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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 (see 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 matriculation 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. Disability -- 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 all 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, proactive 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 seeking 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)

THE WHITE HOUSE

WASHINGTON

March 12, 1999

MEMORANDUM TO THE CHIEF OF STAFF

CC: Doug Sosnik
Karen Tramontano

FROM: Bruce Reed
Elena Kagan

SUBJECT: Long Term Priorities

MAJOR PRIORITIES

I. EDUCATION

Our major objectives on education over the next few months will be to: 1) win the argument that accountability, class size, and school construction must be national priorities; 2) keep Democrats united behind our accountability agenda; and 3) attack Republican efforts to regain credibility on education, such as Domenici's jumbo block grant and Coverdell's education savings accounts.

A. Education Accountability Act. Legislation to reauthorize the Elementary and Secondary Education Act which will require states and districts receiving federal funds to end social promotion, fix failing schools, end use of unqualified teachers, issue report cards, and institute discipline codes. Programs that are part of ESEA include Title I, After-School, Class Size (see below), Bilingual, Safe and Drug-Free, Technology, Charters, and Teacher Quality.

1. Presidential Actions:

- Announcement in late March or early April of bill transmittal, perhaps preceded by leaks on key unannounced components such as a new teacher quality initiative.
- Release of Dept. of Education study on charter schools, possibly as a live radio address at a successful charter school in Washington.
- Release of Dept. of Education social promotions guide. The President would like to visit a school district that has ended social promotion.
- Visit to a poor, rural school in Appalachia or the Delta as part of the President's proposed tour in May.
- Address to a state legislature.
- Commencement at a teacher college.

2. Republican Agenda: ESEA is the centerpiece of the federal government's K-12 education policy. This is a top priority item for Republicans, who will seek to have ESEA reflect their key education initiatives -- flexibility, block grants, and possibly vouchers.

3. Timing and Strategy: The administration plans to transmit its bill to Congress around the Easter recess. The reauthorization process is expected to run through much of 1999 and possibly into next year. The House has already started hearings on the bill. The Senate and House are expected to start mark-up this summer. Overall, we need to win the debate that ending social promotion, turning around failing schools, and demanding qualified teachers are national priorities and that the Republican approach will lead to no accountability. We need to enlist the support of key constituency groups, members of Congress and the public around our accountability platform by working to identify and diffuse concerns that could splinter Democrats -- particularly around issues such as social promotion (of concern to civil rights groups and others), flexibility of concern to governors in both parties, bilingual education, and the conversion of formula grant programs to competitive programs. If we hold Democrats together, we may be able to force Republicans to come our way on accountability, which has always been one of their central themes.

B. Ed-Flex Demonstration Program. Legislation to expand Ed-Flex to give all 50 states authority to waive certain federal rules in exchange for showing results.

1. Presidential Actions:

- Possible Presidential statement or event next week to announce veto threat over Senate provision to undermine class size.
- If conference drops that provision, an Ed-Flex signing is likely in late spring.

2. Republican Agenda: Republicans have made Ed-Flex expansion their number one priority for the year. Flexibility is a key theme of their education agenda, and they will claim passage as a victory.

3. Timing and Strategy: We hope to line up sufficient support for a veto threat by early next week, and work with key supporters of the Ed-Flex bill to get the objectionable provision stripped.

C. Class Size. Legislation to authorize \$11.4 billion more over six years to complete the hiring 100,000 teachers and reduce class size in the early grades to the national average of 18. (We will still also need to appropriate \$1.4 billion in FY 2000).

1. Presidential Actions:

- Possible Presidential statement or event next week to announce veto threat of Ed-Flex bill provision that undermines class size.
- Presidential event in July to announce FY99 class size grants to communities.

2. Republican Agenda: Republicans do not like this proposal, even though they funded it in the last appropriations bill. Republicans would prefer to make class size an allowable use of a block grant proposal, and will counter our proposal with IDEA at every turn.

3. Timing and Strategy: To blunt the Republican attack on class size, we need to develop an effective alternative proposal on IDEA, perhaps with a dedicated offset such as a portion of the federal share of the tobacco settlement or the Republican tax cut in the budget. We also need to keep reminding the press that Republicans voted for, and campaigned on, class size reduction last fall. Once we get past the Ed-Flex conference, Democrats will try to raise class size (and

perhaps our own IDEA proposal) on the budget resolution. Class size will be a central issue in the appropriations battle this fall, as well as on ESEA.

D. School Modernization. Legislation to create tax credits to support \$25 billion in bonds to help build, repair, or modernize up to 6,000 schools.

1. Presidential Actions:

- Periodic events by the Vice President, the First Lady, and Secretary Riley will keep up the profile on this issue. The President can weigh in if a tax bill starts moving.

2. Republican Agenda: Republicans will try to push an alternative "school construction" proposal, which would change arbitrage provisions for school bonds. The school superintendents organization supports this proposal; we will have to work hard to make the case that the Republican proposal is fundamentally flawed (because the proceeds do not have to be used for school construction and go to districts that do not need assistance).

3. Timing and Strategy: Democrats will raise school construction during the budget debate. Republicans may try to move a Coverdell-style education tax bill, which would likely include their school construction approach. We will need to address potential flash points, such as Davis-Bacon and Senator Bob Graham's more modest alternative.

E. Education FY 2000 Appropriations Bill. Legislation to fund federal education programs, including after-school; turning-around failing schools; class size; Troops to Teachers; master teachers; GEAR-UP; Title I; technology grants; choice initiatives (charters, work-site and magnets); and Safe and Drug-Free Schools.

1. Presidential Actions:

- National Teacher of the Year event in April.
- FY 99 grants announcements -- e.g., after-school, charter school, teacher recruitment and quality, Gear-Up, technology.
- Reports on various issues -- e.g., charter schools, teacher quality, after-school.

2. Republican Agenda: Republicans will support big increases in funding, but will try to push block grants and target increases towards IDEA (essentially a politically viable form of block grants). Recent court rulings and new federal regulation may strengthen the Republican case for increases in IDEA funding. We will have to counter with sustained campaigns for increases in our priority programs as well as our own IDEA alternative.

3. Timing and Strategy: Appropriations Committee hearings begin in March; final bills will get to the President in the late fall/early winter. We need to launch a sustained attack on the Republican block grant proposals as soon as they emerge.

Significant Challenges

1. **Bilingual Education/LEP.** The Administration's ESEA reauthorization will include the President's goal of helping children learn English within three years. There is considerable division around the best approach to teach English to children with limited English proficiency. Bilingual education -- where students first receive instruction in their native language in order to then learn English -- has

been the target of a ballot initiative (Unz initiative) in California that the administration opposed. Republicans may offer measures to effectively end bilingual education and/or require students to leave bilingual education programs within one or two years. They may criticize the Administration's position as too protective of the status quo in bilingual education. Conversely, some groups that support bilingual education will criticize the Administration's effort for being too draconian.

- **Timing:** Our position could become an issue as soon as our ESEA bill goes up in early April. This issue will likely come to the forefront during hearing on the ESEA reauthorization.

- **Administration Response:** We will need to address concerns in the Hispanic community through targeted outreach and communications strategy explaining our position and legislation. This will include briefings on our legislation to Hispanic groups and members of the Hispanic caucus, as well as a communications strategy targeted at the Hispanic media. At the same time, we will need to counter Republican criticisms that we are supporting the status quo by emphasizing our three-year goal. We will need to identify members of Congress in both parties who will champion our approach.

- **Presidential Action:** It is not clear whether a Presidential statement will be needed. The ESEA reauthorization will be transmitted around the Easter recess.

2. Race-Based Admissions. Admissions decisions that consider the race of the applicant either for the purpose of remedying past discrimination or to enhance the diversity of the student body.

- **Timing:** Affirmative action opponents have filed cases against school districts and universities across the country to challenge admissions that factor race into the admissions decision process. In several instances (Boston, San Francisco), schools have changed their admissions process to avoid legal challenges. Congressional Republicans may try to offer amendments to any moving piece of education legislation to prohibit race from being considered in school and university admissions.

- **Administration Response:** The Administration supports the consideration of race in school admissions decisions to remedy past discrimination and to promote diversity. The counsel's office is working with Justice and Education to monitor these cases and to determine where federal intervention would be appropriate. The Administration also fought efforts in the last Congressional session to prohibit the use of race as a factor in admission decision and should be prepared to engage in a similar battle.

- **Presidential Action:** The higher education groups are working to unite university presidents behind a strategy to increase campus diversity because of the identifiable benefits diversity brings to classroom environment (e.g., diverse opinions). If this group is effectively pulled together, the President could help announce its formation.

3. Vouchers/Education Savings Accounts. Vouchers would provide tax dollars to students to use at a private school. Education Savings Accounts would provide tax relief for savings used to pay for elementary and secondary education, including at private schools.

- **Timing:** Republicans may propose vouchers as part of their own approach to reauthorizing ESEA (spring/summer) or as part of the education appropriations or D.C. appropriations (fall) bills. Coverdell has already introduced his education savings proposal, and will attach it to any tax vehicle.

- **Administration Response:** The Administration will continue to oppose the use of federal funds to support private school vouchers. The major education groups have also long opposed vouchers and we should continue regular discussions with them to coordinate our efforts as individual legislative measures on vouchers arise. The Administration's efforts to support interventions in failing schools -- and strengthening school accountability more generally -- provide one effective counter to vouchers as do our efforts to expand choice within public education. Our proposals for smaller classes and modern school buildings may make more sense to the public than markets and vouchers. Republicans are trying to scale back the focus on vouchers in their education agenda, but conservatives clearly will continue to press this issue. Education Savings Accounts will be a much tougher battle, especially in the Senate where some Democrats may seek a grand compromise that couples school construction with Coverdell.

- **Presidential Action:** A Presidential statement may be needed in late summer or fall if Republicans propose attaching vouchers to appropriations bills or to ESEA. Moreover, Presidential events on fixing failing schools, expanding public school choice and charter schools, and reducing class size and modernizing school buildings will help undermine the effectiveness of the voucher message.

4. Individuals with Disabilities Education Act (IDEA) and Special Education. As we've seen in this week's Ed-Flex debate, many Republicans are trying to broaden the appeal of their education agenda -- and attack the President's agenda -- by criticizing the Administration's alleged failure to provide adequate funding to help local school districts serve students with disabilities. Republicans argue that the federal government should be providing 40% -- rather than the current 11% -- of the costs of special education. These Republicans are beginning to make the case to the public that the federal government should fully fund requirements to serve students with disabilities before funding new initiatives like class size. Moreover, they argue that providing extra support to school districts for special education would free up other resources that local school districts could choose to use on reducing class size, after-school programs, etc. They argue that this approach -- supposedly providing investments and flexibility to local school districts -- is preferable to the Administration's approach of making school districts pay for special education and then directing them to spend other federal resources on specific strategies like class size, after-school, etc. The governors raised this issue to the President in NGA, and complaints have been increasing from communities across the country about this problem.

- **Timing:** This issue will likely be raised throughout the year during deliberations in the House and Senate on Presidential education initiatives, consideration of the budget resolution, and appropriation bills. The IDEA regulations to be released this week may add to the pressure.

- **Administration Response:** We have been arguing that special education funding has increased over the past few years and that many of our investments in strategies like smaller classes also help special education students; indeed some of these strategies help children learn to read well and may keep them from being placed in special education in the first place. But we need a specific Administration budget proposal that gives Democrats something to be for on this issue.

- **Presidential Action:** If we can develop a plausible alternative, the President could announce it with leading Hill Democrats, governors, and the disability community.

5. Teacher Quality. Republicans will likely advocate proposals to improve teacher quality through initiatives that could be difficult for the Administration to support -- such as testing for current teachers and merit pay for high-performing teachers.

- **Timing:** The timing of Republican proposals along these lines is uncertain but could come this spring or summer.

- **Administration Response:** The Administration's ESEA proposal will contain several initiatives to improve teacher quality that will help define the debate early -- including ending the use of unqualified teachers and supporting national certification for highly accomplished teachers. Moreover, the Administration is advocating other teacher quality initiatives such as attracting retiring military troops and talented young people into teaching. Special emphasis on the President's initiatives to hold teachers accountable and support good teachers will be helpful in defusing possible support for these likely Republican efforts.

- **Presidential Action:** The President can announce his teacher quality proposals as part of the ESEA introduction, and highlight them again at the Teacher of the Year event in April.

II. CRIME

We have two major strategic goals on crime over the next few months: (1) an extended, high-profile rollout of our new crime bill to build the case for another 50,000 police beyond the 100,000 mark we'll reach in May; and (2) a continued effort to keep Republicans on the defensive on guns, as lawsuits against the gun industry heighten press interest in the issue.

A. 21st Century Crime Bill. The President's omnibus crime proposal will: add up to an additional 50,000 police on the street; give crime-fighting technologies to state and local law enforcement; provide more drug testing and treatment for offenders under criminal justice supervision; close the loophole on gun shows and extend the Brady waiting period; authorize new measures to combat international, juvenile, and white collar crime; and reauthorize popular anti-crime programs created in the 1994 Crime Act. We are preparing to introduce the President's omnibus crime legislation immediately after the congressional recess. Although we do not necessarily expect the crime bill to move right away, we want to take the offensive before Republicans gain any traction in attacking our budget proposals in this area or moving their own juvenile crime legislation.

1. Presidential Actions:

- The President will unveil his crime bill in late March or early April. In addition, we could break out parts of the bill for separate announcements or leaks, including:
 - Health Care Fraud: Tougher criminal penalties for obstructing a fraud investigation, and a crackdown on illegal kickback schemes.
 - Telemarketing Fraud: Legislation to give federal law enforcement same power to block telephone service to telemarketing scam artists that we already have for illegal gamblers.
 - Pension Fraud: A new federal crime for defrauding pension or retirement plans, and tougher penalties for embezzlement.
 - Bioterrorism: New penalties for possessing, using or failing to report biological agents and toxins. (The President should announce this to the Firefighters on March 15.)
 - Money Laundering: Treasury is finalizing a national strategy to crack down on money laundering.
 - Gun Trafficking: New legislation to expand gun tracing of used firearms.
- During National Police Week (May 10-15), the President can hold an event to commemorate funding of the 100,000th police officer under his COPS initiative. This represents one of the

Administration's most important policy milestones. Thousands of police officers will already be in town that week to attend the Fraternal Order of Police's Peace Officers Memorial.

- As legislative consideration of the crime bill proceeds, the President can hold events/meetings with Mayors, law enforcement organizations, and other groups to help build support.

2. Republican Agenda:

- **Juvenile crime:** Senate Republicans have re-introduced their juvenile crime legislation from last session, and have signaled that they are prepared to take it directly to the floor this spring. If they do, we should be prepared to propose the provisions in our more comprehensive crime bill -- especially on guns -- as an alternative.
- **Drugs:** Senate Republicans also have proposed the Drug-Free Century Act, which increases spending for drug interdiction and enhances penalties for certain drug offenses. Again, our omnibus crime bill offers a more comprehensive alternative that Democrats should offer if the Senate Republicans bring the Drug-Free Century Act to the floor.

3. Timing and Strategy: As noted above, the President will roll out his crime bill in late March or early April. We will schedule events and leaks to preview the bill prior to its introduction and build support for it afterward. The May event to mark the hiring of 100,000 police officers should be a high-profile part of this campaign. Of course, the Republicans will not take up our crime bill for consideration. They will try to make progress on the juvenile and drug bills mentioned above -- or on a rumored comprehensive crime bill authored by Senator Hatch. We should work with Democrats in Congress to add our proposals -- in particular for more police, better technology, and tougher gun laws -- to these vehicles. Our best opportunity to ensure passage of the police and technology proposals may come on this year's appropriations bill, where we can press for continued funding for the COPS program.

B. Firearms Enforcement. The President's budget contains \$29 million in new funds for additional ATF agents and federal prosecutors to enforce our firearms laws. These funds are closely linked to the President's proposal (to be included in the crime bill) to close the gun show loophole, as well as to a proposed directive on enhanced gun enforcement that we expect the President to sign soon.

1. Presidential Actions:

- The President can issue a directive to the Attorney General and Treasury Secretary to strengthen federal firearms enforcement and prosecutions, as is occurring in cities like Philadelphia.
- The Administration will closely monitor settlement discussions between communities and the gun industry to see if these discussions present opportunities for administrative action.

2. Republican Agenda: The NRA and its supporters in Congress charge that U.S. Attorneys are not prosecuting enough firearms cases; they will offer amendments to the Commerce-Justice-State appropriations bill to simply mandate more federal firearms prosecutions. Unlike other firearms initiatives, this proposal should receive some measure of bipartisan support.

3. Timing and Strategy: Appropriations hearings on the Treasury enforcement budget began in late February; full committee consideration should take place in the summer. To make the case for this funding, we must blunt the NRA criticisms of law enforcement (in part by issuing the directive mentioned above and accepting a set of Justice/Treasury recommendations in response) and ride as much as we can on the cities' suits against the gun industry and any possible settlement of that litigation.

Significant Challenges

1. Police Brutality Incidents and Investigations. The shooting of Amadou Diallo has brought the issue of police brutality -- and the federal government's role in preventing it -- to the forefront. Although we have taken quick responsive action, this issue is likely to persist, especially if further incidents occur or if the results of investigations become public. In addition, the U.S. Commission on Civil Rights recently decided to hold hearings on police department practices in New York City and other municipalities.

- **Timing:** See above -- ongoing.

- **Administration Response:** The President made a number of policy announcements to address issues of police misconduct in his March 13 radio address. He also asked the Justice Department to convene a series of meetings with law enforcement officers and civil rights leaders on this topic. White House officials will take part in these meetings and Congressional briefings.

- **Presidential Action:** As noted above, the President just completed a radio address on this subject. If the Justice Department meetings -- or other Administration policy processes -- produce additional recommendations, we should consider having the President announce them. We may, for example, want the President to issue a directive on the collection of data on racial profiling in law enforcement. In addition, the President may have to issue statements if other incidents occur or the results or investigations become public.

2. COPS Audit. The Justice Department's Inspector General is conducting an audit of the COPS Office to verify how states and localities have spent COPS funds. The audit may subject the COPS initiative to criticism by the media and members of Congress.

- **Timing:** No date certain, but the audit is likely to be released within the next couple of months.

- **Administration Response:** We should have a short amount of lead time before the audit is released. We will work with key law enforcement organizations and other supporters of the COPS initiative who can help defend the program and urge its continuance.

- **Presidential Action:** The President may want to issue a statement generally defending the program, but also committing the Justice Department to work with localities to address the problems identified.

3. Expiration of FY 99 Commerce-Justice-State appropriations authority. The omnibus budget agreement signed last fall contained a short-term appropriation for the agencies covered under the CJS bill. The Congress will need to extend CJS funding through the rest of FY 99 -- but may take the opportunity to add riders or make changes to key programs.

- **Timing:** The CJS authority will expire in June 1999.

- **Administration Response:** We will need to resist Congressional attempts to redirect unspent COPS funds once the 100,000 officers funded goal has been reached and/or to tack objectionable firearms riders on to the bill.

- **Presidential Action:** The President should strongly oppose -- by statements and otherwise -- Congressional efforts to change key Administration initiatives on a CJS extension.

4. Juvenile Crime. The Senate Republicans can move their juvenile crime bill to floor debate without further committee action, and Lott has indicated that he is prepared to do so.

- **Timing:** It is still unclear whether or when the Senate leadership will decide to move this legislation.
- **Administration Response:** If Senate Republicans attempt to move juvenile crime legislation (or if they instead propose a comprehensive bill, as recent rumors might indicate), we should work with Senate Democrats to propose our crime bill as an alternative.
- **Presidential Action:** Depending on the course of legislative action, we may want the President to issue statements demanding that any crime legislation includes our key priorities: additional funding for police officers and prosecutors, tough gun provisions, and more drug testing and treatment for offenders.

III. HEALTH CARE

A. Patients Bill of Rights. Legislation to provide patients with a set of rights that are critical to quality health care (e.g., access to specialists), and a mechanism to enforce them.

1. Presidential Actions:

- The President can participate in a bipartisan event after the Congressional recess to highlight widespread support for strong, comprehensive legislation.
- We can announce the final Department of Labor regulation to guarantee internal appeals for all participants in self-employed plans.

2. Republican Agenda: It is unclear how Hastert will handle this issue. We believe he wants a bipartisan bill, but without a significant enforcement provision. Lott intends to proceed with the weak bill introduced in the Senate last year; there will be a committee markup on that bill next week.

3. Timing and Strategy: Our goal is to pass a strong patients' bill of rights by the August recess. The best chance to produce a strong bill is in the House; if we succeed in doing that, it will put pressure on the Senate. Dingell has reintroduced his bill from last year and believes he can attract as many as 210 cosponsors. Ganske has introduced a modified version of the Dingell bill, which slightly alters the enforcement provision by dropping the punitive damages section. It is unclear whether the best strategy is a normal committee markup or a discharge petition. Right now, Dingell intends to proceed with markup.

B. Long Term Care. Legislation to provide a \$1,000 tax credit to persons who need long-term care or their caregivers, establish a National Family Caregivers Program, and provide long-term care insurance to federal employees.

1 Presidential Actions:

- The Vice President intends to host a series of forums around the country to highlight this issue.
- We should schedule additional events to highlight this proposal as events on the Hill warrant.
- The Administration will announce a package of nursing home quality and enforcement measures next week.

2. Republican Agenda: There is a fair amount of bipartisan support for the tax credit portion of this initiative. We are trying to determine which Republicans on House committees of jurisdiction are likely supporters, and we will reach out to these members.

3. Timing and Strategy: The tax and non-tax provisions of this initiative will move separately. As noted above, there is a fair amount of Republican support for the tax credit, and we should push for its inclusion in any tax package emerging from Congress. Our best chance to establish a National Family Caregivers Program will come on the Labor-HHS appropriations bill. We are targeting key members of Congress to sponsor this initiative. Many members of Congress are interested in our plan to offer long-term care insurance to federal employees, but there are a wide variety of approaches to this issue, and we can expect both houses to hold hearings before proceeding.

C. Jeffords-Kennedy. Legislation to ensure continuing health coverage for people with disabilities who return to work.

1. Presidential Actions:

- Issue statements, hold a bipartisan event with supportive members of Congress, or host another Disabilities Task Force meeting to highlight this proposal as it moves through Congress.
- Highlight this policy at the White House Conference on Mental Health.

2. Republican Agenda: This bill has a great deal of bipartisan support.

3. Timing and Strategy: This bill could represent our first significant legislative accomplishment: our goal is passage before the July recess. As noted, the bill has extensive bipartisan support in the Senate: the Finance Committee recently reported it out, with only Lott and Nickles in opposition. Supporters will attempt to persuade Lott to bring it to the floor in April. Although no companion bill has yet been introduced in the House, Reps. Johnson, Lazio, and Waxman are all extremely interested. In general, we should avoid politicizing this bill, so that both Republicans and Democrats can claim credit for final passage.

D. Ensuring Access to Health Insurance And Health Care Services. The FY 2000 budget includes a number of policies to increase access to health insurance and health care services for the uninsured, including: \$1 billion over 5 years to fund comprehensive health care delivery systems that provide services to the uninsured; legislation to enable Americans aged 55 to 65 to buy into Medicare; legislation to encourage small businesses to offer health insurance to their employees through new tax provisions and technical assistance; improving transitional Medicaid for people moving from welfare to work; and budget proposals to enhance children's access to health insurance by restoring Medicaid and CHIP eligibility for legal immigrants affected by welfare reform, extending Medicaid eligibility to foster children up to age 21, and providing states with \$1.2 billion over 5 years for children's health outreach activities.

1. Presidential Actions:

- The President, Vice President, or First Lady could participate in the announcement of a new private effort by some insurers to offer low-cost, no-frills insurance to the uninsured.
- The Administration will soon issue guidance to states to encourage them to conduct outreach to families leaving the TANF program who are still eligible for Medicaid.

2. Republican Agenda: Republican views of these proposals vary. Republicans generally support efforts to assist small businesses to offer health insurance, and may offer even larger proposals in this area. They are also generally supportive of our children's outreach policies, except as they restore benefits for immigrants. Depending on its design, Republicans could support an initiative to give the uninsured access to comprehensive health care delivery systems (the critical question relates to who controls the funds). Of course, Republicans are unalterably opposed to the Medicare buy-in, which they view as a new entitlement.

3. Timing and Strategy: We will try to fund comprehensive health care delivery systems, children's health outreach, and benefits for legal immigrants on the Labor-HHS appropriations bill. A reconciliation bill is a possible alternative vehicle for some of these proposals. The natural place for a small business tax credit is in a broader package of targeted tax cuts, should one pass during this session of Congress. We do not expect to make any progress on the Medicare buy-in (nor should we expend much effort on this proposal) unless we make progress on broad Medicare reform.

E. Public Health. We have requested significant increases in funding for a number of public health programs, including: Ryan White; a new initiative to address HIV and AIDS issues in minority communities; mental health block grants; and health education, prevention, and treatment services for minority populations.

1. Presidential Actions:

- The President, First Lady, Vice President, and Mrs. Gore will participate in a Mental Health Conference this June.
- The President could announce the release of a new Surgeon General's report on mental health this fall.
- The President could lay the cornerstone at the Dale and Betty Bumpers AIDS Vaccine Center at NIH next month, with the new AIDS Vaccine Director who was announced this week.

2. Republican Agenda: Of these initiatives, the Republicans are most supportive of mental health funding. They also tend to go along with increases in Ryan White. Republicans have not been responsive to our efforts in the race-and-health area, including on AIDS issues.

3. Timing and Strategy: All of these initiatives will be resolved during the appropriations process. Because the Republican budget will demand dramatic cuts in discretionary spending, we should be able to highlight our more generous health care investments.

F. Genetic Discrimination. Legislation to prevent health insurers and employers from discriminating on the basis of genetic information.

1. Presidential Actions:

- The President or Vice President can issue an executive order prohibiting discrimination against employees based on genetic information.

2. Republican Agenda: The Republicans have proposed legislation addressing genetic discrimination for health insurance in their Patients' Bill of Rights legislation.

3. Timing and Strategy: Senators Daschle and Kennedy will introduce a bill on genetic discrimination this week. Because Republicans addressed this issue in their patients' rights bill, we may be able to work together on passing legislation. We should encourage them to do so outside the patients' rights context, in order to enhance the chance of passage.

G. Privacy of Medical Records. Legislation or executive action to provide privacy protections for medical records.

1. Presidential Actions:

- Assuming Congress does not pass medical privacy legislation by this fall, take executive action on electronic medical records (as authorized by HIPAA).

2. Republican agenda: Some Republicans have made efforts to pass privacy legislation, but to date these proposals have been unacceptable. In fact, the Republicans last year included privacy provisions in their patients' bill of rights that undermined current state laws protections. The Republicans may want to work in a more bipartisan manner this year, but the odds are against legislation.

3. Timing and Strategy: If Congress fails to pass legislation by this summer (as we expect), we should use our authority under the Kennedy-Kassebaum bill to issue a regulation protecting privacy or electronic medical records. We then should call on Congress to finish the job and provide the same protections for non-electronic records.

Significant Challenges

1. Provider Taxes and Donations. HHS is planning to begin auditing and formally penalizing those states that are using illegal provider taxes to maximize federal Medicaid matching dollars (and minimize state expenditures.) HHS estimates that states have collected \$4.6 billion in impermissible taxes since 1992.

- **Timing:** Without further guidance from us, HHS will begin to audit non-complying states in late March and expects to have completed audits in all of the states by July 1999.

- **Administration Response:** We are still reviewing whether to allow HHS to go forward with this action.

- **Presidential Action:** None required or recommended. This is an issue that the President should avoid.

2. Assisted Suicide. The Republican leadership (Nickles, Hatch, and Hyde) can be expected to support legislation to provide the Attorney General with the authority to prosecute physicians who prescribe medications to patients in order to assist them to commit suicide. In the past, we have opposed such legislation on the ground that it could interfere with appropriate palliative care.

- **Timing:** We expect that this issue will become more visible in the next two months.

- **Administration Response:** We should coordinate with HHS and DOJ to ensure consistent responses, and draft alternative legislation that does not alienate the provider community.

- **Presidential Action:** None required or recommended.

3. Stem Cell Research. Republicans will try to reverse HHS's ruling that federal law allows federal funding of stem cell research.

- **Timing:** We can expect Republicans to try to add a rider on this issue to the Labor-HHS appropriations.
- **Administration Response:** We will work with medical research and disease groups to demonstrate the potential of this research to cure and treat serious disease. We will have some Republican support on this issue.
- **Presidential Action:** We may want the President to make a statement on this issue, which we view as a political winner.

OTHER PRIORITIES

1. CHILDREN AND FAMILIES

A. Child Care. Expansion of Child Care and Development Block Grants and creation of Early Learning Fund; new stay-at-home tax relief and expanded child care tax relief; new business tax credit; and after-school program expansion.

1. Presidential Actions:

- Announcement of child care block grant state spending numbers.
- Announcement of after-school grants in late spring.
- Release a report on Family and Work that we are preparing with the Council of Economic Advisers.

2. Republican Agenda: Rep. Nancy Johnson, chair of the Ways and Means Subcommittee on Human Resources, is likely to introduce her child care tax relief bill from last year, which includes expansion of the DCTC and stay-at-home tax relief (which received broad support from moderate Republicans last year). Chafee may reintroduce his bill combining subsidy expansion (through the Block Grant) with child care and stay-at-home tax relief.

3. Timing and Strategy: Ranking Subcommittee Democrat Ben Cardin plans to introduce our child care tax proposals next week. Senator Dodd has introduced a similar (though more expensive) bill in the Senate as one of the Democratic leadership bills. Our best hope is to include our child care tax proposals as part of a larger package of targeted tax cuts. We should be able to get an additional appropriation for after-school care, but getting money for the block grant (including the early learning set-aside) will be very difficult. A slim hope remains of putting the child care block grant on a tobacco recoupment menu, but even if Governors would like child care to be on a menu, republican members of Congress may oppose it.

B. Foster Care. The President's budget includes \$280 million over five years to: provide Medicaid coverage, enhance the Independent Living Program, provide new time-limited financial support, and increase the Transitional Living Program.

1. Presidential Actions:

- First Lady may hold events in the spring.
- We may soon have a report to release on increased adoptions as a result of legislation the President signed in 1997.

2. Republican Agenda: Some Republicans have indicated an interest in pursuing a child welfare block grant, which the Administration opposes. Other Republicans, however, have expressed interest in our proposal.

3. Timing and Strategy: Cardin has introduced legislation incorporating our proposal. The Subcommittee will hold a hearing next week. Rockefeller may introduce our bill soon and is looking for a Republican cosponsor.

2. TOBACCO

A. Legislative Agenda. Raise the price of cigarettes and other tobacco products; re-affirm full FDA authority to regulate tobacco products; support public health efforts to prevent youth smoking; protect farmers and farming communities; and work with states and Congress to enact tobacco legislation to settle Federal Medicaid claims.

1. Presidential Actions:

- To reinforce the importance of FDA's authority over tobacco products, release new data on the results of retailer "stings" targeted at reducing youth tobacco access.
- On April 14, Kick Butts Day, announce results of first official brand-by-brand survey of youth smoking.

2. Republican Agenda: Republicans will oppose everything we do in this area.

3. Timing and Strategy: Our best hope of Congressional action is to require states to spend a portion of their settlement money on reducing youth smoking. This will probably require a veto threat on the Hutchison bill to waive all claims to the money. We also have a chance in the appropriations battle to make Republicans go along with some funding for our Medicare lawsuit.

B. Federal Lawsuit. The Justice Department is preparing to sue the tobacco industry for federal costs associated with smoking.

1. Presidential Actions:

- Justice will soon announce that it is bringing in a high-profile trial lawyer to assist in preparing the case.

2. Republican Agenda: Some tobacco-state Republicans will oppose the suit, but most Republicans will stay silent.

3. Timing and Strategy: We cannot predict when the suit (or suits) will actually be filed, or how the industry will respond. Justice will insist on as little White House involvement as possible.

But the case has already generated, and will continue to generate, significant press attention. Our major role will be to make sure things stay on track, and to wage an intense appropriations battle for the \$20 million in funding.

Significant Challenges

FDA Jurisdiction. The Supreme Court may decide not to review the Fourth Circuit's decision invalidating the FDA rule.

- **Timing:** The Supreme Court may decide not to review the Fourth Circuit's decision invalidating the FDA rule.
- **Administration Response:** We can do little except express disappointment at such a decision. We can also reiterate our commitment to pass legislation conferring jurisdiction on the FDA, but we do not have much leverage in this area.
- **Presidential Action:** We probably will want the President to issue a statement in the event of such a decision.

3. WELFARE REFORM

A. Reauthorize Welfare-to-Work Program and Related Budget Initiatives. Legislation to reauthorize the Welfare-to-Work program in FY 2000 and appropriations requests to double funding for Access to Jobs transportation grants, provide a 50 percent increase in welfare-to-work housing vouchers, and extend employer tax credits for hiring welfare recipients and other disadvantaged individuals.

1. Presidential Actions:

- Release final TANF rule in April -- a major rule that should attract significant attention and support.
- Release \$75 million in FY 99 Access to Jobs grants in mid-March.
- Possible Fathers Day event focusing on responsible fathers, highlighting a local program that is using current WtW funds to help low income non-custodial fathers, and building support for our FY 2000 initiative. We can probably identify some new research findings to announce.
- The Welfare to Work Partnership has a major convention scheduled for August 2-4 in Chicago which will bring together several thousand businesses and service providers. If caseload reductions continue at the current pace, we should be able to announce that the President has cut welfare rolls in half since he took office.
- In mid to late summer, the Administration will award \$200 million in bonus funds to states that have done the best job placing welfare recipients in jobs and ensuring they succeed in those jobs.

2. Republican Agenda: With the exception of the Fathers initiative within Welfare-to-Work, Republicans have not expressed support for Welfare-to-Work reauthorization to date. Some Republicans continue to look at the TANF reserves as a potential funding source for other priorities. Last session, Rep. Shaw introduced 'Fathers Count' block grant legislation. While Republicans continue to be interested in this issue, it is not yet clear whether Rep. Johnson will

introduce similar legislation now that she has assumed leadership of the Human Resources Subcommittee.

3. Timing and Strategy: This is a good values issue to return to throughout the year. While legislative prospects are mixed, the President should do everything he can in the next 22 months to secure this part of his legacy.

B. Restoring Benefits to Legal Immigrants. Proposal to restore additional SSI, Medicaid, and Food Stamp benefits to vulnerable categories of legal immigrants, at a cost of \$1.3 billion over five years.

1. Presidential Actions:

- Later this month, the Administration will issue long-awaited guidance on legal immigrant access to benefits.

2. Republican Agenda: The tide has turned on anti-immigrant sentiment and the usual strong opposition from Republicans on this issue seems to have been replaced by muted restraint. They are unlikely to openly oppose the package for fear of offending Latinos and other minorities, but they should not be expected to actively support it either.

3. Timing and Strategy: We should push this issue as hard as we can in 1999, before the Republicans repackage their image on it in the presidential campaign.

4. CIVIL RIGHTS

A. Hate Crimes Legislation. Legislation to strengthen the ability of the Justice Department to prosecute hate crimes based on race and religion by removing needless jurisdictional requirements and giving the Department the power to prosecute hate crimes committed because of the victim's sexual orientation, gender, or disability.

1. Presidential Actions:

- A scheduling request has been submitted for the President to host a White House event with the bipartisan Senate and House co-sponsors of the bill in April. MTV is prepared to release a poll on the day of the event relating to youth and hate crimes.

III. Republican Agenda: Republicans would like to ignore the issue, but they might be embarrassed into considering legislation. Specter and Gordon Smith have already signed on to the bill, and Hatch has called a hearing.

3. Timing and Strategy: Senators Kennedy and Specter will reintroduce the bill this month.

B. Equal Pay. We have supported Senator Daschle's Paycheck Fairness Act, which would increase remedies available for women under the Equal Pay Act. We are also in the process of analyzing whether we could support (1) a strengthened version of the Daschle bill requiring greater disclosure of wage information by employers and (2) legislation sponsored by Senator Harkin on comparable worth.

1. Presidential Actions:

- A scheduling request is pending for the President to hold a roundtable event on fair pay on April 7.

2. Republican Agenda: Republicans probably will continue to oppose Senator Daschle's bill. If we support Senator Harkin's comparable worth bill, it might become a high-profile target for Republican attacks.

3. Timing and Strategy: While we probably will not endorse Harkin's bill, we will highlight comparable worth issues. We will need to do our best to maintain the support of women's groups, so that Daschle and other Democrats can use equal pay as an affirmative issue.

5. COMMUNITY EMPOWERMENT

Low-Income Housing Tax Credit (LIHTC). Legislation to increase the cap on the LIHTC by 40 percent to create an additional 150-180,000 new rental housing units for low-income American families over the next five years.

1. Possible Presidential Actions:

- Bipartisan event after we reach a certain number of cosponsors.

2. Republican Agenda: Roth's staff has privately indicated that LIHTC will pass if there is a tax bill this year.

3. Timing and Strategy: We should be able to enact this if a tax bill is signed into law this year. Last year, over two-thirds of House and Senate members were cosponsors on bills to raise the cap on the LIHTC -- more support than on any other tax legislation.

6. FOOD SAFETY

Our budget calls for a significant increase in food safety. We also are pushing two legislative measures to increase USDA's authority to regulate unsafe food production and provide better oversight of imported food.

1. Presidential Actions:

- The July 4th radio address is an excellent opportunity to urge passage of our budget request and food safety legislation. We are exploring an event with new food safety technologies

2. Republican Agenda: Republicans in the past have opposed new spending in this area and opposed our legislation to give agencies greater authority. Last year we were able to obtain most of our requested funding after a Senate floor battle. We will likely have a similar dispute this year. On the imported food legislation, Senator Collins has held hearings on the problem and should continue to seek a bipartisan compromise. Republicans are concerned that the Administration bill would burden U.S. farmers with new regulations.

3. Timing and Strategy: Barring a major disease outbreak, this issue will be dealt with in appropriations. The food safety budget will be the subject of congressional hearings beginning in mid-March.

7. POLITICAL REFORM

Bipartisan Campaign Finance Reform. The McCain-Feingold and Shays-Meehan legislation would ban soft money and increase disclosure of independent expenditures.

1. Presidential Actions:

- Invite sponsors to the White House for another event to promote the legislation.

2. Republican Agenda: The Republican Leadership strongly opposes this legislation. Speaker Hastert has placed this bill on the back burner. Getting the bill to the floor may require another successful discharge petition.

3. Timing and Strategy: Shays-Meehan passed the House last year and should be able to muster a majority again this year. The Senate sponsors are taking a House-first approach.

June 10, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Charles F. C. Ruff, Counsel to the President
William Marshall, Associate Counsel to the President

SUBJECT: The Child Custody Protection Act

I. THE CHILD CUSTODY PROTECTION ACT

Congress is currently considering S. 1645, the Child Custody Protection Act -- a bill which would impose civil and criminal liability on any person who knowingly transports a minor across a state line to obtain an abortion in cases in which the minor has not satisfied her home state's laws regarding "parental involvement" (i.e. laws requiring parental consent or parental notification).

The bill constitutes a novel form of federal legislation in that it prohibits persons from traveling across state lines to engage in conduct that is legal in the second state.¹ It also uniquely conditions liability upon the law of the state where the person comes from rather than the law of the state in which the conduct occurs.

As described by its sponsors, the bill is designed to protect the rights of parents to participate in their minor child's abortion decision against those who would encourage her to have a "secret" abortion -- a category which, according to the sponsors, includes out-of-state abortion clinics who advertise the availability of abortions without parental involvement² and

¹ The only possible exception to this is the Mann Act which may arguably be read as prohibiting transporting women across state lines for prostitution to a state where prostitution is legal.

² The law does not explicitly prohibit advertising. The sponsors might, however, envision extending liability to advertisers through some application of accomplice liability. See Part III, below.

adult males who impregnate minors and then attempt to erase the consequences of their actions by transporting the minors out of state for the abortion procedures.

Politically, however, the bill is more easily characterized as an attempt to provoke controversy on a sensitive and divisive issue than as an effort to address a legitimate area of federal interest. Substantively, the bill raises troublesome policy, constitutional, and practical law enforcement concerns and is counterproductive to its asserted goals.

II. BACKGROUND -- PARENTAL INVOLVEMENT REQUIREMENTS

Currently twenty-two states require parental consent for a minor to terminate her pregnancy while seventeen states have opted for the lesser requirement of parental notification. Six of these states require notice to or consent from both parents, while four states would allow the notification or consent requirements to be satisfied by persons other than the minor's parents (such as a grandparent or an adult sibling.) Eleven states have no parental involvement requirements.

The constitutionality of parental involvement requirements has generally been upheld by the Supreme Court. Although holding that pregnant minors have a constitutional right to choose whether to terminate a pregnancy, the Court has determined that a state may require parental notice or consent in the interest of ensuring that the minor's decision to terminate her pregnancy is "knowing, intelligent, and deliberate." The parental involvement requirements, however, may not impose an "undue burden" upon a minor who is capable of giving an informed consent to the abortion procedure. States must also provide a judicial "bypass" mechanism which allows the minor to avoid the parental involvement requirements if she establishes either 1) that she is sufficiently mature and well-informed to make the abortion decision independently or 2) that an abortion without parental involvement would be in her best interests.³

III. ANALYSIS

S. 1645 represents a dramatic incursion into the traditional understanding of federalism. Federalism presumes that a citizen is free to take advantage of favorable laws in other states and that states have the right to regulate matters within their own boundaries (unless the matter is directly regulated by the federal government.) S. 1645, however, is unique in that it attempts, by force of federal law, to enforce one state's laws in the territory of another. As such, it sets a

³ The Supreme Court has ruled that bypass procedures are constitutionally mandated in states that require the consent or notification of both parents; but the Court has not had occasion to rule on whether bypass procedures are required in a one parent state.

dangerous precedent for federal interference with such matters as gaming, alcohol, tobacco, guns and other items whose regulation varies significantly from state to state.

Despite the seriousness of the federalism concerns, however, S. 1645 is not clearly unconstitutional on those grounds. Because the approach taken by the sponsors is so novel, there is virtually no Supreme Court precedent, on either side, from which to take direction. Accordingly, while constitutional arguments against the legislation can be made based upon general federalism principles (or upon right to travel or privilege and immunities grounds), a definitive constitutional assessment cannot be offered with any degree of certainty. The federalism objection, therefore, is best characterized as a policy, and not as a constitutional, concern.

There is also no constitutional abortion rights argument that would support invalidating the bill as whole. DOJ has indicated that the bill would be unconstitutional as applied in certain circumstances (for example when the law would require the minor to satisfy the parental involvement laws of two separate states) but the constitutional concerns noted by DOJ, although serious, can be remedied by re-drafting the legislation.

The strongest objections to the legislation are based on policy, rather than on constitutional, grounds. The bill's first and most glaring weakness is that it subjects family members to criminal and civil liability. Under the terms of the legislation, grandmothers, aunts, and adult siblings may be prosecuted for coming to the aid of a minor relative in distress. Even a mother or father may be criminally sanctioned if she or he resides in a state that requires the involvement of both parents. Obviously, subjecting family members to criminal and civil sanctions for helping their relatives does not further the interest of healthy family communication. Exposing family members to the possibility of criminal or civil sanction is also counterproductive in that it would further isolate the minor by discouraging her from seeking advice and counsel from those closest to her. Finally, creating a civil action which allows family members to sue each other when a minor within that family has an abortion does not serve the goal of fostering strong families.

Second, the bill could inappropriately impose liability on persons who merely provide information, advertising, counseling, referrals, or medical services to the minor. Through rules of accomplice liability, the bill could subject a telephone receptionist to criminal liability, for example, merely for informing an unnamed caller about the availability of abortion services. The bill's creation of a private cause of action is, from this perspective, even more problematic. A civil action would be a ready tool for those who wish to harass, intimidate, or bankrupt service providers.

Third, the bill imposes criminal liability on persons who may not realize they are violating the law (as when the minor falsely informs the transporter that she has parental consent.) This is because the bill predicates liability on the intent to help the minor obtain an

abortion rather than on the intent to help the minor avoid the application of a state's parental notification requirements.

Finally, the bill raises numerous practical law enforcement concerns. These include the use of scarce FBI resources to prosecute violations, the need for federal law enforcement authorities to interrogate family members and close teenage friends in order to pursue violations, and the fact that the defendants in some cases are likely to be minors.

IV. RECOMMENDATION

There would be little advantage in opposing this bill in its entirety. The sponsors' example of the adult male impregnating the female minor and taking her across state lines for an abortion without parental involvement is likely to be politically compelling and, as noted above, there is no definitive case to be made that imposing federal civil and criminal sanctions for this activity is unconstitutional. At the same time, the bill, as written, significantly overreaches and affirmatively harms important policy and constitutional interests.

At this point, it is unclear whether the sponsors are interested in fixing the legislation to meet legitimate objections or whether they are merely interested in provoking confrontation. In either case, we believe that our best action is to announce that the Administration would support narrowly tailored legislation but, for policy and constitutional reasons, is opposed to the bill as currently drafted. The first step in this process would be to submit a letter signed by the Director of OMB highlighting two specific issues -- the need to exempt family members and the need to exclude from potential liability those persons whose only connection to the abortion is the provision of information, advertising, or a medical, referral, or counseling service. This letter would also indicate that a ~~complete list of our objections to the bill~~ would be subsequently forwarded by DOJ and that you have instructed the Department to work with the sponsors in crafting final legislation that meets Administration concerns. A draft copy of the OMB letter is attached for your reference.

letter containing constitutional ~~concerns~~ issues

Dear

certain
changes must be made to ensure that S. 1645 is appropriately ~~directed~~ targeted at ~~the~~ very important goals.

~~properly~~
~~appropriately~~ crafted

The Administration would support ~~narrowly tailored~~ legislation that would make it illegal to transport minors across state lines for the purposes of avoiding parental involvement requirements. The Administration appreciates the concerns of the sponsors of S. 1645 about fostering parental and family involvement in a minor's decision to obtain an abortion and their concerns about overbearing and sometimes predatory adults who improperly influence minors' abortion decisions. The Administration believes, however, that S. 1645, as ~~currently drafted~~, ~~inappropriately and perhaps inadvertently reaches beyond these important goals~~

should be amended to exclude

First, S. 1645 ~~would subject~~ close family members ~~to~~ from criminal and civil penalty. Under the legislation, grandmothers, aunts, and adult siblings could face criminal prosecution for coming to the aid of a relative in distress. Even a mother or father could be exposed to criminal penalty if she or he resides in a state which requires the consent or notification of both parents. Imposing criminal and civil sanctions on family members for helping their relatives, however, does not further the interests of healthy family communications. Subjecting family members to criminal or civil sanction, moreover, would also further isolate the minor by discouraging her from seeking advice and counsel from those closest to her. Finally, creating a civil action which allows family members to sue each other when a minor within that family has an abortion does not serve the goal of fostering strong families.

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Second, the bill would ~~potentially impose liability on persons providing information, counseling, referral, or medical services to the minor.~~ The bill as written, for example, could potentially subject a telephone receptionist to civil or criminal liability merely for informing an unnamed caller about the availability of abortion services. Holding such persons criminally or civilly liable, however, does not further the interests in promoting family communication or deterring those who would inappropriately transport minors across state line to obtain abortions.

Nothing more than constitution in DOJ letter!

The Justice Department has also identified a number of constitutional ~~and practical~~ enforcement concerns that ~~inhere in particular aspects of the legislation.~~ The Department will forward their concerns subsequently and would be pleased to work with the sponsors in crafting legislation that remedies those defects and the other matters noted above.

The Administration is concerned that S. 1645 represents an unprecedented intrusion into federalism and the rights of states to regulate matters within their own boundaries. The Administration believes, however, that well-crafted legislation, carefully tailored to the protection of minors, will serve to minimize the federalism concerns.

The Administration would support a bill that is targeted toward punishing non-relatives who transport minors across state lines for the purposes of avoiding parental involvement requirements. ~~Such a bill would raise novel federalism issues, but~~ well-crafted legislation, tailored to the protection of minors, will serve to minimize these concerns. S. 1645, however, is not this bill. Congress should amend it to avoid intruding on family relationships.

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Dear

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THE WHITE HOUSE
WASHINGTON

February 19, 1999

MEMORANDUM TO THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Summary and Analysis of NGA Resolutions

HR-2: Immigration And Refugee Policy

Summary

The resolution calls for increased enforcement against illegal immigration, including efforts at the border, such as hiring more Border Patrol agents, and efforts in the interior, such as identifying and removing criminal aliens, combating alien smuggling and document fraud, and barring the employment of illegal aliens. The resolution calls on the Immigration and Naturalization Service to eliminate backlogs in naturalization and other immigration benefits. Further, on a variety of immigration related issues, the resolution requests increased federal consultation with states and increased federal funding commensurate with federal responsibility for immigration policy. NGA urges the federal government to continue to support refugees and not to shift these costs to state and local governments.

Analysis

The Administration's budget helps combat illegal immigration by:

- Funding nearly 9,000 Border patrol agents, a 122 percent increase since FY 1993, while also enhancing technology and facilitating legal border traffic; and
- Enhancing interior enforcement by providing \$20 million and 185 new positions to identify and remove criminal aliens from the United States, deter and dismantle smuggling organizations, and block employer access to illegal workers.

The Administration is improving customer service and reducing the waiting time for naturalization through \$124 million in new funding and a comprehensive set of administrative reforms. The Administration also has succeeded in restoring certain benefits to legal immigrants that were cut off by the welfare law. This year's budget builds on this progress by proposing to restore disability, health, and nutrition benefits to additional categories of legal immigrants, at cost of \$1.3 billion over five years.

HR-14: Child Support Financing

Summary

The NGA resolution states that any reduction in the federal government's financial commitment to the child support system would be a breach of the 1996 welfare reform act and could negatively affect states' ability to serve families. The resolution expresses appreciation for efforts the Administration has made in the past year to consult with states on issues related to CSE financing, and argues that the financing system should not be restructured at this time. In addition, the governors call for a continuation of the "hold harmless" provision which guarantees states their 1995 share of child support collections despite falling welfare caseloads.

Analysis

During the last year, the Administration conducted an extensive consultation process regarding child support financing that included both the NGA and the states. Through this process, we are seeking to develop legislation that will: 1) maximize collections and support for all families in the program; 2) maximize paternity establishment; 3) give priority to increasing payments to families, while ensuring federal budget cost neutrality; 4) create incentives for state and local investment of staff and resources needed to improve performance; and 5) promote national standards and ease of interstate case processing, while maintaining state flexibility.

This year's budget, like last year's, proposes to eliminate the child support "hold harmless" provision which guarantees states their 1995 share of child support collections. Originally designed to protect states from the results of new rules determining what share of child support was retained by the family versus the state, the hold harmless provision has instead guaranteed states funds despite falling welfare caseloads. The budget also lowers the federal match for paternity establishment from the enhanced 90 percent level established to encourage states to adopt the practice to the normal 66 percent match level. The third change will require states to review and revise the amount of support orders for TANF families every three years, which will increase the amount of support collected for families. Together these changes are estimated to save less than \$500 million over five years.

HR-16: MEDICAID

16.2.1: The Federal Commitment to the Medicaid Program

Summary

NGA is concerned about proposals to reduce the federal match for or cap the federal commitment to the Medicaid program, believing there is no way to reduce funds without jeopardizing patient protections and other critical program functions. In addition, NGA feels strongly that Medicaid expenditures should not be cut as part of efforts to balance the budget.

Analysis

The Administration does not support either a cap on federal Medicaid spending or any federal matching rate reductions. The President's FY 2000 budget proposal reduces Medicaid administrative payments to offset the overall rise in Medicaid administrative costs as states shift costs that were previously charged to AFDC to Medicaid.

16.2.2: Medicaid Mandates**Summary**

NGA is calling on Congress to enact statutory language to clarify that a cut or a cap on the Medicaid program without new or expanded flexibility is an unfunded mandate.

Analysis

It is not clear that the Unfunded Mandate Act should cover changes in Medicaid policy. All Medicaid spending is matched at some rate by the Federal government. This Administration has both given states significant flexibility in Medicaid and made appropriate policy changes to ensure the fiscal integrity of this program. Thus, this extension does not appear to be needed.

16.2.3: Medicaid and Medicare**Summary**

NGA would like additional flexibility to integrate Medicaid and Medicare funding streams, benefit packages, and delivery systems in order to improve on fragmented systems of care.

Analysis

This Administration has been a strong proponent of budget-neutral demonstrations to improve the effectiveness of Medicare service delivery. This Administration shares the states' commitment to integrating care for dual eligibles and we have demonstrated this commitment by working closely with states to develop creative ways to utilize both Medicaid and Medicare to serve vulnerable populations in a way that is consistent with the statute.

16.2.4: Disproportionate Share Hospital Program**Summary**

NGA is opposed to any further cuts in DSH payments.

Analysis

There is no change in DSH payments in the President's FY 2000 budget.

16.2.5: Budget Neutrality**Summary**

NGA notes that expenditures in one program often realize savings in others. NGA would like

states to have the flexibility to consider budget neutrality across federal programs, not just for individual programs.

Analysis

The current way that budget neutrality is determined for Medicaid waivers reflects an agreement made with the NGA in 1993. We have since heard states' concerns about the narrowness of the determination, but are concerned that broadening budget neutrality to include other programs would create additional federal liabilities. Although we are willing to hear how states propose that budget neutrality can be broadened, we have serious concerns about this resolution.

16.3.1: Allow States Greater Flexibility to Establish Managed Care Networks

Summary

Although NGA is appreciative of the added flexibility that the BBA provided in the design and development of Medicaid managed care networks, it believes HCFA regulations will create so many barriers to full implementation of these networks that the option is not really valid. NGA also wants Congress to clarify that, under federal law, if the state enters into a contract with a provider or HMO that covers the necessary benefits, the state's obligation to provide services is satisfied. Any dispute regarding covered services should be resolved as a contractual matter between the client and provider under state law.

Analysis

The Administration supports states in their efforts to expand mandatory managed care programs consistent with BBA. HHS is currently in the process of reviewing comments from Governors, Medicaid agencies, managed care organizations and other stakeholders on the proposed regulation, and will give them full consideration.

16.3.2: Managed Care Quality Standards

Summary

NGA believes that the HCFA regulations governing grievance procedures in Medicaid managed care are overly proscriptive, and that many states have specific grievance and appeal procedures in their plan contracts that are as effective as the federal approach.

Analysis

The Administration intends to work in partnership with the states to improve the quality of care for Medicaid beneficiaries. When developing the regulation, HCFA was guided by three principles: the preservation of state flexibility wherever possible and appropriate; consistency with the Medicare program; and incorporation of the recommendation of the President's Advisory Commission on Consumer Protection and Quality in the Health Care Industry.

16.3.3: Waivers

Summary

NGA believes that states should not have to produce and defend waivers that are “similar to” previously approved ones in other states. NGA argues that developing and securing approval for similar waivers is a waste of both federal and state resources.

Analysis

Although states often implement similar programs through waivers, no two state waiver programs are the same. Each state’s goals, desired changes, budget neutrality, etc. are unique and thus distinct waivers are required. Thus, we cannot support this resolution. However, this Administration has eliminated the need for managed care waivers, and through eligibility simplification, allowed states to cover new categories of people without waivers (e.g., two-parent families, working families, people with disabilities who return to work).

16.3.4: Boren-like Provisions

Summary

NGA believes that the same ambiguity that caused problems for states in the Boren amendment exists in other parts of the Medicaid statute governing reimbursement to providers and urges Congress to repeal them in order to preclude any litigation over provider or health plan payment rates.

Analysis

We are reviewing this issue and will consult with Governors and Medicaid agencies as we do so.

16.3.5: Managing Costs in EPSDT

Summary

NGA believes that current policy should be modified to allow states to limit the range and cost of services required under EPSDT.

Analysis

Recognizing states’ concerns about costs, the BBA authorized a study to determine whether and how much EPSDT raises costs. We do not support this resolution while this study is ongoing.

16.3.6: Ensure that States will not be Required to Implement Medicaid Program Changes Until HCFA has Published Final Regulations to Guide Program Administration

Summary

NGA believes that states should not be held liable for operating under state law or state interpretation of federal statute until the federal regulations are adopted. In addition, NGA feels that states should not be bound by informal policy directives that are issued in violation of the

formal rulemaking process.

Analysis

The Administration is sensitive to the desire of states to be guided by final regulations that are complete, consistent, and reflect the input of governors and other stakeholders. HHS will give comments from governors full consideration as it drafts the Medicaid managed care final regulations.

16.3.7: Promote Cost Control and Efficiency

Summary

NGA believes that mandatory reasonable cost reimbursement strategies should be repealed.

Analysis

The Administration is committed to carrying out the intent of the Congress to phase out cost-based reimbursement for federally qualified health centers and rural health clinics through the gradual process outlined in the BBA. We will work with states and these community based providers throughout this process to ensure that the delivery of high quality care is not interrupted or impaired.

16.3.8: Assume Full Financial Responsibility for All Low Income Medicare Beneficiaries Who Are Not Otherwise Medicaid-Eligible

Summary

NGA believes that the federal government should assume full responsibility for meeting the Medicare cost sharing obligations for low income beneficiaries and for providing the full Medicaid benefit package to these beneficiaries when applicable.

Analysis

The Administration is committed to ensuring that low income beneficiaries receive the medical care they require. We are committed to maintaining at least the current level of assistance to low income Medicare beneficiaries. Any proposed increase in federal spending would need to be considered in the context of a balanced budget.

16.3.9: Make Audit and Disallowance Policies More Equitable

Summary

NGA believes that the Medicaid statute should be revised to prohibit heavy federal penalties when the state violation does not result in direct harm to beneficiaries. States should be held harmless against possible penalties or disallowances for reasonable interpretations of law prior to the issuance of Federal regulations.

Analysis

Part of the Federal government's fiduciary responsibility for overseeing the Medicaid program is to employ disallowances for violations such as unauthorized or inappropriate payments, and so we do not agree that penalties should be limited to those violations that directly harm patients. We share the states' concerns that the size of a disallowance be in proportion to the significance of the state violation, but believe this would require a statutory change.

16.3.10: Allowing Greater Flexibility in Medicaid Home and Community-based Programs**Summary**

NGA requests the authority to administer home and community-based care programs through Medicaid State Plan Amendments rather than through waivers. However, the states would like to retain the ability to limit the number of beneficiaries served under this program. In addition, the states would like to eliminate the current incentives in the Medicaid program to place beneficiaries in institutional care.

Analysis

The Administration's FY 2000 budget proposes to eliminate the institutional bias in Medicaid by implementing an equal eligibility standard (300% of SSI) for all institutional home and community based services program, and we are extremely supportive of state efforts in this area. However, the Administration could not support allowing states to implement home and community based services programs that provided services to only a portion of those who would qualify under equal eligibility criteria, as this would fundamentally change the entitlement nature of Medicaid.

16.3.11: Children who are eligible for Medicaid**Summary**

NGA is opposed to tying receipt of Medicaid funds to achieving increased program enrollment rates.

Analysis

The Administration has not proposed to link receipt of Medicaid funds to increased program enrollment rates.

16.3.12: Flexibility for Optional Eligibility Groups**Summary**

NGA believes that states should have the flexibility to customize a package of optional benefits to meet the particular needs of optional eligibility groups, acknowledging that this would require waiving comparability and statewideness.

Analysis

The Administration could not support a program that would change the entitlement nature of

Medicaid by providing services to only a portion of those who would qualify under equal eligibility criteria. We are committed to working with the states through the waiver programs to allow for additional program flexibility while demonstrating improvements in service delivery and cost-efficiency.

16.3.13: The Americans With Disabilities Act

Summary

NGA believes that recent court decisions have interpreted the ADA in such a way that home and community based services will become an open ended entitlement for people with disabilities. They would like constructive clarification of the parameters of state requirements under the ADA.

Analysis

The Administration supports state flexibility in designing a range of institutional and home and community based services to serve Medicaid beneficiaries with disabilities. We are committed to working closely with states to ensure the civil rights protections found in the ADA while affording states the flexibility to provide services to each beneficiary in the setting most appropriate to their needs.

HR 17: MEDICARE

17.1: Improving the Coordination of Acute, Primary, and Long Term Care

Summary

NGA believes that the lack of coordination between the Medicare and Medicaid programs causes fragmented service delivery and poor clinical outcomes. NGA suggests that the way to end this fragmentation is full integration of funding and care delivery.

Analysis

The Administration is extremely interested in working with states to develop programs for the integration of acute and long term care. However, the BBA outlined broad parameters for the expansion of Medicare managed care, and we believe that state integrated care demonstrations should stay within this framework. We are also committed to beneficiary choice within the Medicare program, and believe that Medicare beneficiaries should retain the choice as to whether or not to join a managed care program.

17.1 Eliminating Institutional Bias

Summary

NGA believes that current Federal policy related to long term care is very complicated and results in care management based on reimbursement instead of need.

Analysis

The Administration shares NGA's commitment to developing community based care options for the disabled. We believe that there is significant flexibility within Medicaid's current structure through the personal care option and the home and community care waiver program to allow recipients access to a comprehensive range of home and community based services. The Administration's FY 2000 budget proposes to eliminate the institutional bias in Medicaid by implementing an equal eligibility standard (300% of SSI) for all institutional home and community based services program, and we are extremely supportive of state efforts in this area.

HR-24: National and Community Service**Summary**

NGA revised this resolution on promoting a system of service and volunteer programs emphasizing that the federal government should provide for sustained federal funding to continue and strengthen local service programs. NGA also affirmed that federal, state and local government officials should be encouraged to serve as mentors and promote personnel policies that allow for flexible time for mentoring activities.

Analysis

The administration agrees with NGA on the importance of service and volunteer programs. The President's 2000 budget continues and expands the Administration's consistent and strong support for community service through AmeriCorps, the National Senior Service Corps, Service-Learning and other service programs. The FY 2000 budget request includes \$585 million for AmeriCorps, an increase of \$113 million over last year, to expand AmeriCorps to nearly 70,000 members by the year 2000, with the goal of reaching 100,000 members serving each year by 2002. To tap the skills and experience of America's growing senior population, the budget requests \$201 million for the Senior Corps, a \$13 million increase over last year. This level would support an estimated 464,000 retired and senior volunteer program volunteers, 28,200 foster grandparents serving 100,000 children and youth with special needs, and 14,800 senior companions providing support to almost 52,000 adults who have difficulty with daily living tasks.

The administration also supports the efforts of federal employees to contribute their time and resources to their communities, even as they fulfill official responsibilities. On April 22, 1998, the President directed all Federal departments and agencies to explore additional measures to expand service opportunities for Federal employees, including the use of flexible scheduling to allow employees to perform community service.

HR-36: Implementation of Welfare Reform**Summary**

This resolution emphasizes the early success of welfare reform, as well as the remaining challenges to help those remaining on the rolls move into jobs and help those who go to work

succeed in the workforce. The governors lay out principles and recommendations to ensure the continued successful implementation of welfare reform.

Analysis

Most of these points address the final TANF regulations which are close to being finalized, but several also relate to FY 2000 budget initiatives.

36.2.1: Block Grant Funding And Flexibility

Summary

The resolution calls on Congress and the Administration to uphold the financial commitment in the 1996 welfare reform law to provide five years of fixed block grant funding and to maintain the flexibility of the TANF block grant, including maximum flexibility to transfer funds between TANF and the social services and child care block grants.

Analysis

The Administration continues to support preservation of full funding for the TANF block grant over a five-year period. Some in Congress have indicated that the \$3 billion in unobligated TANF funds may be a good way to pay for other priorities. We disagree. Since these funds are fixed based on historic spending levels, it is prudent for states to reserve some funds for a rainy day when economic conditions may change. In addition, states may need to invest more as they face increasing work requirements, approaching time limits, and at the same time, those remaining on the rolls are the 'hardest to employ.'

36.2.2 - 36.2.8: Issues Related to the TANF Rule

Summary

The resolution, and a recent NGA letter, raise several concerns related to the pending TANF regulations including: allowing greater flexibility for programs funded with State Maintenance of Effort funds; narrowing the definition of assistance under TANF so that supports for working families won't incur the federal time limit, work requirements, or reporting requirements; providing states maximum flexibility to continue their welfare reform waivers; allowing greater flexibility in what counts toward the work requirement; streamlining the data reporting burden; and allowing more flexibility in the definition of administrative costs.

Analysis

HHS' draft final regulations for TANF are currently under review at the Office of Management and Budget. Governors -- individually and through NGA -- submitted extensive and constructive comments, as did many other interested parties. In addition, the Administration has consulted with state organizations consistent with the Administrative Procedures Act and Executive Order 12866 (which governs the Administration's regulatory review procedures). As critical pillars in the success of welfare reform, the Governors' comments have been given considerable weight in the rulemaking process, and the final rule is

expected to address many of their priorities.

36.2.9: Contingency Fund

Summary

The Governors recommend modifying the TANF Contingency Fund.

Analysis

Your budget proposes uncapping the Contingency Fund (currently capped at \$2 billion). In addition, the Administration is currently developing a revenue neutral proposal to submit to Congress to further improve the Contingency Fund, which should address some of the state concerns.

36.2.14: State Flexibility to Set Benefit Levels for Families from Other States

Summary

The resolution supports the continuation of state flexibility provided in the 1996 welfare reform law to set durational residency requirements on individuals moving from one state to another -- that is, to pay new residents at the benefit levels of their prior state. The Governors maintain such provisions are constitutional.

Analysis

The United States filed a friend of the court brief with the Supreme Court which essentially supports the states' position on this issue. The Administration's position is that the residency provision in the 1996 welfare reform law is constitutional, and that its residency provision, like other sections of the statute, simply gives states additional flexibility to establish welfare policies that best meet their needs. About one-quarter of the states provide differential benefits to new residents.

36.3.2: Job Development/Creation

Summary

The resolution emphasizes the importance of private sector involvement in hiring and also challenges the public sector to lead by example and hire welfare recipients.

Analysis

Your Administration shares a commitment to both these goals, as evidenced by your launching of the successful Welfare-to-Work Partnership which has now enlisted over 10,000 companies (26 Governors serve on the Partnership's National Advisory Council, co-chaired by Governors Carper and Thompson). In addition, the federal government is doing its part -- you challenged federal agencies to hire 10,000 welfare recipients by 2000 and under the leadership of the Vice President, they will meet this goal ahead of schedule.

36.3.6: Social Services Block Grant

Summary

The Governors urge full funding and flexibility for the Social Services Block Grant.

Analysis

Your budget restores funding for SSBG to its fully authorized level of \$2.38 billion -- the level the Governors agreed to as part of the welfare reform law in 1996. States use these funds to support a wide range of programs for children and adults including child protection and child welfare, child care, and services for the elderly and disabled. However, the budget also moves forward by one year the 4.25% cap on transfers from TANF to SSBG. While states will argue that this reduces their flexibility, the Administration believes that restoring full funding increases the funds available for SSBG purposes and therefore reduces the need for transfers from TANF to make up SSBG cuts.

EC-11: Child Care And Early Education

Summary

At last year's meeting, the Governors adopted a strong resolution urging greater investment in child care and early childhood education. The resolution, which remains active for this year, calls for the creation of a seamless child care and early education system that provides a safe, nurturing, and developmentally sound environment for children.

Analysis

The Governors' policy proposals dovetail well with the child care initiative that you put forth last year and that remains a central part of your budget. Your FY 1999 budget victories on child care -- including enhanced support for after-school care, Head Start, child care quality, and child care research -- address specific needs identified by the Governors. The Governors share your rationales for efforts to improve child care as well as many of our policy prescriptions. Their largest priority for federal action is to maintain state flexibility and provide adequate funding to meet demand, both of which our initiative does through your proposed dramatic expansion of the Child Care and Development Block Grant. Other areas of mutual agreement on the child care agenda include: providing tax incentives for the private sector like our Business Tax Credit; providing tax credits for individuals, like our proposed expansion of the Child and Dependent Care Tax Credit; increased funding for Head Start and Early Head Start, which is included in the FY 2000 budget; and supporting state and local efforts to improve child care quality, like our Early Learning Fund.

EDC-14: Affordable Housing

14.2: Percent Cap On Rental Payments

Summary

This resolution expresses the NGA's desire for greater flexibility in housing programs in order to assist tenants in public housing who are trying to move from welfare-to-work.

Analysis

Your administration is asking Congress, as part of our request for additional welfare-to-work housing vouchers, for greater waiver authority in the Section 8 statute subject to HUD approval for moving people off welfare into work.

14.3: Existing Programs**Summary**

The NGA is requesting increases for a number of programs including the Low-Income Housing Tax Credit (LIHTC), the Community Development Block Grant (CDBG), the Housing Opportunities For People With AIDS (HOPWA) program, among others.

Analysis

We are asking for increases of 7% in HOPWA, a \$1.6 billion increase in the LIHTC, and \$25 million for CDBG. We are also proposing increases of \$10 million for the Home Investment Partnerships (HOME) program. The NGA is also asking for increase in the volume cap for the Mortgage Revenue Bond (MRB) program. Last year you signed an increase in the overall private activity bond cap and this year we are proposing over \$30 billion in bond authority for school construction and Better America Bonds (BABs). The NGA is also asking for quick implementation of HUD's new Mark-to-Market program. HUD is working in consultation with the states on implementation of this program and expects it to be up and running this year.

14.3.1: Data Tracking Systems**Summary**

This resolution expresses NGA's desire that HUD delay implementation of its Analysis Integrated Data Information System (IDIS) until it is ready and field-tested.

Analysis

HUD has had some difficulty in implementing IDIS. This system is designed to improve the efficiency of the agency's grant-making process. The implementation of this system has been a sore point with the Governors because it was not originally rolled out effectively and with adequate consultation. HUD is working with the states to improve the system to get all the problems with the system worked out. At this time 11 states have voluntarily adopted the system.

14.4: Programs Serving the Homeless**Summary**

The NGA supports the combining of the seven programs authorized by the Stewart B. McKinney

Homeless Assistance Act into a block grant to state and local governments.

Analysis

The Administration does not believe this proposal is necessary. While the Administration supported the notion of performance-based block grants six years ago, HUD has now administratively consolidated the various McKinney Act programs -- as has the Appropriations Committee. The Continuum of Care provides a coordinated community approach to homelessness in moving persons into jobs and permanent housing. Each community submits a single Continuum of Care plan to HUD that reflects efforts to address the complexities of homelessness through a range of housing and services. These plans are prepared by the private sector, non-profit groups, and local and state governments working together. HUD then determines which individual projects to fund from these plans. The Administration is committed to furthering the benefits of the Continuum of Care. The FY 2000 budget provides \$1.125 billion in homeless assistance -- more than a 15 percent increase from the \$975 million enacted last year.

EDC-6: The Role of States, The Federal Government, And Indian Tribal Governments With Respect to Indian Gaming And Other Economic Issues.

Overview

While recognizing the sovereignty of Tribal governments, the NGA proposes changes to the Indian Gaming Regulatory Act of 1988 (IGRA) which would clarify the role of states and tribal governments in negotiating gaming issues.

6.2.1: Clarification of the Scope of Gaming

Summary

The NGA seeks amendments to IGRA that make clear that tribes can negotiate to operate gambling of the same types and subject to the same restrictions that apply to all other gambling in the state. The NGA believes that governors should not be compelled by federal law to negotiate for gambling activities or devices that are not expressly authorized by state law.

Analysis

The Administration has taken the position in court filings that a state has no duty under IGRA to negotiate with a Tribe with respect to particular Class III (casino-type) gaming that state law completely and affirmatively prohibits. However, the Administration has never taken a position as to what the outcome should be if a type of gaming is neither expressly prohibited nor expressly authorized.

6.2.2: Application of the "Good Faith" Negotiation Standard

Summary

The NGA would like to amend IGRA to apply the "good faith" negotiation standard in tribal-state

compacts to tribes as well as states.

Analysis

While the Administration has never articulated a position on whether the “good faith” negotiation standard should apply to tribes as it does for states, the legislative history indicates that the “good faith” standard was added to address the issue of unequal bargaining power between states and tribes.

6.2.3: Regulatory Oversight

Summary

The NGA believes that in many cases, federally imposed minimum regulatory standards for the operation of tribal gambling facilities may be appropriate.

Analysis

The Administration agrees that certain federal minimum standards are necessary.

6.3: The Effect of the Seminole Decision on the Authority of the Secretary of the U.S. Department of the Interior

Summary

The NGA opposes the Department of the Interior promulgating a rule permitting the Secretary to provide a remedy to a tribe to permit Class III gaming in the event that the state and the tribe are unable to reach agreement and the state then raises immunity as a bar to a suit by the tribe.

Analysis

The Administration disagrees that the Secretary of the Interior has no authority to create an administrative compact process. While there is a Congressional moratorium on Interior promulgating its rule before March 31, 1999, it is likely that the Interior rule finally issued after that time will authorize the Secretary to create an administrative compact process.

6.4: Federal Enforcement

Summary

The NGA wants the federal government to actively use existing IGRA enforcement authority to shut down Class III gaming conducted on Indian lands in violation of or in the absence of a tribal-state compact.

Analysis

The Administration agrees with federal enforcement of unlawful gaming consistent with the Attorney General’s tribal gaming enforcement policy.

6.5: The Governors’ Role in Congressional and Other Federal Decisionmaking

Summary

The NGA believes that in cases where a new tribe becomes federally recognized, there should be the concurrence of the Governor of the state in which the tribe is located.

Analysis

The Administration opposes the concurrence of states in the process for providing federal recognition to tribes. This function has historically been the sole purview of the federal government. Furthermore, under current procedures, states are permitted to comment on whether a tribe should be federally recognized.

6.5.1: Trust Land Acquisition for Gambling Purposes and

6.5.2: Trust Land Acquisition in General

Summary

The NGA seeks the commitment to preserve the current required concurrence of a state to acquire land in trust for gambling purposes. In addition, the NGA seeks state concurrence when land is taken into trust for nongaming purposes.

Analysis

The Administration generally supports state concurrence in trust land acquisition for gambling purposes. However, the Administration opposes gubernatorial concurrence on nongaming trust acquisitions. This is the subject of a proposed rulemaking to be submitted to OMB in the Spring of 1999. The proposed rule will somewhat ease the burdens required to take land into trust for nongaming purposes, but will increase the requirements for consultation with third parties and will provide for a showing of demonstrated need for acquiring land into trust for gaming purposes.

6.5.2.1: State and Local Taxation Authority Over New Trust Lands

Summary

The NGA seeks a requirement that before new trust land is acquired, the federal government, the state, and the tribe should reach an agreement regarding the application of state and local taxes on the land.

Analysis

The Administration opposes state and local taxation of new trust land.

Addendum: Community Policing and Federal Support for Prisons Background

While there was no resolution on criminal justice, it is possible that the NGA could raise issues with respect to state and local funding in our FY 2000 budget for administration of justice programs. It is important to note that while overall crime funding is up slightly (\$200 million) from last year, and our COPS proposal will help keep about \$3.6 billion going to the state and local level, our decisions

not to fund Republican-proposed block grants and to cut prison construction funds will mean that total state and local crime funding is about \$1.2 billion lower than last year's high of \$4.8 billion. Three programs may be of particular interest to NGA:

(1) Prisons: The Administration's budget does not provide funding for the Violent Incarceration/Truth-in-Sentencing State prison construction program authorized in the 1994 Crime Act. Instead, our budget provides \$100 million in new funds to help states to comprehensively drug test, sanction, and treat inmates, parolees, and probationers, and continues to provide \$500 million for the State Criminal Alien Assistance Program. Our budget also contains a significant increase in funding for federal prisons, but this is not likely to appease the Governors.

(2) Community Policing: As you know, the COPS Initiative was slated to phase out beginning in FY 2000. Our FY 2000 budget provides \$1.3 billion to roughly maintain the current COPS funding level for a new 21st Century Policing Initiative. In addition to funding more officers, the Initiative will provide more support for statewide law enforcement priorities such as improved criminal history records, crime labs, and police communications. This proposal should be strongly supported by the NGA, as nearly every state police agency has received COPS funding for hiring, training, technology and other non-hiring purposes.

(3) Byrne: The NGA has historically supported full, unearmarked funding for the Byrne Law Enforcement Memorial block grant -- the primary source of state anti-crime funds. Amidst budget pressures and overall reduced funding for state and local crime funds, Byrne was reduced by \$92 million in our budget (from \$552 million in FY 99 to \$460 million in FY 2000).

TOBACCO RECOUPMENT

Governors Who Will Discuss:

Governor John Rowland (R-CT)
Governor Paul Patton (D-KY)

Administration Experts Present:

Bruce Reed
Secretary Shalala

What Governors Will Say:

The NGA's top legislative priority for the 106th Congress is the Hutchison-Graham bill, which protects tobacco settlement funds awarded to states from claims by the federal government. The Governors will argue that there is no basis for federal recoupment because (1) the states assumed all the burden and risks of litigation and (2) much of the settlement money is for non-Medicaid claims. In an NGA statement, Governors Carper and Leavitt said, "After bearing all the risks initiating the suits and all the expense of years of arduous negotiations and litigation, states are now entitled to all of the funds awarded to them in the tobacco settlement without federal seizure. States should not be hindered from using the settlement funds for programs to promote the health, education, and welfare of their citizens."

Administration Talking Points:

- The state tobacco settlement is a real step in the right direction and I congratulate you.
- I know we all share a commitment to reducing youth smoking. Every day, 3,000 children become regular smokers and 1,000 have their lives shortened as a result.
- We also all share a commitment to protecting tobacco farmers. I am pleased that the states and industry were able to negotiate a package to compensate farmers and I remain committed to doing more to protect tobacco farmers and their communities.
- While the state settlement is a great first step, I believe we must do more to protect children and reduce youth smoking. I will continue to push for legislation to increase the price of cigarettes so fewer young people start to smoke, hold the tobacco companies accountable for their youth marketing practices, and reaffirm the Food and Drug Administration's authority to regulate tobacco products. In addition, as you know, the federal government is bringing suit to recover from the tobacco companies the health care costs incurred by Medicare and other federal programs as a result of smoking.

- On the question of tobacco recoupment, we have an obligation under current Medicaid law to recoup the federal share of the tobacco settlement. As you know the federal government pays an average of 57 percent of Medicaid costs, and states routinely reimburse us for the federal share of Medicaid collections. I realize that there is some debate about how much of the settlement represents Medicaid damages, but both the Justice Department and HHS have analyzed this question and concluded that the bulk of the settlement is for Medicaid.
- But I want you to know that as I have said all along, I am committed to working with you and members of Congress to change the law, to enact legislation to settle the federal government's claims in exchange for a commitment by the states to use tobacco money to prevent youth smoking, protect tobacco farmers, improve public health, and assist children. My budget specifically assumes no recoupment until FY 2001 so that we can reach an agreement this year. I hope we can start work on this kind of agreement as soon as possible.
- I will, however, vigorously oppose any legislation which would completely give up the federal share of the states' tobacco settlement -- without any commitment by the states to use these monies to prevent youth smoking, protect tobacco farmers, improve public health, or assist children. I know that most of you want to do the right thing with this money, but I also know that Governors and legislatures will come under tremendous pressure to spend this on things that have nothing whatsoever to do with children or tobacco farmers or reducing youth smoking. Look at what happened in the Congress debate last year. It would be a national tragedy if this landmark state settlement went by without any real assurance that we are going to do everything we can to reduce youth smoking and help tobacco farmers.

Q&A:

Q: Why are you trying to recoup state funds when you are filing a federal lawsuit to obtain reimbursement for federal tobacco-related costs?

A: These two claims are separate and distinct. Under current law, the federal government cannot pursue Medicaid claims directly; states are under a legal obligation to pursue them and the federal government must recoup its share from the states. The Justice Department litigation will seek reimburse for federal claims outside of Medicaid, including tobacco-related health costs in Medicare, the Federal Employee Health Benefits program, military and veterans benefits, and the Indian Health Service.

Q: You say you want a commitment from the states to spend the federal share of the state tobacco settlement on certain shared national and state priorities. What exactly do you have in mind?

A: I am seeking a commitment from the states to use tobacco money to prevent youth smoking, protect tobacco farmers, improve public health, and assist children. I want to work with you and Congress to devise a specific menu which meets these purposes, as we were able to do last year in the McCain legislation. We will have to rethink some issues this year -- for example the McCain bill had other spending for tobacco prevention and farmers and thus the menu did not include those items. The important thing is that we work together as we did before to construct a menu that works for all of us.

Q: Our state has agreed to spend all the tobacco funds we receive from the settlement to prevent youth smoking and promote public health. Why should we have to change our plans to fit a bill written here in Washington?

A: I want to enact legislation that will enable states like yours to continue your efforts to reduce youth smoking and improve public health. I just want some assurance that every state will use these funds for these important purposes -- that is, to prevent youth smoking, protect tobacco farmers, improve public health, or assist children.

Q: Our legislature is meeting now and will have to make appropriations over the next two months. We can't wait for months for this legislation to be finished!

A: I understand your concerns, and I couldn't agree more that we should reach agreement and enact this legislation as soon as possible.

Q. Isn't it contradictory to bring suit against the tobacco companies and try to protect farmers?

A. I have repeatedly reaffirmed my commitment to protecting tobacco farmers and their communities and I believe we can reduce youth smoking and also protect tobacco farmers. I am encouraged that the states and industry were able to agree recently upon a \$5 billion package to compensate farmers. I will continue to work with all parties to ensure the financial well-being of tobacco farmers, their families, and their communities. Farmers who never marketed cigarettes to children and worked hard to sell a legal crop should be protected. If we are successful in this suit, we could use some of the money to make sure farmers are protected.

EDUCATION FLEXIBILITY

Governors Who Will Discuss:

Governor Frank O'Bannon (D-IN)

Administration Experts Present:

Bruce Reed
Secretary Riley

What Governors Will Say:

The governors will remind you that at last year's NGA Winter Meeting, you proposed to expand Ed-Flex from a twelve-state demonstration project to a nationwide program. They will ask you to reiterate your commitment to Ed-Flex by supporting the Frist-Wyden bill, which Senator Lott intends to bring to the Senate floor in the next few weeks. Governors believe that Ed-Flex will accelerate the pace of education reform by freeing states and school districts from certain regulatory burdens. Governor O'Bannon also believes that passing Ed-Flex will remove the pressure to pass broad education block grants as part of ESEA reauthorization.

BACKGROUND:

Under the current Ed-Flex program, the Secretary of Education can delegate to 12 states his authority to waive certain federal rules and regulations. To apply for status as an Ed-Flex state, states must (1) institute a comprehensive school improvement plan approved by the Secretary; (2) agree to waive their own regulatory requirements when they waive federal requirements; and (3) take steps to hold districts and schools affected by the waivers accountable for academic performance.

A state may use Ed-Flex authority to waive requirements relating to a number of programs authorized as part of the ESEA, including Title I, Eisenhower Professional Development, Safe and Drug-Free Schools, and Even Start. Ed-Flex does not apply to the Individuals with Disabilities Education Act (IDEA) or to requirements pertaining to health, safety, civil rights, and parental participation in education. The twelve states with Ed-Flex authority are: Colorado, Illinois, Iowa, Kansas, Maryland, Massachusetts, Michigan, New Mexico, Ohio, Oregon, Texas and Vermont.

In November 1998, a GAO report gave Ed-Flex mixed reviews. The GAO found that while Ed-Flex succeeded in relieving states, districts, and schools of certain regulatory burdens, it failed to ensure accountability for results. GAO found that under the program, some states did very little to monitor and assess the impact of the waivers on student

achievement.

While Democratic Governors are strongly supportive of Ed-Flex, Hill Democrats have greater reservations. They are concerned about the accountability issues raised by the GAO; they are also concerned about the possibility that states will use their Ed-Flex authority to divert Title I and other funds from the most disadvantaged students.

Notwithstanding these reservations, most Senate Democrats have resigned themselves to voting for the Ed-Flex bill. They will use the debate on the bill to strengthen Ed-Flex's accountability provisions and push other education proposals, including our class size initiative. Some House Democrats are now expressing greater real resistance to the Ed-Flex bill, but we would be surprised if they do not eventually adopt the Senate Democrats' more pragmatic position.

Secretary Riley has taken the position that he would like Congress to take up Ed-Flex as part of ESEA reauthorization, rather than as a freestanding bill. He has indicated, however, that he could accept a freestanding bill if it had sufficiently strong accountability provisions.

Administration Talking Points:

- I continue to support Ed-Flex. I would have preferred that Congress consider this bill as part of the overall reauthorization of the Elementary and Secondary Education Act (ESEA), rather than as a freestanding bill. This would ensure that Ed-Flex is designed to fit the federal education programs of the next five years, rather than the last five years.
- But as Secretary Riley has already told Mike Castle, Tim Roemer, and the other sponsors, if Congress is going to take up Ed-Flex as a stand-alone bill, we need to strengthen the accountability provisions so we can know whether a waiver is getting results and turnaround or drop those that are not succeeding.
- Secretary Riley and Bruce Reed are willing to work with you and members of both parties in both Houses to try to reach a bipartisan agreement on this issue.

Q&A:

Q: What kind of accountability provisions are you demanding be included in an Ed-Flex proposal?

A: I believe that we should know whether a waiver is improving student performance and make sure we turnaround or drop waivers that are failing to do so. I am open to a variety of specific proposals, but Ed-Flex ought to contain a mechanism that links waivers to

student performance.

Q: Will you support amendments to Ed-Flex that raise unrelated issues, such as school construction or class size reduction?

A: I will support amendments of this kind if members of Congress choose to raise them. Ed-Flex is important, but modernizing our schools and reducing class size is even more so. If we are having an education debate prior to reauthorizing the ESEA, we ought to include these important issues.

EDUCATION ACCOUNTABILITY

Governors Who Will Discuss:

Governor Jim Hunt (D-NC)
Governor Tom Ridge (R-PA)

Administration Experts Present:

Bruce Reed
Secretary Riley

What Governors Will Say:

Governor Hunt will speak about the positive impact that his accountability initiatives are having in North Carolina. Governor Ridge will likely endorse the concept of accountability, but object to the increasing “federalization” of education. Ridge will say that education is a state and local issue, and that because states provide 93 percent of all education dollars, Washington should not dictate education policy.

Administration Talking Points:

- First, let’s recognize that we are making progress. Our children are doing better. SAT scores are up; math scores have risen in nearly all grades. Last week, we learned that our students are making gains in reading. But there's a problem. While our 4th graders outperform their peers in other countries in math and science, our 8th graders are around average, and our 12th graders rank near the bottom.
- I know that there is not a Governor at this table that believes our work is done. I know that because I’ve read many of your State of the State addresses, and I’ve followed closely, with the help of Secretary Riley, what is going on in the states in education. Some have even said I’m following education policy in the states too closely -- because I’m stealing all of your best ideas. I plead guilty.
- We need these ideas, because too many schools in depressed communities still fail to give disadvantaged children the tools they need to break their way out of poverty. Too many public school students still move from grade-to-grade without having mastered the basics. And too many of our teachers aren’t appropriately prepared to teach the subjects they’re assigned to.
- I believe -- as you all believe -- that we must change these things, and hold schools accountable for their performance. As a former governor, I know that states and localities must have primary responsibility for education and must have the flexibility to decide what

to teach and how to teach it, what standards to set for students and teachers, and how to measure students and teachers against those standards. But at the federal level, we should invest in what works and not in what doesn't. We have spent \$118 billion on Title I over the last 30 years, and we certainly have not gotten \$118 billion worth of results. We should put into place the tough accountability measures that the states themselves have shown produce results and increase student achievement.

- So in my proposal to reauthorize the Elementary and Secondary Education Act (ESEA), we will say that states and school districts receiving federal education funds should do certain things.
 - They should end social promotion, and give students who are lagging behind the intensive help they need to meet high standards;
 - They should phase out the use of unqualified teachers and ensure that all new teachers pass performance and subject matter tests;
 - They should take responsibility for turning around their lowest-performing schools by providing intensive intervention and if necessary, by making significant staff changes or closing the school down and reopening it as a charter school;
 - They should make sure that parents get annual report cards so they can see how well the schools are working and make informed choices; and
 - They should institute effective discipline codes so that schools can be real places of learning.
- A growing number of states, cities, and schools are implementing these reforms. They are, almost without exception, the places making the biggest student achievement gains. I want to build on those efforts and ensure that all our children reap the rewards of these accountability measures.
- I am committed to securing resources to help states take these steps. My FY 2000 budget asks Congress for \$1.4 billion to continue on the path to hire 100,000 teachers to reduce class size in the early grades; \$600 million to fund summer and after-school programs; \$200 million to help states turn around their lowest-performing schools; and a sixfold increase in college scholarships for students who commit to teach in inner cities, isolated rural areas, and Indian communities.
- I ask for your guidance and support as we draft an Education Accountability Act. I am committed to developing legislation that provides a great deal of flexibility in how these accountability measures are designed and carried out. I am not interested in micromanaging anybody. We want to build on the great work being done in states and communities, not interfere with it. This is a debate I welcome. It is a debate whose outcome is vital to the future of our nation. And it is a debate that needs to include each of you.

Q&A:

Q. If states are already implementing accountability measures, why are you proposing to make them federal policy?

A. States and school districts have made great progress in raising academic standards, but not all of them are taking the steps necessary to ensure that schools, teachers, and students meet these high standards.

For example, only 26 states require students to pass high school graduation exams, and far fewer have policies preventing unprepared students from being promoted. Only 19 states have policies in place to intervene in low performing schools and take responsibility for turning them around. And every year, approximately 50,000 individuals teach on “emergency” certificates, which means that they do not meet the standards states themselves have set for beginning teachers.

We need to do better than this. We need to take the education reforms that some states and cities are showing the best results -- ending social promotion, turning around failing schools, phasing out the use of unqualified teachers -- and spread those reforms throughout the nation. I have probably supported more state options for more policies than any President in history -- but I can’t think of one good reason why continuing social promotion or ignoring failing schools or hiring unqualified teachers ought to be an option for states or anybody else. We all agree these changes are the right things to do, so let’s all agree to do them.

Q. Doesn’t this amount to a federal takeover of education?

A. No. I believe, as strongly as I did when I was a governor, that states and localities must have primary responsibility for education and must have the flexibility to decide what to teach and how to teach it. But I also believe that we should hold schools accountable for results. For our children’s sake, we should invest in what works and not in what doesn’t. We should put into place the accountability measures that study after study shows produce results and increase student achievement. A growing number of states, cities, and schools are implementing these reforms. They are, almost without exception, the places making the biggest student achievement gains. I want to ensure that all our children reap the rewards of these accountability measures.

Q. Will states that decline to adopt these policies lose their share of federal education funds?

A. We fully expect that states will adopt these accountability mechanisms, just as they have complied with current law’s requirements to adopt academic standards and measure student performance. Governors of both parties, state and local school superintendents,

and other educators know that these reforms work, and many are implementing them already. So we do not expect to face compliance problems. But if we do, we will take steps to ensure compliance and, in the very last resort, we will withhold some or all federal money. We cannot continue to invest in failing educational systems. That would be cheating American taxpayers -- and cheating our children.

Q. Are you concerned that the requirement to end social promotion will lead to an increase in retention rates, especially for minority youngsters? Won't you have a problem with the civil rights community on this?

A. I believe that when a "no social promotion" policy is done right, it helps all students -- particularly minority and disadvantaged students. We have to insist on high standards and we have to give students the assistance they need to meet these standards -- including reduced class size, more training for teachers, and extended learning time. My FY 2000 budget will help significantly, in particular by tripling funding --from \$200 to \$600 million -- for after-school and summer-school programs that provide extra help to students who need it.

WELFARE REFORM BACKGROUND

Q: Will the final welfare regulations respond to the governors' concerns?

A: The draft final welfare regulations are currently under review at the Office of Management and Budget. I know that many governors -- individually and through NGA -- submitted extensive and constructive comments on this regulation, which we greatly appreciate. In addition, we have consulted with State organizations consistent with the regulatory review procedures. Because of your critical role in welfare reform, your comments have been given considerable weight in the rulemaking process and I expect the final rule will address many of your priorities.

Background

NGA's welfare reform resolution seeks several major changes in the pending TANF regulations including: allowing greater flexibility for programs funded with state maintenance-of-effort funds; narrowing the definition of assistance under TANF so that supports for working families won't be subject to the federal time limit, work requirements, or reporting requirements; providing states maximum flexibility to continue their welfare reform waivers; streamlining data reporting; and allowing more flexibility in the definition of administrative costs.

NOTE: Under the Executive Order governing rulemaking, only the President himself can talk about the status of a rule under review; any communications by staff must be made through the Administrator of the Office of Regulatory Affairs at OMB.

Q: Is the Administration committed to upholding the funding levels agreed to in the welfare reform law?

A: We will continue to support preservation of full funding for the TANF block grant over a five-year period. In particular, we will oppose any attempt to divert the \$3 billion in unobligated TANF funds for other priorities. Since the TANF block grant is fixed, we believe it is prudent for States to reserve some funds should economic conditions change. In addition, States may need to invest more as work requirements increase and as the 'hardest to employ' become a greater proportion of the caseload. We also understand that different states are in different situations: nearly half the states have obligated all of their FY 1998 funds.

Background

The Governors are urging Congress and the Administration to uphold the commitment in the 1996 welfare reform law to provide five years of fixed TANF block grant funding and to maintain the flexibility of the TANF block grant, including maximum flexibility to transfer funds between TANF and the social services (SSBG) and child care block grants. We share the commitment to preserving the five-year funding levels, and will oppose efforts to divert unobligated funds to

other purposes.

However, your FY 2000 budget does propose two offsets which may be troubling to the Governors.

- The budget proposes to reduce the amount states can transfer from TANF to SSBG from 10% of the TANF block grant to 4.25%, moving up by one year the cap reduction already enacted for FY 2001 as part of the transportation reauthorization bill. This offset allows us to restore funding for SSBG to its fully authorized level of \$2.38 billion -- the level the Governors agreed to as part of the welfare reform law in 1996 (another priority of the Governors). Preliminary data show that, in FY 98, 36 States used their flexibility to transfer funds from TANF to SSBG, of which 28 States transferred more than 4.25%. However, the restoration of SSBG funding in FY 2000 does reduce the need to transfer funds from TANF to SSBG to make up for SSBG cuts.
- The budget freezes supplemental TANF grants at the FY 99 level for all eligible States. Currently, low-benefit States with population growth get 2.5% increases in their TANF grants each year. Under our budget proposal, 17 States that received an increase in FY 99 will not receive an additional increase in FY 2000.

Q: Why is the Administration proposing new strings on Welfare-to-Work funds?

A: First, we should all commit to work together to reauthorize the Welfare-to-Work program, so that these funds will continue. Some in Congress believe that there is no longer a need for those funds -- especially given unobligated TANF funds. But I know there are many good reasons why some states have not obligated all their TANF funds, including the need to put funds aside for a rainy day. In addition, I believe that the Welfare-to-Work funds complement rather than duplicate the TANF block grant funds, because they are focused on long-term welfare recipients with the greatest challenges to employment are targeted to those areas with the greatest need.

In my \$1 billion reauthorization of Welfare-to-Work, I will maintain the program's focus on long-term welfare recipients, while streamlining some of the eligibility criteria that I understand many States found got in the way of serving those most in need. That change means there will be fewer strings than in the current program. In addition, I am proposing that the Welfare-to-Work funds build on the responsible fatherhood efforts initiated by a number of Governors, by focusing a minimum of \$150 million on increasing the employment of low-income fathers so they can better meet their responsibilities to their children. States such as Missouri, Nevada and Wisconsin have already focused much of their Welfare-to-Work money on this population, and now I'm proposing that all States do so.

Background

In the Republican radio address on January 30th, Governor Keating touted the Governors' success with welfare reform, but charged that the Administration was proposing to shift some welfare funds into programs with more strings attached. We believe these claims are unwarranted -- in fact, your proposed reauthorization of Welfare-to-Work would streamline eligibility criteria that many States have expressed concerns about. We also do not believe the proposal to require each State to spend at least 20% of their Welfare-to-Work funds on fathers is particularly burdensome: many Governors are committed to promoting responsible fatherhood and the reauthorization would allow them to spend Welfare-to-Work funds on a broader population of low-income fathers than they can under current law.

In FY 1998, 44 States plus D.C., Guam, Puerto Rico, and the Virgin Islands claimed the Welfare-to-Work formula funds, though 6 States did not (ID, MS, OH, SD, UT, WY). In addition, in FY 1998, the Department of Labor received approximately 1,400 applications totaling approximately \$5 billion for Welfare-to-Work competitive grants funds, but only had sufficient funds to award \$468 million to 126 grantees.

THE WHITE HOUSE
WASHINGTON

December 4, 1998

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: BRUCE REED
ELENA KAGAN

SUBJECT: DOMESTIC POLICY COUNCIL GOALS AND OBJECTIVES

The central mission of the Domestic Policy Council is to advance the President's domestic agenda. The following memo outlines our goals and objectives.

GOAL: Education. Develop and implement policies to achieve high education standards and accountability for students, teachers, and schools nationwide.

Objectives:

- Reauthorize the Elementary and Secondary Education Act (ESEA) and Goals 2000 to strengthen federal support for state and local efforts to raise standards and improve student achievement, including by imposing more rigorous accountability requirements.
- Improve the quality of teaching by providing incentives and accountability mechanisms (through the ESEA and other vehicles) that will lead states and school districts to improve testing, training, and support of K-12 teachers.
- Help end social promotion by providing states and school districts that do so with extra after-school funds to support their children.
- Increase the number of states with charter schools legislation, and propose additional ways of expanding choice within public education, perhaps through the ESEA.
- Work with the National Assessment Governing Board and the business and education communities to reinvigorate the President's proposal for national tests, either by finding private financial support or by reframing the proposal to gain Congressional support.
- Enact the President's school modernization proposal.

GOAL: Education. Ensure that initiatives enacted this past year are effectively launched and implemented, and receive continued funding.

Objectives:

- Ensure a successful launch of the class size reduction initiative, so that local implementation proceeds smoothly, 30,000 teachers are hired, and Congress provides continued funding to keep on track to 100,000 teachers.
- Ensure that initial implementation of the Reading Excellence Act effectively supports the President's America Reads Challenge and improves reading achievement in the early elementary grades.

- Ensure that the President's new initiative to improve teacher education and recruit talented individuals into teaching is effectively launched, and spurs broader improvements in teacher preparation.

GOAL: Health Care. Develop initiatives and pass legislation providing for improved health care quality; targeted coverage expansions; a more efficient, modernized, and market-oriented Medicare program; improved access to long-term care services; and public health efforts to prevent, diagnose, treat, and cure illness.

Objectives:

- Pass strong health care quality reforms, including a strong, enforceable Patients' Bill of Rights, medical privacy legislation, and protection against genetic discrimination. We also will take administrative and legislative action to improve the quality of the care in nursing homes and assisted living facilities.
- Implement executive actions and recently enacted legislation (the Children's Health Insurance Program) to expand coverage, and enact new legislation to advance this goal, including the Jeffords-Kennedy Work Incentives Improvement Act and our Medicare buy-in proposal.
- Implement BBA Medicare reforms in ways that increase new plan choices for beneficiaries, stop HMO withdrawals from program, reform Medigap, and cut down on fraud and abuse. At the same time, prepare for and respond to the Medicare Commission's recommendations in light of the President's goal of improving the program while protecting beneficiaries.
- Develop and pass new long-term care initiatives aimed at supporting family caregiving of the chronically ill through a new tax credit, as well as information, counseling, training, and respite services for individuals with the responsibility of caring for a chronically ill person.
- Develop and implement public health initiatives to address the threats of bioterrorism and resistant bacterial strains; increase the speed of new drug and product approvals; improve food quality; and combat asthma. These initiatives will build on our ongoing commitments to AIDS prevention and treatment programs, biomedical research, and a host of other public health initiatives.
- Work with OSTP to ensure that the Administration appropriately considers the medical benefits and ethical concerns related to new scientific discoveries.

GOAL: Crime and Drugs. Enact a new omnibus crime bill to advance the Administration's phase of anti-crime priorities, while continuing effective implementation of past accomplishments.

Objectives:

- Lead multi-agency effort to develop and draft new omnibus anti-crime legislation which will create new initiatives to combat crime and improve public safety, as well as reauthorize existing programs. Among the purposes of this legislation will be: to put in place the next phase of the COPS program; improve law enforcement technology;

promote drug testing and treatment for offenders under criminal justice supervision; and reduce firearms violence.

- Work with ONDCP and Department of Education to revamp Safe and Drug-Free Schools Program.
- Implement recently announced Administration policies, including transition to the Instacheck system, use of state prison money for drug testing, and school safety initiatives.
- Work with ONDCP on continued implementation of the National Anti-Drug Media Campaign and Southwest Border initiatives.

GOAL: Tobacco. Enact legislation and take other actions to reduce teen smoking.

Objectives:

- Enact legislation to reduce youth smoking by increasing the price of cigarettes, funding anti-tobacco public health efforts, and confirming FDA authority to regulate tobacco products, all while protecting tobacco farmers.
- Prepare and bring suit against tobacco companies to increase the chances of securing good legislation and/or an advantageous settlement.

GOAL: Children and Families. Develop a strategy to pass the President's proposals to provide greater assistance with child care costs to low- and middle-income working parents through significant new subsidies and greater tax relief, while building on last year's victory on after-school programs.

Objectives:

- Enact child care initiative similar to last year's proposal, but with a component for stay-at-home parents and different treatment (now within the block grant) of quality money.
- Achieve significant new investment in the 21st Century Community Learning Center after-school program, in part tied to education policy of ending social promotions.
- Promote other initiatives to help children and families, including expansions in family leave and improvements in child welfare and adoption systems.

GOAL: Welfare. Develop and implement policies to promote work and personal responsibility.

Objectives:

- Secure reauthorization of the Welfare-to-Work fund to help states and cities find and create jobs for the most disadvantaged welfare recipients and fathers of children on welfare.
- Extend tax credits to encourage companies to hire welfare recipients.
- Work with HUD and DOT to ensure successful implementation and secure continued funding for Welfare-to-Work housing vouchers and Access-to-Jobs transportation initiatives enacted in FY 1999 budget.
- Oversee implementation of the welfare law to ensure that the Administration does

everything it can to help states collect child support, promote personal responsibility, and help people move from welfare to work and succeed in the workforce.

- Support ongoing successful efforts to encourage the public, nonprofit, and private sectors to hire from the welfare rolls and help former recipients succeed in the work force.

GOAL: Service. Work with other White House offices and the Corporation for National Service to strengthen AmeriCorps and instill a national ethic of citizen service.

Objectives:

- Enact legislation to reauthorize AmeriCorps and get budget increases to expand its reach.
- Work with the Corporation for National Service to raise AmeriCorps' profile and impact.

GOAL: Community Empowerment. Enact additional community empowerment initiatives.

Objectives:

- Work with NEC to develop and enact new community empowerment legislation and initiatives to create jobs, provide enhanced access to capital and credit, and increase affordable housing and homeownership opportunities.
- Work with NEC to build on community empowerment successes of prior years -- for example, by getting full funding for empowerment zones and new incremental housing vouchers.

GOAL: Political Reform. Put effective campaign finance reforms into place.

Objectives:

- Coordinate Administration-wide efforts to secure passage of bipartisan McCain-Feingold campaign finance reform legislation.
- Work closely with the Vice President's Office on securing free TV time for candidates for federal office.

GOAL: Food Safety and Other Consumer Protections. Strengthen food safety legislation and improve effectiveness of food safety programs and initiatives. Oversee other consumer protection efforts by the Administration.

Objectives:

- Pass legislation strengthening FDA's and USDA's authority over food products -- for example by giving USDA mandatory recall authority and giving FDA increased ability to halt imports.
- Work to ensure full funding for food safety in the appropriations process.
- Work with the President's Council on Food Safety to draft a comprehensive strategic plan on food safety, perhaps leading toward a single food safety agency.
- Work with the CPSC and other agencies to expand consumer protections through legislation and executive action.

GOAL: Race. Continue to develop policies to promote the President's race initiative. Work with Counsel's Office to promote and strengthen enforcement of the civil rights laws.

Objectives:

- Advance the President's race initiative by developing policies to close the opportunity gap in education, health care, safety, courts, and other areas.
- Work to ensure increased funding for civil rights agencies and initiatives in the appropriations process; promote emphasis on voluntary compliance, technical assistance, education, and dispute resolution; and assist in building support for the use of "paired testing" and other effective enforcement tools.

THE WHITE HOUSE

WASHINGTON

December 4, 1998

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: BRUCE REED
ELENA KAGAN

SUBJECT: DOMESTIC POLICY COUNCIL GOALS AND OBJECTIVES

The central mission of the Domestic Policy Council is to advance the President's domestic agenda. The following memo outlines our goals and objectives.

GOAL: Education. Develop and implement policies to achieve high education standards and accountability for students, teachers, and schools nationwide.

Objectives:

- Reauthorize the Elementary and Secondary Education Act (ESEA) and Goals 2000 to strengthen federal support for state and local efforts to raise standards and improve student achievement, including by imposing more rigorous accountability requirements.
- Improve the quality of teaching by providing incentives and accountability mechanisms (through the ESEA and other vehicles) that will lead states and school districts to improve testing, training, and support of K-12 teachers.
- Help end social promotion by providing states and school districts that do so with extra after-school funds to support their children.
- Increase the number of states with charter schools legislation, and propose additional ways of expanding choice within public education, perhaps through the ESEA.
- Work with the National Assessment Governing Board and the business and education communities to reinvigorate the President's proposal for national tests, either by finding private financial support or by reframing the proposal to gain Congressional support.
- Enact the President's school modernization proposal.

GOAL: Education. Ensure that initiatives enacted this past year are effectively launched and implemented, and receive continued funding.

Objectives:

- Ensure a successful launch of the class size reduction initiative, so that local implementation proceeds smoothly, 30,000 teachers are hired, and Congress provides continued funding to keep on track to 100,000 teachers.
- Ensure that initial implementation of the Reading Excellence Act effectively supports the President's America Reads Challenge and improves reading achievement in the early elementary grades.

- Ensure that the President's new initiative to improve teacher education and recruit talented individuals into teaching is effectively launched, and spurs broader improvements in teacher preparation.

GOAL: Health Care. Develop initiatives and pass legislation providing for improved health care quality; targeted coverage expansions; a more efficient, modernized, and market-oriented Medicare program; improved access to long-term care services; and public health efforts to prevent, diagnose, treat, and cure illness.

Objectives:

- Pass strong health care quality reforms, including a strong, enforceable Patients' Bill of Rights, medical privacy legislation, and protection against genetic discrimination. We also will take administrative and legislative action to improve the quality of the care in nursing homes and assisted living facilities.
- Implement executive actions and recently enacted legislation (the Children's Health Insurance Program) to expand coverage, and enact new legislation to advance this goal, including the Jeffords-Kennedy Work Incentives Improvement Act and our Medicare buy-in proposal.
- Implement BBA Medicare reforms in ways that increase new plan choices for beneficiaries, stop HMO withdrawals from program, reform Medigap, and cut down on fraud and abuse. At the same time, prepare for and respond to the Medicare Commission's recommendations in light of the President's goal of improving the program while protecting beneficiaries.
- Develop and pass new long-term care initiatives aimed at supporting family caregiving of the chronically ill through a new tax credit, as well as information, counseling, training, and respite services for individuals with the responsibility of caring for a chronically ill person.
- Develop and implement public health initiatives to address the threats of bioterrorism and resistant bacterial strains; increase the speed of new drug and product approvals; improve food quality; and combat asthma. These initiatives will build on our ongoing commitments to AIDS prevention and treatment programs, biomedical research, and a host of other public health initiatives.
- Work with OSTP to ensure that the Administration appropriately considers the medical benefits and ethical concerns related to new scientific discoveries.

GOAL: Crime and Drugs. Enact a new omnibus crime bill to advance the Administration's phase of anti-crime priorities, while continuing effective implementation of past accomplishments.

Objectives:

- Lead multi-agency effort to develop and draft new omnibus anti-crime legislation which will create new initiatives to combat crime and improve public safety, as well as reauthorize existing programs. Among the purposes of this legislation will be: to put in place the next phase of the COPS program; improve law enforcement technology;

promote drug testing and treatment for offenders under criminal justice supervision; and reduce firearms violence.

- Work with ONDCP and Department of Education to revamp Safe and Drug-Free Schools Program.
- Implement recently announced Administration policies, including transition to the Instacheck system, use of state prison money for drug testing, and school safety initiatives.
- Work with ONDCP on continued implementation of the National Anti-Drug Media Campaign and Southwest Border initiatives.

GOAL: Tobacco. Enact legislation and take other actions to reduce teen smoking.

Objectives:

- Enact legislation to reduce youth smoking by increasing the price of cigarettes, funding anti-tobacco public health efforts, and confirming FDA authority to regulate tobacco products, all while protecting tobacco farmers.
- Prepare and bring suit against tobacco companies to increase the chances of securing good legislation and/or an advantageous settlement.

GOAL: Children and Families. Develop a strategy to pass the President's proposals to provide greater assistance with child care costs to low- and middle-income working parents through significant new subsidies and greater tax relief, while building on last year's victory on after-school programs.

Objectives:

- Enact child care initiative similar to last year's proposal, but with a component for stay-at-home parents and different treatment (now within the block grant) of quality money.
- Achieve significant new investment in the 21st Century Community Learning Center after-school program, in part tied to education policy of ending social promotions.
- Promote other initiatives to help children and families, including expansions in family leave and improvements in child welfare and adoption systems.

GOAL: Welfare. Develop and implement policies to promote work and personal responsibility.

Objectives:

- Secure reauthorization of the Welfare-to-Work fund to help states and cities find and create jobs for the most disadvantaged welfare recipients and fathers of children on welfare.
- Extend tax credits to encourage companies to hire welfare recipients.
- Work with HUD and DOT to ensure successful implementation and secure continued funding for Welfare-to-Work housing vouchers and Access-to-Jobs transportation initiatives enacted in FY 1999 budget.
- Oversee implementation of the welfare law to ensure that the Administration does

everything it can to help states collect child support, promote personal responsibility, and help people move from welfare to work and succeed in the workforce.

- Support ongoing successful efforts to encourage the public, nonprofit, and private sectors to hire from the welfare rolls and help former recipients succeed in the work force.

GOAL: Service. Work with other White House offices and the Corporation for National Service to strengthen Americorps and instill a national ethic of citizen service.

Objectives:

- Enact legislation to reauthorize Americorps and get budget increases to expand its reach.
- Work with the Corporation for National Service to raise Americorps' profile and impact.

GOAL: Community Empowerment. Enact additional community empowerment initiatives.

Objectives:

- Work with NEC to develop and enact new community empowerment legislation and initiatives to create jobs, provide enhanced access to capital and credit, and increase affordable housing and homeownership opportunities.
- Work with NEC to build on community empowerment successes of prior years -- for example, by getting full funding for empowerment zones and new incremental housing vouchers.

GOAL: Political Reform. Put effective campaign finance reforms into place.

Objectives:

- Coordinate Administration-wide efforts to secure passage of bipartisan McCain-Feingold campaign finance reform legislation.
- Work closely with the Vice President's Office on securing free TV time for candidates for federal office.

GOAL: Food Safety and Other Consumer Protections. Strengthen food safety legislation and improve effectiveness of food safety programs and initiatives. Oversee other consumer protection efforts by the Administration.

Objectives:

- Pass legislation strengthening FDA's and USDA's authority over food products -- for example by giving USDA mandatory recall authority and giving FDA increased ability to halt imports.
- Work to ensure full funding for food safety in the appropriations process.
- Work with the President's Council on Food Safety to draft a comprehensive strategic plan on food safety, perhaps leading toward a single food safety agency.
- Work with the CPSC and other agencies to expand consumer protections through legislation and executive action.

GOAL: Race. Continue to develop policies to promote the President's race initiative. Work with Counsel's Office to promote and strengthen enforcement of the civil rights laws.

Objectives:

- Advance the President's race initiative by developing policies to close the opportunity gap in education, health care, safety, courts, and other areas.
- Work to ensure increased funding for civil rights agencies and initiatives in the appropriations process; promote emphasis on voluntary compliance, technical assistance, education, and dispute resolution; and assist in building support for the use of "paired testing" and other effective enforcement tools.

THE WHITE HOUSE
WASHINGTON

November 23, 1998

MEMORANDUM FOR THE CHIEF OF STAFF

CC: ANN LEWIS
STEPHANIE STREETT

FROM: BRUCE REED

SUBJECT: POSSIBLE POLICY ANNOUNCEMENTS

Following is a list of possible DPC announcements that reflects our discussions last week.

NOVEMBER:

November 24 **Adoption Registry**

The President could join the First Lady in calling for an Internet-based national registry of children in foster care waiting to be adopted. Prospective adoptive parents will be able to visit the site and meet these waiting children. The registry will cost between \$1-2 million and will be funded through the Adoption Opportunities Grants, which are a part of the President's Adoption 2002 Initiative - an effort to double the number of children adopted from the public child welfare system by the 2002. November is National Adoption Month, and it is exactly one-year since the President signed the landmark Adoption and Safe Families Act. **(The First Lady is planning to make this announcement on November 24.)**

DECEMBER:

December 1 **School Modernization and Class Size Meeting with Members of Congress**

The President could meet with Democratic Members of Congress to discuss the importance of working together on enacting school modernization and expanding the effort to reduce class size. At this meeting, the President could highlight all of the funding going out to states in the coming months on class size and other initiatives passed in the last budget.

December 3 **Bipartisan Meeting on Patients Bill of Rights**

After the Republican leadership completes its meetings on committee assignments in December, the President could host a bipartisan meeting with members of Congress committed to passing a strong, enforceable patients' bill of rights. At this meeting, all sides would affirm that they could pass a bill this year and that all

issues, including those associated with enforcement, could be resolved. This meeting would be held to show the momentum this legislation now has across party lines. **(December 3 or date when most Republican Members could attend.)**

December 10 Campaign Finance Reform Event

The President could host a White House meeting of bipartisan sponsors of campaign finance reform legislation, which would include Senators McCain and Feingold and Representatives Shays and Meehan. The purpose of the event would be to underscore the President's commitment to enact bipartisan campaign finance reform by next year. The President could highlight examples of excessive campaign spending throughout the country in this past election. **(Depends on Members schedules.)**

December 11 or 17 Car Seat Announcement

The President could announce the final Department of Transportation rule for universal child safety seats. Under the new rule, every seat would be required to fit in every car the same way -- eliminating the current confusion caused by the existence of 100 kinds of child seats and 300 kinds of passenger vehicles. The National Highway Transportation Safety Administration estimates that 80 percent of the children strapped into safety seats are at risk because seats are improperly connected. Approximately 600 children under 5 years old are killed and more than 70,000 are injured in vehicle crashes every year. The new rule would make it easier for parents to use child safety seats properly and encourage greater use of child safety seats. **(Ready mid-December.)**

December 17 Dangerous Toys Initiative

The President could announce the list of 15 toys and child items that have been officially recalled because of safety hazards. The President would call on parents to remove the toys from their homes before the holidays as part of the Consumer Product Safety Commission's "Toy Recall Round-up."

(If the President is unable to do this event before Christmas, it could be a good option for the First Lady or Vice President.)

December 21 FDA Regulation on Over-the-Counter Drug Labeling

The President could announce the release of a final regulation requiring all over-the-counter drugs to bear easily readable and comprehensible labels. We would have to push HHS and OMB hard to announce this regulation in December, but we might be able to get it done by the end of the month. Such an announcement would have the support of both the pharmaceutical community and consumer groups, which would portray it as an important accomplishment. **(Late December.)**

December 22- **Drunk Driving Announcement**

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The President could meet with leaders of the highway safety community (MADD, SADD, etc.) to sign a Presidential Proclamation declaring December to be Drunk and Drugged Driving Prevention Month, announce the availability of Department of Justice grants of \$12 million to states to combat underage drinking, and release public service announcements warning against drunk driving during the holidays, and reminding drivers of the importance of seat belts. **(Anytime in December. The Department of Transportation is holding a press conference on Drunk and Drugged Driving Prevention on December 18.)**

There are several relatively small budget initiatives that we may want to roll out prior to the State of the Union. These options include:

- **Superbug 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. **(Pending budget decision.)**

- **Asthma Initiative**

The President could announce a concerted fight against asthma, which has become a national epidemic affecting the lives of 15 million Americans. The principal goal of this program would be to reduce by half the number of children who die or suffer activity limitations because of this disease. The new FY2000 budget proposal would expand existing pilot programs that have had demonstrated success in preventing, managing, and understanding asthma. The President could also release an interagency report on best practices and strategies to address asthma. **(Requires budget decision.)**

- **Bioterrorism Initiative**

The President could announce a new proposal to detect and manage bioterrorism. Bioterrorism is becoming an increasing threat that has the potential to injure or kill millions of Americans through deadly diseases, such as smallpox. The President's initiative would equip the nation's public health system to detect and respond to this potential problem. This initiative would: train epidemic intelligence officers who can coordinate with state health departments to identify and respond to attacks; develop a mass casualty emergency response system that includes primary care, emergency transportation, and decontamination abilities; create and maintain a stockpile of pharmaceuticals; and improve research to develop new vaccines and antibiotics to be used in the event of an attack. **(Pending budget decision.)**

- **Nationwide Crackdown on Food Safety**
The President could announce a proposed budget initiative that would highlight safety standards and enforcement. Included in this initiative are (1) a repackaged and somewhat modified legislative proposal giving the FDA and USDA additional enforcment 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. **(Ready, depending on budget decisions.)**
- **Expansion of Values-Based Crime Prevention Initiative**
Recognizing the important role that civic, community, and faith-based organizations can play in reducing crime, the President announced last July grants for community-based collaboratives, including religiously-affiliated organizations, to target youth violence, gangs, truancy, and other juvenile problems by promoting common-sense values and responsibility. To build on this effort, the President could commit to a series of new grants to support values-based crime prevention efforts, and urge Congress to endorse and increase federal funding for such programs. The President could also highlight the efforts of Rev. Eugene Rivers of Boston, who inspired the President to develop this initiative and has organized a National 10-Point Leadership Foundation to mobilize 1,000 black churches in 40 cities to help at-risk kids in the 50 worst neighborhoods. **(Pending budget decisions.)**

Following is a list of policy announcements that are under development. We are preparing to have these announcements ready for message openings that arise in December.

- **"Zero Tolerance" for Drugs in Prisons**
The recently passed omnibus appropriations bill includes an important provision that would allow states to use up to 10 percent of their prison funds to test and, if necessary, treat prisoners and parolees for drug use. To highlight this accomplishment, the President could join the Attorney General, General McCaffrey, and a group of Governors in issuing new guidelines to ensure that states use their funds effectively to promote this new "zero tolerance" policy. **(Ready mid December)**
- **Fighting Homelessness**
A number of homeless organizations hold events throughout the country (including in D.C.) on December 20 to highlight the problem of homelessness. The President could announce \$700 million in HUD Homeless Assistance Grants that will be granted to 300 communities and states to help homeless individuals find jobs and

achieve self-sufficiency. Individuals who have benefited from this initiative and graduated to self-sufficiency could participate in this event. **(December 20th)**

- **Title IX Executive Order**

The President could sign an executive order as early as next week prohibiting discrimination on the basis of race, color, national origin, or sex in education programs conducted by the federal government. This includes schools operated by the Defense Department for military dependents, schools operated by the Department of the Interior for Native Americans, and numerous training and educational programs run by federal departments. This is a follow up to an Executive Memorandum the President issued last year asking the Department of Justice to lead an effort to identify all federally-conducted education programs and to recommend appropriate action to end discrimination. **(Ready)**

- **Family Report**

The President could announce the findings of a new report by the CEA detailing changes in the last thirty years in family life. The report will show the increased number of women in the workplace, and detail the diminished amount of time families have to spend with their children. **(Ready mid December)**

- **Work Participation Rates**

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, although 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. **(Ready in mid December.)**

- **Welfare to Work Housing Vouchers**

The Congress approved in the VA/HUD appropriations bill full funding for the President's request for 50,000 welfare-to-work housing vouchers. The President could hold an event announcing the opening of the first competition for these vouchers. These are the first housing vouchers ever to be linked to welfare reform; they will improve the way welfare, employment, and housing agencies work together. **(Ready mid December.)**

THE WHITE HOUSE
WASHINGTON

November 11, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Gene Sperling
Elena Kagan
Sally Katzen

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 (see 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 matriculation 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. Disability – 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 all 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, proactive 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 seeking 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)