart disease. (DPC)

10. Food Safety. We are working on a food safety initiative that will highlight safety standards and enforcement. Included in this initiative are: (1) a repackaged and somewhat modified legislative proposal giving the FDA and USDA additional enforcement powers (e.g., mandatory recalls and civil penalties); (2) additional food-specific regulations and/or guidelines (e.g., for certain fruits and vegetables); and (3) more extensive adoption of our model codes for restaurants and food service workers. In addition, we will focus on improving coordination with state and local agencies that regulate food safety in order to develop a wholly integrated national inspection system. (DPC)

11. Disability -- Health. A health-related disabilities package could include: (1) the Jeffords-Kennedy Work Incentives Improvement Act, which enables people with disabilities to go back to work by giving them an option to buy into Medicaid and Medicare, at a cost of about $1.2 billion over 5 years; (2) a proposal, costing $50 million over five years, to promote the deinstitutionalization of Medicaid beneficiaries by developing viable community-based care alternatives for people residing in nursing homes after a "date certain"; and (3) a proposal to make Medigap supplemental insurance more accessible to people with disabilities.

12. Diability -- Getting People to Work. A work-related disabilities package could include: a tax credit of $1,000 to $5,000 for working people with disabilities to assist them in paying for the costs associated with employment, at a cost of about $1 to 2 billion over 5 years; a new competitive grant program, developed by your disabilities task force, to increase the employment rate of adults with disabilities; and efforts to ensure that new technologies are designed so as to be accessible to people with disabilities (see technology section). (DPC/NEC)

TOBACCO (DPC)

1. **State Menu.** Our best vehicle for enacting tobacco legislation next year will be a legislative waiver of federal Medicaid claims to the states' expected $200 billion settlement with the tobacco companies. We will seek bipartisan agreement on a menu of uses for the federal share of state money, with tobacco control and child care as our top priorities. We will try to use this measure as a vehicle for other key elements of our tobacco policy, such as FDA jurisdiction and warning labels.

2. **Price Increase.** One of the most difficult budget decisions will be whether to assume a tobacco tax increase in our budget request, and if so, what to do with the money. There are strong arguments on each side of the question whether to include a tobacco tax increase in our budget. If we *do* assume tobacco revenue, the candidates for it include: (1) assistance to tobacco farmers (about $1 billion a year); (2) the long-term care tax credit (about $1 billion a year); (3) other tax cuts, such as a child care / stay-at-home tax credit and/or a reduction in the marriage penalty; (4) NIH research; (5) public health programs; and (6) the Medicare trust fund and/or a new prescription drug benefit for Medicare beneficiaries.

3. **Medicare Suit Against Tobacco Companies.** Our best leverage over the tobacco industry is the prospect of a federal suit to recoup Medicare costs associated with smoking. We could call on Congress to enact Senator Graham's legislation to authorize such a lawsuit (which would make the Justice Department more likely to bring it). At the same time, we could ask for funds for DOJ and HCFA to prepare a lawsuit against the tobacco industry. We could go further and pledge that any proceeds from such a lawsuit would be used either to extend the life of the Medicare Trust Fund or to provide a new prescription drug benefit to Medicare beneficiaries. (Cost: to be determined, but probably small).

FAMILIES AND CHILDREN (DPC/NEC as specified)

1. **Expansion of the Child Care and Development Block Grant (old policy).** We propose to expand the Child Care and Development Block Grant as we did in the FY 1999 Budget. The block grant is the primary federal child care subsidy program, helping low-income working families to pay for child care. Currently, between one and two million children are served by the program, leaving roughly nine million children who are eligible but unserved. This proposal would cost at least $7.5 billion over five years. (DPC)

2. **Tax Relief for Parents, Including Parents who Stay at Home.** We are considering replacing our last year's proposal to expand the Child and Dependent Care Tax Credit with a new proposal to benefit <u>all</u> parents, including those who stay home. This change will address the criticism that our child care initiative did little for stay-at-home parents. We are reviewing proposals to (1) double the child tax credit to $1,000 per child for all children under the age of four, at a cost of about $12 billion over five years; (2) increase the standard deduction for each child under the age of three by $1,000, at a cost of about $3 billion over five years; or (3) expand the Child and Dependent Care Tax Credit as we did last year *and* extend its benefits to parents with children below age three by assuming

minimum child care expenses of $150 each month, at a total cost of about $21 billion over five years. Each of these proposals can be dialed up or down by adjusting either the age threshold or the dollar amount. (DPC/NEC)

3. Tax Credit for Businesses Providing Child Care. We could again propose to provide a tax credit to businesses that provide child care services for their employees. The credit, which covers 25% of qualified costs but may not exceed $150,000 per year, costs $500 million over 5 years. To further build on this concept, we also propose to provide tax credits to businesses that provide on-site schools (see education section). (DPC/NEC)

4. Parent Paid Leave Plan. Many workers cannot afford to take unpaid leave following the birth or adoption of a child, even though they have access to an unpaid leave policy through FMLA or voluntary employer benefit plans. To address this problem, we are considering a proposal to provide eligible parents who already have access to unpaid leave with partial wage replacement for a set period of time. The cost of the program, which would be administered through the Unemployment Insurance System, varies according to the selected eligibility criteria. If we choose, for example, to give $200 per week for four weeks to new parents with median income (about $37,000) or below, the cost will be about $875 million for FY 2000 (including start-up and administrative expenses). (DPC)

5. FMLA Expansion to Businesses with 25 Workers (old but unarticulated policy). Under current law, workers are eligible for FMLA coverage only if they work at a business with *50 or more* employees and if they have worked at least twelve months and 1,250 hours for the employer. In your last State of the Union, you called for covering more workers under the FMLA, but did not fully articulate how you would do so. We could now advance a specific proposal to lower the FMLA threshold to 25 or more workers, which would expand coverage for up to ten million more American workers. (DPC/NEC)

6. Parent Education and Support Fund. We are considering proposals to create a competitive grant program administered by HHS to fund parent education and support programs, including home visitation programs and "second chance maternity homes" to support teen mothers and teach parenting skills. This fund could cost about $500 million over five years. (DPC)

7. Adoption Registry. We are working on plans to create an Internet-based adoption registry of foster care children waiting to be adopted, so that prospective adoptive parents can learn about these waiting children. Funding this registry would require a very small increase in HHS's Adoption Opportunities Grant Program. (DPC)

CRIME (DPC)

1. Crime Bill II. The 1994 Crime Act will expire at the end of the FY 2000 budget cycle, guaranteeing that the next Congress will consider major crime legislation. We recommend that you get a jump on this debate by using your State of the Union and FY 2000 budget to challenge

Congress to pass a new crime bill that builds on the core elements of the successful 1994 Act -- more police, smarter punishment, and more prevention. Most of the money required is already built into future budgets; continuation of the COPS program, however, will require new funds totaling about $1 billion. We believe that a new Crime Act should include the following elements:

- **Community-Oriented Policing and Prosecution Services (COPPS).** Your pledge to help fund 100,000 more police is likely to be fulfilled before the end of next summer. A new COPPS initiative (note the extra "P" for "Prosecution"), costing about $1.4 billion in the first year, could include funds to: (1) hire, redeploy, and retain an estimated 7,500 more police each year; (2) provide modern technology and equipment and support training in modern policing techniques, with a special emphasis on "hot spots" technology; (3) hire, train, and equip prosecutors to join local police in fighting crime on a more community-based, pro-active basis; and (4) support partnerships between law enforcement and community-based groups to prevent crime in their areas.

- **A new focus on probation supervision and coerced abstinence.** The punishment title of the crime bill now focuses largely on prison construction; we recommend shifting the focus to a new "Certainty of Punishment" initiative that will support the expanded use of probation supervision and of drug testing and treatment.

- **Gun initiatives.** A new crime bill should include your longstanding firearms priorities -- juvenile Brady, Brady II, federal CAP legislation and child safety locks. It also could include new proposals to: (1) close the loophole that exempts many firearms sales at gun shows and flea markets from Brady background checks; (2) expand the Youth Crime Gun Interdiction Initiative (YCGII) -- to trace all crime guns and investigate gun traffickers -- to an additional 20-40 cities; and (3) assemble gun strike forces -- teams of federal prosecutors and ATF agents, acting with local law enforcement -- to target cities with high levels of gun violence and crack down on gun traffickers.

- **Values-based crime prevention initiative.** In addition to other crime bill prevention programs, we could invest in promoting values-based crime and violence prevention efforts, such as those of Rev. Eugene Rivers. Funds from this program would go to comprehensive prevention programs run by faith-based and other institutions seking to instill and reinforce common sense values in troubled youth.

2. Safe, Disciplined, and Drug-Free Schools. At the White House Conference on School Safety, you announced that you would overhaul and strengthen the Safe and Drug-Free Schools Program. Under this proposed reform, funds will be appropriately targeted to schools with serious drug and crime problems, and schools will have to adopt rigorous, comprehensive school safety plans that include: tough but fair discipline policies, such as zero tolerance for guns and drugs; safe passage to and from schools; effective drug and violence policies and programs; annual school safety and drug use report cards; links to after school programs; efforts to involve parents; and crisis management plans. We also could include in this package (1) funds for states that adopt a policy of drug testing first-time applicants for drivers' licenses and (2) funds for school districts that adopt a policy of drug testing middle and high school students with parental consent. We believe that these reforms will require up to $450 million in new funding in FY 2000.

3. Parity for Substance Abuse Treatment. Appropriate substance abuse treatment remains unavailable to nearly half of the people who need it. To help fill this treatment gap, we could propose legislation to encourage parity between substance abuse treatment and other medical benefits. Similar to the Mental Health Parity Act signed into law in 1996, a current draft of this legislation would prohibit health care plans that provide a substance abuse benefit from setting annual or lifetime dollar limits on this benefit at a lower level than those for other medical and surgical benefits. At the same time, we would have to ensure that federal health programs provide parity between substance abuse treatment and other medical benefits; we are still exploring the cost of any necessary reforms to these programs.

4. Binge Drinking. We are working on a number of proposals regarding alcohol abuse, including (1) promoting a voluntary code for alcohol advertisements directed toward minors; (2) banning alcohol billboards near schools; (3) discouraging alcohol advertising on youth-oriented web sites; (4) and funding educational efforts about the dangers of alcohol consumption.

PENSIONS (NEC)

1. Expanded Private Pension Plan Coverage: Last year, you announced several initiatives to expand pension plan coverage which were not enacted, but which we continue to believe are important and have substantial support on the Hill. We should again call for legislation that: authorizes a simplified plan for small businesses that combines the best features of a defined benefit and defined contribution plan (SMART), costing $313 million over five years; provides a three-year tax credit to encourage small businesses to set up retirement programs, costing $508 million over five years; and authorizes payroll deductions for IRAs. We are exploring ways to expand coverage for moderate and lower-income workers. Consideration is also being given to ways of enabling multiple small businesses to pool together for pension plan administration.

2. Women's Retirement Security: To underscore the importance of pensions for women's retirement security, you would call for legislation enacting the two initiatives you announced in late October -- namely, that time taken under FMLA should count toward retirement plan vesting requirements and mandating that employer plans offer an option that pays less while the retired employee is living but pays a survivor benefit equal to at least 75 percent of the benefit the couple received while both were alive.

3. Pension Portability: You could renew your call for reducing vesting requirements from five years to three years for employer matching contributions to 401(k) and other plans to reflect an increasingly mobile workforce, and more workers moving in and out of the workforce over a lifetime. We are also exploring various options that would increase pension portability and facilitate the movement of retirement savings between plans, where this can be done without encouraging "leakage" or loss of worker protections -- e.g., providing that federal employees can roll over retirement savings from private sector qualified plans into the federal Thrift Savings Plan.

4. Expand Pension Right to Know Provisions: You could call for a pension right to know package that provides for both workers and their spouses general information relating to retirement needs and their benefits under employer retirement plans. In addition, an employee's spouse should have the same rights to get information as the employee, before waiving the statutorily provided survivor protection. You should call for a Pension Right to Know package that provides information for both workers and their spouses. We are also working on an employee education program that would provide employees with the tools they need to work with their employers to provide pension plans, and are thinking about how to encourage courses in high schools on the importance of savings and other general investment education (which can be combined with the Consumer Literacy and Education campaign described below). Consideration is also being given to a savings stamp book program in the schools (sell savings stamps in very small amounts; when the book is full, turn it in for a U.S. savings bond) to help educate the young about how to reach savings goals.

5. Increase Retirement Security: To promote security, we are continuing to work on the pension audit bill, changes to the multi employer (collectively bargained) plan rules, and expansion of PBGC's missing participant program.

COMMUNITY EMPOWERMENT **(DPC/NEC for all)**

1. **CDFI Tax Credit.** We are looking at a proposal to extend tax incentives to encourage investment in CDFIs, which would leverage additional private investment in distressed areas and stimulate the economic revitalization of those areas. Under the proposal, $100 million in non-refundable tax credits would be made available to the CDFI Fund to allocate among equity investors in qualified CDFIs using a competitive process.

2. **Microcredit Initiative.** We are working to identify means to increase support for microenterprise finance, both domestically and internationally. We are examining whether to build on Senators Kennedy's and Domenici's PRIME legislation which would provide technical assistance to microenterprise. We are also looking at increased funding for CDFI initiatives specifically targeted to microenterprise. On the international side, we are looking at whether we can increase microenterprise funding through USAID or MDBs, especially to countries hardest hit by the financial crisis.

3. **Clean Water, Parks, and Communities Bonds.** We are examining three proposals to encourage "green" infrastructure projects. The first model uses the same financing mechanism as your school construction proposal for a menu of projects: protecting and improving water quality; cleanup of contaminated sediments; waterfront reclamation and revitalization; stormwater runoff control; purchasing of green spaces to prevent sprawl; park enhancements and revitalization, and brownfields cleanup. The second model, which provides a smaller incentive than the first model, would create new tax-exempt bond authority for these state and local areas to invest in clean water,

parks, and communities. The advantage of this model is that it builds on the current system of bond finance. The final model would allocate tax credits (like the Low-Income Housing Tax Credit) to states and local areas to provide to the developers of these green infrastructure projects.

6. **Low-Income Housing and Homeownership Tax Credits.** We recommend that you again propose a 40-percent expansion of the Low-Income Housing Tax Credit, which would help develop an additional 150,000-180,000 affordable housing units over the next five years, at a cost of $1.6 billion over five years. In addition, we are examining two kinds of tax credits to promote homeownership among lower-income families. The first proposal would use the model of the Low-Income Housing Tax Credit to create a Low-Income Homeownership Tax Credit. Under this proposal, low-income families would receive a low- or zero-interest second mortgage, which would reduce their upfront costs (e.g., downpayment and closing costs) and investors would receive tax credits in return. The second proposal is a $5,000 tax credit for first-time homebuyers in Empowerment Zones or Enterprise Communities. Finally, you can call on Congress to accelerate the increase in the volume cap on private activity bonds, which would help states and localities provide below-market mortgages to first-time homebuyers with relatively low incomes.

7. **Housing for the Elderly Initiative.** This proposal is designed to improve housing for elderly people and thereby provide an alternative to nursing home care. In addition to providing capital to improve and modify such housing to meet the needs of elderly residents, the initiative would provide housing vouchers for low income elderly who live in housing developed through the Low-Income Housing Tax Credit. Because the tax credit helps subsidize rent, this proposal would allow us to leverage our resources and provide more vouchers to the poor elderly.

8. **Re-Develop 10,000 Abandoned Buildings.** Abandoned buildings are a symbol of urban blight, and an action plan to turn this around will be a powerful signal of change. We are examining different proposals to help re-develop 10,000 abandoned buildings, combining several existing programs or providing grants or tax incentives to spur private-sector redevelopment of these sites.

9. **Homelessness.** We are working on a three-part proposal that would: (1) assist the approximately 250,000 homeless veterans by increasing residential alternatives, community-based contracted care, job preparation activities, stand down activities (community-sponsored events that conduct one-stop service delivery programs for homeless veterans), the distribution of clothing, and long-term housing; (2) allow VA to sell surplus property with 10 percent of proceeds going to homeless veterans; and (3) start a demonstration project targeted to the chronically homeless to test the most promising models for moving the chronically homeless to self-sufficiency using a combination of permanent housing and links to mainstream services. Cost: $105 million -- $60 million for VA and $45 million for HUD demonstration project.

RURAL/AGRICULTURE (NEC/DPC as specified)

1. **Strengthening the Safety Net.** To help farmers suffering from the depressed export markets and natural disasters, we are considering various reforms of the crop insurance program and closing gaps

in the emergency loan program. We are paying special attention to programs that will help small family farms. (NEC)

2. Bringing the knowledge of land grant colleges to every rural American: The USDA spends $1.6 billion on agricultural research, much of it at America's land grant colleges and universities. The government could provide grants to ensure that this information is available on the Internet and is well-organized --so that all rural Americans can easily access information on topics such as crops, livestock, rural development, natural resource conservation, and food safety. (NEC)

3. Emergency Medical Services in Rural Areas. The presence of viable emergency systems is critical for residents in rural areas, because of the high rates of injury associated with jobs in these areas and the long distances to health providers. This proposal, costing about $50 million, would provide funds to States and local communities to improve access to 911 services or alternative emergency systems. It also would fund programs to help rural communities train local citizens in CPR and first responder techniques and to recruit and retain emergency personnel. (DPC)

4. Rural Transportation. Transportation is crucial to the efforts of residents and businesses in rural America to improve the livability of their communities and expand their economic activities. We are developing a rural transportation initiative that will help those who live and work in rural areas by improving the ability of farms and businesses to obtain materials and move their products to markets, and by making it easier for small communities to attract additional commercial jet air service. (NEC/DPC)

TECHNOLOGY (NEC)

1. Curbcuts on the Information Highway. We are looking at several options that would make information technology usable by people with disabilities in a manner that improves their lives: (1) investing in R&D (e.g., text-to-speech, automatic captioning, speech recognition); (2) giving disabilities groups a seat at the table as the standards for new technologies are developed; (3) making the government a model "user" of accessible technology; and (4) explore opportunities for greater deployment. In addition, the tax credit for work-related impairment expenses for people with disabilities could be used to expand the market for assistive technology.

2. A Digital Library for Science, Math and Engineering. We need to get every young student and undergraduate excited about math, science and engineering. We are exploring creating a "digital library," which would contain lectures from Nobel Prize laureates, have an ability to track and replicate cutting-edge scientific experiments, and make it easier for students and teachers to locate the best instructional material on the Internet.

3. Information Technology Research Initiative. Increasing our investment in information technology research, which is currently about $1 billion of the federal research budget, could lead to the following breakthroughs: supercomputers that can more rapidly perform important functions, such as designing life-saving drugs and predicting severe weather systems; wireless networks that can bring telemedicine and distance learning to rural America; a device of the size of a paper that could monitor the vital signs of a senior citizen, send a "911" message in the event of a medical emergency, and provide an exact location using global positioning technology; new software tools that can help us cope with "information overload" by discovering patterns in huge quantities of data; and intelligent spacecraft that can explore the Solar System. Options have been developed at roughly $100, $200 and $400 million in FY2000; and $1, $2 and $3 billion over 5 years.

4. 21st Century Research Fund. One initiative that you announced in last year's budget that we think is important to continue is the 21st Century Research Fund -- which provided across-the-board support for civilian R&D at agencies such as NIH, NSF, and Energy. For FY99, Congress provided a 10 percent increase for basic research, so this is an area where bipartisan cooperation is possible. Currently, the FY2000 budget reflects only a 2% increase in civilian research.

WELFARE REFORM, CHILD SUPPORT ENFORCEMENT, AND CHILD WELFARE (DPC)

1. Reauthorize the Welfare-to-Work Program. Congress authorized the Welfare-to-Work Program for only two years; if we wish to continue our current investment in the hardest-to-employ, we will have to propose a reauthorization of about $1.5 billion annually. Within this funding level, we propose several set-asides, totaling $500 million, for the following specific purposes: (1) work-based English-language literacy projects for immigrants and others; (2) work-based substance abuse testing and treatment programs; (3) employment services for welfare recipients with disabilities; and (4) a work-based program to promote responsible fatherhood, including efforts to increase low-income fathers' employment and earnings and ensure that they provide financial and other support to their children. At the same time, we should (1) seek an additional 50,000 welfare-to-work housing vouchers, and (2) call on Congress to make permanent the Welfare-to-Work Tax Credit and the Work Opportunity Tax Credit, both of which now expire on June 30, 1999.

2. Child Support. One initiative, costing just a few million dollars each year, would increase the prosecution of egregious child support violators by establishing multi-agency teams, working with state and local law enforcement, to identify, analyze, and investigate cases for prosecution. A pilot project of this kind is already under way in five states; this proposal would put these units in place all across the nation within the next several years. A second initiative would seek legislation to exclude doctors and other health care providers who are delinquent in child support from the Medicare program or from programs offering health professional loans.

3. Children "Aging Out" of Foster Care. Each year, nearly 20,000 18-year-olds "age out" of the public child welfare system. Federal financial support for these young people ends just at the time they are making the critical transition to adulthood. Areas for increased investment for these young adults include: (1) expanding the independent living program, which provides services to foster care children in this age group; (2) expanding the transitional living program, a competitive grant program that funds community-based organizations that provide services to this population, including housing support; and (3) giving states the option of using Federal Medicaid dollars to provide health care coverage for this population. (Cost: roughly $150 million each year)

CIVIL RIGHTS AND WOMEN'S RIGHTS (DPC)

1. **Equal Pay.** We are working on a program to be run by the EEOC and DOL to increase outreach to businesses and employees about equal pay requirements, provide technical assistance to businesses seeking to comply, improve training for EEOC employees, and expand enforcement capabilities. In addition, the program will fund research on the nature and extent of wage discrimination, as well as a new Women in Non-Traditional Occupations Initiative designed to improve access of women into occupations such as construction and high technology. Cost: about $20 million for EEOC and $10 million for DOL.

2. **Abortion Violence.** We are working on a comprehensive initiative to address violence against providers of reproductive health services. This initiative may include: (1) a National Task Force established by the Department of Justice that will conduct investigations of abortion violence, collect and collate information related to clinic violence, and provide training to federal, state, and local law enforcement personnel on how to address this problem; (2) special security measures, including stepped-up U.S. Marshal support, at clinics identified to be at risk of violence; and (3) federal guarantees of loans taken out by clinics that must rebuild after they have been attacked. Cost: Unknown at this time.

TRANSPORTATION (NEC/DPC as specified)

1. **Reauthorization of the FAA, with Focus on Modernization and Competition.** A blue-ribbon bi-partisan panel concluded last year that the air transportation system faces "gridlock" within a decade without sweeping changes. We are considering various policy options to incorporate into the FAA reauthorization that you will propose in 1999 (it is a must pass this year) that will: (1) improve the efficiency and capacity of the nation's aviation system, and (2) enhance competition and service to rural areas. Some of the components of this initiative would include: centralizing the air traffic control services (ATS) in a performance-based organization (recommended by the bi-partisan panel); financing ATS for commercial aviation through cost-based user fees (supported by the major airlines); increasing Passenger Facility Charges (PFCs) to finance airport expansion nationwide (supported by state and local governments); modifying federal rules on how airports can use PFCs and other funds to encourage new airline entrants; and enhancing service to underserved areas.

We are also looking at ways to further competition in international aviation. The Administration has extended the benefits of competition by negotiating dozens of bilateral open-skies agreements. We could press our trading partners for World Wide Open Skies and explore lifting other restrictions on foreign aviation investment and operation on a reciprocal basis. (NEC)

2. **Auto Safety.** We are making headway on auto safety. Last year, the number and rate of auto fatalities declined. However, we still have a long way to go -- more than 40,000 Americans die in auto accidents each year, at a direct cost of $150 billion. The keys are seatbelts (more) and alcohol (less). We are working on a comprehensive initiative that would include: (1) meeting the President's goal of 85 percent seatbelt compliance by the year 2000, which would save 4,000 lives and nearly

$7 billion; (2) promoting education initiatives like the Buckle-Up America campaign; (3) enforcing the TEA-21 requirement that states lower the legal blood alcohol content level from .10 to .08; and (4) pushing a new Administration initiative on children's safety that will target auto accidents, among other problems, by promoting the use of child safety seats, booster seats (for children ages 4-8), and bicycle helmets. (NEC/DPC)

3. Transportation Needs of the Aged. With the number of Americans over 65 expected to grow by half by 2020, we should begin addressing the need to ensure their continued mobility, independence and safety in their later years. We are only beginning to look at this issue with DOT, which plans to hold six town meetings soon with senior citizens, medical experts, transportation safety specialists, and others to discuss the problems and challenges and identify best practices. The U.S. will host an international conference on this topic next year, in connection with the United Nation's Year of Older Persons. This may be combined with the long-term care and the housing for the elderly initiatives. (NEC)

4."Smart Growth" and Sustainable Development. One of the biggest challenges facing America's communities is that "sprawl" development is threatening the long-term economic vitality and quality of life in America's urban, suburban and rural areas. Although land use decisions should remain the domain of state and local government, the federal government can be an effective partner. First, we will continue investing in sustainable transportation. TEA-21 authorizes a record $41 billion over the next six years for transit; increases tax-free transit benefits; and expands communities' ability to transfer funds from highway construction to transit, bicycle and pedestrian programs, telecommuting and other forms of transportation that reduce congestion and pollution. Second, we will provide incentives to make it easier for communities to pursue smart growth policies, by exploring ways cities can capture the air quality benefits of sustainable development and by supporting a private sector initiative that would encourage mortgage lenders to consider the savings from "location efficiency"in making mortgage determinations for homebuyers . (NEC)

ENERGY (NEC)

1. Electricity Restructuring. You could call on Congress to enact legislation, to make the electricity industry more competitive and to provide more choices for industrial, commercial and residential customers. The Administration's Comprehensive Electricity Competition Act will save consumers $20 billion a year. Retail competition will not only improve efficiency, but also reduce the two-thirds waste of energy currently associated with fossil-fuel generation of electricity, thereby cutting greenhouse gas emissions. Prominent Republicans have included electricity restructuring on their list of priorities for 1999.

2. Distributed Generation ("Micropower"). To increase the consumer savings and environmental benefits from electricity competition, the Administration will pursue legislation to eliminate obstacles to the use of small, clean efficient generation technologies (e.g., fuel cells and photovoltaics) that can be installed at or near the electricity user's site. Moving from large, central-station generation of electricity to distributed generation by small, clean sources is analogous to the move from mainframe computers to personal computers.

FINANCIAL SERVICES (NEC/DPC as specified)

1. Consumer Financial Literacy and Education. We are currently developing a set of proposals to promote consumer financial awareness and enhance consumer credit literacy, ranging from a public awareness campaign to establishing an educational clearinghouse to disseminate quality curricula to high school students. We are also working on a study to identify what the biggest problems are with how Americans use consumer credit, and what basic banking services and steps they can take to help themselves (this may be very important if bankruptcy reform is a live item next year). Part of our focus is on reaching out to low-income households, building on (and expanding) two existing government programs -- Treasury's Electronic Funds Transfer program that was a first step in helping the "unbanked" enter into electronic commerce and a USDA extension program that is providing some (limited) services to rural low-income families. This proposal would cost $5-10 million. (NEC)

2. Consumer Financial Bill of Rights. In order to respond to the outrage consumers feel about ATM surcharges, without supporting economically questionable regulation of ATM fees, we are considering a proposal either for the government or for financial institutions voluntarily to make publicly available a list of basic banking services and fees on an individual or geographic basis to be published periodically over the Internet. The services profiled would include, but would not be limited to, charges for access to ATMs. We are also considering the adequacy of current credit card disclosure requirements (again, relevant to bankruptcy reform) and other areas where information about financial service arrangements would be helpful to consumers. This would cost $3-5 million. (NEC/DPC)

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THE WHITE HOUSE

WASHINGTON

September 16, 1998

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC October Event Ideas

Health Care

Long-Term Care: If Democrats decide to introduce an alternative tax bill, we could do an event (either before or concurrent with the Democratic unveiling) that highlights the President's long-term care initiative. The President's proposal would provide for a $500-$1,000 tax credit to people with long-term care needs or their caregivers. It would cost about $5 billion over 5 years and help about 2.2 million people. At the same time, the President could call for the Federal Employees Health Benefit plan to offer long-term care insurance to federal employees. OPM estimates that 300,000 people would buy these policies.

Work Incentives and Health Care for People with Disabilities: Within a week, we will know whether the Senate will vote on the Jeffords-Kennedy Work Incentives Improvement Act -- the disability community's top health priority -- this year. If the bill does come to a vote, we could do a strong event with the disability and AIDS communities emphasizing our involvement in developing the bill and calling on the Senate to pass it. We also could announce the approval of four states for the new "date certain" grant program. This initiative (long sought by the disability community) gives states the ability to use Medicaid funds to offer a time-limited opportunity for institutionalized disabled persons to return to their communities to receive the long-term care services they need. The disabilities community views the program as an important step in moving Medicaid away from its historic bias toward institutionalizing the chronically ill.

OK

OK

Children's Health: October is the first anniversary of the effective date of the Children's Health Insurance Program (CHIP), and October 5 is Child Health Day. We could release the first annual report on states' progress in implementing CHIP, which is expected to coincide with a sufficient number of state approvals to cover 2.5 million kids. At this event, we would launch phase one of our children's health outreach campaign with NGA, which includes new radio ads in 10 states (set to begin October 1) targeted to parents of uninsured children eligible for CHIP or Medicaid. We also are trying to get a commitment from Americorps to participate in signing families up for Medicaid and CHIP on the local level.

Good

Patients' Bill of Rights: We would like to do at least one more patients' bill of rights event, preferably on the road, prior to the election. We might want to do a kind of wrap-up event, now

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that we have just about finished applying the bill of rights to federal health plans, toting up everything we have done by executive action (i.e., how many people covered) and comparing it to what Congress has accomplished (i.e., nothing). The AFL-CIO (per Jerry Shea) strongly favors this event.

Cancer Event(s): In addition to the September 26 Cancer March (and the President's possible involvement through a radio address), October is National Breast Cancer Awareness month. It is also the fifth anniversary of the President's launching of the National Action Plan on Breast Cancer. We have tentatively scheduled October 21 for an event with the First Lady to (1) release a new report on the progress the Administration has made in the fight against breast cancer, and (2) highlight a new information outreach and screening campaign focused on underserved minorities. Because of the President's strong cancer record, as well as his desire to underscore our commitment to ending health disparities among races, the President might want to participate in this event.

Elder Abuse: See Crime section of this memo.

Education

This would be good to do at a charter school

September Grants: The Education Department will announce prior to September 30: (1) technology grants ($30 million to 17 states); (2) charter school grants ($60 million to 20 states); (3) safe and drug free school grants ($5 million for model school partnerships and universities); and (4) school-to-work grants ($40 million to urban and rural communities, which must be given on September 30). We can try to combine as many of these grants as possible into a single event, perhaps in Chicago.

Potential Bill Signings: (1) The Higher Education Act is virtually certain to pass this session, though the timing is uncertain. It is likely to contain provisions to reduce student loan interest rates, as well as programs based on our High Hopes and Teacher Recruitment and Preparation proposals. (2) Prospects for passing the charter schools legislation are decent, though hardly guaranteed. (3) Ditto the prospects for passing an early literacy bill.

Do #1 to sign

Safe Schools Conference: On October 15, the President will host a White House Conference on School Safety and take the following actions: (1) release the first annual report on school safety, including school crime data, information on model safe schools, and recommended action steps for parents and teachers; (2) unveil a proposal to reform the Safe and Drug Free Schools program and call for additional funds in the FY 2000 budget; (3) announce a new FEMA-like program of assistance for communities that have experienced school-related violence; (4) launch new comprehensive school safety grants that will bring together disparate streams of funding from the Departments of Justice, Education, and Health and Human Services; and (5) start a partnership with MTV on school safety, which includes a year of PSAs.

THE PRESIDENT HAS SEEN
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Can't do while in LA?

Crime

September COPS Grants: The President could announce in late September $370 million in grants to hire or redeploy 11,500 more police officers. This announcement would include $100 million for Los Angeles to hire 700 new police officers, $70 million for the rest of California to hire 800 new officers, and $200 million for COPS MORE grants to allow police departments in communities across the nation to redeploy more than 10,000 officers.

Let's do an event on this good

Elder Abuse and Fraud: The President could take several actions to combat elder abuse and fraud, including: (1) releasing the preliminary findings of an HHS study on elder abuse; (2) creating a new national center on elder abuse; (3) calling on Congress to reauthorize the Older Americans' Act, which includes services to help older Americans at risk for abuse; (4) launching a new partnership between the Justice Department and AARP to create Elder Fraud Prevention Teams (EFPTs) in four cities (Miami, Phoenix, San Diego, and Seattle); (5) releasing roughly $3 million in Justice Department grants to combat fraud against the elderly (by September 30); and (6) posting new information on telemarketing fraud on the Department of Justice Web site.

TOP COPS Legislation: The President could sign legislation to expand educational benefits for the children of slain local law enforcement officers at the NAPO TOP COPS event on October 9, assuming the legislation is passed in time. The President endorsed this proposal at last year's TOP COPS event. The bill has passed the Senate and is waiting for a floor vote in the House.

[illegible]

good

1997 FBI Crime Statistics: Coinciding with the October 18 release of the final 1997 FBI Uniform Report -- which will continue to show large decreases in crime -- the President could give a major policy speech on how this Administration's efforts have helped to fuel the longest sustained drop in violent crime in nearly 40 years. The speech would commemorate the fourth anniversary of the landmark 1994 Crime Act; highlight the crime policies, including signature initiatives such as COPS, that have helped to change the nation's approach to crime; and begin to make the case for new crime proposals that will be included in the State of the Union and FY 2000 budget.

Youth Crime Gun Interdiction Initiative: Anytime after October 23, the President could: (1) release the second annual report on the Youth Crime Gun Interdiction Initiative (YCGII), which will provide new ATF data on guns used in crimes in 27 cities; (2) announce the availability of new funds to hire new ATF agents to investigate gun trafficking in these 27 cities; and (3) propose a dramatic expansion of this initiative in the FY 2000 budget to all major cities (i.e., the 65-70 cities with populations of 250,000 or more), which would cost about $30 million (pending OMB's approval). Additionally, because we expect the YCGII report to make a strong case for cracking down on "straw purchasers" and gun shows, we are considering whether the President should announce his support for legislation requiring background checks for all secondary market gun purchases.

Issue in Florida
good idea

THE PRESIDENT HAS SEEN
9-21-98

Children and Families

Head Start Reauthorization Bill: The President should have the opportunity to sign a Head Start Reauthorization bill this year. A bill signing could highlight the how the Administration has (1) significantly increased Head Start participation; (2) dramatically improved program quality; and (3) created Early Head Start for infants and toddlers.

Quality Child Care for Federal Employees Act: The President may get an opportunity to sign the Quality Child Care for Federal Employees Act, which makes important improvements to federally-sponsored child care by building on an executive memorandum that the President issued in March 1998. (Congress, however, might add this measure to an appropriations bill.) We could announce new CCDBG data (see just below) at this signing.

New Child Care Data. The President could announce new data of the number of children served with child care assistance through the Child Care and Development Block Grant (CCDBG). This data will point to the need for increased investment in the block grant; we expect the data to indicate that we are serving approximately 1.8 million children of the 10 million eligible for assistance. This is the first data to examine the CCDBG created by welfare reform in 1996 (when four child care assistance programs were consolidated).

CEO Roundtable Discussion on Work/Family Issues: The President could host a meeting of CEOs to discuss "family-friendly" workplace practices that meet the needs of the nation's changing workforce. The President could release a new CEA report, if it is ready, on Families and the Changing Labor Market. Additionally, the President could signal support for the design of a paid parental leave program (policy development process required). This meeting would build on the work of the Treasury Child Care Working Group, run by Secretary Rubin.

Welfare

National Child Support Case Registry: HHS is almost ready to put in place a new national database of child support cases, called a Federal Case Registry. This database will make it easier to locate deadbeat parents, especially if they have moved to a different state; HHS will check the Registry daily against an existing database of new employees; when it finds a match, it will report the information to the state, which then will arrange to garnish the wages of the delinquent parent. The registry was proposed by the President in 1994 and enacted as part of the 1996 welfare reform law. States will begin to submit their case data to HHS on October 1; HHS expects to have 30 states in its system by the end of October and 40 states by the end of the year. We could unveil the new registry anytime in October.

Work Participation Rates and Other Statistics: In late October, the President could visit a welfare-to-work program and announce (1) new state work participation rates, showing that almost all states are meeting the welfare law's single-parent requirements, but some are failing to meet the law's separate two-parent requirement; (2) new caseload data showing continuing declines; and (3) new data on the number of people who were on welfare in 1997 and working in March 1998.

Tobacco

OSHA Rule: The President could sign an Executive Order directing OSHA to issue within one year a standard establishing a smoke-free workplace for all private sector employees. OSHA has been working since 1991 on a standard regulating all indoor air pollutants (including but not limited to environmental tobacco smoke), but is years away from completing the standard, principally because there is scanty scientific evidence to justify the regulation of certain non-ETS pollutants. If the President ordered a separate standard only on ETS, OSHA believes it could complete the work within a year. The resulting standard would be similar to the August 1997 Executive Order banning smoking in federal buildings.

Counteradvertising: In an event focusing on counteradvertising, the President could direct HHS to: (1) designate the CDC's Media Campaign Resource Center as a National Clearinghouse on Tobacco Counteradvertising; (2) collect and disseminate a package of the top-10 advertisements for preventing youth smoking, and make these available to states and organizations for television placement free of charge; and (3) make effective anti-tobacco curriculum available to every school. Supermodel Christy Turlington and the musical group "Boyz II Men" have made PSAs that would be among the top-10 package, and we could invite them to participate in the event.

Department of Defense Anti-Tobacco Plan: The President could help unveil the DOD's new comprehensive anti-tobacco plan. This plan includes: health plan coverage of over-the-counter nicotine replacement therapies; an extensive counteradvertising campaign; and the incorporation of anti-tobacco messages into military education and training programs. The total cost is about \$60 million. The Secretary of Defense and/or Chairman of the Joint Chiefs of Staff could join the President.

Food Safety

Maybe

Salmonella and Research: The President could announce a preliminary USDA study showing that salmonella risks have declined by almost 50 percent in chicken and almost 40 percent in swine, largely because of the HACCP program. At the same time, he could participate in a kind of "show and tell" event demonstrating the importance of research to food safety, showing for example how federal research has led to technologies dramatically reducing salmonella in chicken and e-coli in cows.

Service

Americorps 100,000th Member Event: CNS is planning national service events in Washington and around the country on October 23 to celebrate the swearing-in of the 100,000th Americorp member. At this event (or at some other time), the President also could announce: (1) new grants to support 500-1000 Americorps Promise Fellowships to support the goals set at the Presidents' Summit; (2) the recipients of the President's Service Awards, the nation's highest volunteer service award; and (3) the recipients of the President's Student Service Awards.

Community Empowerment

Individual Development Accounts: The President may have an opportunity to sign a bill to provide funds for IDAs, which the President has supported since 1992. At the bill signing, the President could announce that he is sending a letter to the bank regulators asking that IDA accounts count towards a financial institution's CRA requirements.

THE WHITE HOUSE

WASHINGTON

September 16, 1998

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September Grants: The Education Department will announce prior to September 30: (1) technology grants ($30 million to 17 states); (2) charter school grants ($60 million to 20 states); (3) safe and drug free school grants ($5 million for model school partnerships and universities); and (4) school-to-work grants ($40 million to urban and rural communities, which must be given on September 30). We can try to combine as many of these grants as possible into a single event, perhaps in Chicago.

Potential Bill Signings: (1) The Higher Education Act is virtually certain to pass this session, though the timing is uncertain. It is likely to contain provisions to reduce student loan interest rates, as well as programs based on our High Hopes and Teacher Recruitment and Preparation proposals. (2) Prospects for passing the charter schools legislation are decent, though hardly guaranteed. (3) Ditto the prospects for passing an early literacy bill.

Safe Schools Conference: On October 15, the President will host a White House Conference on School Safety and take the following actions: (1) release the first annual report on school safety, including school crime data, information on model safe schools, and recommended action steps for parents and teachers; (2) unveil a proposal to reform the Safe and Drug Free Schools program and call for additional funds in the FY 2000 budget; (3) announce a new FEMA-like program of assistance for communities that have experienced school-related violence; (4) launch new comprehensive school safety grants that will bring together disparate streams of funding from the Departments of Justice, Education, and Health and Human Services; and (5) start a partnership with MTV on school safety, which includes a year of PSAs.

Crime

September COPS Grants: The President could announce in late September $370 million in grants to hire or redeploy 11,500 more police officers. This announcement would include $100 million for Los Angeles to hire 700 new police officers, $70 million for the rest of California to hire 800 new officers, and $200 million for COPS MORE grants to allow police departments in communities across the nation to redeploy more than 10,000 officers.

Elder Abuse and Fraud: The President could take several actions to combat elder abuse and fraud, including: (1) releasing the preliminary findings of an HHS study on elder abuse; (2) creating a new national center on elder abuse; (3) calling on Congress to reauthorize the Older Americans' Act, which includes services to help older Americans at risk for abuse; (4) launching a new partnership between the Justice Department and AARP to create Elder Fraud Prevention Teams (EFPTs) in four cities (Miami, Phoenix, San Diego, and Seattle); (5) releasing roughly $3 million in Justice Department grants to combat fraud against the elderly (by September 30); and (6) posting new information on telemarketing fraud on the Department of Justice Web site.

TOP COPS Legislation: The President could sign legislation to expand educational benefits for the children of slain local law enforcement officers at the NAPO TOP COPS event on October 9, assuming the legislation is passed in time. The President endorsed this proposal at last year's TOP COPS event. The bill has passed the Senate and is waiting for a floor vote in the House.

1997 FBI Crime Statistics: Coinciding with the October 18 release of the final 1997 FBI Uniform Report -- which will continue to show large decreases in crime -- the President could give a major policy speech on how this Administration's efforts have helped to fuel the longest sustained drop in violent crime in nearly 40 years. The speech would commemorate the fourth anniversary of the landmark 1994 Crime Act; highlight the crime policies, including signature initiatives such as COPS, that have helped to change the nation's approach to crime; and begin to make the case for new crime proposals that will be included in the State of the Union and FY 2000 budget.

Youth Crime Gun Interdiction Initiative: Anytime after October 23, the President could: (1) release the second annual report on the Youth Crime Gun Interdiction Initiative (YCGII), which will provide new ATF data on guns used in crimes in 27 cities; (2) announce the availability of new funds to hire new ATF agents to investigate gun trafficking in these 27 cities; and (3) propose a dramatic expansion of this initiative in the FY 2000 budget to all major cities (i.e., the 65-70 cities with populations of 250,000 or more), which would cost about $30 million (pending OMB's approval). Additionally, because we expect the YCGII report to make a strong case for cracking down on "straw purchasers" and gun shows, we are considering whether the President should announce his support for legislation requiring background checks for all secondary market gun purchases.

Children and Families

Head Start Reauthorization Bill: The President should have the opportunity to sign a Head Start Reauthorization bill this year. A bill signing could highlight the how the Administration has (1) significantly increased Head Start participation; (2) dramatically improved program quality; and (3) created Early Head Start for infants and toddlers.

Quality Child Care for Federal Employees Act: The President may get an opportunity to sign the Quality Child Care for Federal Employees Act, which makes important improvements to federally-sponsored child care by building on an executive memorandum that the President issued in March 1998. (Congress, however, might add this measure to an appropriations bill.) We could announce new CCDBG data (see just below) at this signing.

New Child Care Data. The President could announce new data of the number of children served with child care assistance through the Child Care and Development Block Grant (CCDBG). This data will point to the need for increased investment in the block grant; we expect the data to indicate that we are serving approximately 1.8 million children of the 10 million eligible for assistance. This is the first data to examine the CCDBG created by welfare reform in 1996 (when four child care assistance programs were consolidated).

CEO Roundtable Discussion on Work/Family Issues: The President could host a meeting of CEOs to discuss "family-friendly" workplace practices that meet the needs of the nation's changing workforce. The President could release a new CEA report, if it is ready, on Families and the Changing Labor Market. Additionally, the President could signal support for the design of a paid parental leave program (policy development process required). This meeting would build on the work of the Treasury Child Care Working Group, run by Secretary Rubin.

Welfare

National Child Support Case Registry: HHS is almost ready to put in place a new national database of child support cases, called a Federal Case Registry. This database will make it easier to locate deadbeat parents, especially if they have moved to a different state; HHS will check the Registry daily against an existing database of new employees; when it finds a match, it will report the information to the state, which then will arrange to garnish the wages of the delinquent parent. The registry was proposed by the President in 1994 and enacted as part of the 1996 welfare reform law. States will begin to submit their case data to HHS on October 1; HHS expects to have 30 states in its system by the end of October and 40 states by the end of the year. We could unveil the new registry anytime in October.

Work Participation Rates and Other Statistics: In late October, the President could visit a welfare-to-work program and announce (1) new state work participation rates, showing that almost all states are meeting the welfare law's single-parent requirements, but some are failing to meet the law's separate two-parent requirement; (2) new caseload data showing continuing declines; and (3) new data on the number of people who were on welfare in 1997 and working in March 1998.

Tobacco

OSHA Rule: The President could sign an Executive Order directing OSHA to issue within one year a standard establishing a smoke-free workplace for all private sector employees. OSHA has been working since 1991 on a standard regulating all indoor air pollutants (including but not limited to environmental tobacco smoke), but is years away from completing the standard, principally because there is scanty scientific evidence to justify the regulation of certain non-ETS pollutants. If the President ordered a separate standard only on ETS, OSHA believes it could complete the work within a year. The resulting standard would be similar to the August 1997 Executive Order banning smoking in federal buildings.

Counteradvertising: In an event focusing on counteradvertising, the President could direct HHS to: (1) designate the CDC's Media Campaign Resource Center as a National Clearinghouse on Tobacco Counteradvertising; (2) collect and disseminate a package of the top-10 advertisements for preventing youth smoking, and make these available to states and organizations for television placement free of charge; and (3) make effective anti-tobacco curriculum available to every school. Supermodel Christy Turlington and the musical group "Boyz II Men" have made PSAs that would be among the top-10 package, and we could invite them to participate in the event.

Department of Defense Anti-Tobacco Plan: The President could help unveil the DOD's new comprehensive anti-tobacco plan. This plan includes: health plan coverage of over-the-counter nicotine replacement therapies; an extensive counteradvertising campaign; and the incorporation of anti-tobacco messages into military education and training programs. The total cost is about $60 million. The Secretary of Defense and/or Chairman of the Joint Chiefs of Staff could join the President.

Food Safety

Salmonella and Research: The President could announce a preliminary USDA study showing that salmonella risks have declined by almost 50 percent in chicken and almost 40 percent in swine, largely because of the HACCP program. At the same time, he could participate in a kind of "show and tell" event demonstrating the importance of research to food safety, showing for example how federal research has led to technologies dramatically reducing salmonella in chicken and e-coli in cows.

Service

Americorps 100,000th Member Event: CNS is planning national service events in Washington and around the country on October 23 to celebrate the swearing-in of the 100,000th Americorp member. At this event (or at some other time), the President also could announce: (1) new grants to support 500-1000 Americorps Promise Fellowships to support the goals set at the Presidents' Summit; (2) the recipients of the President's Service Awards, the nation's highest volunteer service award; and (3) the recipients of the President's Student Service Awards.

Community Empowerment

Individual Development Accounts: The President may have an opportunity to sign a bill to provide funds for IDAs, which the President has supported since 1992. At the bill signing, the President could announce that he is sending a letter to the bank regulators asking that IDA accounts count towards a financial institution's CRA requirements.

Copied
Bowles
Podesta
Emanuel
Reed
Kagan
Sperling
Katzen

EB/Podesta/Rahm
we should do as many of these as possible - see my note - we need to prioritize
BC

THE WHITE HOUSE

WASHINGTON

June 24, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed, Elena Kagan
Gene Sperling, Sally Katzen

7-14-98

SUBJECT: Summer Announcements and Events

Listed below are ideas for announcements and events that you could do this summer. We have noted which of our offices has primary responsibility for each idea.

Health (DPC/NEC as noted below)

Release New Executive Order Authorizing OPM to Terminate FEHBP Insurance Plans That Are Out of Compliance with Kennedy-Kassebaum Law. This policy would strengthen enforcement of the Kennedy-Kassebaum law by allowing the Federal Employees' Health Benefits Plan (FEHBP) to take action against any insurer that discriminates against sicker patients -- including by terminating the insurance plan. Although we have not seen many reports of discrimination recently, advocates would characterize this action as reducing the likelihood of future abuses. We would announce the policy at an event including men and women who have suffered from these kinds of insurance practices. (DPC)

Release New HHS Report on Long-Term Care and Announce Policy Initiative(s). A new report from HHS shows that millions of American families care for chronically ill elderly relatives and friends, and that this care places a significant strain on families. The President could announce an initiative to encourage private long-term care insurance by offering it through the FEHBP and/or counseling Medicare beneficiaries to consider private insurance. In addition, if we are willing to consider proposals with budgetary effects, we could announce a new respite care tax credit, which we are in the preliminary stages of reviewing. (DPC/NEC)

Approve the 25th State Children's Health Insurance Program. As of today, HHS has approved the CHIP plans of 20 states, which should cover about 2.5 million children when fully implemented; we expect to reach the half-way mark by approving the 25th CHIP plan early next month. We could use this occasion to release another progress report and hold an event featuring families already helped by the program and a bipartisan group of governors. (DPC)

Enhance Welfare-to-Work Commitment by Giving States Option to Maintain Health Insurance for Working Adults. We may be able to issue a new HHS regulation that would allow more states to provide Medicaid coverage to more low-income two-parent families. (Current federal law, applicable in all states without pre-welfare law waivers on this subject, limits Medicaid to only those two-parent families in which the parents work less than 100 hours per month.) States believe that this regulation would enhance welfare-to-work efforts and encourage two-parent families. The regulation, however, has large cost implications (about $800 million over five years), and we are currently discussing with OMB whether an offset for such a regulation is needed. (DPC)

Announce Policies for People with Disabilities. We have been working on administrative and legislative policies to enable people with disabilities to (1) reside in their communities, rather than institutions, and (2) return to work activities. For example, we are working on a legislative proposal to provide personal care assistance services to enable people with disabilities to return to work. We also are exploring ways to develop and spread new technologies that enable people with disabilities to live and work more easily. These proposals generally will have budget implications; we are currently working with OMB on finding appropriate offsets. We could announce these actions on July 26, the anniversary of the Americans with Disabilities Act. (DPC/NEC)

Announce Outreach Effort for Low-Income Medicare Beneficiaries. A new report, to be released by Families USA in early July, will show that about 3.9 million eligible Medicare beneficiaries -- nearly half of all eligible beneficiaries -- do not get premium assistance . We could release an executive directive to HCFA, SSA, and the Administration on Aging to implement new outreach and enrollment initiatives. (At the very least, such an action would inoculate us against the Families USA report, which is likely to receive a great deal of attention). (NEC)

<u>**Education (DPC/NEC as noted below)**</u>

Announce New Legislation, With Offsets, to Reduce Class Size. Senator Murray intends to introduce legislation with as many as 20 co-sponsors to implement your class size initiative. DPC and OMB are working with Murray's staff on potential offsets that she could use in making this announcement. We think you could participate in the announcement of this legislation (as you previously expressed interest in doing) without binding yourself to using the offsets for this (and only this) purpose. (DPC)

Announce New Bilingual Education Plan. You could transmit legislation to reform the federal bilingual program, including by requiring school districts to establish a goal of moving all Limited English Proficient (LEP) students into regular English language classes within three years. We are sending you a separate memo on the pros and cons of taking this action. Irrespective of whether you decide to transmit such legislation, you could take other actions to assist LEP students -- for example (1) propose ways to strengthen teaching for LEP students (e.g., by recruitment and training initiatives); (2) issue a directive to the Secretary of Education to report on best practices of teaching English to LEP students, as well as to conduct or support further research in this area; (3) support community-based initiatives that supplement school programs for LEP students; and (4) propose ways of strengthening foreign language education for English-speaking students. Some of these proposals would have budgetary implications, but we do not yet have good cost estimates. (DPC)

Announce First Grants of Comprehensive School Reform (Obey/Porter) Program. The Education Department will soon be ready to announce grants under the new Comprehensive School Reform program. These grants will support proven school reforms in hundreds of schools. You or the Vice President could make this announcement. (DPC)

Launch the Education Department's Summer Reading Initiative. Seventy partnerships across the country will launch summer reading programs aimed at young children next month. You could help to kick off these programs, while calling on Congress again to enact America Reads (if it has not yet done so). (DPC)

Announce Grant to DC Training Alliance. You could announce a Labor Department pilot program that would give a $1.2 million planning grant (the "metro-tech grant") to the DC, MD, and VA job-training systems to train workers to meet the demand in this area's high-tech industry. The pilot program will fund 100 workers. We expect the pilot to lead to a demonstration project serving 3,000 people at a cost of $17 million. We can announce this grant anytime the near future. (NEC)

Participate in School Construction and Smaller Class Size Day. You, the Vice President, Mrs. Clinton, and Mrs. Gore all could participate in a back-to-school day that would focus on school construction and smaller class sizes. In advance of this day, you would ask parents, volunteers, Members of Congress, and community leaders to join together to help rebuild, renovate, and modernize local public schools. The event would provide a terrific visual and give Democrats in Congress a chance to highlight this important issue in the fall. (NEC)

Report on Success of School-to-Work Program. We expect a major study to be released soon on School-to-Work, one of the signature programs of your first year in office. If it is positive, we might use the release of this study to highlight the program, call for the business community's continued participation in it, and attack right-wing opposition. We are not sure of the timing of this report. One problem with this event is that our current budget scales back the school-to-work program (from $400 million to $250 million). (NEC)

<u>Crime and Drugs (DPC)</u>

Announce Support for Child Access Prevention Legislation, Issue Child-Proof Gun Challenge, and Issue Regulation on New Gun Signs. You could (1) support child access prevention legislation (both Sen. Durbin and Rep. McCarthy have bills) that would hold adults liable if they give children easy access to guns; (2) challenge industry to get a child-proof gun (<u>i.e.</u>, a gun that can be shot only by authorized adults) on the market by the year 2000; and/or (3) announce a Treasury Department regulation (responding to a directive you signed a few months ago) requiring gun dealers to post signs warning gun purchasers about their responsibility to keep guns away from children.

Report on Youth Crime Gun Interdiction Initiative and Press for Congress to Fund Our Budget Request. The second anniversary of your gun tracing initiative falls in July, and we may have a report by then on the continued success of this program. (If not, the report will be ready later in the summer.) Our budget asked for $28 million to expand this initiative, which the House appropriations subcommittee fully funded last week. An event could keep up the pressure for full funding of this initiative. We could combine the event with the actions on youth access to guns described above.

Announce Federal Drug Strike Force for Chicago and Support for Chicago's Anti-Gang Ordinance. DOJ is prepared to announce that it will dedicate some 300 federal agents and 20 prosecutors to form a drug strike force in Chicago. We have promised Mayor Daley that we will make this announcement soon. At the same time, we could comment on the brief we just filed in the Supreme Court supporting Chicago's anti-gang ordinance.

Announce New Demonstration Project to Fund Faith-Based Anti-Crime Programs. DOJ is now considering whether and how to put together a demonstration project to fund faith-based anti-crime programs, such as the one profiled recently in a Newsweek cover story. We will have to work through some constitutional concerns, but we could be ready to go on this new effort by mid-summer. Some of your advisors, however, have reservations about such a religiously-oriented grant program.

Announce New COPS Grants. We will have several opportunities this summer to announce new cop grants, including grants targeted to combating methamphetamine use and extensions of prior grants (i.e., a fourth year of funding) in small cities. We should try to time such an announcement to coincide with new crime statistics.

COPS in Schools. By the end of the summer, the Departments of Justice and Education should be ready to (1) offer recommendations to you for getting more police to work with schools (in response to your directive last week); (2) release COPS grants to provide additional law enforcement assistance in schools; (3) hold a conference on how law enforcement officers can help to keep schools safe; and (4) issue a report on the success of the Safe and Drug Free Schools Program.. We could try to package these announcements in a single event.

Release Early Warning Guide for Schools; Follow Up With Annual Report on School Safety. In compliance with your recent directive, the Departments of Justice and Education are scheduled to complete by the end of summer a guide for schools on how to identify and respond to early warning signs of troubled youth. We could combine release of this report with a White House meeting with officials of the cities that recently have suffered school shootings. A month or so later, in early October, the Justice Department will be ready to release the annual report on school safety that you ordered in the wake of the Paducah shooting. This document will compile all data on school crime, discuss successful strategies to reduce school violence, and include a

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checklist for parents on school safety. You could use the release of this report as an opportunity to address hundreds of schools by satellite on school violence issues.

Good

Launch Nationwide Phase of Our Anti-Drug Media Campaign. You are currently scheduled to announce the national roll-out of the $195 million media campaign in July. ONDCP will buy a "roadblock" on network TV that night, unveil new ads, and host local events in scores of participating cities.

Release Drug Court Grants. You could announce the latest drug court grants from DOJ and highlight the success of this program, as you previously have indicated some interest in doing. (As you know, a recent study showed some very good results.) You could combine the release of these grants with the launch of the anti-drug media campaign discussed just above, or alternatively combine it with the release of new DUF/ADAM (Drug Use Forecasting/Arrestee Drug Abuse Monitoring) data, which will almost certainly show that most arrestees in our major cities test positive for drugs, and that more resources are needed to test, treat, and sanction these offenders.

Release Results of Household Survey. The Household Survey -- one of two major drug surveys on teen drug use -- should be out by August. Last year's survey was the first to indicate a dip in teenage drug use, and this year's is likely to show the same. The Survey also will contain new data on youth tobacco use.

Release Stalking Report and Associated Policies. DOJ is preparing a report showing that about eight million women in this country report having been stalked. We are working with DOJ on policy recommendations to go with this report, but have not yet determined their exact content.

<u>Tobacco (DPC)</u>

Bring Medicare Suits Against Tobacco Companies? We and the Counsel's Office will advise you within the next couple of weeks on whether the federal government should bring suit against the tobacco companies for losses to the Medicare program caused by tobacco-related disease. <u>If</u> you choose to go ahead with these suits, you can direct the Attorney General to <u>prepare the suit for filing</u>. (There is little chance that the suit will actually be ready to file this summer.)

Prevent Filmmakers from Using Federal Facilities for Films that Contain Youth Smoking. We are exploring whether agencies that oversee federal facilities (<u>e.g.</u>, DOD, the Forest Service) can require, as a condition of granting a permit to film a movie on those facilities, that the movie not show (or perhaps, not glamorize) youth smoking or drug use. Your advisors are very split on this idea -- some love it, some hate it -- and we are continuing to explore it.

Release Report on Effects of Price Increases on Youth Smoking. We are ready to release a Treasury Department report showing how price increases can dramatically reduce youth

Good

smoking. This report should be useful to show the absurdity of the House Republicans' "no-money" approach to this problem. When they release that bill, we will have Treasury (or commission an independent expert) to do a report on the likely effects of the bill on youth smoking.

Release Results of Household Survey. As discussed above.

__Welfare-to-Work (DPC/NEC as noted below)__

Release Report Showing the Increase in the Proportion of Welfare Recipients Going to Work. Following on the GAO report last week, HHS is scheduled to report to Congress on the increase in work among welfare recipients. The report should have some new data, although it also will collate previously released figures. Sometime this summer, HHS also will receive information from the states on whether they are meeting the welfare law's work participation rates. This information should generate a fair bit of interest, but it is not yet clear whether the news will be good. (DPC)

Endorse Individual Development Account Bill. You have indicated interest in doing an event to endorse and highlight the Coats-Harkin IDA legislation. This bill would establish a four-year, $100 million demonstration program under which state, local, and nonprofit entities would match money deposited into IDAs by low-income families. One event idea is for you to go to a community development bank and help a welfare recipient open a bank account; we could use such an event to push for CDFI funding at the same time. Another, simpler idea is to do a Rose Garden event with the sponsors of the bill and welfare recipients. (DPC/NEC)

__Food Safety (DPC)__

Call for Congress to Fund Our Food Safety Initiative and Pass Legislation Giving FDA and USDA More Enforcement Authority. The relevant House and Senate subcommittees allocated almost no funds to our food safety initiative; at the same time, our proposals to give USDA additional recall authority and give FDA additional authority over imported foods are languishing. You could do an event with members of Congress and food safety advocates urging Congress to act on these measures. (Summer is the time when people think most about these issues.) We must ensure, however, that such an event is consistent with our overall strategy on the Agriculture Appropriations bill.

__Veterans (DPC)__

Announce Coordinated Effort to Assist Homeless Veterans. We have been working with the Veterans' Administration on a plan to help the 250,000 homeless veterans in this country. The plan would involve outreach efforts, substance abuse treatment, and mental health care, in addition to housing assistance. The annual cost would be about $30 million. Assuming we believe we can find this amount of money in next year's budget, you could direct the VA now to come back to you with a plan on how to address this issue.

Rural Issues (DPC/NEC)

Deliver Speech on Rural Issues. DPC, NEC, and USDA have prepared a rural agenda for a speech sometime this summer. The agenda includes: (1) the use of new technologies, such as distance learning and telemedicine, to benefit rural areas; (2) the enforcement of antitrust laws in agricultural-related industries; (3) the expansion of programs that help farmers manage risk; (4) the promotion of free trade; (5) the expansion of agricultural cooperatives; and (6) the renewal of the ethanol subsidy. We also could announce all or part of this agenda though a radio press conference in which you, the Vice President, and Secretary Glickman could participate.

Financial Services (DPC/NEC)

Announce Consumer Credit and Financial Services Bill of Rights. DPC and NEC are developing an initiative -- including both administrative actions and a legislative proposal -- aimed at educating consumers about the use of credit and bank services, improving the information consumers receive, and targeting predatory practices. This initiative is still at an early stage of development, but we probably will be ready by near the end of the summer.

Pensions (NEC)

Announce Pension Proposals. Your advisors have reached consensus on two pension proposals (in addition to the proposals announced in January). The joint and two-thirds/three-quarters survivor annuity proposal would increase benefits for some surviving spouses of pension plan participants, while the other proposal, initially advanced by Rep. Price (D-NC), would allow workers to count FMLA time toward pension vesting requirements. This would ensure that those (relatively few) workers close to the 1,000-hour minimum requirement for vesting do not lose a year of vesting because of time taken off under FMLA. This can be billed as a women's pension item.

Housing (NEC)

Announce HUD-NAR "One America" Agreement. HUD and the National Association of Realtors (NAR) have reached a final agreement on the "One America Broker" program. Under the program, NAR will sponsor training for real estate professionals on how to better serve minority and immigrant home buyers. The training will address adherence to Fair Housing Act principles, as well as ways to expand the housing choices available to minorities and other underserved groups. Realtors who complete the course and commit to serving these groups would be able to use the "One America" logo in advertising and promotional materials, which could help them to attract additional clients. To be certified, realtors must be free of any Fair Housing Act violations. The agreement could be announced/highlighted by you or the Vice President at an event with a minority or immigrant new home buyer who previously experienced

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discrimination and (possibly) a realtor with an outstanding record serving underserved groups.

International Economics (NEC)

Announce Trade Adjustment Assistance Package. We could do an event on helping everyone benefit from a global economy. This event could have four different components, focused on both worker and community adjustment:

- You could announce the consolidation and reform of the Trade Adjustment Assistance (TAA) program and the NAFTA-TAA program. This would more than fulfill your promise to strengthen the TAA/NAFTA-TAA programs during the fast track debate.
- A possible Executive Order establishing a coordinating committee on community adjustment issues. This could be modeled after the Executive Order on defense adjustment programs.
- You could call on Congress to pass your EDA budget and NADBank budget, so that we can effectively deal with communities that have severe and sudden economic distress.
- Memorandum of Understanding between NADBank and EDA so that they work better together. This is important to Rep. Torres and the Hispanic Caucus. NADBank/CAIP and EDA have done a lot of work together, but it could be an important symbolic message to the Hispanic Caucus for the relationship between the two to be formalized.

Announce New Sanctions Policy. You could announce the release of a Presidential Decision Directive on Sanctions which would establish a joint NEC/NSC interagency sanctions review group to monitor and coordinate broad United States government sanctions policy. The group would ensure that prior to sanctions being implemented the Administration would conduct a cost/benefit analysis. The group could also review existing sanctions in place to determine whether they are still serving an important purpose in fulfilling our policy objectives. The time could be ripe for such an announcement because of the keen awareness on the Hill and elsewhere about the proliferation of new sanctions regimes and their cost to the U.S. economy. An interagency process has been working on such a directive; work could be finalized in time for an announcement. Because the Glenn Amendment has crystallized opinion about the problems with unilateral sanctions, this can and should be done sooner rather than later (i.e., over the next couple of weeks).

[illegible]

Give Major International Trade Speech. You could articulate U.S. trade objectives for the year leading up to the 1999 WTO Ministerial Conference, which we are hosting. You could also announce the selection of the city for such an announcement. Over 20 cities have expressed interest; the conference will bring international attention and over 10,000 attendees from foreign government, business, press and NGOs. The policy initiative would be a refinement of the goals outlined at the May 1998 WTO Anniversary in Geneva.

THE WHITE HOUSE

WASHINGTON

June 22, 1998

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Bruce Reed
Elena Kagan

SUBJECT: Summer Announcements and Events

Listed below are ideas for announcements and events that the President could do this summer.

Health

Release New Executive Order Authorizing OPM to Terminate FEHBP Insurance Plans That Are Out of Compliance with Kennedy-Kassebaum Law. This policy would strengthen enforcement of the Kennedy-Kassebaum law by allowing the Federal Employees' Health Benefits Plan (FEHBP) to take action against any insurer that discriminates against sicker patients -- including by terminating the insurance plan. Although we have not seen many reports of discrimination recently, advocates would characterize this action as reducing the likelihood of future abuses.

Release New HHS Report on Long-Term Care and Announce Policy Initiative(s). A new report from HHS shows that millions of American families care for chronically ill elderly relatives and friends, and that this care places a significant strain on families. The President could announce an initiative to encourage private long-term care insurance by offering it through the FEHBP and/or counseling Medicare beneficiaries to consider private insurance. In addition, if we are willing to consider proposals with budgetary effects, we could announce a new respite care tax credit, which the NEC is now actively considering.

Approve the 25th State Children's Health Insurance Program. As of today, HHS has approved the CHIP plans of 20 states, which should cover about 2.5 million children when fully implemented; we expect to reach the half-way mark by approving the 25th CHIP plan early next month. We could use this occasion to release another progress report and hold an event featuring families already helped by the program and a bipartisan group of governors.

Enhance Welfare-to-Work Commitment by Giving States Option to Maintain Health Insurance for Working Adults. We may be able to issue a new HHS regulation that would allow more states to provide Medicaid coverage to more low-income two-parent families. (Current federal law, applicable in all states without pre-welfare law waivers on this subject, limits Medicaid to only those two-parent families in which the parents work less than 100 hours per month.) States believe that this regulation would enhance welfare-to-work efforts and encourage two-parent families. The regulation, however, has cost implications, and we are currently discussing with OMB whether an offset is needed.

Announce Policies for People with Disabilities. We have been working on administrative and legislative policies to enable people with disabilities to (1) reside in their communities, rather than institutions, and (2) return to work activities. We could announce these actions on July 26, the anniversary of the Americans with Disabilities Act (but note: the Vice President has tentatively agreed to unveil a wheelchair at the FDR Memorial that day).

Education

Announce New Legislation, With Offsets, to Reduce Class Size. Senator Murray intends to introduce legislation with as many as 20 co-sponsors to implement the President's class size initiative. DPC and OMB are working with Murray's staff on potential offsets for the legislation. The President indicated interest in participating in the announcement of this legislation.

Announce New Bilingual Education Plan. The President could transmit (or announce that he will transmit next session) legislation to reform the federal bilingual program, including by requiring school districts to establish a goal of moving all Limited English Proficient students into regular English language classes within three years. At the same time, he could (1) propose ways to strengthen teaching for LEP students (e.g., by recruitment and training initiatives); (2) issue a directive to the Secretary of Education to report on best practices of teaching English to LEP students, as well as to conduct or support further research in this area; (3) support community-based initiatives that supplement school programs for LEP students; and (4) propose ways of strengthening foreign language education for English-speaking students. Some of these proposals could have budgetary implications.

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Call for Congress to Fund Our Food Safety Initiative and Pass Legislation Giving FDA and USDA More Enforcement Authority. The relevant House and Senate subcommittees allocated almost no funds to our food safety initiative; at the same time, our proposals to give USDA additional recall authority and give FDA additional authority over imported foods are languishing. The President could do an event with members of Congress and food safety advocates urging Congress to act on these measures. (Summer is the time when people think most about these issues.)

Veterans

Announce Coordinated Effort to Assist Homeless Veterans. We have been working with the Veterans' Administration on a plan to help the 250,000 homeless veterans in this country. The plan would involve outreach efforts, substance abuse treatment, and mental health care, in addition to housing assistance. The President could direct the VA to come back to him with a battle plan or could himself announce the program, at an annual cost of about $30 million.

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Deliver Speech on Rural Issues. DPC, NEC, and USDA have prepared a rural agenda for a speech sometime this summer. The agenda includes: (1) the use of new technologies, such as distance learning and telemedicine, to benefit rural areas; (2) the enforcement of antitrust laws in agricultural-related industries; (3) the expansion of programs that help farmers manage risk; (4) the promotion of free trade; (5) the expansion of agricultural cooperatives; and (6) the renewal of the ethanol subsidy.

THE WHITE HOUSE

WASHINGTON

June 22, 1998

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Bruce Reed
Elena Kagan

SUBJECT: Summer Announcements and Events

Listed below are ideas for announcements and events that the President could do this summer.

Health

Release New Executive Order Authorizing OPM to Terminate FEHBP Insurance Plans That Are Out of Compliance with Kennedy-Kassebaum Law. This policy would strengthen enforcement of the Kennedy-Kassebaum law by allowing the Federal Employees' Health Benefits Plan (FEHBP) to take action against any insurer that discriminates against sicker patients -- including by terminating the insurance plan. Although we have not seen many reports of discrimination recently, advocates would characterize this action as reducing the likelihood of future abuses.

Release New HHS Report on Long-Term Care and Announce Policy Initiative(s). A new report from HHS shows that millions of American families care for chronically ill elderly relatives and friends, and that this care places a significant strain on families. The President could announce an initiative to encourage private long-term care insurance by offering it through the FEHBP and/or counseling Medicare beneficiaries to consider private insurance. In addition, if we are willing to consider proposals with budgetary effects, we could announce a new respite care tax credit, which the NEC is now actively considering.

Approve the 25th State Children's Health Insurance Program. As of today, HHS has approved the CHIP plans of 20 states, which should cover about 2.5 million children when fully implemented; we expect to reach the half-way mark by approving the 25th CHIP plan early next month. We could use this occasion to release another progress report and hold an event featuring families already helped by the program and a bipartisan group of governors.

Enhance Welfare-to-Work Commitment by Giving States Option to Maintain Health Insurance for Working Adults. We may be able to issue a new HHS regulation that would allow more states to provide Medicaid coverage to more low-income two-parent families. (Current federal law, applicable in all states without pre-welfare law waivers on this subject, limits Medicaid to only those two-parent families in which the parents work less than 100 hours per month.) States believe that this regulation would enhance welfare-to-work efforts and encourage two-parent families. The regulation, however, has cost implications, and we are currently discussing with OMB whether an offset is needed.

Announce Policies for People with Disabilities. We have been working on administrative and legislative policies to enable people with disabilities to (1) reside in their communities, rather than institutions, and (2) return to work activities. We could announce these actions on July 26, the anniversary of the Americans with Disabilities Act (but note: the Vice President has tentatively agreed to unveil a wheelchair at the FDR Memorial that day).

Education

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THE WHITE HOUSE

WASHINGTON

February 20, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: **Summary and Analysis of NGA Resolutions**

HR-7. PUBLIC HEALTH SERVICES

7.2 Core Public Health Services

Summary

The NGA supports core public health functions and adequate reimbursement for them.

Analysis

The Administration supports the NGA position and has a strong record on investing in critical public health functions.

7.3 Federal, State, and Local Responsibilities

Summary

The NGA believes that the Federal responsibility in public health is financing, collecting information, and taking the lead on certain public health functions that are national in scope. It outlines principles for Federal funding.

Analysis

The Administration supports the position of the NGA.

7.4 Coordination of Services

Summary

The NGA believes that coordination of public and private public health activities, as well as Federal, State, and local initiatives is important.

Analysis

The Administration supports the NGA position.

7.4.1 Health Services Block Grants

Summary

The NGA supports more flexibility in block grants such as the Maternal and Child Health Block Grant, the Preventive Health Block Grant, the Substance Abuse Prevention and Treatment Block Grant, and the Mental Health Block Grant. Specifically, the NGA recommends removing complex allocation and set-aside requirements and allowing inter-block transfer.

Analysis

The Administration has a strong record on providing States with maximum flexibility while ensuring fiscal responsibility and the effective use of funds on important public health priorities. The requirements in these block grants are, for the most part, not overly burdensome and are intended to ensure that our shared public health goals are met.

7.4.2. Maternal and Child Health Services

Summary

The NGA believes that improving the health status of children is a top priority, and recommends that WIC be improved by reducing prescriptive and burdensome regulations.

Analysis

The Administration shares the Governors' belief that children's health is a national priority. The WIC program has ensured that low-income children get the food, nutrition, education and health referrals they need regardless of where they live. Although administrative flexibility is important, it could interfere with assuring that WIC provides a nationwide safety net.

7.4.3 Early Child Health Development

Summary

The NGA has, in the last two years, focused on the special needs of children ages 0 to 3, believing that health services are especially important during these formative years.

Analysis

The Administration fully supports the Governors' belief in the importance of health services for our youngest children.

HR 9: COMMUNITY POLICING AND FEDERAL SUPPORT FOR PRISONS

Summary

This resolution states that while crime rates have declined to the lowest levels in twenty years, crime remains a crucial issue for states -- and federal resources should continue to be committed to anti-crime efforts. Specifically, the resolution makes three recommendations: (1) that the Byrne Law Enforcement Memorial block grant, the primary source for state anti-crime funds, receive full funding, without earmarks or set asides, and that statutory language limiting grants to three years be changed to allow for extended funding; (2) that community policing initiatives be made as flexible as the Byrne block grant and allow states to fund enhanced information systems, training, and technical support; and (3) that federal grants for state prisons not require states to enact tougher sentences or other anti-crime initiatives to qualify for funding.

Analysis

The Administration has been generally supportive of NGA's crime policies, with a few exceptions. Overall we have provided an unprecedented level of support for state and local law enforcement, increasing anti-crime funding by about $5 billion annually through the 1994 Crime Act. Our position on the specific issues mentioned above are as follows:

Byrne -- Except for the Administration's first budget, we have consistently funded Byrne block grants and resisted earmarking the program. During this time, funding for Byrne has increased from $450 million in FY 1995 to $553 million in the FY 1999 budget.

Community Policing -- Through the COPS initiative, the Administration has provided nearly $5 billion for state and local governments to increase police presence and expand community policing. Nearly every state police agency has received COPS funding, including some funds for training, technology, and other non-hiring purposes. The Illinois

State Police, for example, received a $1 million grant to provide community policing training to local police departments. As you know, however, we have fought efforts to convert the COPS program into a block grant.

Prisons -- Since passage of the 1994 Crime Act, the Administration has provided states with more than $2 billion to incarcerate violent offenders and criminal aliens. While this program generally requires states to move towards "truth-in-sentencing" and to develop drug testing and intervention plans, it is considerably more flexible than the prison programs originally advanced by Congressional Republicans. Also, the Administration has repeatedly pushed for legislation that would give states the flexibility to use their prison funds to help them implement drug testing and intervention plans. Congressional Republicans, however, strongly oppose this legislation.

HR-31. INDIAN HEALTH SERVICES

Summary

The NGA recommends that (1) any proposed changes to publicly funded health care take into consideration the financing of care for Native Americans; and (2) that the Federal government, not the States, fund such services.

Analysis

The Administration has strengthened its commitment to consulting with Federally recognized American Indian and Alaskan Native Tribes when policy that affects them is being considered. The Administration also shares the belief that health services for Indians be fully financed by the Federal government, as seen in the guidance on the new Children's Health Insurance Program.

HR-45. CHILD SUPPORT INFORMATION SYSTEMS AND INCENTIVE PAYMENTS

Summary

This resolution recommends that the current penalty for failure to put in place statewide child support computer systems -- the withholding of all federal child support funds -- should be replaced with a more reasonable penalty structure that would allow HHS to impose limited or graduated penalties. The resolution also calls for a moratorium on penalties until a new penalty structure is devised and for flexibility in how a "statewide system" is defined, so that states could link local computer systems into one "statewide" system.

Analysis

We support the governors' call for a new penalty structure that does not withhold all federal child support funds from states without statewide computer systems. We have worked on a bipartisan basis with Congressmen Clay Shaw, Sandy Levin, and others to devise such legislation. The Shaw-Levin bill, which HHS called "tough but fair" in recent testimony, calls for a 4 percent penalty in the first year a state misses the deadline, with an automatic increase to an 8, 12, and 20 percent penalty in the following years.

Because we believe it is critical that every state puts in place a statewide computer system to track deadbeat parents and make them pay the child support they owe, we will insist on legislation that provides clear financial incentives for states to move quickly. Thus, unlike the states, the Administration wants these penalties to be imposed swiftly and automatically, rather than at the Secretary's discretion. We have opposed state proposals, though not outlined in this resolution, for lower penalties (i.e., 2, 4, 6 percent) and we oppose the state's call for a moratorium on penalties until the new penalty structure is devised.

Finally, we have expressed concerns with proposals that would allow states to apply for a waiver to link local computer systems into a "statewide" system. At our insistence, the Shaw-Levin bill would allow such waivers only in circumstances when such linked systems are as functional and cost-effective as statewide systems. Our concern is that some states may use precious time and resources to try, unsuccessfully, to demonstrate that they can develop an approvable linked system, rather than move forward on a single statewide system.

EC-1. BLOCK GRANT POLICY

Summary

This proposal would take more than 600 categorical grants -- in areas including education, crime, community development, homelessness, and children's health care -- and consolidate them into eight flexible block grants to states.

Analysis

The Administration does not fully support this proposal.

Your Administration has done much to consolidate federal programs, reduce red tape, reduce unfunded mandates, and provide more flexibility. Under your direction the federal government has eliminated 16,000 pages of regulations and dramatically simplified another 31,000. States can now combine 15 separate EPA funding streams across water, air, hazardous waste, and similar programs; USDA state directors can combine 18 programs into three funding streams for rural housing, utilities, and business or cooperative services; your Education Flex program gives states the ability to waive requirements of some significant federal education laws; and your administration supported turning AFDC into a block grant program. In 1995, you signed legislation to curtail the growth of unfunded mandates on state, local, and tribal governments.

You have also fought for legislation to give the Federal government greater waiver authority in discretionary grant programs. However, Congress has disregarded these proposals.

Your record indicates a willingness to consider innovative new ways to combine funding streams and eliminate set-asides and unfunded mandates. However, your Administration does not support block grants when they threaten the social safety net or interfere with national policy goals that are better attained with direct funding. The breadth of the block grant proposed by the Governors would pose these dangers.

EC-1.2.3. STATE INNOVATIVE EDUCATION REFORM STRATEGIES

Summary

NGA is proposing to combine Goals 2000, the Eisenhower Professional Development Program (primarily focused on teacher training in math and science), and the Innovative Education Program (an existing block grant) into a single block grant to support state standards-based reform initiatives. In addition to allowing states to combine funds across these three relatively flexible programs, the primary effect of this proposal would be to allow states to use funds now earmarked for improving math and science teaching for a broader array of education reform purposes.

Analysis

The Administration is neutral on this proposal. DPC and the Education Department have been working on something quite similar and have no fundamental problem with the proposal. However, we do not recommend supporting this proposal at this time, for the following reasons: (1) The TIMSS results will be announced on the final day of the NGA meeting, highlighting the need for a substantial teacher training effort in math and science; (2) this initiative is a high priority for Gov. Voinovich but not a priority for the Democratic governors; (3) we can always introduce our own proposal along these lines when needed, as an alternative to less targeted and more damaging block grant proposals, or as the focus of a reauthorization of Goals 2000.

EC-1.3.3. STATE AND LOCAL EDUCATION PERFORMANCE PARTNERSHIPS

Summary

NGA proposes an expansion of the current Ed-Flex Demonstration Program. This program, part of Goals 2000, is currently limited to 12 states. It allows the Secretary of Education to delegate the authority to waive most statutory and regulatory requirements in federal K-12 education programs (except IDEA) to state education agencies, if they have an approved Goals 2000 state education reform plan, and if they are prepared to waive their own state education requirements for local districts.

Analysis

The Administration supports this approach, and you can announce your own version of this proposal to the governors at the NGA meeting.

The administration proposal would drop the current requirement for an approved Goals 2000 reform plan, and replace it with a strong requirement for accountability for results, including (1) high standards and testing; (2) public reporting of results including school report cards; and (3) state or local school district intervention in low-performing schools.

EC-4. NGA POLICY RESOLUTION --HEALTH CARE FOR UNDOCUMENTED IMMIGRANTS

Summary

NGA's position is that the federal government should pay all the costs of health care for undocumented immigrants and repeal any current federal law that requires states to spend money to provide health care and other services to undocumented immigrants. NGA notes that a new $100 million fund passed in the Balanced Budget Act is a step in the right direction. (The Administration supported this fund.)

NGA is also adding new policy that calls on the appropriations committees to provide funds under an obscure part of the 1996 immigration law. This section of the law said that, subject to the availability of funds, the Attorney General should reimburse states for the costs of certain emergency services for undocumented immigrants.

Analysis

Although the Administration did support the $100 million fund referenced in the resolution, the Administration's general position is that state and local governments should absorb the costs of health care for undocumented immigrants. In line with this position, our FY 1999 budget did not provide funds for the reimbursement of costs cited in the 1996 immigration law.

EC-6. NATIONAL TOBACCO SETTLEMENT POLICY

Summary

Noting that state lawsuits "represent years of state effort and leadership, without which the current debate over national settlement legislation would be impossible," the Governors call for full participation in drafting national legislation.

In general, the Governors warn that tobacco legislation should not preempt state law except when strictly necessary. The Governors urge that states, rather than the federal government, take responsibility for licensing retailers and regulating environmental tobacco smoke. The states also call for their involvement in developing national youth access standards and in formulating "lookback" penalties.

Most important, the Governors demand that "settlement funds negotiated to settle state lawsuits must go to the states." Though the federal government is entitled to a portion of the revenues gained from national tobacco legislation, it should not interfere with the state portion negotiated by the state attorneys general. Most specifically, the federal government should not try to recoup a portion of this money under existing Medicaid liability rules, even if the government intends to return this money under existing Medicaid liability rules, even if the government intends to return this money to the states for use in specified block grant programs.

Analysis

The Administration has recognized on many occasions the importance of state lawsuits in driving the tobacco industry to the bargaining table and preparing the way for national settlement legislation.

The Administration agrees that preemptions of state law should not be undertaken lightly; in particular, states generally must have the authority to adopt stricter regulations of the tobacco industry. The Administration is committed to state administration of retail licensing schemes, but believes those schemes should have to meet certain federal standards. The Administration favors national action on environmental tobacco smoke.

The Administration agrees that revenues from national tobacco legislation should be divided between the federal government and the states. In its budget proposal, the Administration attempted to ensure that the states would get as much money over the next five years from national legislation as they expected to receive under the June 20 settlement ($26 billion). The Administration believes, however, that only part of this money should go to the states for entirely unrestricted uses. The other part -- representing the federal government's lawful share of Medicaid recoveries -- should return to the states in the form of block grants for state-administered programs benefitting children (i.e., child care, class size reduction). This scheme is consistent with what we understood to have been the commitment of the attorneys general to devote a substantial portion of state money -- again, representing the federal Medicaid claim -- to a mutually agreeable purpose such as children's health coverage. The Administration specified different children's programs in its budget because of the $24 billion children's health program that was enacted since the settlement was reached.

EC-11. CHILD CARE AND EARLY EDUCATION

Summary

The Governors' primary goal is a seamless child care and early education system that provides a safe, nurturing, and developmentally sound environment for the children it serves. The need for a productive workforce, the increasing number of two-earner families, and recent welfare reforms combine to make increasing access to child care and improving its quality a national priority. Gaps in the nation's child care system that warrant particular attention include: the needs of low-income non-TANF families, access to child care during non-traditional hours, and after-school care. In order to create a seamless system of child care, we must involve families, local communities, the states, the federal government, and the private sector to promote the coordination of programs serving children at all levels of the child care system. First, parents are foremost responsible for their children's well-being and must become smart consumers of child care. Communities coordinate programs, assessing their needs and tailoring programs to meet their needs. In addition, states have the primary role of coordinating their efforts to increase access and improve quality. The federal government should support state efforts, not control them, by assisting state efforts to build a quality system of care, through such funding mechanisms as block grants. Finally, the public sector must form partnerships with the private sector, and the private sector must acknowledge and accommodate the child care needs of employees through such measures as the provision of on-site care as well as the adoption of family-friendly work policies.

Analysis

The Governors' proposal dovetails with our child care initiative. The Governors' highest priority for federal action is to maintain state flexibility and to provide adequate funding to meet demand, both of which our initiative does through our proposed expansion of the Child Care and Development Block Grant. In addition, the Governors mention the following areas that are included in our package: promoting research and evaluation of existing child care and early education programs, which is a goal of our Research Fund; encouraging professional development through scholarships, which is the purpose of our Scholarship Fund; providing tax incentives for the private sector, as our Business Tax Credit does; providing tax credits for individuals, as our proposed expansion of the Child and Dependent Care Tax Credit does; increased funding for Head Start and Early Head Start, as we propose; and supporting state efforts to enforce state licensing and accreditation, as our Standards Enforcement Fund and our Early Learning Fund are designed to do. In short, in the areas of child care and early learning, the Administration shares with the Governors both goals and strategies for achieving them.

HR-43. COMMUNITY SERVICES BLOCK GRANT PROGRAM

Summary

The Governors express broad support for the Community Services Block Grant and Community Services Discretionary Activities. CSBG issues block grants to States, territories, and Indian tribes to provide services and activities to reduce poverty, including services to address employment, education, housing assistance, nutrition, energy, emergency services, health, and anti-drug needs. States are required to pass through 90% of all funds to eligible entities, which in most cases are Community Action Agencies. Community Services Discretionary Activities (FY 98 enacted level -- $51.6 million) include $33 million for Community Economic Development, $14 million for National Youth Sports camps, and $4 million for Community Food and Nutrition.

Analysis

We support continued funding for the Community Services Block Grant (CSBG) Our FY 99 budget proposes to fund CSBG at $490.6 million, the same as the FY 98 enacted level. The Administration has not requested funding for Community Services Discretionary Activities for several years, because they can be funded, at State option, under CSBG.

COST ALLOCATION

Summary

The Governors oppose attempts to restrict federal reimbursements to States for administrative costs of food stamps and Medicaid. They charge that the Administration and Congress are enacting changes to current law based on an erroneous assumption that all states used the same cost allocation procedures. NGA is urging the Administration to meet with states and review state-by-state numbers together.

Background: Before welfare reform, States were supposed to charge common administrative costs of AFDC, Medicaid, and Food Stamps to their AFDC budget. Because the matching rate for all of these open-ended programs was the same, States would receive the same Federal matching funds regardless of which program paid for these common costs. However, welfare reform has changed this equilibrium. TANF consolidated cash assistance and administrative expenditures into a fixed block grant. Under current policy, all common administrative costs have to be absorbed within the block grant (within certain limits on administrative expenses) or paid by the States. Many States have therefore sought to allocate some of the common administrative costs to Medicaid and Food Stamps.

Both OMB and CBO baselines include Federal cost increases from States' shifting administrative costs from the capped TANF block grant to the open-ended Food Stamp and Medicaid programs. Conservative estimates suggest that this reallocation will increase Federal costs by at least $3 billion over the next five years in the baseline.

Congress began to move to recapture these funds during 1997, and we anticipate further action in Congress early this year.

The President's 1999 budget proposes to recognize the new structure and to change allocation practices, and adjusts the administrative matching rate in Food Stamps and Medicaid from 50 percent to 47 percent to account for this cost shift from TANF. The total savings from the matching rate change equals the total cost increases resulting from the new cost allocation practices. In the aggregate, this means that States will receive the same amount of funding they would have received under the previous cost allocation policy.

Analysis

The Administration disagrees with NGA's argument that our plan to reduce the administrative matching rate for food stamps and Medicaid will cut funding to states. Our plan does not "cut" Federal administrative support for States. The proposal simply changes the way that such costs are matched, moving some of the common administrative costs that would have been borne by the States or TANF to the open-ended Medicaid and Food Stamps programs while lowering the Medicaid and Food Stamps matching rate. Thus, States will receive the same amount of Federal matching funds they would have received under previous cost allocation policies.

We plan to meet with state staff during the week of the NGA conference to discuss how we arrived at our cost estimates. We hope these discussions will inform upcoming negotiations with Congress on this issue.

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THE WHITE HOUSE

WASHINGTON

November 25, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING
ELENA KAGAN

SUBJECT: State of the Union Ideas

As you requested, this memorandum provides a brief description of new ideas we are seriously considering for the State of the Union. Most of these ideas involve increased spending, and you will have to make choices among them as you consider the FY 99 budget. Options relating to social security and tax reform are not included in this memo.

Education

1. **Class size / 100,000 teachers:** We are working with the Vice President's office and others on an ambitious initiative to reduce class sizes in the early grades by providing money to hire up to 100,000 new teachers, perhaps paid for by reducing the federal work force by another 100,000 positions. We estimate that 100,000 new teachers in grades 1-3 would reduce average class size from roughly 21 to roughly 18. The initiative would have three main elements: 1) grants to help states or communities hire new teachers (as in the COPS program, these grants would be time-limited (3-4 years) and the federal share would be 50-75%); 2) funds for teacher training, with a special emphasis on reading; and 3) provisions to ensure accountability, such as requiring testing of new teachers and/or ensuring the removal of bad teachers from the classroom. A serious proposal along these lines would cost $5-10 billion over five years, depending on the size of the federal match and the target date for reaching 100,000. We also would need to accompany the proposal with a school construction initiative (see below).

2. **Education Opportunity Zones:** As we outlined in an earlier memo on policy proposals for the race initiative, we are working with the Education Department on a plan that would reward 10-15 poor inner city and rural school districts for agreeing to adopt a school reform agenda that includes: ending social promotions, removing bad teachers, reconstituting failing schools, and adopting district-wide choice and/or public school vouchers. Our goal is to give school districts incentives to hold students, teachers, and schools accountable, in essentially the way Chicago has done. In our working proposal, each urban grant would be worth $10-25 million and each rural grant would be worth up to $2 million, for a total request in FY99 of $320 million.

3. **National Public School Choice Law:** We are exploring the possibility of proposing

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legislation to require that states and communities allow public school choice as a condition of receiving federal education funding. Together with a strong endorsement of bipartisan charter school legislation (bound to pass next year), this measure will show that we firmly support choice and competition. We are also looking into the concept of a parents' right-to-know law that would require states and communities to make key information on school performance available, so that parents can make informed choices.

4. University-School Partnerships: As we also outlined in our earlier memo on the race initiative, we are working on a grant program to promote strong partnerships between colleges and high-poverty middle and high schools, with the goal of enabling more youth to go on to college. This initiative would encourage colleges to adopt the Eugene Lang model for helping disadvantaged youngsters. Colleges would encourage students to take demanding courses, while providing academic enrichment and intensive mentoring, tutoring, and other support services. The students would receive special certificates for participating in the program, somewhat along the lines of Chaka Fatah's proposal. The Department of Education has requested $200 million for FY 99 for this initiative.

5. Campaign on Access to Higher Education: We are preparing to conduct an intensive publicity campaign on the affordability of higher education. The goal of the campaign would be to make every family aware that higher education is now universally accessible, as well as to reiterate that higher education is the key to higher earnings.

6. School Construction: We will need to re-propose a school construction initiative this year. We are currently considering the appropriate size and duration of this initiative, as well as the possibility of structuring this initiative as a tax credit.

7. Teacher Training for Technology: We are currently weighing several options on training teachers to use educational technology. These include (1) expanding various innovation grants to ensure that within four years, all new teachers will be ready to use educational technology, or (2) using the Technology Literacy Challenge Fund to train and certify at least one "master teacher" in every school, who can then train other teachers in the use of educational technology.

8. Hispanic Education Dropout Plan: We have developed a plan to improve educational opportunities for Hispanic Americans (or limited English proficient students generally), with the goal of decreasing the current disparity in dropout rates. The draft plan includes a number of administrative actions, as well as targeted investments of roughly $100 million to programs for migrant, adult, and bilingual education.

9. "Learning on Demand": We are developing an initiative, related to some of Governor Romer's ideas, to encourage the use of technology (e.g., the internet, CD-ROM, interactive TV) for lifelong learning. The initiative will begin the process of giving all Americans "anytime, anywhere" access to affordable and high-quality learning opportunities. The initiative is still in the developmental stage, and at this time we recommend only a small investment.

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Child Care

1. **Affordability:** We are developing a proposal that will help working families afford child care by (1) increasing funding for federal child care subsidies through the Child Care and Development Block Grant, and (2) changing the Child and Dependent Care Tax Credit by raising the percentage of child care expenses for which taxpayers of certain income levels may take a credit. On the subsidy side, every additional $100 million in the block grant will pay child care costs for at least 35,000 more children with incomes below 200 percent of poverty. On the tax side, we are considering raising the maximum credit rate to 50 percent for taxpayers with adjusted gross income (AGI) of less than $30,000 (from a current high of 30 percent for taxpayers with AGI of less than $10,000), and adjusting the income slide accordingly.

Should do but what's the cost? has potential [illegible]

2. **Safety and Quality:** We are also considering targeted investments to improve the safety and quality of care. Our current proposal adds funding to the scholarship program for child care providers that you announced at the child care conference (which was very well received); provides resources for states to improve their enforcement of health and safety standards; and funds efforts to educate parents on quality child care.

3. **Early Childhood Learning and Afterschool Programs:** Our current proposal also expands early learning opportunities by increasing investment in Early Head Start and creating a new 0-5 Early Education Fund. The new fund will provide grants for innovative early learning programs for both working and stay-at-home parents. We are also considering ways of ~~expanding and streamlining~~ afterschool programs.

4. **Helping Parents Stay Home:** To support parents who wish to stay at home with their children, we are working on ways to expand the FMLA -- to six months instead of 12 weeks and to smaller-sized employers. We are also looking at a variety of ways to provide financial assistance, whether through a modified version of the Child and Dependent Care Tax Credit or through paid family leave administered under the unemployment insurance system. The cost of these financial proposals, however, may be prohibitive.

Health

1. **Consumer Protection Legislation:** We should reiterate our support for three pieces of health care consumer protection legislation: (1) the Quality Commission's Consumer Bill of Rights, which has strong public and elite support and arguably is more moderate than a bill in the House that already has attracted over 85 Republicans; (2) our genetic anti-discrimination legislation, which has attracted bipartisan support on both sides of the Hill as a way to protect Americans

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from the misuse of new advances in genetics; and (3) privacy protection legislation, which would establish strong federal standards to ensure the confidentiality of medical records. Although these consumer protections would benefit the entire population, women's health advocates are especially supportive of them, because the Consumer Bill of Rights would ensure direct access to OB/GYNs and our genetic anti-discrimination legislation would protect women who undergo new tests for the breast cancer gene.

[illegible]

2. Medicare Reform and Program Improvements: To build on the Medicare reforms in the balanced budget agreement, we are considering two reform initiatives: additional anti-fraud initiatives (perhaps providing $2-3 billion in savings over five years) and an income related premium (providing another $7-8 billion in savings assuming it kicks in at an income around $50,000). We are also considering a number of Medicare improvements to which we could apply the above savings: (1) a Medicare (or COBRA) buy-in for pre-65 year olds (or some targeted subset of this age group), the cost of which would depend on whether we decide to subsidize this benefit; (2) Medicare coverage of cancer clinical trials, which could substantially increase investment in the treatment and cure of cancer, including prostate cancer; and (3) a new mechanism to provide Medicare beneficiaries with information about private long-term care insurance that meets appropriate standards.

yes work them

3. Doubling the NIH Research Budget with Proceeds from Tobacco Legislation: We (along with the Republicans) are considering a proposal to double the NIH budget, which would cost about $20 billion over five years. Such an investment could lead to breakthroughs in research that would greatly improve our ability to prevent and treat diseases like diabetes and cancer -- and substantially lessen the costs associated with these diseases. Because the discretionary caps are so tight, the only realistic way to pay for such an initiative is through dedicated savings from the tobacco agreement. This link between tobacco legislation and health research should resonate strongly with the public.

Yes – [illegible] proposal

4. Other Coverage Options -- Children's Health, Workers In-Between Jobs, Voluntary Purchasing Cooperatives: We are working on a public/private outreach effort to ensure that every child eligible for health insurance under Medicaid or our new program actually gets covered. The public side of this effort could include proposals to: give bonuses for enrolling more children in Medicaid; expand the kinds of places where children can enroll; and simplify eligibility processes. In addition, we are considering whether to propose a demonstration of our old policy to provide coverage to workers who are in-between jobs. Finally, we are continuing to pursue proposals relating to voluntary purchasing cooperatives, as a way to help small business gain access to and afford health insurance coverage.

couple premium w Medicaid or Medicare buy in for workers w/ tobacco $ too

5. Racial Disparities in Health Care: We are working on a proposal to address racial disparities in six carefully selected areas of health care: infant mortality, breast and cervical cancer, heart disease and stroke, diabetes, AIDS, and immunization. This proposal will include nationwide actions to reduce these disparities, as well as focused pilot projects in thirty communities (say, a project on diabetes on an Indian reservation or a project on AIDS in an inner

What?

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city). The stated aim of the proposal will be to eliminate racial disparities in these six areas by 2010.

Crime

Need community corrections too - help [illegible]

1. Community Prosecutors: We are working on a proposal, costing up to $100 million, to provide grants to prosecutors for innovative, community-based prosecution efforts. A number of jurisdictions already have embraced such efforts; for example, community prosecution is an essential component of Boston's juvenile crime strategy. These jurisdictions have found that a "problem-oriented" (rather than incident-based) approach to prosecuting, using a wide variety of enforcement methods and attending to the concerns of victims and witnesses, can pay real dividends. A grant program could spread these innovative programs across the country.

2. Juvenile Crime Initiative: Although we got funds for much of our youth violence strategy in last year's appropriations bills, we should continue to press for the passage of juvenile crime legislation -- especially for a juvenile Brady provision, which will stop violent juveniles from owning guns as adults. We also should challenge the four cities leading the nation in juvenile crime (New York, Los Angeles, Chicago, and Detroit) to replicate Boston's successful strategy and target resources to these cities to help them meet this challenge.

Welfare/Housing

1. Welfare-to-Work Housing Vouchers: We are working with OMB and HUD on a proposal for 50,000 new housing vouchers to help welfare recipients in public housing who need to move in order to find employment. We would distribute these vouchers on a competitive basis to public housing authorities working with local TANF agencies and/or grantees of the new $3 billion welfare-to-work program. We are working on a number of proposals to increase housing mobility (see below), and linking this issue to welfare reform may increase the chance of attracting congressional support. At the same time, we should reiterate our support for welfare-to-work transportation funds as part of NEXTEA.

Good

Housing

1. Housing Portability/Choice: In addition to the new welfare-to-work housing vouchers discussed above, a package on housing portability and choice could include: increasing the number of Regional Opportunity Counseling (ROC) sites; encouraging the use of exception rents (rents up to 120 percent of the "fair market rent") as a tool for opening up more expensive suburban housing markets; and eliminating obstacles to portability of Section 8 vouchers.

2. Fair Lending/Fair Housing: This proposal could include: an examination of the impact of credit scoring and risk-based pricing on the availability of credit/capital to lower-income and minority individuals; issuance of guidance by banking regulators on certain key credit scoring issues and, possibly, on risk-based pricing; a Presidential call to the FDIC and the Federal

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Reserve to obtain more data on reasons for home mortgage loan denials (OCC and OTS already collect such information); and collection of race and income data as part of the Equal Credit Opportunity Act/CRA small business and small farm lending reporting requirement.

3. Downpayment Reduction: We are working on a proposal to increase homeownership by reducing the barriers to buying a new home. Many low- and moderate-income families find a downpayment the largest hurdle to buying a new home; this initiative would lower this cost and help more families become homeowners. In 1992, Congress authorized the National Homeownership Trust, but never appropriated any money. We are investigating whether we should request money for this program or whether it is better policy to expand the existing HOME program (which serves a similar purpose).

Labor/Workforce

1. Child Labor: We are working on a comprehensive Child Labor Action Plan, anchored by a $100 million commitment to the International Program on the Elimination of Child Labor (IPEC) -- a voluntary program of the International Labour Organization which is dedicated to the elimination of child labor. The funds, which would be managed by the Department of Labor in accordance with criteria we would develop, would go to programs attacking the most intolerable forms of child labor. The initiative also might include a stepped up Customs program to enforce U.S. law banning the import of goods made with forced or bonded child labor; increased support for the Migrant Education Program to support elementary and secondary education to the hardest-to-serve migrant children; and a call for prominent organizations, such as the Boy Scouts and Girls Scouts, to adopt a "No Sweat" code for uniforms and an accompanying label.

yes

yes

further review as discussed

2. Pensions: We have developed an expanded pension coverage initiative that focuses on a simplified defined benefit plan for small businesses, based on the SAFE plan proposed by the American Society of Pension Actuaries (ASPA). We are also looking at a payroll deduction IRA proposal, a three-year vesting requirement for employer matching contributions in 401(k) plans, a women's pension initiative, and a pension right-to-know proposal.

3. Community Adjustment: As part of the Fast Track debate, we proposed the creation of the Office of Community and Economic Adjustment (OCEA). As you know, this office will be modeled after the Defense Department's Office of Economic Adjustment (OEA) -- the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. The OCEA would coordinate the Administration's response to regions impacted by a major plant closing or trade, by working with Labor, Commerce, SBA, HUD, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop comprehensive economic adjustment strategies. Since this program will be part of the Economic Development Administration (EDA), we are investigating whether we could initiate this proposal by executive memorandum, while awaiting Congressional appropriations.

Yes — v. urgent if can do before bringing up Fast Track again

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Climate Change

1. **Tax Incentive and R&D Package:** You already have committed to a $5 billion package over five years for tax incentives and R&D to promote low-carbon technologies. The Treasury Department is working on a possible package of tax incentives to be included in the FY 1999 budget, and DOE has a proposal on the expenditure side. We are working to develop final options.

Race

A number of the above proposals -- e.g., education opportunity zones, university-school partnerships, housing vouchers -- can be presented as part of the race initiative, because they target predominantly minority areas or provide disproportionate benefits to members of minority groups. Other proposals described above -- the Hispanic dropout plan and the race and health initiative -- have obvious and explicit race connections. In addition:

1. **Civil Rights Enforcement Initiative:** We are working on a coordinated package of reforms for the EEOC and the civil rights offices at DOJ, HUD, HHS, Education, and DOL. Among other things, this proposal would expand dramatically the EEOC's mediation program, substantially increasing the average speed of resolving complaints and reducing the EEOC's current backlog. Similarly, the proposal would promote the increased use of non-adversarial techniques by the agencies' civil rights offices. The proposal also would provide a mechanism for better coordination among the various civil rights offices.

Yes - worth doing
something big & refreshing
to press

THE WHITE HOUSE

WASHINGTON

December 15, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Gene Sperling
Elena Kagan

SUBJECT: New Initiatives on Discretionary Side of Budget

As you know, OMB is trying to find an additional $6 billion for discretionary spending. Assuming this money becomes available, the DPC and NEC recommend that you fund the new initiatives listed below -- in the amounts listed below -- in your FY 1999 budget. OMB has signed off on these recommendations. Some of the departments, however, may appeal for increases in base programs that would cut into the amount of money available for new initiatives.

We already have given you detailed memos on most of these initiatives. If you approve the initiatives, you can announce any or all of them in the State of the Union.

Because so many of the new initiatives involve education, we are attaching an appendix to this memo that shows recommended funding levels for the Department of Education's major base programs. In reviewing the education spending, you should note that the Department has just reestimated Pell Grant costs in a way that will free up additional monies. We had thought we would need a $434 million increase in the Pell Grant Program to raise the maximum award from $3,000 to $3,100. The new estimates show we can finance these policies with between $150 million and $220 million less. We are currently considering whether to keep these funds in the Pell Grant Program to support a larger increase in the maximum award and make other policy changes, or alternatively to invest them in the After-School and Head Start components of the child care initiative.

Education

1. Education Opportunity Zones ($225 million): This initiative will provide funding to about 25 high-poverty urban and rural school districts for agreeing to adopt a "Chicago-type" school reform agenda that includes ending social promotions, removing bad teachers, reconstituting failing schools, and adopting district-wide choice.

2. College-School Partnerships ($150 million): This initiative, which builds on Eugene Lang's model of helping disadvantaged youth, will provide funding for college-school partnerships designed to provide mentoring, tutoring, and other support services to students in high-poverty schools, starting in the sixth grade and continuing through high school. The six-year funding path will provide help to nearly 2 million students. The proposal also will include Chaka Fattah's idea of early notification to disadvantaged 6th graders telling them of their Pell Grant and loan eligibility.

3. Campaign on Access to Higher Education ($20 million): This initiative will fund an intensive publicity campaign on the affordability of higher education. The goal of the campaign will be to make every family aware that higher education is now universally accessible -- and that it is the key to higher earnings.

4. Teacher Recruitment and Preparation ($67 million): This initiative, which you previewed last July at the NAACP Conference, will provide scholarships to nearly 35,000 new teachers over five years for committing to work in high-poverty urban and rural schools. It also will upgrade the quality of teacher preparation programs serving these communities.

5. Technology Teacher Training (Approx. $230 million): This initiative will dedicate 30 percent (about $150 million) of the Technology Literacy Challenge Fund (which is being increased from $425 to $500 million) to ensure that at least one teacher in every school receives intensive training in the use of technology for education, so that those "master teachers" can train their colleagues. An additional $80 million will begin an effort to train every *new* teacher in the latest technology.

6. Hispanic Education Action Plan -- ($195 million or more): This initiative will increase funding for a number of existing programs to improve education for Hispanic Americans and other limited English proficient (LEP) children and adults. It would double our investment in training teachers to address the needs of LEP children; boost the Migrant Education Program by 16 percent; increase the TRIO college preparation program by 10 percent; and create a 5-year, $100 million effort to disseminate best practices in ESL training for adults. We would accompany these program increases with administrative actions to help Hispanic students complete high school and succeed in college.

7. Distance Learning -- ($50 million?): We are still in the process of developing a new initiative, related to Governor Romer's Western Governors University, to promote the use of technology to give people "anytime, anywhere" access to learning opportunities.

<u>Child Care</u>

We recommend placing most of the child care initiative -- in particular, the proposed increase in the Child Care and Development Block Grant and the establishment of a new Early Learning Fund -- on the mandatory side of the budget. The smaller pieces of the initiative that we propose placing on the discretionary side are the following:

1. After-School Program Expansion ($100-200 million): This program expansion will increase funding of the 21st Century Community Learning Center Program (now funded at $40 million) for before- and after-school programs for school-age children at public schools. Depending on the exact funding level chosen, this investment will create new programs in 1,500-4,000 schools with slots for between 75,000 and 200,000 children; at the same time, it will enable still more students to participate in other school-site activities.

2. Standards Enforcement Fund ($100 million): This new fund will support state efforts to improve licensing and accreditation of providers, and to enforce health and safety standards -- particularly through unannounced inspections of child care settings. The fund also will enable states to issue report cards, for use by consumers, on the quality of the facilities inspected.

3. Provider Training ($51-60 million): A new Child Care Provider Scholarship Fund, which you proposed at the Child Care Conference to fund at $50 million annually, will support 50,000 scholarships each year to child care workers working toward a child care credential. The students will commit to remaining in the field for one year for each year of assistance received, and will earn increased compensation or bonuses when they receive their credential. An additional $1-10 million will allow the Department of Labor to expand its Child Care Apprenticeship Training Program, which funds providers combining work toward a degree with on-the-job practice.

4. Research and Evaluation Fund ($10-30 million): This new fund will establish a National Center on Child Care Statistics, and provide grants for research projects and state and local child care hotlines and consumer education activities.

5. Head Start and Early Head Start Expansion ($284-334 million): This level of increased investment in the overall Head Start budget should permit doubling the set-aside for Early Head Start over five years without reducing the resources available for children 3-5. The doubled set-aside would enable more than 50,000 additional children to receive Early Head Start services in 2003.

Welfare, Housing, Urban

1. Welfare-to-Work Housing Vouchers ($283 million): This initiative will provide 50,000 new housing vouchers to help welfare recipients in public housing who need to move in order to find employment. HUD will distribute these vouchers on a competitive basis to public housing authorities working with local TANF agencies and/or grantees of the new $3 billion welfare-to-work program. (A separate proposal, for which no new funding is needed, would allow families in public or assisted housing to use vouchers to buy a home; HUD expects this proposal to assist some 25,000 people become homeowners over two years, though OMB believes this figure to be exaggerated.)

2. Housing Portability/Choice ($20 million): In addition to the new welfare-to-work housing vouchers discussed above, our proposed package on housing portability and choice expands Regional Opportunity Counseling sites and takes administrative actions to eliminate obstacles to portability in the Section 8 housing program.

3. "Play-by-the-Rules" Homeownership Proposal ($30 million): This initiative will assist families that always pay their rent on time to become homeowners. The Neighborhood Reinvestment Corporation will provide downpayment assistance, interest rate buydowns, or rehabilitation loans to approximately 10,000 families.

4. Homeownership Opportunity Fund ($11 million): This initiative will provide funds for HUD to develop a loan guarantee program to allow state and local governments to leverage current HOME funds with private-sector investments to fund large-scale, affordable housing developments in distressed communities.

5. Community Empowerment Fund ($300-400 million): This initiative establishes a public/private fund ("Eddie Mac"), which will invest in inner-city businesses and create a secondary market for economic development loans (like Fannie Mae).

6. Homeless Assistance ($250-325 million): This level of increased investment includes $177 million to help 32,000 homeless people receive Section 8 vouchers.

<u>Labor and Workforce</u>

1. Child Labor ($89 million): This initiative is anchored by a $30 million commitment -- up from $3 million -- to the International Program on the Elimination of Child Labor (IPEC). The initiative also will include funding to improve Customs Service enforcement of U.S. law banning the import of goods made with forced or bonded child labor ($3 million) and to double the Department of Labor's enforcement of child labor laws in the agricultural sector ($4 million). Finally, the initiative will provide additional funding to the Migrant Education Program so it can reach 50,000 more migrant children ($50 million). We are developing non-budget items to fill out the package.

2. Community Adjustment ($50 million): This initiative will fund the creation of the Office of Community and Economic Adjustment (OCEA), which we proposed as part of the Fast Track debate. As you know, this office will be modeled after the Defense Department's Office of Economic Adjustment -- the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. We expect the Office to help 35-40 communities in its first year of operation. The initiative also will fund a variety of other efforts to assist communities that face sudden and severe economic dislocation.

3. Out of School Youth Opportunity Program ($250 million): Congress advance appropriated $250 million for this program last year contingent on the passage of authorization legislation. The program will fund competitive grants for efforts to increase employment among out-of-school youth between the ages of 16 and 24.

Health

1. 21st Century Trust Fund (Approx. $1 billion): This initiative will provide substantial additional funding to NIH ($750 million) and NSF ($250 million), ramping up substantially over time, for research activities -- particularly on the treatment and cure of diseases. We will provide you with a separate memo on this initiative in the next day or two. Funding for this initiative will come from comprehensive tobacco legislation.

2. AIDS Programs Expansion ($165 million): A funding increase for the Ryan White Program of almost 15 percent will go principally toward ADAP, to ensure that new and effective treatments of AIDS reach those who need them. Some of the funds will support education and prevention programs operated by states, cities, and community health centers, as well as by the CDC.

3. Racial Disparities in Health Care ($80 million): This initiative will address racial disparities in six areas of health care: infant mortality, breast and cervical cancer, heart disease and stroke, diabetes, AIDS, and immunization. The proposal includes additional funding ($50 million) to established public health programs to adapt and apply their prevention and education strategies to eliminate racial disparities. It also includes funding ($30 million) for up to thirty local pilot projects to test innovative approaches to reach this goal.

Environment

(Katie McGinty proposed and has further information about these initiatives)

1. Climate Change ($400 million): To support our broader climate change initiative (including tax incentives), this funding will go to a number of departments in accord with PCAST's recommendations.

2. Second Generation Clean Water ($450 million, including some on mandatory side): This initiative will assist in restoring 1000 watersheds that are too polluted for fishing or swimming. Funding will go to five agencies to support a variety of activities designed to address polluted runoff and implement comprehensive watershed management strategies.

Crime

1. Community Prosecutors ($50 million): This initiative will provide grants to prosecutors for innovative, community-based prosecution efforts, such as Eric Holder adopted in the District of Columbia. A full 80 percent of the grants will go to pay the salaries and training costs associated with hiring or reassigning prosecutors to work directly with community residents.

Race

A number of the above proposals -- e.g., education opportunity zones, university-school partnerships, housing vouchers -- can be presented as part of the race initiative, because they target predominantly minority areas or provide disproportionate benefits to members of minority groups. Other proposals described above -- the Hispanic dropout plan and the race and health initiative -- have obvious and explicit race connections. In addition:

1. Civil Rights Enforcement ($72 million): This initiative will fund reforms to the EEOC and the civil rights offices at DOJ, HUD, HHS, Education, and DOL. Most important, additional funding of $37 million will allow the EEOC to expand its mediation program (allowing more than 70 percent of all complainants to choose mediation by the year 2000), increase the average speed of resolving complaints (from over nine months to six) and reduce the EEOC's current backlog (from 64,000 cases to 28,000). The initiative also will fund a dramatic expansion of HUD's civil rights enforcement office (in the 30th anniversary year of the Fair Housing Act) and improve coordination among the government's civil rights offices. We are preparing a number of non-budgetary administrative actions, especially involving fair housing and lending, to accompany our budget proposals in this area.

Appendix -- Education Budget

The recommended funding level for all of the Department of Education's discretionary programs (including new initiatives) is $30.9 billion, an increase of $1.4 billion (4 percent above FY 1998). In addition to providing for the new initiatives described above, this recommended budget maintains or increases funding for the Department's major base programs, while reducing certain lower priority spending.

Major Base Programs

Education testing: $16 million. The full amount needed to maintain progress on test development.

Pell Grants: $7,779 million. A $289 million increase would maintain higher independent student eligibility and raise the maximum award from $3,000 to $3,100. The additional $150 million previously thought necessary to effect these policies would increase the maximum award by another $50; alternatively, as noted earlier, we could use these funds to increase our investments in the After-School and Head Start components of the child care initiative.

America Reads, $260 million. We did not get our America Reads bill in FY 1998. We did obtain increases for tutoring in the Corporation for National and Community Service. Congress did, however, "advance appropriate" $210 million for FY 1999 for Education, contingent upon enactment of new law. The increase to $260 million reflects our original first year plan.

Title I, Education for the Disadvantaged, Grants to LEAs: $ 7,725 million. A $350 million (4.5 percent) increase over FY 1998 to serve an additional 400,000 children in poor communities. Secretary Riley requested a $492 million increase.

Goals 2000: $510 million. A $10 million increase over FY 1998, to maintain momentum in the States for school reform.

Comprehensive School Reform: $175 million. A $30 million increase over FY 1998 for demonstrations of school reform models.

Adult Education: $394 million. A $33 million (9 percent) increase over FY 1998 for basic education and English language training for the disadvantaged, immigrants, and welfare recipients. This increase is part of Hispanic Education Action Plan discussed above.

Special Education: $4,811 million. Same as the FY 1998 level, which was increased by $775 million over FY 1997. States can spend the increase over 2 years. Secretary Riley has expressed concern about the lack of an FY 1999 increase. We are convinced that no increase will satisfy the advocates, and would prefer to negotiate this level in Congress, rather than use up scarce funds in your budget now.

<u>College Work-Study, $915 million</u>. An $85 million increase over FY 1998, make progress toward your goal of 1 million Work-Study positions by FY 2000. Given the reduction in Perkins loans (noted below), this increase keeps the campus-based aid programs at level funding from FY 1998.

Reductions in the Base

A number of programs have been reduced to make room for initiatives and major base programs, including: Impact Aid (-$92 million), the Education Block Grant (-$350 million), and Perkins Loans (-$85 million). Each of these has a vocal constituency. We believe we can make the case that our funding of initiatives and base programs are all higher priority than these programs.

December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: **GENE SPERLING AND BRUCE REED**

RE: **Policy Initiative Memos**

Please find attached additional memos on domestic discretionary spending. We will present the major mandatory initiatives -- health care, child care and the 21st Century Bio-Medical fund -- in the next several days. We will also be sending you a housing and community development memo.

(1) Child Labor Initiative

(2) Community and Economic Adjustment Initiative

(3) New AIDS Initiative

(4) Initiative to Reduce Racial Disparities in Health

(5) Civil Rights Enforcement Initiative

(6) Indian Education Initiative

THE WHITE HOUSE

WASHINGTON

December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: **GENE SPERLING**
ANNE LEWIS

RE: **PROPOSED BUDGET INITIATIVE ON CHILD LABOR**

OVERVIEW

We have been coordinating a process to develop a Presidential initiative on child labor. This memo presents the first -- and most urgent -- decision relating to such an initiative: whether to include new funds in the FY99 discretionary budget to support several programs to fight child labor domestically and internationally. The memo also previews other policies and ways to use the bully pulpit to fight child labor, which we hope would be part of an action plan to be announced early next year, perhaps as part of the State of the Union. You should know that the non-budget items need further review and discussion before they are put forward for your consideration.

THE PROBLEM OF CHILD LABOR

The ILO estimates that there are over 120 million children between the ages of 5 and 14 working "full time," -- though not necessarily illegally. Most are in Asia (61%), with 32% in Africa and 7% in Central America. Proportionally, Africa has the highest incidence of work (40%) among its children. Children under 10 tend to account for as much as 20% of the child labor in rural areas, although this concentration is even greater in certain occupations such as domestic service, and home-based industries. These ILO figures represent a significant upward adjustment from the previous consensus view.

Of course, not all of these children are working in illegal or otherwise unacceptable conditions, but tens of millions are. Occupations that are considered particularly hazardous where there is a high concentration of children are: mining, ceramics, glass work, matches and fireworks, deep sea fishing, and domestic service. Clearly, slavery, usually in the form of bonded labor, trafficking and child prostitution, are also significant problems, but there is less documentation about the extent of the problem.

As the facts above make clear, this is a serious and substantial problem around the world. However, the solutions are far less clear. The reasons families resort to child labor are often economic and cannot easily be overcome. The choice is sometimes not between work and school but between more or less exploitative forms of work. *Therefore it is vital that we examine any project that we support to make sure that we are not harming those we wish to help.*

Domestically, although we have made considerable progress in reducing illegal child labor, significant concerns remain about children working illegally on farms. While there are no reliable numbers giving the dimensions of such work, the best -- albeit conservative -- estimates are that fewer than 200,000 children under 18 work at some time during the year in agriculture, including on family farms. One source suggests that over two thirds of migrant children come from households below the poverty level.[1]

There are two dimensions to this problem of children working in the fields. First, U.S. law governing child labor in agriculture is more permissive than U.S. non-farm labor law and is probably in some areas more permissive than the international standard. For example, children age 12 and 13 may work legally on farms for unlimited hours -- as long as it is outside of the regular school day -- with parental consent. Both the international standard (as defined by ILO Convention #138) and U.S. law governing non-farm labor prohibit most work by children under 14.[2]

The second dimension is inadequate child care and difficulty of completing high school as a consequence of the problems created by migration. Among the many factors which complicate the provisions of services to this population are: the need for older children to stay home from school to care from younger children for whom the parents cannot find or afford child care; long hours that older children work during the growing season; lack of transportation to and from schools; complications arising from frequent changes of schools.

We feel that this is an opportune time to engage this issue, because child labor is gaining prominence on both the domestic and international agendas:

- The FY98 Treasury appropriations included language directing Customs to enforce a ban on the import of goods made with forced or bonded child labor.
- In January 1998, an international coalition of child labor advocates will launch a global march starting in San Diego.

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[1] 1991 Migrant Student Record Transfer System.

[2] Both domestic laws and international standards exempt family farms and "small enterprises." Convention 138 permits light work by children as young as 12, as long as the work is not likely to be harmful to their health or development and does not prejudice their school attendance.

- In June 1998, the ILO will begin debate on a convention prohibiting the most intolerable forms of child labor.

- The Associated Press is expected to publish a major investigative series on domestic farm labor, with some segments dedicated to the problem of child labor.

PROPOSED BUDGET ITEMS

The proposal under consideration could entail additional FY99 funding of:

- **$27 million for the International Programme on the Elimination of Child Labor [IPEC]**. The money would be given to the Department of Labor, which in turn would fund projects and research by IPEC.
- **$3 million for the Customs Service** to launch a high visibility effort to enforce U.S. law by stopping the import of goods made with forced or bonded child labor.
- **$50 million for the Migrant Education Program** to: (1) increase participation (2) provide better services during the summer and (3) expand preschool, child care and out of school youth (ages 12-15) services; and
- **$4.1 million for the Department of Labor to double its enforcement of domestic farm labor laws** and significantly improve its data on and documentation of agricultural workers.

Taken as a package, this group of budget items will:

- Establish the United States as the world leader in supporting efforts to reduce child labor internationally through IPEC.
- Enhance Customs' enforcement capacity and thus send a strong signal that the U.S. will not allow the illegal import of goods made with forced or bonded child labor. Specifically, we hope to leverage change in the behavior of U.S. rug importers by raising the specter of a high profile seizure of rugs made with illegal child labor imported from South Asia.
- Enhance our domestic ability to get and keep the children of migrant farm workers in school, document the problems of children in farm labor and enforce the law.

1. $27 Million in New Funds for IPEC

The NEC proposes to increase support for IPEC ten-fold by giving IPEC a total of $30 million in FY99 ($27 million in new funds and $3 million that we already provide) and $150 million over five years for programs aimed at fighting the most intolerable forms of child labor. The Department of Labor would manage the program and give grants and other support to IPEC.

IPEC, an ILO program, was founded in 1992 to finance technical cooperation activities in countries where child labor problems are acute. **IPEC's mission is the progressive elimination of child labor, with a current focus on the most intolerable forms of child labor** such as: bonded and slave labor, commercial sexual exploitation and trafficking, hazardous work and the work by children under 12. IPEC's direct action programs have three key characteristics: sustainable, main-stream, in-country ownership; emphasis on prevention and abolition of the most intolerable forms of child labor by involving the family and developing reasonable educational alternatives; and reliance on partnerships including employers, among others.

In contrast to remedies focusing exclusively on government prohibitions, which may have unintended adverse consequences, such as forcing children out of formal sector jobs into more exploitative informal sector positions, IPEC programs involve families and employers and make available viable educational alternatives for former child workers. IPEC also commits support for serious research and data collection to document the problem of child labor and other efforts to raise public awareness.

IPEC's 1998 annual budget will be no more than $15 million, with a U.S. contribution of $3 million. To date, the U.S has committed a total of $8.1 million.

To maximize the impact of our grant money and ensure that the funds are well-spent, DOL would: focus U.S.-supported projects on the most intolerable forms of child labor; establish parameters for categories of spending; require the ILO to commit additional staff and administrative support to effectively administer the program. We would also suggest that you challenge other countries, business and leading philanthropists to match our contribution.

IPEC has **bipartisan support on the Hill**, including from Senator Harkin, who has called on Secretary Herman to double the U.S. contribution to IPEC, and from Congressman Chris Smith, who has proposed legislation to increase our support of IPEC to $10 million annually. IPEC is generally well regarded by NGOs, who would likely applaud our initiative on international child labor and give high marks to many of IPEC's programs. Business and labor organizations have participated in some key IPEC projects that the U.S. has supported, so we do not expect criticism from either U.S. or international business or labor organizations.

2. $3 Million for Stepped up Customs Enforcement of Ban on the Importation of Goods Made with Forced or Bonded Child Labor.

With clear authority emanating from the FY98 Treasury Department appropriation, the Customs Service will launch an enforcement initiative with the following elements:

- Designation of forced and endentured child labor as a major enforcement priority, with new staff and offices working to document and pursue a high profile case, for instance by targeting a shipment from an individual carpet manufacturer in South Asia after gathering demonstrable evidence of the involvement of exploitative child labor;

- Establishment of a Treasury Advisory Committee to improve coordination and establish a regular dialogue with NGOs, other federal agencies and industry; and
- Creation of a "jump team" capable of conducting investigations of forced and bonded child labor, initially targeted at the rug industry in South Asia.

It is important to note that the World Trade Organization (WTO) does not currently authorize any ban on imports made with exploitative child labor. Further, we must be careful that this inititiative is not viewed by our trade partners as providing license for them to restrict or harass imports of U.S. goods produced using techniques they do not approve. This is particularly important to our agricultural sector, where we have been arguing that the manner in which goods are made (e.g. with hormones or genetic engineering) should not be used as a basis for restrictions. The Customs initiative is carefully designed to minimize the potential for a challenge in the WTO or retaliatory actions, by limiting Customs enforcement to cases of individual shipments or importers where Customs has gathered demonstrable proof of the exploitation of children.

3. $50 Million (for FY99) for the Migrant Education Program [MEP]:

Because of their mobility, migrant children -- more than 80 percent of whom are Hispanic -- often do not "belong" to any one school system or even any one State. That is why the Federal role is critical. Funded at $305 million in FY 1998, MEP is run on a State formula basis for supplemental education and support services for migrant children.

This program supports an extremely wide range of interventions specifically tailored to the needs of the local population it serves. Services range from the identification and recruitment of kids into schools, to all kinds of school-based interventions, to after school programs and summer sessions.

Despite a narrowing of eligibility rules in 1994, the number of participating children has been increasing, in part because of partnerships between MEP and several major agribusiness partners. These partnerships have led to improved service and coordination by local providers (education, health, public safety, and library).

In spite of an increase in eligible students, the MEP has been level funded since 1994. In FY99 at the current level of funding only 75 percent (roughly 550,000 to 600,000) of eligible students will be served. The suggested increase of $50 million would allow the program to serve about half the unserved students and to continue providing a richer array of supplemental educational services. This investment would support the full range of MEP-supported activities, including child care, after-school programs, summer sessions, tutoring and other activities critical to getting and keeping these kids in school.

We anticipate that the Hispanic Caucus and advocates for migrant farm workers would react positively to this proposal.

A $50 million investment in MEP is also included in our Hispanic Education Action Plan.

4. **$4.1 Million for the Department of Labor to Double Enforcement Resources and Collect Data.**

With this additional money, DOL will add 40 FTEs to enforcement initiatives in agriculture (and other low wage industries). Specifically, DOL will replicate efforts like "Operation Salad Bowl" -- a targeted enforcement action aimed at child labor violations in the fields. These resources will also be used to support DOL's comprehensive compliance strategy, which combines enforcement with a legal strategy to enhance the value growers, processors, wholesalers and grocery stores place on compliance. DOL will also increase its investment in collecting data on farm labor.

PROS AND CONS OF BUDGET INITIATIVES

Pros:

- Positions the U.S. as a leader in the *mainstream* fight against international child labor, focusing our IPEC support on the most intolerable child labor and focusing our Customs efforts on forced or bonded child labor.

- IPEC's approach has won the support of business organizations who oppose more punitive approaches to the child labor problem.

- The combination of support for the Migrant Education Program and DOL's enforcement is a balanced approach that creates opportunity for kids, but holds employers accountable for any illegal actions.

- Both DOL's and Custom's enforcement approach are aimed at attaining greater *compliance* with the law -- not just catching offenders.

Cons:

- NGOs may view the Customs program as business as usual.

- The ILO may be a lightening rod for criticism, although Senators Hatch and Moynihan are strong supporters.

- Some advocates may claim that this package is inadequate given the magnitude of the problem both domestically and internationally, although we believe that including this budget initiative as part of a broader child labor action plan will mitigate this criticism.

VIEWS AND RECOMMENDATIONS

There is broad support for this initiative among interested agencies. Ambassador Barshefsky, Sandy Berger and Dan Tarullo all support this effort. Secretary Albright also supports it, although wishes to reserve judgement on the specifc funding levels. Maria Echaveste supports this effort. Secretary Herman also supports it and is eager to work on international and domestic child labor issues. Secretary Daley also supports this initiative and Secretary Riley supports increasing the Migrant Education Program. Director Raines supports the initiative, but needs to reserve judgment on the specific funding level. Secretary Rubin supports the initiative, but feels strongly that all international efforts remain focused on the most intolerable forms of child labor. And of course, we at the NEC feel that child labor is an issue whose time has come and that it is a great issue for you to champion at the State of the Union and over the next three years. We hope that we will be able to develop many other policies to support these budget items and create a broader initiative.

PREVIEW OF BROADER CHILD LABOR ACTION PLAN

We are working on a broader intiative and want to give you a sense of the actions and policies we will consider in our NEC process.

A broader action plan to fight child labor would:

- Provide a larger context for the budget initiative, thus leveraging more change as a result of U.S. investment;
- Maximize the impact of the bully pulpit which can be an effective tool in raising public awareness and establishing international and domestic norms; and
- Establish you as a leader in fighting this important problem.

Although we cannot predict the outcome of such a process, items worthy of consideration for inclusion in the larger plan might include:

- Presidential challenge to private organizations, such as the Girl Scouts or the Boy Scouts, to adopt a "No Sweat"policy for procurement of their uniforms.

- Department of Labor child labor enforcement strategy designed to promote greater compliance with current law by encouraging -- through enforcement actions and partnerships -- growers, food processors, wholesalers, and grocery story chains to value compliance by their suppliers.

- Department of Labor grant to support the voluntary adoption of codes of conduct and external monitoring in the garment industry through the Apparel Industry Partnership and its successor, the Fair Labor Association.

- Joint Customs, Department of Labor and Department of State conference with U.S. rug importers and NGOs to urge their support of voluntary efforts to eliminate forced and endentured child labor in the rug industry in South Asia, specifically including broader support of the *voluntary* Rugmark label.

- Presidential support for an ILO Convention on Intolerable Child Labor which will be debated in June, including outreach to employers.

- Plan to consult farm labor advocates and agribusiness community on possibilities for harmonizing U.S. farm labor law and non-farm labor law and/or U.S. law and international law.

- Joint U.S.-E.U. conference with business, government and labor organizations to disseminate best practices on voluntary labelling, monitoring and codes of conduct efforts.

- Seek an amendment to the WTO to authorize a ban on imports made with exploitative child labor. This would complement the Customs enforcement initiative and, if successful, would shield broader Customs efforts from a WTO challenge. While Secretary Rubin supports this worthy goal, he feels very strongly that any effort in this arena should be narrowly construed to target forced and indentured child labor.

These and other proposals will be considered through an NEC interagency process, including in shaping fast track legislation, and presented in a subsequent decision memo.

THE WHITE HOUSE

WASHINGTON

December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: **GENE SPERLING**
DOROTHY ROBYN

RE: **COMMUNITY AND ECONOMIC ADJUSTMENT INITIATIVE**

You announced this initiative on November 5, as part of your Fast Track-related strategy to help workers and communities succeed in a global economy; and the $250 million over five years to fund the initiative is ***already*** in your FY99 budget. Thus, this memo is not a proposal but rather a summary of the previously announced initiative. In addition, it describes a pilot effort to implement the initiative using existing funds. The Departments of Commerce, Labor and Defense and OMB were involved in putting together this initiative.

Proposal: To help trade-impacted regions compete in a global economy, the Community and Economic Adjustment Initiative will borrow a page from the Administration's successful defense economic adjustment effort. Key elements include:

- **Create Office of Community and Economic Adjustment**: Modeled after DoD's highly respected Office of Economic Adjustment -- the federal government's first point of contact with communities slated for a military base closure -- the Office of Community and Economic Adjustment will provide planning grants and help communities organize themselves and develop an economic adjustment strategy. OCEA will be located in the Commerce Department's Economic Development Administration and will draw on the expertise of staff detailed from DoD.

- **Expand Community Adjustment Assistance by $250 million over 5 Years:** The Administration will propose $50 million per year in additional community adjustment funding as part of EDA's budget. Of this amount, $10 million a year will go for OCEA planning grants; $40 million a year will go to expand EDA's Title IX (Sudden & Severe Dislocation) program, with priority for trade-impacted communities.

- **Coordinate Federal Response:** As OEA has done for base closure communities, OCEA will coordinate the Administration's response to trade-impacted regions by working with Labor, Commerce, USDA, Treasury, SBA, HUD, DOT and other federal agencies. This will ensure that communities are aware of all available federal resources and that federal agencies respond in a coordinated way.

Background: The Administration has had considerable success in helping regions hurt by defense downsizing through its coordinated, community-based approach to providing economic adjustment assistance. Initially developed for communities experiencing a base closure, this approach has been used effectively as well in places such as St. Louis and Ft. Worth that faced defense industry cutbacks. Three features distinguish the approach:

- Focus on community organization and planning

- Targeted support for implementation

- Close interagency coordination

The Administration's secret weapon in this effort has been DoD's Office of Economic Adjustment. Created by Defense Secretary Robert McNamara in 1961, OEA has earned a superb reputation using only limited resources. Key to its success are the following:

- OEA is small, agile and has a focused mission: community organization and planning. Located outside the Pentagon physically, OEA has a community orientation not found elsewhere in DoD.

- As the chair of an interagency committee established in 1970, OEA is at the center of a enduring network of federal adjustment specialists and skilled at helping communities tap into a broad range of federal programs at the appropriate time.

- OEA project managers are economic adjustment experts, skilled at helping catalyze a local, grassroots adjustment planning process, using modest planning grants as a financial carrot to get key stakeholders at the table.

Office of Community and Economic Adjustment: The key to this initiative will be our ability to set up an office in EDA that -- like OEA -- is small, agile and focused on community organization and planning. We are working with senior officials at Commerce to accomplish this. Ideally, we will use OEA project managers on detail to (and paid for by) the Commerce Department. (Although OEA's current portfolio of base closure communities is shrinking, another BRAC round will likely occur in 3-4 years. By detailing some of its project managers to Commerce temporarily, OEA can keep its team together.)

Pilot Effort in Roswell, New Mexico: Last month, Levi Strauss announced that it is closing 11 plants, including one in Roswell, New Mexico. When Sen. Bingaman asked the NEC for help in organizing a coordinated federal response, it presented a good opportunity to test our Community and Economic Adjustment Initiative on a pilot basis. Commerce has agreed to pay for an OEA project manager on detail, who will be assigned to Roswell; EDA also agreed to provide an initial planning grant of $40,000. Administration officials announced both of these steps at a Nov. 22 meeting in Roswell convened by Sen. Bingaman and Rep. Skeen, which brought together community leaders with officials from the White House, EDA, USDA, Labor, SBA and DOE.

December 8, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
CHRIS JENNINGS

SUBJECT: New AIDS Initiative

We have developed a $115 million initiative for your FY 1999 budget to improve AIDS treatment and prevention programs. This increase would go to expand programs that are critical to preventing and treating this epidemic, including the AIDS Assistance Drugs Program (ADAP), which extends life-saving new treatment therapies to low-income and underserved populations.

Background on AIDS Funding

Since you came into office, AIDS programs that focus on treatment and prevention have improved dramatically. Medicaid, which provides coverage for half of all people with AIDS, now covers protease inhibitors. Funding for the Ryan White Program has increased by 200 percent since FY1993, funding for research at NIH has increased by 50 percent since that year, and funding for the ADAP program has increased 450 percent since 1996.

The AIDS community, however, has expressed disappointment with the Administration's recent efforts in this area. AIDS groups criticized the Administration for failing to propose major increases in discretionary spending in FY1998, which allowed Congress to outspend us in this area. And in just the last few weeks, the AIDS community reacted negatively to HCFA's conclusion that budget neutrality requirements prohibit establishing a Medicaid demonstration to provide early treatment to relatively healthy HIV-infected individuals. There is no doubt that the AIDS community will be examining the Administration's FY 1999 budget submission very closely.

Proposal

The AIDS office is recommending, and we agree, that you propose an $115 million increase in your FY 1999 budget for AIDS treatment and prevention. (OMB is currently recommending $100 million). All of this spending would go to existing discretionary programs that emphasize prevention and treatment. We would recommend that the majority of this increase go to the ADAP program, because new and effective treatments of this disease are currently not reaching many who need them. We also would recommend modest increases to CDC prevention education programs, as well as a range of programs providing funds to states, cities, and community health centers.

Although the $115 million that we are suggesting falls far short of the $400 million the AIDS advocates are pushing, it is a significant investment that will improve AIDS treatment and prevention and soften criticism from the community.

Finally, in the wake of HCFA's decision on the Medicaid demonstration program discussed above, Nancy-Ann Min DeParle is looking into the possibility of a legislative proposal (which of course need not be budget neutral) for a model pilot project to expand eligibility to Medicaid for people with HIV earlier in the progression of their disease. As of this writing, we have significant questions about whether such a proposal is feasible and whether it could be done in time for the budget process. At the request of the Vice President, however, we are reviewing all options in this area closely.

December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING
CHRIS JENNINGS

SUBJECT: Initiative to Reduce Racial Disparities in Health

To support your race initiative, we have developed proposals that would commit the nation to an ambitious goal of seeking to eliminate some of the most severe racial disparities in health care by the year 2010. African-Americans, Hispanics, Native Americans, and Asian Americans suffer from certain diseases up to five times as often as whites. To reduce these disparities, the government will have to make a sustained effort to find effective approaches and apply them across all health programs. We recommend that the FY 1999 budget take a two-pronged approach to this issue by (1) expanding our finest public health programs so that they can address the problem of reducing these disparities, and (2) funding competitive grants to thirty communities to test innovative and promising new approaches in this area.

Racial Disparities in Health Care

The initiative would focus on six of the most severe racial disparities in health care: infant mortality, cancer, heart disease and stroke, AIDS, immunization, and diabetes. Some of these disparities are quite startling. For example, infant mortality rates are 2 ½ times higher for African-Americans and 1½ times higher for American Indians and many Hispanic groups than they are for whites. African-Americans have a 35 percent higher cancer death rate than whites, and African-Americans under 65 suffer from prostate cancer at nearly twice the rate of whites. Similarly, Vietnamese women suffer from cervical cancer at nearly five times the rate of whites, while Latinos have two to three times the rate of stomach cancer. African-American men also suffer from heart disease at nearly twice the rate of whites. Native Americans suffer from diabetes at nearly three times the average rate, while African-Americans suffer 70 percent higher rates. Minorities account for 25 percent of the population yet make up 54 percent of all AIDS cases. The Demographic changes anticipated over the next decade magnify the importance of addressing these disparities. As minority populations grow, finding effective ways to close these gaps will become a critical aspect of improving the overall health of the nation.

Validation

An initiative that sets the ambitious goal of reducing these health disparities would receive overwhelming support from public health groups such as the American Public Health

Association, the American Heart Association and the American Cancer Society, as well as from minority groups such as the Intercultural Cancer Council, the American Indian Healthcare Association, the National Hispanic Council on Aging, and the National Council of Black Churches.

Proposal

HHS is proposing to spend $200 million in FY 1999 for this initiative. OMB is currently recommending an investment of $30 million (along with some retargeting of existing funding streams), with all the new money to go to established HHS programs, and none to the community grant proposal discussed below. (OMB believes that most communities do not have the infrastructure necessary to implement new public health projects in the most efficient manner.) OMB's lack of enthusiasm for this initiative results partly from a fear that we will not be able to reach our goals. DPC/NEC strongly support both parts of this initative. We believe that the initiative will require an additional $80 million and that $30 million of this money should go to the new competitive grant program.

- **Applying Current Effective Public Health Approaches to Eliminate Disparities.** We recommend that you propose $50 million to apply some of our most effective public health approaches directly to reducing racial disparities. Our best public health programs already use effective prevention and education strategies to improve health care. These programs would use additional funds to implement and adapt such proven public health strategies to eliminate racial disparities. For example, CDC's breast and cervical cancer screening program could use additional dollars to target minority communities better, as well as to extend its efforts to other cancers (e.g., prostate and colorectal) disproportionately afflicting minorities.

- **Community Grants to Develop New Strategies to Eliminate Disparities.** Eliminating racial disparities in health care will require not only the focused application of existing knowledge and best practices, but also the development of new approaches. We recommend that you propose $30 million in FY 99 to enable thirty communities to develop innovative and effective ways to address racial disparities. Each community, chosen through a competitive grant process, would commence an intensive program to address one of the six health areas. (For example, a grant might go to a Native American reservation to test innovative approaches relating to diabetes.) These grants would fund education, outreach, and preventive approaches that have not been attempted elsewhere. HHS would hold periodic conferences to educate the public health and minority communities about effective strategies developed by these communities, with the aim of extending these approaches across the nation.

- **Beginning Today to Reduce Disparities.** To ensure that we begin this initiative immediately, we are identifying ways in which the FY 1998 increases in health care can be used to address racial disparities. For example, AIDS education and training centers are beginning a new partnership with the Indian Health Service to develop new approaches to educate health providers about training and prevention. In addition, the National Cancer Institute will expand efforts to recruit more Hispanics into clinical trials.

December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
TOM FREEDMAN

SUBJECT: Civil Rights Enforcement Initiative

We have developed a civil rights enforcement initiative that places a new emphasis on prevention and non-litigation remedies for discrimination while also strengthening civil rights agencies' ability to bring enforcement actions for violations of anti-discrimination law. The plan promotes prevention by providing increased resources for compliance reviews and technical assistance, and offers an alternative to expensive litigation by funding a dramatic expansion of alternate dispute resolution (ADR) mechanisms. The plan also sets specific performance goals for the EEOC to speed its processing of complaints and reduce its backlog, and provides for greater coordination across federal civil rights agencies and offices. The package of improvements totals approximately $100 million, including a 16.5% increase above the enacted FY 1998 budget for EEOC and a roughly 50% increase for the relevant HUD office.

I. Strategies that Promote Prevention and Avoid Litigation

A. Resolving Problems Without Lengthy Court Fights

The plan calls for the dramatic expansion of Alternative Dispute Resolution (ADR) programs across all relevant agencies. The largest initial investment is a $40 million expansion over three years of the EEOC's mediation program. The EEOC currently sends only a small number of cases to mediation. The increased funding will allow upwards of 70% of all complainants to choose mediation, rather than the lengthy process of investigation and litigation. (The remainder will not have this option, either because their cases are seen as the most serious enforcement priorities or because their cases are wholly devoid of merit.) We expect about half of all complainants to choose the mediation option. In addition to the EEOC program, pilot mediation programs will be introduced at HHS and Labor.

B. Spotlighting the Problem and Encouraging Compliance

The initiative includes a fund to improve surveillance, technical outreach, and compliance efforts by civil rights offices. The focus on compliance is reflected in increased support for DOL's Office of Federal Contract Compliance, which ensures that businesses under contract to the federal government implement E.O. 11246 and comply with anti-discrimination law. This $18 million reform will allow the office to increase tenfold the number of compliance reviews it conducts through the introduction of a tiered review system. In addition, the initiative provides $10 million to HUD to conduct a program using paired testers, which is designed to raise awareness of the extent of housing discrimination through the public release of audit results and some focused enforcement action. This initiative also will enable the EEOC to improve compliance through videos for employers and a public service campaign.

II. Making Enforcement Work

A. Resources to Eliminate Backlogs

One of the most common criticisms of federal civil rights enforcement relates to the length of time the EEOC takes to hear and decide cases. This plan uses improvements in technology, mediation, and the addition of over 100 investigators to lower the average time spent resolving private-sector complaints to under 6 months (from the current 9.4 months) and to reduce the inventory from 64,000 cases to 28,000 by the year 2000. The plan also includes two new initiatives at HHS to reduce backlogs by expanding the use of case management techniques and giving state and local civil rights agencies an additional role in enforcement activities.

B. Coordinating and Streamlining Federal Policies

Federal civil rights offices only rarely consult or coordinate with each other. This initiative will institute a standing inter-agency working group to address issues of common interest, including development of strategy, implementation of performance outcome measures, and sharing of training initiatives and data collection.

We also recommend that you begin the process of implementing EEOC's proposal to strengthen its authority to eradicate discrimination from federal agencies, provided White House and Department of Justice attorneys approve the measures. Currently, parties who complain of discriminatory treatment by an agency can request a hearing from an Administrative Judge (AJ) who is an impartial EEOC employee. Agencies, however, can then issue a final agency decision (FAD) rejecting the AJ's decision altogether. Statistics show that agencies modify decisions adverse to them nearly two-thirds of the time, while modifying decisions favorable to them only about 1% of the time. The EEOC proposal would eliminate the FAD process where there has been an AJ hearing, and permit both the complaining party and agencies to appeal the AJ's decision to the EEOC.

C. Modernizing Civil Rights Enforcement

Many civil rights agencies have not received sufficient increases in resources to make use of technology and improve their efficiency. For instance, unlike most of the federal government, EEOC offices lack the ability to communicate with each other using e-mail. The plan includes a $15 million technology initiative for EEOC, HHS, Labor, and Education to provide for communication via electronic mail; eliminate redundant data entry procedures; permit the sharing of information and enhanced research capabilities for investigators and attorneys; allow for the filing of forms and complaints over the Internet; and provide for the sharing of civil rights data bases.

III. Status of Proposals

DPC developed this plan after consultation with representatives of leading civil rights organizations, heads of federal civil rights offices, and other White House offices. OMB has recommended a package of $57 million for this initiative, which will fund some of the measures described here. OMB is currently reviewing other agency proposals, including the $40 million expansion of ADR at EEOC and the $18 million proposal by DOL-OFCCP to expand its compliance program.

December 8, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
MIKE COHEN

SUBJECT: Proposed Budget Initiatives for Indian Education

Last July, a coalition of education-oriented groups from Indian Country proposed a Comprehensive Federal Indian Education policy statement, which emphasized the importance of Tribal governance of Indian Education, the preservation and revitalization of Native languages and cultures, and the need for equitable access to education resources. The coalition also proposed an Executive Order to implement this policy vision.

This proposal has been under review by DPC staff and the Domestic Policy Council Working Group on American Indians and Alaska Natives. Pending a determination as to whether the proposed Executive Order is desirable and likely to be effective in accomplishing its aims, we have begun to identify steps that can be taken right now to improve education for Native American students in schools controlled by the BIA and Tribes, as well as in the public schools attended by large numbers of Indian students.

The full set of initiatives we have developed is summarized below. Most involve ensuring that new education proposals and existing funding streams effectively target resources to schools in Indian Country. In one area -- school construction and maintenance -- we are going further by proposing a significant increase in funds over previous appropriations levels.

Tribal School Construction Proposal

The BIA operates 185 residential and day schools serving 51,000 Native American students, approximately 10% of all Native American students in grades K-12. Enrollment in all BIA schools has increased by 25% since 1987. Enrollment in just the day schools has increased 47% since 1987 and 24% since 1992. Consequently, BIA schools have experienced significant problems with overcrowding. In addition, according to a forthcoming GAO report, BIA schools, compared to schools nationwide, (1) are generally in poorer physical condition; (2) have more "unsatisfactory environmental factors"; (3) more often lack key facilities required for education reform (e.g., science labs); and (4) are less able to support computer and communications technology. Overall, they are in worse condition than even inner-city schools.

We are recommending an increase of $51.4 million over the FY 1998 appropriations (and an increase of $47.6 million over the Department of Interior FY 1999 request) for two Bureau of

Indian Affairs accounts for New School Construction and Facilities Improvement and Repairs. The proposed increase would double funding for new school construction and for significant improvements and repairs of existing facilities. Compared to the BIA FY 1999 request, this step would double the number of new schools to be built from 2 to 3, and increase the number of schools undergoing significant improvements or repairs from 6 to 22. The higher budget request also would provide funds for needed portable classrooms, roof replacements, and other repairs.

	FY98 Appropriations	FY99 BIA Request	FY99 DPC Recommendation
New School Construction	$19.2 million	$20.8 million	$38.4 million
Facilities Improvement and Repairs	$32.2 million	$34.4 million	$64.4 million
Total	$51.4 million	$55.2 million	$102.8 million

The Tribes would view this proposal as a significant step forward in improving the quality of education for Indian students. Congressional delegations from the affected states also would receive the proposal warmly.

This proposal is especially important if you choose to propose a new school construction initiative on the tax side, because Tribes do not issue bonds for this purpose. Even if you choose to propose a school construction initiative on the spending side, this initiative would be valuable. In the Administration's school construction proposal last year, 2 percent of the funds were set aside for a direct appropriation for Tribal schools, over and above the accounts discussed here. This funding, however, is contingent on the passage of a school construction proposal, and in any event, is insufficient to meet the Tribes' needs.

We have developed this proposal with the involvement and support of OMB, the Department of the Interior and the Department of Education.

Other Initiatives

We are working to make sure that other education initiatives proposed for FY99 include an appropriate set-aside for BIA schools and, where feasible, for public schools that serve a large concentration of Native American students. These include:

- Education Opportunity Zones. A percentage of grant funds will be set aside for administration by the BIA, and the Education Department will be encouraged to provide at least one grant to a rural school district with a large percentage of Native American students.

- Early Intervention College/School Partnerships. We are working to determine the best ways to ensure that Tribal Colleges can effectively participate in this initiative, as well as to fund other college/school partnerships in communities with a large percentage of Native American students.

- Child Care. The Child Care Block Grant already contains a set aside for administration by BIA. Proposed funding increases in this program will automatically benefit programs serving Native Americans on reservations.

- Technology. This year the BIA launched Access Native America, an initiative to implement the four pillars of your technology challenge and to connect all schools, classrooms, and libraries to the Department of Interior's Internet backbone by the year 2000. Within the past month, DPC arranged a meeting between BIA staff and the Schools and Libraries Corporation to help Tribal schools take advantage of the e-rate. As a result, the Corporation has agreed that BIA can apply for the e-rate on behalf of all Tribal schools, and BIA has begun to develop materials and plan training so that schools can complete the necessary applications.

- Teacher Preparation and Recruitment. This initiative, which you announced at the NAACP Convention on July 17, helps to prepare and recruit teachers to serve in high-poverty urban and rural communities. At the time this proposal was developed, we did not target funds to Tribal schools. We are in the process of preparing new legislative language to take care of that omission, and will work with our Congressional allies to incorporate it into our proposal.