DPC Weekly Reports

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THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
8-2-99

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July 30, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Eric Liu

SUBJECT: DPC Weekly Report

What does this mean?

1. **Crime – Juvenile Crime/Gun Legislation**: This week, the Senate and House appointed conferees to the juvenile crime bill. We issued a statement from you urging the Congress to have a strong bill ready when school resumes in September. On Friday, by a vote of 305-84, the House passed a Democratic motion to instruct conferees to include provisions on background checks at gun shows and not weaken current law on background checks. We have heard that the conferees may meet once before the August recess, but timing for the completion of the conference remains uncertain.

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2. **Crime – Housing Authority Gun Lawsuit:** We have been working with Secretary Cuomo on a potential lawsuit by a broad coalition of housing authorities against the gun industry. The suit would be based on the premise that because of its distribution practices, the gun industry should bear some of the costs housing projects incur from gun violence (e.g., security guards and alarms). This approach is similar to lawsuits filed by Chicago and Los Angeles. We will be working with HUD and federal law enforcement agencies to determine what remedies should be pursued in such a suit. The Wall Street Journal reported Wednesday that HUD was considering this action, but the Administration has not publicly confirmed it. Already, House Republicans have scheduled a hearing for next Wednesday to interrogate HUD about its plans. If the housing authorities decide to go forward with a suit, you could announce it the first week of the August recess.

3. **Drugs – Anti-Drug Media Campaign**: On Monday, you will unveil new advertisements as part of ONDCP's anti-drug media campaign. You will also release an ONDCP analysis showing that the campaign is reaching over 90% of its target audience an average of 4-7 times a week. One of the new ads stars national skateboard champion Andy McDonald, who will introduce you at Monday's event.

4. **Health Care – Patients Bill of Rights Update:** On Thursday, the Kaiser Family Foundation released a report demonstrating widespread discontent among health care providers about the quality of care provided by managed care plans. Seventy-two percent said that

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managed care had decreased the quality of health care for people who are sick, 77 percent said it had decreased the ability of patients to get the tests and treatments they needed, and 86 percent said it had decreased the ability of patients to see medical specialists. Meanwhile, a number of House Republicans have been working with Congressman Norwood on a possible compromise with Congressman Dingell. Divisions within Republican ranks are forcing Speaker Hastert to renege on his commitment to bring a managed care reform bill to the floor next week and delay action until later this fall.

Need to keep funding

5. Health Care – New CHIP Enrollment Data: On Friday, Kaiser released a new study which reported that states have now enrolled an estimated 1.3 million children in CHIP – 300,000 more than HHS estimated in January. We also are seeing signs that CHIP outreach is paying an added dividend by increasing the number of children states enroll in traditional Medicaid.

6. Welfare – Faith-Based Organizations: You asked for an assessment of Governor Bush's recent proposals to promote charitable giving and faith-based organizations. His centerpiece proposal – to let non-itemizers claim a federal charitable deduction – is an idea we considered in 1996 but rejected because it costs $8 billion a year. He also proposed allowing charitable contributions from individual retirement accounts (IRAs) without penalty. Treasury is concerned that this idea could invite tax shelters and abuse. Bush's third tax proposal – to let states use TANF funds to finance tax credits for charitable contributions – could be an interesting way to help make sure states use their TANF surpluses, but it would divert money from welfare-to-work efforts unless the credits were highly targeted. Like the Vice President, Bush proposed expanding charitable choice to other social programs (TANF, the Community Services Block Grant, and the Welfare-to-Work grant program already allow federal funding for faith-based groups).

7. AIDS – Vaccine Research Update: The Wall Street Journal reported on Friday that Merck is planning to begin human trials of an AIDS vaccine. Merck says it will test gene-based vaccines to elicit an immune response capable of either preventing HIV infection or keeping it from overwhelming the immune system. We should be pleased that a major pharmaceutical company is launching this effort, but NIH scientists warn that even under the best of circumstances such a product will not be available for widespread use for at least five years.

+ Americorps
What else is there – should we try to do more?

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WASHINGTON

July 23, 1999

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MEMORANDUM FOR THE PRESIDENT

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1. **Welfare – New Participation Rates and Caseload Numbers:** At the Welfare to Work Partnership convention in Chicago on August 3, you will be able to announce that all 50 states met the 30 percent overall work participation rate in 1998, the first full year of data under the new law. You also can release new caseload numbers showing that the welfare rolls have dropped by more than 50 percent since January 1993 – from 14.1 million to 7 million. Together, these figures mean that half as many people are on welfare as when you took office, and those left on welfare are four times more likely to be working.

2. **Tobacco – Funding for Federal Litigation:** This week, Senators Gregg, Hollings, Harkin, and Graham agreed to a colloquy making clear that the Commerce-Justice-State Appropriations bill will not prohibit the Justice Department from suing the tobacco companies. The Senate bill still does not provide the $20 million we requested for the suit, although it may include $7 million in related earmarks.

3. **Education – Back to School Plans:** We are working on a series of possible events for August and September for you, the Vice President, the First Lady, and others to highlight our education agenda. In August, we should be able to announce: (1) a nationwide public service campaign sponsored by the Ad Council (in which you appear) on the need for parents to talk with their children about school violence; (2) the next round of comprehensive safety grants under the Safe Schools, Safe Communities program; (3) $95 million in charter school grants; and (4) the annual "Baby Boom Echo" report on rising school enrollment. We are planning three straight days of education events September 6-8: (1) a school construction event on Labor Day; (2) a visit to an area elementary school class taught by one of the first new teachers hired under our class size reduction program; and (3) a day trip to a charter school or successful after-school program. Later in September, we thought you might want to consider giving a speech (perhaps in Charlottesville) to review the progress we have and have not made in the decade since the Education Summit.

Yes!

4. **Health Care – CBO Medicare Estimates:** CBO testified Thursday that Administration cost estimates for the drug benefit were too low, our savings projections were too high, and that we would need to invest an additional $66 billion from the surplus. CBO scored

the drug benefit at $168 billion over ten years (compared with $118 billion in our proposal). The higher estimate was based on: (1) a much higher growth rate for drug costs than anyone else projects; and (2) an assumption that the Medicaid low-income protections would cost much more due to a higher participation rate. While we certainly favor and anticipate higher low-income participation, no credible expert believes it will cost as much as CBO. In addition, CBO assumes only $4 billion in savings from the Administration's proposal to modernize the traditional fee-for-service program (compared with $25 billion in our plan). Ironically, CBO Director Crippen testified that the Administration proposal had great potential to achieve significant savings. Our Medicare Actuary – the same independent career expert Republicans used to justify their Medicare cuts in 1995-96 – continues to stand behind the Administration's estimate. Our health and economic forecasts have been consistently more conservative than actual experience, and our estimates for this plan do not include savings from reduced hospitalizations that would likely result from the drug benefit.

Good

5. Health Care – Children's Health Insurance Program Outreach: We are aggressively reviewing new strategies to identify and enroll more uninsured children in Medicaid and CHIP. We believe the NGA meeting August 8 is a good opportunity for you to criticize the Congress for considering budget cuts in TANF and CHIP, and challenge the states to do a better job on outreach. You also could announce your intention to launch a Back to School Outreach Campaign in late September. As part of this Back to School Campaign, the Department of Education is asking school superintendents nationwide to commit to organizing some activity in their districts this September. By late September, we will be ready to release the second annual interagency report on outreach, which will include new commitments from 12 federal agencies. We are also contemplating an executive order to the Departments of Education and Health and Human Services to develop a strategy to make school-based screening for health insurance a standard part of school enrollment, similar to immunizations. Several agencies are teaming with the United Way to conduct door-to-door local outreach campaigns in 26 cities.

Good

6. National Service – California Community Service Requirement: Governor Gray Davis last week formally asked the University of California to begin working with California State University and California Community Colleges to make service a graduation requirement for students at California's public colleges and universities.

Good

7. Immigration – Parity Legislation: The week of August 2, the Administration plans to transmit the Central American and Haitian Parity Relief Act of 1999 to address the inequities that resulted from the Nicaraguan Adjustment and Central American Act of 1997. The bill would provide parity to certain Salvadorans, Guatemalans, Hondurans, and Haitians living in the United States by allowing them to become legal permanent residents on the same basis as Nicaraguans and Cubans. Representative Luis Guttierez has introduced similar legislation with 106 cosponsors and bipartisan support.

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8. Crime – Colorado Youth: David Winkler and Ben Gelz, the student co-leaders of the S.A.F.E. Colorado group you met with last week, were so inspired that they have decided to defer their first year of college and start organizing students in other states. They plan to spend the next year recruiting a larger group of high school and college students to lead a March on Washington sometime in 2000 to advocate for gun control legislation.

9. Native American Economic Development – Creation of an Access Center: Following up on your New Markets tour and the Native American Economic Development Conference one year ago, the DPC has begun work to create a Native American Economic Development Access Center, located at the Bureau of Indian Affairs. This Access Center would operate a single toll-free number that will connect Native American callers and businesses to 14 agencies' programs.

10. Livability – Better America Bonds Update: This legislation now has 89 cosponsors and was included in the Democratic tax packages in the House and Senate. In addition, the U.S. Conference of Mayors recently passed a resolution in support of this program and the National Association of Counties will follow suit next week.

11. Community Empowerment – Low Income Housing Tax Credit: Last week, the House Ways and Means Committee voted to include a 10-cent per year increase in the LIHTC as part of the Republican tax bill, over the opposition of Chairman Archer. The Senate Finance Committee also included a 10-cent increase. The House Democratic substitute would have provided a 50-cent increase in the first year, similar to your proposal.

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(for reply)

THE WHITE HOUSE

WASHINGTON

7-19-99

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July 16, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: DPC Weekly Report

1. Education – Republican Teacher Block Grant: The Republican's "Teacher Empowerment Act" could come to the House floor as early as next week. This bill, sponsored by Goodling and McKeon, would consolidate Goals 2000, Eisenhower, and class size into a $2 billion grant program that states and schools districts could use to fund professional development, recruitment, merit pay, tenure reform, class size, or other purposes related to teacher quality. Secretary Riley sent a letter in committee threatening to recommend that you veto this legislation, largely because it does not include a dedicated funding stream for class size reduction, would not guarantee any spending on class size reduction, eliminates any focus on the early grades or on a target of 18, and weakens our provisions to target money to low-income areas. In committee, Democrats unanimously supported a substitute similar to your proposal, but two Democrats (Roemer and Holt) then crossed over to support the Republican bill.

On Thursday, we met with Gephardt and other House Democrats in an effort to unite the caucus in voting for a class size amendment and against the Republican bill. Most Democrats will side with us on a class size amendment, but many Democrats – led by Roemer and George Miller -- are afraid to vote against a teacher quality even if it cuts class size. Although this bill is unlikely to reach your desk—or even come up in the Senate—we are trying to get a veto-proof margin so that it doesn't undermine our position in appropriations. We are working with Gephardt, Bonior, the teachers union, and the civil rights community to try to bring Democrats around. We plan to send a letter from you Monday threatening a veto if the class size issue is not resolved.

2. Guns – California: On Monday, Governor Davis is expected to sign into law two major gun bills. The first bill, which passed this week, establishes broad new controls on semiautomatic weapons and large capacity ammunition magazines. The bill bans semiautomatic weapons that hold more than 10 rounds or can be readily concealed; prohibits the manufacture, import, or sale of any large capacity ammunition clip; and requires individuals who own guns covered by the bill to register their weapons with law enforcement within one year. The second bill – passed earlier in the legislative session -- restricts handgun sales to one per month statewide. This will make California the fourth state to adopt ~~the one-a-month limit~~ on handguns.

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3. Crime – Statistics: On Sunday, the Justice Department will release the findings of the 1998 National Crime Victimization Survey (NCVS). The NCVS will show that violent crime fell another 7 percent last year, and that it has now dropped 27 percent since you took office in 1993. Property crime is down even further: 12 percent in 1998 and 32 percent since 1993. Every major crime category has now decreased significantly since 1993, and virtually every demographic category has experienced a drop in the rate of violent victimization—including a 42 percent drop for African-Americans. A statement from you criticizing Congressional efforts to shut down your COPS program and weaken our gun laws will accompany the release of these new statistics.

4. **Crime – COPS:** We are preparing a possible announcement for next week to highlight Congressional attempts to eliminate the COPS program. When the Senate takes up the Commerce-Justice-State appropriations bill (as early as next week), Senator Biden will offer an amendment to restore COPS funding. You could release over $60 million in COPS grants to hire over 800 officers (including 200 for D.C.), and funds to hire 40 new federal prosecutors to take D.C.'s successful community prosecution program citywide – bringing attention to the community prosecutors initiative contained in the FY 2000 budget and your crime bill. Next Friday, the outgoing Inspector General is expected to release an audit of the COPS program that will criticize parts of the program, including officer redeployment, and spotlight local retention and supplanting problems. The Justice Department has been contesting many of the audit's fundamental assumptions.

5. **Tobacco – Women's National Soccer Team:** You might be interested in the "Smoke-Free Kids and Soccer" campaign launched by HHS and the U.S. Women's National Soccer Team to encourage girls to maintain physical fitness and resist pressures to smoke through soccer. The campaign includes television and radio commercials, posters, and other materials with pictures and quotes from team members (Co-captain Julie Foudy says "We'd much rather smoke a defender than a cigarette."). The materials were released in conjunction with the team's World Cup games and being widely distributed to youth soccer associations, local PTAs, and state and local health departments.

6. **Health Care – Medicare Event Update:** Next Thursday, you are scheduled to go to Lansing for an event to highlight Medicare reform in a town hall setting. We are targeting a wide range of beneficiaries and providers who can discuss the benefits of enacting your entire Medicare reform package in general and your prescription drug and preventive benefit package in particular. We plan on having a cross-section of age groups and incomes represented as well as pharmacists and other health care providers who can help personalize the importance of your reform package for both the short and long term.

7. **Health Care – Other Medicare Developments:** That same day, Secretary Shalala is scheduled to testify before the Senate Finance Committee on your Medicare reform proposal. As of this writing, we are still considering whether Secretary Summers also should testify in order to

discuss the importance of utilizing the surplus to stabilize the Trust Fund as well as to buy down debt. Earlier in the week, we hope to be able to release a report to highlight the importance of a prescription drug benefit that is accessible to all seniors. It will help highlight the fact that even those beneficiaries who currently have a drug benefit are seeing their benefits either eliminated or significantly reduced. Ironically, the same Republicans who have been criticizing your plan as inappropriately subsidizing wealthy seniors just passed a tax deduction for Medicare beneficiaries out of the Ways and Means Committee that will help offset the cost of drug coverage. Because it is a deduction, it benefits only higher income beneficiaries who file taxes, and leaves out millions of seniors (well over 40 percent) who have no taxable income and/or do not file taxes.

8. Health Care – Democratic Alternative Tax Package for Health Care: The Finance and Ways and Means Democrats are drafting health care tax incentive options to be included in their alternative tax packages. The Senate Finance Committee appears likely to include a tax credit for workers whose employers do not offer coverage to purchase health care in the individual market. It would likely be a 30 percent refundable insurance tax credit for single workers with incomes of $20,000 or less and families earning less than $40,000. We have encouraged Senator Breaux, the primary advocate of this credit, to include insurance reforms in his package to ensure the subsidies would be used only for insurance that is more meaningful, accessible, and affordable than that available in the current individual marketplace. In addition, the Finance Democrats would include an acceleration of the transition to the 100 percent self employed tax deduction by 2003. They have dropped your purchasing coalition tax credit and your disability tax credit, and reduced your $1000 long-term care tax credit to $250. They have also added a provision that provides for tax incentives for the purchase of some long-term care. The provisions related to long term care are highly unpopular with the long term care community and aging advocates, who believe anything less than $1000 is virtually meaningless.

Ways and Means Committee Democrats seem much more interested in your tax credit as currently constructed but have not made a final decision on the health care provisions. We are developing a series of health care tax credit options for your and the Vice President's consideration. While they are unlikely to significantly increase coverage, a strong tax equity argument could be made for them, since individuals who purchase health insurance get no tax break while those working for a firm that provides health insurance get a deduction.

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THE WHITE HOUSE

WASHINGTON

July 9, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: DPC Weekly Report

1. Education – Class Size: As you know, the House Education and Workforce Committee recently reported legislation which we have threatened to veto because it would significantly undermine our class size program. The House bill would include class size funding in a broader teacher quality bill and allow it as an eligible purpose. However, it would not require a dedicated stream of funding for class size nor the achievement of any class size goals or targets. In other words, under the provisions of the bill, a state could spend virtually nothing on class size and still receive funding. This bill is expected to move to the House floor within the next two weeks.

House Committee Democrats are split on the issue. Some -- led by Congressman Roemer, possibly Miller and others -- do not share the Administration's view on the need for a dedicated funding stream for class size, nor do they seem to agree with us as to the importance of the class size goal. Others – Representatives Clay, Kildee, Martinez -- strongly support us from a policy perspective but seem doubtful about our ability to hold Democrats on this issue. To broaden support for the Democratic substitute we plan to amend our proposal to give more flexibility to states and school districts that have a preexisting class size reduction plan in effect, and to districts that need to spend more on recruiting and training in order to attract qualified teachers to reduce class size.

DPC, OMB, the Department of Education, and Legislative Affairs recommend a legislative strategy to unite as many Democrats as possible on a class size Democratic amendment and to attempt to achieve a veto sustaining margin against final passage. Our conversations with staff this week suggest that it may be possible to achieve a good Democratic vote on the amendment but it will be difficult to ask members to vote against the bill. They believe that many Democrats will not want to oppose a bill which purports to promote teacher quality. However, we believe that it will also be very hard to explain away an overwhelming vote for the final bill as anything other than a defeat for class size since the Goodling bill clearly kills our program.

Democratic Leader Gephardt's staff has given a reluctant blessing to our approach but has conveyed concern about whether or not Democrats can remain united on this issue. It is our sense that the Democratic leadership's willingness to take on this issue will depend in part on our aggressive leadership and our ability to demonstrate that it has a reasonable chance of success. We will press Representative Gephardt to provide more leadership on the issue of class size, 7 - 12 - 99

which was a critical victory for all Democrats last Fall.

AFT and NEA as well as the Great City Schools are highly supportive of our approach and have indicated that they will work members at the grassroots level. The Senate Democrats (as represented by their staff) are extremely firm on this issue and have already demonstrated their willingness to take this issue to the mat by agreeing to sustain a veto of the ED Flex bill if it had eliminated class size as it did in the Senate bill.

2.Welfare – Food Stamp Announcements: Earlier this year, we promised that we would prepare a package of executive actions you could take to make the food stamp program more accessible for working families. These actions are now ready, and you may want to announce them in your DLC speech next week to highlight your record of requiring work and ensuring work pays better than welfare. Like child care, EITC, and Medicaid, food stamps are an important support for working families – a family of three with a full-time worker earning the minimum wage can get $220 a month in food stamps. While families are eligible for food stamps up to 130 percent of the poverty line -- about $8.50 an hour or $17,748 for a family of three -- participation among working families is low. Presently, only 39 percent of individuals with earnings who are eligible for food stamps benefits receive them, compared to 71 percent of all eligibles and 97 percent of those on cash assistance. The package includes: 1) new policy guidance making it easier for working families to own a car and still receive food stamps; 2) new regulations making it easier for families to report income and ensure states serving working families won't be penalized for small errors in estimating families' future earnings; and 3) a new outreach campaign to inform low-income families of their food stamp eligibility.

3. Welfare – Welfare-to-Work Update: Our $1 billion Welfare-to-Work reauthorization proposal is beginning to gain some momentum in Congress, though it will take a concerted effort from the White House to ensure that new funding is achieved this year. Our proposal -- including funds to help recipients with the greatest challenges to employment as well as fathers who need jobs to pay child support -- has been introduced by Democrats in both the House and Senate. Republican Ways and Means subcommittee chair Nancy Johnson has expressed some interest in working on a bipartisan basis on a fatherhood bill, but there are indications that she and her Republican colleagues are hesitant to move a bill with new funding. Meanwhile, Senator Bayh is developing a broad-based fatherhood proposal with Senator Domenici; we expect him to include elements of our Welfare-to-Work proposal, including an expanded focus on fathers using existing funds, but no new funding.

Since state and local grantees have up to three years to spend current funds, some resources will continue to be available even if we do not enact new funding this year. However, there is overwhelming demand for Welfare-to-Work funds: the Department of Labor received 1,400 applications for competitive grants last year totaling $5 billion and only had funds to award grants of $468 million.

On a more personal note, we thought you would be interested in news from Carlos

7-12-99

Do a nice letter to him for me to sign

Rosas, the young father who introduced you at the January 25th event unveiling your Welfare-to-Work budget proposal. Carlos reports that he has now graduated from the technical college he was attending as part of the responsible fatherhood program in St. Paul, and has gotten a new job as a technician servicing business machines which will enable him to pay even more child support.

4. Crime – Guns: We have tentatively planned for about 80 Denver-area high school students to attend a White House event on Thursday to highlight the gun issue. The students, many of whom are from Littleton, are affiliated with S.A.F.E. (Sane Alternatives to the Firearms Epidemic) Colorado and will be in town to urge Congress to move quickly to pass gun legislation. At the event, we hope to release a brief report on the first six months of the National Instant Criminal Background Check System (NICS). The report will contain information detailing the types and number of gun sales blocked by the NICS. On a related note, on Wednesday, the D.C. district court dismissed a case filed by the NRA challenging the ability of the FBI to retain records for up to 6 months under the NICS.

5. Health Care -- Upcoming Activity on Medicare and Patients Bill of Rights: Your advisors have developed a coordinated White House strategy to highlight your priorities on both Medicare and the Patients Bill of Rights over the next few weeks. On Sunday, Larry Summers and John Podesta are appearing respectively on *This Week* and *Meet the Press* to discuss your Medicare reform package and contrast your effort to strengthen and modernize the program with the proposed Republican tax cuts. On Monday, you are meeting with the bipartisan Congressional leadership to discuss Medicare reform within the context of the current negotiations on the budget. Before departing for Florida, where you will speak to the Communication Workers of America on Medicare reform, you will give a departure statement on the floor debate on the Patients Bill of Rights. Finally, early next week, you will hold an event promoting your proposed Medicare prescription drug benefit.

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SUBJECT: DPC Weekly Report

1. Education – Class Size: As you know, the House Education and Workforce Committee recently reported legislation which we have threatened to veto because it would significantly undermine our class size program. The House bill would include class size funding in a broader teacher quality bill and allow it as an eligible purpose. However, it would not require a dedicated stream of funding for class size nor the achievement of any class size goals or targets. In other words, under the provisions of the bill, a state could spend virtually nothing on class size and still receive funding. This bill is expected to move to the House floor within the next two weeks.

House Committee Democrats are split on the issue. Some -- led by Congressman Roemer, possibly Miller and others -- do not share the Administration's view on the need for a dedicated funding stream for class size, nor do they seem to agree with us as to the importance of the class size goal. Others – Representatives Clay, Kildee, Martinez -- strongly support us from a policy perspective but seem doubtful about our ability to hold Democrats on this issue. To broaden support for the Democratic substitute we plan to amend our proposal to give more flexibility to states and school districts that have a preexisting class size reduction plan in effect, and to districts that need to spend more on recruiting and training in order to attract qualified teachers to reduce class size.

DPC, OMB, the Department of Education, and Legislative Affairs recommend a legislative strategy to unite as many Democrats as possible on a class size Democratic amendment and to attempt to achieve a veto sustaining margin against final passage. Our conversations with staff this week suggest that it may be possible to achieve a good Democratic vote on the amendment but it will be difficult to ask members to vote against the bill. They believe that many Democrats will not want to oppose a bill which purports to promote teacher quality. However, we believe that it will also be very hard to explain away an overwhelming vote for the final bill as anything other than a defeat for class size since the Goodling bill clearly kills our program.

Democratic Leader Gephardt's staff has given a reluctant blessing to our approach but has conveyed concern about whether or not Democrats can remain united on this issue. It is our sense that the Democratic leadership's willingness to take on this issue will depend in part on our aggressive leadership and our ability to demonstrate that it has a reasonable chance of success. We will press Representative Gephardt to provide more leadership on the issue of class size,

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which was a critical victory for all Democrats last Fall.

AFT and NEA as well as the Great City Schools are highly supportive of our approach and have indicated that they will work members at the grassroots level. The Senate Democrats (as represented by their staff) are extremely firm on this issue and have already demonstrated their willingness to take this issue to the mat by agreeing to sustain a veto of the ED Flex bill if it had eliminated class size as it did in the Senate bill.

2. Welfare – Food Stamp Announcements: Earlier this year, we promised that we would prepare a package of executive actions you could take to make the food stamp program more accessible for working families. These actions are now ready, and you may want to announce them in your DLC speech next week to highlight your record of requiring work and ensuring work pays better than welfare. Like child care, EITC, and Medicaid, food stamps are an important support for working families – a family of three with a full-time worker earning the minimum wage can get $220 a month in food stamps. While families are eligible for food stamps up to 130 percent of the poverty line -- about $8.50 an hour or $17,748 for a family of three -- participation among working families is low. Presently, only 39 percent of individuals with earnings who are eligible for food stamps benefits receive them, compared to 71 percent of all eligibles and 97 percent of those on cash assistance. The package includes: 1) new policy guidance making it easier for working families to own a car and still receive food stamps; 2) new regulations making it easier for families to report income and ensure states serving working families won't be penalized for small errors in estimating families' future earnings; and 3) a new outreach campaign to inform low-income families of their food stamp eligibility.

3. Welfare – Welfare-to-Work Update: Our $1 billion Welfare-to-Work reauthorization proposal is beginning to gain some momentum in Congress, though it will take a concerted effort from the White House to ensure that new funding is achieved this year. Our proposal -- including funds to help recipients with the greatest challenges to employment as well as fathers who need jobs to pay child support -- has been introduced by Democrats in both the House and Senate. Republican Ways and Means subcommittee chair Nancy Johnson has expressed some interest in working on a bipartisan basis on a fatherhood bill, but there are indications that she and her Republican colleagues are hesitant to move a bill with new funding. Meanwhile, Senator Bayh is developing a broad-based fatherhood proposal with Senator Domenici; we expect him to include elements of our Welfare-to-Work proposal, including an expanded focus on fathers using existing funds, but no new funding.

Since state and local grantees have up to three years to spend current funds, some resources will continue to be available even if we do not enact new funding this year. However, there is overwhelming demand for Welfare-to-Work funds: the Department of Labor received 1,400 applications for competitive grants last year totaling $5 billion and only had funds to award grants of $468 million.

On a more personal note, we thought you would be interested in news from Carlos

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Rosas, the young father who introduced you at the January 25th event unveiling your Welfare-to-Work budget proposal. Carlos reports that he has now graduated from the technical college he was attending as part of the responsible fatherhood program in St. Paul, and has gotten a new job as a technician servicing business machines which will enable him to pay even more child support.

4. Crime – Guns: We have tentatively planned for about 80 Denver-area high school students to attend a White House event on Thursday to highlight the gun issue. The students, many of whom are from Littleton, are affiliated with S.A.F.E. (Sane Alternatives to the Firearms Epidemic) Colorado and will be in town to urge Congress to move quickly to pass gun legislation. At the event, we hope to release a brief report on the first six months of the National Instant Criminal Background Check System (NICS). The report will contain information detailing the types and number of gun sales blocked by the NICS. On a related note, on Wednesday, the D.C. district court dismissed a case filed by the NRA challenging the ability of the FBI to retain records for up to 6 months under the NICS.

5. Health Care – Upcoming Activity on Medicare and Patients Bill of Rights: Your advisors have developed a coordinated White House strategy to highlight your priorities on both Medicare and the Patients Bill of Rights over the next few weeks. On Sunday, Larry Summers and John Podesta are appearing respectively on *This Week* and *Meet the Press* to discuss your Medicare reform package and contrast your effort to strengthen and modernize the program with the proposed Republican tax cuts. On Monday, you are meeting with the bipartisan Congressional leadership to discuss Medicare reform within the context of the current negotiations on the budget. Before departing for Florida, where you will speak to the Communication Workers of America on Medicare reform, you will give a departure statement on the floor debate on the Patients Bill of Rights. Finally, early next week, you will hold an event promoting your proposed Medicare prescription drug benefit.

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THE WHITE HOUSE

WASHINGTON

June 14, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

'99 JUN 14 PM 12:27

SUBJECT: DPC Weekly Report

1. Guns -- Crime Gun Report on Youths Age 18-20: At a Monday event with the U.S. Conference of Mayors, the Vice President will release a report by the Treasury and Justice Departments on gun crime by 18-20 year olds. The report shows that this age group leads all others in using guns to commit both homicides and non-lethal crimes, such as assault, rape, and robbery. The homicide findings are particularly striking. In 1997, 18 year olds ranked first, 19 year olds ranked second, and 20 year olds ranked third among all age cohorts in committing gun homicides; together, youths in this age group committed a full 24 percent of all gun homicides. The report also finds that crime guns recovered and traced by law enforcement officials were more likely to have been possessed by 19 year olds than by any other age cohort. Most of the crime guns recovered from these youth were handguns, with an especially large number of semiautomatic pistols. The report concludes from these findings that the high rate of crime in the 18-20 age group is linked to excessively easy access to firearms.

2. Guns -- Brady Report: You will release early this week a Bureau of Justice Statistics (BJS) report showing that Brady has stopped over 400,000 prohibited users from buying guns. The report shows that between March 1994 and November 1998, Brady background checks stopped 312,000 prohibited purchasers -- including 207,000 individuals with felony convictions or indictments -- from buying handguns. The report also shows that since November 1998, when the National Instant Criminal Background Check System (NICS) went into effect, the FBI has blocked another 45,400 gun sales (both long guns and handguns) and states probably have blocked at least the same number (though the state number is an estimate based on the total number of checks they have done). We hope that release of this report, especially in combination with the youth crime gun report discussed above, will give a boost to our gun proposals when they come to the House floor later this week.

3. Crime -- COPS: The Senate Appropriations Committee last week reported out a Commerce Justice State bill that would zero out the COPS program (though the bill would fund, through a different office, the part of our new COPS proposal that focuses on law enforcement technology). Administration officials called attention to the elimination of the COPS program at the meeting of the U.S. Conference of Mayors last weekend. As you

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know, the Mayors are strong proponents of the program.

4. Welfare – Two Parent Participation: As you may recall, we announced in December that all 39 states needing to report work participation rates for FY 1997 met the 25 percent work rate required for all families, but that about half these states missed the 75 percent rate required for two-parent families. HHS now has sent letters to the non-complying states notifying them of the amount of penalty incurred and advising them that they may either accept the penalty or submit a corrective action plan showing how they will achieve the work rate target by a future date. For every state except California, the penalties, if imposed, will be very small (ranging from $224 in Alabama to $223,000 in Washington) because the amount of the penalty is adjusted for the share of the state's caseload consisting of two-parent families and for the amount by which the state missed the participation rate target. The penalty for California could be $4.5 million -- a large amount, but still less than one percent of the state's 1997 TANF grant -- because the state has a high proportion of two-parent cases and missed the target by a large amount. While we expect a few states to accept minimal penalties, most probably will submit corrective action plans. We expect to have participation rates for FY 1998 later this summer.

5. Welfare – Civil Rights Guidance: We and the counsel's office are currently reviewing the final version of civil rights guidance to be sent to state welfare agencies and other interested parties. This guidance -- intended for use by welfare caseworkers and other staff -- explains the civil rights laws that apply to federally funded programs and to the workplace, using clear language and numerous practical examples. As you know, civil rights laws apply to TANF programs as they do to any other federally assisted programs, and they apply to employees on TANF just as they do to any other employees. This guidance, prepared by HHS with assistance from the Departments of Justice, Labor, Education, and Agriculture, will be distributed shortly.

6. Education – Troops to Teachers: The defense authorization bill passed by the Senate includes a provision to continue the Troops to Teachers program, but the provision differs from your ESEA proposal in a few important ways. Most important, the defense bill does not include your proposal to extend the Troops to Teachers model to other mid-career professionals interested in teaching high-need subjects in high-poverty schools. We are currently working with OMB to draft a SAP for conferees noting how we would change the provision. In addition, Congressmen Roemer and Davis plan to introduce our Troops to Teachers proposal this week as a freestanding bill.

7. Education – Republican Teacher Empowerment Act/Class Size: House Republicans have introduced a teacher quality bill that in many ways resembles the teacher quality provisions in your ESEA proposal, but attempts to eliminate or undermine two of your signature programs. The Republican bill, like your proposal, focuses on supporting sustained, high-quality professional development and improving alternative routes to teacher certification. The bill, however, turns your class size initiative into little more than an

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allowable use of funding by allowing districts to opt out of class size reduction activities for a wide variety of reasons (e.g., lack of facilities or qualified teachers). Equally problematic, the bill appears to preclude federal funding for the National Board for Teacher Certification. We currently expect committee mark-up of this bill before the end of the month. DPC and Department of Education staff will meet with congressional staff this week to try to work out differences on the bill. We will stress that we will oppose the bill unless it continues the class size program and authorizes funding for the National Board.

8. Education – Social Promotion in Los Angeles: Officials of the L.A. Unified School District unveiled a $71 million initiative on Monday to end social promotion and launch intervention programs for students having difficulty meeting education standards. The District will use the Stanford 9 test and teachers' assessments to determine whether students in grades 2,3,4,5, and 8 meet standards in reading, language arts, and math. The District will provide students in danger of failing with special summer school, after school, and weekend classes. The community has responded very positively to the program, with parents overwhelmingly in favor of the effort and 7,000 teachers applying to provide the special instruction.

9. Education – School Uniforms: You recently requested an update on the number of school districts adopting school uniform policies. The Department of Education has not collected new data on this practice since July 1998. At that time, the Department estimated that 3 percent of all public schools had mandatory school uniform policies -- including schools in New York City, Dade County (Miami), San Antonio, Houston, Chicago, Boston, and Albuquerque. We know that other school districts have adopted mandatory uniform policies since the Department's last report, and Massachusetts is now considering putting the policy into effect on a statewide basis. The Department of Education is currently updating our data; we should have a new report for you within three months.

10. Health Care – Testimony on BBA's Provider Payment Provisions: The CBO, GAO, and Medicare Payment Advisory Commission testified before the Senate Finance Committee on Thursday about the effects of the Balanced Budget Act on health care providers. All three entities said there is little evidence that the BBA is causing significant access or quality problems, and all three counseled against any move to repeal or significantly modify the law. They attributed most of the decline in the Medicare baseline to success in curbing fraud and abuse, an excellent economy with low inflation, and some payment cycle issues that are short term in nature. The single provision of the BBA they all criticized is the physical therapy cap, which we also would like to eliminate. This testimony may take off some of the pressure to enact significant BBA giveback provisions, but given

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the significant lobbying efforts of providers, we should not expect it to arrest the move toward changing BBA provisions on teaching and rural hospitals, nursing homes, and other matters. For this reason, we believe that our own Medicare reform proposal must signal some willingness to moderate any excessive burdens on providers' ability to ensure affordable quality care to Medicare beneficiaries.

11. Health Care -- Privacy Legislation: The Senate Labor Committee is scheduled to mark up health care privacy legislation on Tuesday. Two critical issues have not yet been resolved. First, both the standard of liability and the enforcement mechanism are in hot dispute. The Chairman's mark could allow suit only if a violation is willful and intentional (a very hard standard to meet), and could limit non-economic damages to $50,000 and eliminate punitive awards entirely. All Democrats on the Committee would view these provisions as unacceptably undermining privacy protections. Second, provisions in the bill for protecting minors' privacy have become a concern of both the pro-choice and the pro-life communities because of the potential for these provisions to affect teenagers' ability to get abortions without parental approval. Both sides claim they want to maintain the status quo, but both sides also say the current language does not achieve that end. Senator Jeffords is attempting to work out a compromise on this issue. If he succeeds, he will go forward with the mark-up despite the absence of consensus on the liability and enforcement issues; if he fails, he probably will postpone the mark-up.

THE PRESIDENT HAS SEEN
6-3-99

THE WHITE HOUSE

WASHINGTON

May 28, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Health Care -- Patients Bill of Rights Discharge Petition: Congressman Dingell filed a resolution Thursday to begin the process for a discharge petition to bring patients' rights legislation to the House floor. Although Congressmen Norwood and Ganske did not cosponsor the resolution, they were happy with Dingell's decision to file it because they think it may put pressure on the Republican leadership to move a bill through committee. Also at the end of last week, Senators Lott and Daschle began negotiations on a time agreement to bring patients' rights legislation to the floor of the Senate.

2. Health Care -- Jeffords-Kennedy Legislation: The Senate leadership agreed Thursday to schedule a floor vote on the Jeffords-Kennedy Work Incentives Improvement Act immediately after the recess. We believe you should highlight the importance of the bill and its progress through the Congress when you deliver the President's Award of the Committee on Employment of People With Disabilities at an event on Friday.

3. Disabilities -- Employment of People with Disabilities in the Federal Workforce: We have worked with the Vice President's office to prepare two executive actions to help increase the employment of people with disabilities in the federal workforce. The first is a directive from OMB to all federal agencies to implement an employment plan for people with disabilities . This directive will ensure that agencies (1) recruit people with disabilities for positions at all levels; (2) establish policies to provide reasonable accommodations for applicants and employees with disabilities; (3) provide people with disabilities with opportunities for training and advancement; and (4) collect data on the percentage of adults with disabilities in the federal workforce. The second action is an executive order, to be followed by regulations, to change the civil service rules to eliminate existing disparities between people with psychiatric disabilities and people with other disabilities. We are discussing making these announcements at next week's disabilities award event (see above) or at the upcoming White House mental health conference.

4. Welfare Reform -- GAO Study on Welfare Outcomes: The Ways and Means Human Resources Subcommittee held a hearing Thursday to publicize a GAO study on the results of welfare reform legislation. The study concluded that welfare reform has dramatically increased the number of people moving from welfare to work. Summarizing

THE PRESIDENT HAS SEEN
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seven state studies of welfare recipients who have left the rolls (most of which we have reported to you previously), the GAO determined that between 61 percent (Tennessee) and 71 percent (Washington) of former recipients were working at the time of follow-up and between 63 percent (Maryland) and 85 percent (Indiana, South Carolina, Washington, and Wisconsin) had worked at some point since leaving welfare. Clay Shaw summarized the findings by saying that welfare reform was "the most successful piece of legislation in this half century." Some other participants at the hearing expressed greater caution, noting in particular that many of the jobs for welfare recipients paid low wages and offered little opportunity for advancement. We will provide you soon with a comprehensive review of the GAO report as well as the other information presented by the panelists.

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WASHINGTON

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May 7, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Education -- Achieve Math Test: Achieve, Inc. -- a nonprofit group focused on education reform -- announced Monday that it will create a new challenging 8th grade math test to improve the performance of U.S. middle school students in mathematics. Ten states -- Illinois, Indiana, Maryland, Massachusetts, Michigan, New Hampshire, North Carolina, Vermont, Washington, and Wisconsin -- already have agreed to give the test, and more states are expected to sign up in the future. The result, of course, will be exactly what you proposed (and Congress rejected): a voluntary national test in eighth grade math that will measure student performance against world-class standards. Achieve also intends to train teachers and provide lesson materials in participating states to prepare students for the test.

2. Education -- Charter Schools: The Department of Education released on Friday its annual charter school report, which showed continued growth of the charter school movement. (We released an accompanying statement from you praising this progress.) The report found that the number of charter schools grew by more than 50 percent in 1998 -- to about 1,100 schools in 34 states and the District of Columbia, serving a total of about 160,000 students. The report also found that charter schools tend to serve a diverse group of students and that they often have many more applicants than they can accommodate. According to the report, the primary obstacle to charter school formation remains lack of start-up funding. This finding underscores the importance of your proposed 30 percent increase in funding for this purpose in the FY 2000 budget. It also highlights the need for a new rule, proposed last week, to ensure that new charter schools receive the federal funding for which they are eligible within five months of opening. This regulation implements provisions of the Charter School Expansion Act, which you signed last year.

3. Health Care -- Families USA Report on Medicaid Enrollment: Families USA will release a study on Thursday stating that welfare reform is primarily responsible for the recent decline in Medicaid enrollment. The study asserts that 675,000 low-income people became uninsured as a result of welfare reform, that the majority of these people were children under 19, and that the number of uninsured people is likely to increase further as welfare reform is fully implemented. Although HHS has not seen the full study, experts in the department believe that the methodology used is problematic. They think that the study ascribes to welfare reform increases in the uninsured population actually attributable to (1) the decline of small firms that

THE PRESIDENT HAS SEEN
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offer any health insurance coverage, (2) the decrease in contributions by employers to health insurance costs (which makes health insurance less affordable), and (3) the decline in the number of people with sufficiently little income to qualify for Medicaid. Although HHS will make these points in response to the study, we expect a spate of negative press stories. We will reiterate your longstanding and strong commitment to health coverage for this population (including your insistence on maintaining the Medicaid entitlement during the debate on welfare reform), and emphasize that your proposals have given states vastly increased options to cover working families under Medicaid as well as to insure children under the new CHIP program.

4. Crime – Federal Gun Prosecutions: You recently asked about the NRA's claim that the number of federal firearms prosecutions has decreased in this Administration. It is true that the Bush Administration brought a higher total number of gun cases in federal court. For the most part, however, these prosecutions involved minor offenses. The number of federal prosecutions of serious gun offenders (persons serving sentences of over 5 years) is up by nearly ~~30 per~~cent in this Administration. In addition, better federal coordination with state and local law enforcement has contributed to a 25 percent increase in the number of criminals sent to prison for state and federal weapons offenses since you became President.

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THE WHITE HOUSE
WASHINGTON
May 14, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Neera Tanden

RE: Ratings Systems for Different Media

This memorandum provides you with information on the ratings system for media, ranging from movies to software.

Movies: All films are rated by a division of the Motion Picture Association of America (MPAA). In 1968, the MPAA adopted the Voluntary Movie Ratings System, which advises audiences about the age-appropriateness of films and limits minors' access to films with adult themes. The ratings board is currently composed of eleven members, all employed by MPAA. The Voluntary Ratings System currently provides for five ratings categories: G, PG, PG-13, R and NC-17 (see attached list). The rationale for a particular movie rating is provided in movie ads on the Internet and in newspapers, but not in ads on television. For example, on the Internet, a parents' rating guide is available that describes what aspect of the movie -- e.g., strong language, sexuality, or horror violence -- earned the film its rating.

Movie Advertising and Trailers: All movie advertising is approved or disapproved by the Motion Picture Association of America. The same set of standards that govern movies themselves also applies to advertising for movies that appears in magazines, newspapers, billboards, radio, and television. A different, stricter set of standards governs movie trailers. Trailers are approved for either general audience release ("G" / "PG") or for restricted audience release ("R"). "G" / "PG"-rated trailers are for movies that have been rated either "G," "PG," "PG-13," "R," or "NC-17" by the MPAA. Restricted trailers can play in a theatre only if it is playing an "R," or "NC-17"-rated feature. The approval or disapproval of trailers is based on their suitability for viewing by children. "G" / "PG"-rated trailers cannot show any nudity or drugs, and can only show mild depictions of violence. "R"-rated trailers are less restrictive and can display some depictions of nudity and drugs, as well as some violence (though the act of pointing a gun to a character's head is prohibited).

Television: In 1997, ABC, CBS and most cable networks agreed to display age-based ratings on all television programs except news, sports and unedited movies on premium movie channels. The original ratings system indicated only whether a program was age-appropriate; the system was later modified to include information on whether a program contains violence, sexual content, or explicit language (see attached list). In 1998, the Federal Communications

Commission (FCC) approved the current ratings standards for the V-Chip and ruled that manufacturers have until July 1, 1999 to have the V-Chip installed in 13-inch or larger televisions and until January 1, 2000 for remaining televisions. Parents will be able to program the V-Chip to block programming according to the ratings system (see attached ratings).

Premium Cable Television: In June 1994, four premium cable networks – Cinemax, HBO, The Movie Channel, and Showtime – initiated a jointly-developed content advisory system that provides descriptive advisories. This voluntary system was established to provide viewers with information about programming containing violence, sex, and offensive language. Executives in the networks' programming departments are responsible for evaluating the programs. This content advisory system includes descriptive codes, such as "MV" for Mild Violence, "RP" for Rape, "GL" for Graphic Language, and "N" for Nudity (see attached ratings).

Sound Recordings: Record companies voluntarily label some newly released sound recordings with a sticker stating "Parental Advisory: Explicit Lyrics." The label does not further describe the content of the recordings; it does not indicate for example whether the lyrics are explicitly violent, sexual, or profane. The recording industry labeling system is wholly voluntary on the part of record companies, with no oversight or enforcement capability by the RIAA. There are no penalties for not placing the advisory sticker on music products that are explicit, and there are no industry guidelines to determine which music products should be labeled.

Interactive Electronics Games: Two major classification systems for interactive electronic entertainment have been created – the Interactive Digital Software Association (IDSA) for computer software and the Recreational Software Advisory Council (RSAC) for game devices, such as Nintendo and Seiga. IDSA established the Entertainment Software Ratings Board (ESRB) as a ratings body for computer software titles. The ESRB classification system has five ratings categories: Early Childhood (EC), Everyone (E), Teen (T), Mature (M), and Adults Only (A). Accompanying these classification labels on title packaging are content descriptors relevant to each category. These descriptors provide consumers with additional content information and in many instances indicate the level of violence or sexual content of the title. Among the descriptors used are the following: Realistic Violence, Realistic Blood, Strong Sexual Content, Use of Tobacco and Alcohol, Mature Sexual Themes.

The Recreational Software Advisory Council Ratings System is the product of a coalition of software companies organized as the Computer Game Ratings Working Group in order to implement a ratings system for game devices. The ratings system developed by the RSAC is based on a five-part classification scale ranging from titles suitable for all audiences to those considered extreme in violent or sexual content and language. The ratings are Level 0, Level 1, Level 2, Level 3, and Level 4. For example, titles considered to have extreme content (Level 4) may contain wanton or gratuitous violence, torture or rape, provocative frontal nudity or explicit sexual activity and graphic language. The RSAC system is based on self-disclosure by the company producing the game.

Online: Unlike other media, a ratings system for the Internet need not be universally applied. In order to protect children from potentially objectionable areas of the Internet, parents can use a blocking technology to block out all materials that are unrated. Several Internet access providers have already added such parental control technologies to their services. America Online, CompuServe, and Prodigy, for instance, all have systems enabling parents to prevent children from gaining access to any parts of the Internet that the server has not found to be suitable for children. In addition, both Microsoft and Netscape, which together control 97 percent of the web browser market, have implemented a technology in their browsers that allows parents to block material that they deem to be inappropriate. Finally, numerous other technologies are being developed and promoted to enable parents to monitor their children's online activities, set time limits for their children's access online, or let children exchange e-mails only with people on a preapproved list.

Movies Ratings System

G for "General Audiences. All ages admitted."
PG for "Parental Guidance Suggested. Some material may not be suitable for children."
PG-13 for "Parents Strongly Cautioned. Some material may be inappropriate for children under 13."
R for "Restricted. Under 17 requires accompanying parent or adult guardian."
NC-17 for "No children 17 and under admitted."

Movie Advertising and Trailers:

G/PG: for general audiences. May be displayed before any movie.
R: for restricted audiences. May only be displayed by audiences viewing R- or NC-17-rated movies.

Premium Cable Television

MV for Mild Violence
V for Violence
GV for Graphic Violence
RP for Rape
AL for Adult Language
GL for Graphic Language
BN for Brief Nudity
N for Nudity
AC for Adult Content
SC for Strong Sexual Content

TV Ratings System

The following categories apply to programs designed solely for children:

TVY All Children. This program is designed to be appropriate for all children, including children from ages 2 - 6. This program is not expected to frighten younger children.

TVY7 Directed to Older Children. This program is designed for children age 7 and above who have acquired the developmental skills needed to distinguish between make-believe and reality. Themes and elements in this program may include mild fantasy violence or comedic violence, or may frighten children under the age of 7. Programs containing fantasy violence that is somewhat more intense or combative are designated TV-Y7-FV.

The following categories apply to programs designed for a broader audience.

TVG General Audience. Most parents would find this program suitable for all ages. It contains little or no violence, no strong language, and little or no sexual dialogue or situations.

TVPG Parental Guidance Suggested. This program contains material that parents may find unsuitable for younger children and the program may contain one or more of the following: moderate violence (V), some sexual situations (S), infrequent coarse language (L), or some suggestive dialogue (D).

TV14 Parents Strongly Cautioned. This program contains some material that many parents would find unsuitable for children under 14 years of age and may contain one or more of the following: intense violence (V), intense sexual situations (S), strong coarse language (L), or intensely suggestive dialogue (D).

TVMA Mature Audience Only. This program is specifically designed to be viewed by adults and therefore may be unsuitable for children under 17. This program contains one or more of the following: graphic violence (V), explicit sexual activity (S), or crude indecent language (L).

Interactive Electronics Games

Entertainment Software Ratings Board

Early Childhood - Titles rated "Early Childhood (EC)" have content suitable for children ages three and older and do not contain any material that parents would find inappropriate.

Everyone - Titles rated "Everyone (E)" have content suitable for persons ages six and older. These titles may contain minimal violence, some comic mischief (for example, slapstick comedy), or some crude language.

Teen - Titles rated "Teen (T)" have content suitable for persons ages 13 and older. Titles in this category may contain violent content, mild or strong language, and/or suggestive themes.

Mature - Titles rated "Mature (M)" have content suitable for persons ages 17 and older. These products may include more intense violence or language than products in the Teen category. In addition, these titles may include mature sexual themes.

Adults Only - Titles rated "Adults Only (AO)" have content suitable only for adults. These products may include graphic depictions of sex and/or violence.

Recreational Software Advisory Council

LEVEL FOUR

Violence Rating Descriptor: Rape, or wanton, gratuitous violence

Nudity Rating Descriptor: Frontal nudity, amounting to provocative display

Sex Rating Descriptor: Explicit sexual acts or sex crimes

Language Rating Descriptor: Crude, vulgar language or extreme hate speech.

LEVEL THREE

Violence Rating Descriptor: Aggressive violence or death to humans

Nudity Rating Descriptor: Frontal nudity

Sex Rating Descriptor: Non-explicit sex acts

Language Rating Descriptor: Strong language or hate speech

LEVEL TWO

Violence Rating Descriptor: Destruction of realistic objects

Nudity Rating Descriptor: Partial nudity

Sex Rating Descriptor: Clothed sexual touching

Language Rating Descriptor: Moderate expletives or profanity

LEVEL ONE

Violence Rating Descriptor: Injury to human being

Nudity Rating Descriptor: Revealing attire

Sex Rating Descriptor: Passionate kissing

Language Rating Descriptor: Mild expletives

LEVEL ZERO

Violence Rating Descriptor: None of the above, or sports related

Nudity Rating Descriptor: None of the above

Sex Rating Descriptor: None of the above, or innocent kissing, romance

Language Rating Descriptor: None of the above

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THE WHITE HOUSE

WASHINGTON

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April 23, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. **Crime – School Safety Legislation:** On Monday, you are scheduled to announce the details of our legislation to reauthorize the Safe and Drug-Free Schools program. This proposal will include a number of changes you have already called for: formally authorizing $12 million a year for our FEMA-like emergency response teams; requiring participating schools to adopt comprehensive school safety plans; and reforming the overall program to require competitive funding at both the state and federal level. In addition, it is likely to include the following new proposals: increased funding for more mental health counselors; allowing schools to use federal funds to teach gun violence education and safety; and strengthening the current zero-tolerance policy -- which mandates expulsion, but nothing else -- to require schools to report students who bring a gun to school to law enforcement, and to provide mandatory counseling before returning them to the classroom. If we can find the funds, we will also recommend that you expand funds for character education programs and alternative placements for disruptive youth.

2. **Crime – Gun Legislation:** On Tuesday, you are scheduled to announce the details of comprehensive youth gun crime legislation. As you know, the bill will make permanent the Brady waiting period, close the gun show loophole, ban violent juveniles from owning guns for life, require that gun dealers provide child safety locks with every gun sold, and hold adults criminally responsible for allowing kids easy access to firearms. In addition, we are considering the following new proposals: requiring Brady background checks for the purchase of all explosives; requiring gun dealers to keep records of used gun sales, so that these weapons can also be traced; increasing the number of cities engaged in comprehensive gun tracing from 37 to 75; banning the importation of large capacity clips manufactured before passage of the assault weapons ban; and generally banning the juvenile possession of all long guns, with certain exceptions.

Gary

4-26-99

3. **Education -- Ed-Flex:** On Wednesday, Congress passed the Ed-Flex bill by a vote of 368-57 in the House and 98-1 in the Senate. In addition to strengthening the accountability provisions and dropping the Senate IDEA/class size amendment, conferees agreed to include a rural fix that we and Senate Democrats had sought for the class size program, to provide more flexibility for communities that don't qualify for enough money to hire a full teacher. You are tentatively scheduled to sign the Ed-Flex bill on Thursday, April 29.

4. **Education -- Social Promotion:** We made considerable progress this week in our negotiations with civil rights leaders on the social promotion provisions of ESEA, but some organizations are still pressing for more changes and we are not yet confident that we can nail down the community's support. The compromise includes language suggested by the Leadership Conference to highlight and describe in more detail the need for early identification, intervention, and other efforts designed to minimize the number of students retained in grade, but it maintains our bottom-line requirement that students meet challenging standards at three key transition points in order to move up and graduate. Senator Kennedy will likely support our compromise, even if the civil rights community ultimately does not. You are currently scheduled to introduce ESEA the first week of May.

Gary

5. **Education -- Teacher Pay and Teacher Quality:** At your request, we have asked NEA and AFT to prepare an analysis of what states are doing on teacher pay, and what they could do now that so many states have surpluses. Meanwhile, a panel of 52 governors, educators, and researchers -- including William Bennett and Governors Engler and Ridge -- have just issued an on-line manifesto that inclu~~des proposals to give school principals~~ more au~~thority to recruit and hire teachers who do not meet traditional~~ licensure standards and to fire teachers whose students perform poorly on assessments. This manifesto is highly critical of federal and state approaches to teacher quality that focus on improving teaching colleges and toughening licensure standards.

6. **Health Care -- New CBO Cost Estimate on Patients Bill of Rights:** On Friday, CBO is scheduled to release its latest estimates on the cost impact of the Daschle-Kennedy-Dingell Patients Bill of Rights, as well as the Republican legislation that passed out of the Labor Committee on a party line vote three weeks ago. CBO previously estimated that the Democratic proposal would raise premiums by approximately 4 percent increase in 10 years about $7 a month overall and only $2 a month for the employee. Recently, CBO had indicated that it would increase its projection to 6 percent, largely because of the new estimates surrounding the bill's medical necessity and liability provisions. Democratic leadership staff met with CBO Director Crippen, who agreed to lower the new estimate to below 5 percent if certain relatively non-substantive modifications to the legislation were made. Nonetheless, Senate Republicans will use any increase as evidence that these protections are too expensive and would lead to an increase in the number of uninsured. We are coordinating with the Democrats to portray the new CBO numbers as further proof that these protections are affordable.

7. Health Care -- Medicare Update: On Tuesday, Senators Kennedy and Rockefeller and Congressmen Dingell, Stark, and Waxman held a press conference to announce the general outlines of the Medicare prescription drug coverage act of 1999. Because of concerns that their original benefit design was too modest, they modified and significantly expanded their benefit to provide for a $200 deductible with a 80% coverage up to $1500 of incurred drug costs. If beneficiaries exceed $3000 of incurred drug costs, the new benefit will provide 100% coverage of any costs over that amount. Lastly, their proposal provides for Medicaid wrap-around coverage for those beneficiaries at or below 135% FPL (somewhat similar to the Breaux-Thomas Medicaid provision). Clearly, this legislation will be significantly more expensive than anything we are currently contemplating, as might be expected since Senator Kennedy is not restricted by having to lay out specific offsets.

8. Tobacco -- Recoupment: We are working with public health groups and others to try to draw attention to the failure of many states to devote tobacco settlement dollars to preventing youth smoking. Public health advocates are preparing a report on state action to date, which they may release as soon as next week. On Tuesday, ABC reported some of the worst examples: Rhode Island has a proposal to use the tobacco money to cut the car tax; New York, to retire state debt; Michigan, to provide college scholarships; Oklahoma, to fund teacher retirement; Louisiana, to improve sewer systems; and Los Angeles, to upgrade sidewalks. In the meantime, the Florida legislature is planning to cut the state's much praised program -- which helped cut smoking among middle school students by 19 percent last year -- so deeply that Governor Bush has come to its defense. In the meantime, we are urging appropriators to drop the Senate supplemental provision letting states keep all settlement funds without funding anti-smoking programs, and meeting with the NGA and other state proponents (including Senator Graham) to see if they would support an acceptable compromise.

9. Welfare -- Teen Pregnancy Prevention Events: On April 29, the Vice President will release encouraging new data showing that teen birth rates continue to decline in every state~~, and that the national rate has declined for the 6th year in a row, by a total of 16 percent since 1991~~. On April 28, the First Lady and Secretary Shalala will host a White House reception to honor individuals and groups selected by the National Campaign to Prevent Teen Pregnancy. In addition, the Campaign will release several publications highlighting the important role that peer influence plays in teen pregnancy, including recent research findings and practical advice from teens to their parents and to other teens.

10. Immigration -- Public Charge Issue. In the next few weeks, the Department of Justice (DOJ) will promulgate a proposed regulation to define "public charge" -- for purposes of exclusion, adjustment of status and deportation -- as an immigrant who is likely to become primarily dependent on government for subsistence, as demonstrated by either the receipt of: (1) public cash assistance for income maintenance or (2) institutionalization for long-term care at government expense. In addition, the proposed regulation will clarify that immigrants

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who receive Medicaid, Children Health Insurance Program (CHIP), and a variety of other benefits will not be considered a public charge. Recent studies and anecdotal evidence indicate that legal immigrants and even U.S. citizen children who are eligible to receive federal public benefits such as Medicaid and CHIP have not applied for these benefits for fear that they will be penalized under immigration laws. California CHIP outreach efforts have been significantly undermined because of the public charge issue. This proposed regulation has been long-awaited and will be well received. We are looking for an opportunity for you or the Vice President to announce the proposed regulation, perhaps in California.

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THE WHITE HOUSE

WASHINGTON

5-4-99

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April 30, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Health Care -- Bicameral Meeting of Democrats on Medicare Reform: Congressman Gephardt and Senator Daschle hosted a meeting on Wednesday between House Democrats (e.g., Dingell, Rangel, Stark, Waxman, Pomeroy) and moderate Senate Democrats (e.g., Breaux, Conrad, Graham, Lieberman) to discuss Medicare reform. The Senate Democrats insisted on the need for a viable reform proposal; the House Democrats objected on both political and policy grounds to most of the Senators' ideas. Although the meeting was somewhat confrontational in nature, it concluded with an agreement to work with each other and the Administration to evaluate a number of competitive models and determine whether any consensus is possible. We are encouraged by this development, but will have to find a way to ensure that participating in these discussions does not limit your own options and/or risk problematic leaks.

2. Health Care -- Report on Importance of Medicare to Women: The Vice President will join the Older Women's League (OWL) on Monday to release a new report showing that women disproportionately depend on the Medicare program. The report will show that three-fifths of the Medicare population at age 65 -- and two-thirds of the Medicare population at age 85 -- are women. The report also will document how much money older women spend on health care (27 percent of their income by age 85), how many chronic illnesses they face (three of four have two or more chronic conditions), and how much they rely on prescription drugs (eight of ten take prescription medications regularly, with most of the costs paid out-of-pocket). At the event, OWL will indicate its support for the approach the Administration is taking to address the challenges facing the Medicare program. In particular, the group will endorse your proposal to dedicate part of the surplus to Medicare, your commitment to provide prescription drug coverage, and your opposition to increasing the eligibility age in the absence of a policy to prevent this change from leading to a larger uninsured population.

3. Health Care -- Asthma Initiatives: The First Lady will visit Draper Elementary School in Washington, D.C. on Tuesday to announce a new legislative proposal to fight childhood asthma and to help launch a new asthma screening program run by the American College of Allergy, Asthma, and Immunology. The nationwide screening program will identify children with asthma and educate their parents about appropriate treatment. The

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legislation will authorize a new $68 million initiative to: (1) invest in research to determine the causes of asthma and to develop ways of reducing children's exposure to asthma triggers; (2) assist states and providers to implement effective disease management strategies -- including school-based programs that teach children how to manage their asthma -- to reduce asthma-related hospitalizations, emergency room visits, and deaths; and (3) conduct a new public information campaign to reduce children's exposure to asthma triggers.

4. Health Care -- CHIP Program: The Senate Finance Committee held a very positive hearing on Thursday to discuss the progress that HCFA has made in implementing the Children's Health Insurance Program (CHIP). Senator Roth opened the hearing by saying that the members were there to "focus on a success story." In her testimony, Nancy Ann Min DeParle noted that CHIP enrolled almost 1 million children in its first year and is on target to enroll 2.5 million children by the year 2000 -- a large step toward our goal of covering an additional 5 million children through both Medicaid and CHIP. She also said that the new toll-free number for children's health outreach (1-877-KIDS NOW), which you and the First Lady launched in February, already has received over 40,000 calls from parents interested in learning about free or low-cost health insurance options for their children. Witnesses from the Center for Budget and Policy Priorities and state Medicaid departments also praised the Administration for its implementation of the program and its record of initiating and supporting outreach efforts

5. Drugs -- Arrestee Drug Use: The Department of Justice's National Institute of Justice released on Thursday a report on drug use among arrestees in 1998. The study found that marijuana was the most commonly found drug in tests of male arrestees, with use particularly high among young male arrestees (aged 15 to 20): more than half of such youths tested positive for marijuana. Cocaine remained the most commonly found drug among female arrestees; although cocaine use declined slightly among male arrestees nationwide, in more than half of the sites surveyed for the study, more than one-third of adult male arrestees still tested positive for cocaine. High rates of methamphetamine use remained largely confined to Western cities, with over 20 percent of both male and female arrestees testing positive for this drug in San Diego, Las Vegas, Spokane, Sacramento, and Salt Lake City. Finally, opiate use remained stable nationwide, with nearly 70 percent of confirmed heroin users also testing positive for cocaine. While opiate use remained very low among juvenile arrestees nationwide, heroin use among these youth increased significantly in New Orleans, Philadelphia, and St. Louis.

6. Tobacco -- FDA Rule: As you know, the U.S. Supreme Court agreed last week to review the decision of the U.S. Court of Appeals for the Fourth Circuit striking down the FDA's tobacco rule. The Court is expected to hear arguments this fall and decide the case sometime prior to the summer of 2000. Options available to the Court include (1) agreeing with the Fourth Circuit that the FDA has no statutory authority to regulate tobacco products or advertising; (2) agreeing with the district court that the FDA has statutory authority to regulate tobacco products, but not the advertising for those products; or (3) holding that the

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FDA has statutory authority both to regulate tobacco products and tobacco advertising. If the Court finds that the FDA has statutory authority to regulate tobacco advertising, litigation will continue in the lower courts regarding whether the advertising restrictions imposed by the FDA are consistent with the First Amendment. (No court has yet ruled on this issue, and the Supreme Court is very unlikely to address it.) While the Supreme Court considers the case, the only part of the rule that will be in effect is the requirement that retailers check photo identification of any tobacco purchaser who appears to be under the age of 27. Interestingly, however, we may begin to see some voluntary decisions to refuse tobacco advertisements: the New York Times last week became the first major newspaper to announce that it would no longer run such advertisements.

7. Tobacco -- Recoupment Issue: The Campaign for Tobacco Free Kids and the American Heart Association issued a report on Thursday highlighting how few states are investing tobacco settlement funds in programs to prevent youth smoking. The report found that only nine states -- California, Florida, Maryland, Massachusetts, Montana, Oregon, Virginia, Washington -- are currently using funds for this purpose. Although other states could choose to join these nine in the future, the report found that at least 25 states are not now considering any proposal to use settlement funds to reduce youth smoking. We issued a statement expressing disappointment that so few states are devoting settlement funds to youth tobacco prevention programs, and reiterating our refusal to waive federal claims to the funds without a commitment from the states to support such programs.

8. Education - Class-Size Study: Secretary Riley joined Senator Patty Murray and various education leaders on Thursday to announce the most recent findings of Project STAR -- the Tennessee study that has tracked the performance through high school and beyond of a group of students taught in small classes (with 15 to 18 students) in grades K-3. The study's findings show that these students had higher grade-point averages in high school, better graduation rates from high school, and a higher probability of attending college.

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THE WHITE HOUSE

WASHINGTON

April 17, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Education -- Ed-Flex: In response to your veto threat, House and Senate conferees agreed Thursday to drop the Senate amendment that would have gutted the class size program, and will report out an Ed-Flex bill that you can happily sign. The conferees also agreed to strong accountability provisions to help make sure states that make use of this new flexibility get results. On Monday, Secretary Riley had sent conferees a letter threatening a veto over the Senate Republican provisions to weaken class size. Thirty-six Senate Democrats signed a letter in support of the veto. The final bill should reach your desk in the next few weeks.

2. Education -- ESEA: On Monday, we will meet with civil rights leaders and Sen. Kennedy's staff in our continuing effort to reach agreement on the social promotion provisions of ESEA. Bill Taylor is reviewing our language and drafting a counterproposal for the civil rights community. Once we see it, we will send you a separate memo on whether we can get the community -- or at least Sen. Kennedy -- to accept a compromise consistent with what you said in the State of the Union.

3. Education -- National Teacher of the Year: On Monday, you are scheduled to announce the National Teacher of the Year in a ceremony in Presidential Hall. Your remarks will focus on the importance of high-quality teachers and challenging young Americans to become teachers. After your remarks, you will present Andrew Baumgartner with the 1999 National Teacher of the Year award. Baumgartner, an ex-Marine, has taught for 22 years and is currently teaching kindergarten in Augusta, Georgia.

4. Education -- Class-Size Study: On April 29, Senator Patty Murray plans to announce the most recent findings of Project STAR -- the Tennessee study that has tracked the performance of students who were in smaller classes in grades K-3 in the mid-1980's. So far, the findings show that: students who were in smaller classes go on to take college entrance exams slightly more frequently than their peers in larger classes, and the gap in college entrance test-taking between poor and minority children and other children was substantially reduced. Researchers found no difference in ACT and SAT scores for students in smaller classes, although that could be due to the fact that a greater percentage of them were taking the tests. Senator Murray has suggested a White House event to release of the study, but we are waiting to see if stronger

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additional data becomes available from the researchers comparing the performance of students in smaller vs. larger classes on high school graduation rates, completion rates of advanced placement and other challenging courses, and grade-point averages.

5. Children and Families -- Child Care: The final budget resolution passed by Congress this week includes $6 billion for child care -- $3 billion over 10 years in new subsidy funding and $3 billion over 10 years in enhanced child care tax relief. Although half the original amount sought by Senators Dodd and Jeffords, this action provides a real opening to achieve important pieces of your child care initiative this year. The Senate voted 66-33 in support of a Dodd-Jeffords motion to instruct conferees to include the funding increase. We will now turn our attention to working with the Senate Finance Committee, which has jurisdiction over child care subsidy and tax issues; four Republicans on the Committee voted for the Dodd-Jeffords measure (Jeffords, Hatch, Chafee, and Grassley).

6. Crime -- Prison Drug Treatment: As you know, as a result of the Administration's efforts, the FY 99 omnibus spending bill contained a provision to allow states to use up to 10 percent of their prison construction funds for drug testing, intervention, and treatment for prisoners and parolees. We were recently informed that half of the states have requested to use the full 10 percent of their construction grants to fund such activities. The Justice Department plans to issue a report on this soon.

7. Health Care -- Medicare Update: Starting next week, the Senate Finance Committee will hold a series of Medicare hearings. Senator Breaux and Rep. Thomas want you to unveil your legislative proposal first before they produce their own bill. In our meetings with Congressional offices over the last week, we are hearing (1) growing discomfort with the Breaux-Thomas recommendations; (2) the desire to develop a meaningful prescription drug benefit; (3) a great interest in the status of your Medicare reform package; and (4) increasing concerns about the imposition of additional provider payment reductions as we implement the 1997 BBA. Base Democrats are very concerned about the type of structural changes and programmatic savings we are developing for your consideration. While most are quite interested in a drug benefit, they are concerned about our possible approaches to modernize the program, make it more competitive, and achieve savings to help offset the cost of the drug benefit. In the wake of the good news by the Medicare Trustees about the new 2015 trust fund exhaustion date, members of Congress are more receptive than ever to provider concerns about reimbursement rates. To the extent that providers are successful in convincing the Congress to moderate these savings, it will become more difficult to find significant offsets that credibly go very far towards defraying the cost of the drug benefit.

8. Health Care -- Shortcomings of HCFA Oversight of HMOs: You recently asked our response to a recent GAO report that criticized HCFA for not assuring that HMOs are distributing accurate information about benefits, cost sharing, and appeals rights to Medicare beneficiaries. The report suggested that the lack of such information made it impossible for beneficiaries to challenge HMOs that have not provided contractually obligated benefits. In

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response to this report and our inquiries, HCFA has acknowledged shortcomings in this area. At our urging, HCFA has agreed to ensure that HMOs participating in the next Medicare open enrollment period will be required to provide information about their benefits and cost sharing requirements in a standardized format. This will ensure that HCFA can quickly and accurately evaluate the content of brochures and other marketing material. In addition, Medicare HMOs will be required to provide information about appeal rights and disenrollment in a standardized format in order to ensure that Medicare beneficiaries are informed about their right to appeal decisions denying care or payment for services. We have informed HHS (along with OPM and other affected agencies) that implementation of the Patients Bill of Rights must be carried out as smoothly and aggressively as possible and serve as a model for the private sector. The New York Times editorial criticizing HCFA on this matter did acknowledge that, even with its implementation problems, Medicare provides much greater protections to beneficiaries than the private sector.

9. Health Care -- Jeffords-Kennedy Update: Senator Helms added his name as a cosponsor to the Jeffords-Kennedy-Roth-Moynihan Work Incentives Improvement Act this week. This leaves Senator Nickles as the primary barrier to bringing this measure to the full Senate for a vote. Although Senator Nickles is pressuring Senator Lott not to bring this bill to the floor, there is a bipartisan movement in the Senate to permit a vote in the upcoming weeks. There is similar momentum on the House side as the Commerce Committee is hoping to finalize a full committee markup later this month or early in May. This legislation represents the highest legislative priority of the disability community and they hope to help us deliver you a bill for signature by June.

10. Health Care -- Patients Bill of Rights Update: In the wake of your event promoting the Patients Bill of Rights last Friday and the positive New York Times editorial that the event inspired, moderate Republicans such as Senator Chafee have indicated interest ~~in developing a strategy to pass a compromise~~ proposal. These Republicans want to see this issue resolved prior to the 2000 elections. Unfortunately, the Senate Leadership, particularly Senator Nickles, have been able to seriously delay any progress on this issue within the Senate Finance Committee. In the House, Republicans such as Reps. Ganske and Norwood are reaching out to Rep. Dingell to determine if they can agree on a compromise measure that can attract well over 218 votes. Because these members are concerned about the lack of progress in the House on this issue, they may well be open to pursuing a discharge petition strategy in order to bypass a prolonged and unproductive committee process.

11. Health Care -- CHIP Update: This week, the Washington Post reported that the CHIP program had enrolled 850,000 children to date, which they portrayed as a disappointing start to the program. On Tuesday, the First Lady will announce that in the first full year of program operation, the CHIP program has actually enrolled one million children. Your recent launching of the national toll-free number and a major public awareness campaign should help accelerate enrollment.

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12. Tobacco -- Billboards: As part of the state tobacco settlement, tobacco companies agreed to remove their outdoor and transit advertising by next Friday -- although the settlement does not prohibit smaller signs that are placed inside or outside retail establishments or billboards at adult-only events. The companies also agreed to keep paying for the space after taking down their billboards until their leases expire so that states and tobacco-prevention groups can display anti-tobacco ads. Preliminary estimates from HHS conclude that the value of this anti-tobacco advertising could be as high as $100 million. To support efforts to replace tobacco industry billboards with tobacco-prevention messages, CDC, FDA, and the National Cancer Institute (NCI) have been working together to provide technical assistance and the bulk printing of a select set of billboards. Thirty-nine states are expected to put up tobacco-prevention billboards, with 26 using the CDC/FDA selected ads and the remaining 13 states choosing to do their own. April 23rd coincides with the NATO summit, which may prohibit White House involvement, but we are hoping Secretary Shalala can do an event, perhaps in Boston.

13. Welfare -- Illegitimacy Bonus Rule: This week HHS published a final regulation defining how it will distribute $100 million a year in bonuses to states that reduce the percentage of children born out of wedlock. Up to five states and three territories may qualify for bonuses of up to $25 million each. This bonus was included in the 1996 welfare reform law. The statute makes clear that bonuses will go only to states that simultaneously reduce both out of wedlock births and abortions. Nationwide trends are moving in the right direction -- preliminary 1997 data show that the out-of-wedlock birth rate has declined for three years in a row after rising for 20 years, although the percentage of births to unmarried women, on which the bonus will be based, has remained at just over 32 percent in recent years after decades of increases.

14. Welfare -- Legal Immigrants Benefits: This week, Sen. Moynihan and Rep. Levin introduced a bill to restore health, disability and nutrition benefits to certain legal immigrants. The bill includes our $1.3 billion proposal to restore SSI and Medicaid to immigrants arriving after 1996 who become disabled, furnish food stamps to those in the U.S. by 1996 once they become elderly, and provide states the option to provide Medicaid or CHIP to children and pregnant women who arrive after 1996. The Moynihan-Levin bill's food stamp and SSI restorations are more expansive than ours (the bill does not contain any offsets), but its Medicaid/CHIP proposals are identical. We are currently completing the legislative language for our proposal and will begin seeking bipartisan sponsors shortly.

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THE WHITE HOUSE

WASHINGTON

April 9, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. **Education -- Ed-Flex:** Hill staff met during the recess to hammer out differences between the Senate and House bills. On Monday, Secretary Riley will send conferees a letter threatening a veto over the Senate Republican provision to weaken class size. On Tuesday, Senate Democrats will release a letter with at least 35 signatures supporting that veto threat. We expect a quick conference and rapid action in both houses if the bill is acceptable.

2. **Education -- ESEA:** Despite extensive consultation with us, civil rights groups continue to oppose an ESEA bill that includes the Administration's position on social promotions. We and the Education Department have held a series of meetings with civil rights advocates including Hugh Price, Wade Henderson, Bill Taylor, and others in an unsuccessful effort to find a compromise. Education has suggested that we consider making one of several possible concessions, such as phasing in the requirement to end social promotions over a longer period -- but even that will not be enough to win the groups' support. Another option would be to split off the social promotion provisions in a separate bill. Senator Kennedy sympathizes with our predicament but would like to avoid a war with the civil rights community. We have asked his staff to take part in our continuing meetings with the groups, in the hope that we can at least secure Senator Kennedy's support, even if we fail to win over the civil rights community. You are tentatively scheduled to announce the ESEA bill on April 28.

3. **Education -- 1994 ESEA Report:** On Friday, the Department of Education released a congressionally mandated report evaluating the effectiveness of programs included in the 1994 ESEA reauthorization. The report submits that states have made progress in the development of academic standards, but that more accountability in federal education programs is needed -- along the lines of what you have called for in ESEA.

4. **Education -- California Class Size Waiver:** Last week Vice President Gore announced approval of a waiver sought by Gov. Davis to permit California school districts to use federal class size funding to reduce class size and improve teacher quality in any grade. The decision was based on California's progress in reducing class size in the early grades to 20 and the lack of additional school facilities and qualified teachers needed to accommodate smaller classes in those grades. Governor Davis will encourage California districts to use this funding

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to reduce class size in 10th grade reading and math classes to help prepare students for a new high school exit exam that he signed into law.

5. Health Care -- Update on Aetna's Affordable Choice: On May 5, the Aetna Insurance Company is scheduled to hold an event to unveil a low-cost health plan option targeted to small businesses and their employees who cannot afford traditional health insurance. The plan is much less expensive than traditional insurance options because it limits its health coverage to capped, front-end benefits that provide front loaded coverage for hospital stays -- $750 a day for the first three days, $350 for days four through 10, and declining to $100 a day after 10 days -- and up to eight physician's visits with a $50 copayment. The plan allows enrollees to access a price discount on prescription drugs, which Aetna has extracted from the pharmaceutical industry in its negotiations on behalf of its other health plans. Past attempts to provide affordable, bare-bones coverage for this population have proven unsuccessful, primarily because employers and employees have not been attracted to coverage designed only to protect against catastrophic expenses. The Aetna plan takes the opposite approach. Even though these plans would not qualify as traditional insurance and are designed to avoid state mandated benefits, the Aetna plan will be endorsed by the NFIB and possibly the Chamber of Commerce. We are informed that a number of members of Congress (e.g. Representative Thomas and Senators Frist and Breaux) will endorse this offering and participate in the event. Eli Segal is also very supportive. Although the plan might help expand coverage somewhat, our traditional base Democrats, many provider groups, and consumer advocates are unlikely to be impressed with this coverage option. They will argue that the coverage provided is virtually meaningless, provides a false sense of security (since the average hospital cost per day is over $1000 and the average length of stay is 7 days) and that the Kennedy-Kassenbaum insurance reforms you signed into law would not apply to this product.

6. Health Care -- Medicare Prescription Drug Update: Next ~~week, Senator Kennedy~~ and Senator Rockefeller are tentatively scheduled to introduce legislation to provide for a Medicare prescription drug benefit. As currently designed, in return for a $10 to $20 premium -- which would be added to the Medicare Part B premiums that provides for physician and other services -- beneficiaries would be reimbursed for 80 percent of drug costs after they paid a $100 deductible. As currently designed, this benefit would be capped at $1200 -- meaning that beneficiaries would not get any coverage after they had received $1200 worth of prescription drugs -- and is projected to cost between $50 and $75 billion over 5 years ($110 billion to $140 billion over 10 years). ~~The proposal, which is at the low end of the more modestly, front loaded~~ benefits that we have been developing for your consideration, would require beneficiaries to pay catastrophic expenses out of pocket. Most health policy experts would be critical of the capped, front-loaded benefit because it leaves the sickest patients most vulnerable to excessive drug costs. However, this benefit is somewhat more generous than currently available in Medigap plans (particularly when one takes into account the lower premium) and the front-loaded nature of the program might be more popular than a back-end coverage policy. Because Senator Kennedy is introducing this legislation, it is more likely to be accepted as a substantial benefit than if we had produced the same package. Interestingly, Senators Moynihan, Gramm, and Bryant are in the process of developing a similar plan. While it clearly might be better strategically for Senator Moynihan to unveil his plan first, it is unlikely that he will be ready to

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do so within the next two weeks. It is even less likely that Senator Kennedy can be convinced to delay the introduction of his bill until after Senator Moynihan introduces his. Notably, the Senate advocates of a drug benefit are unwilling -- if not completely unable -- to propose traditional Medicare provider and/or beneficiary savings that are significant enough to pay for the benefit. As a consequence, both Senator Kennedy and Senator Moynihan are likely to highlight the desirability of tobacco taxes and/or some use of the surplus to help finance their proposal. We are in the process of developing a number of options for your consideration, which we hope to review with you in short order.

7. Tobacco -- Medicare Lawsuit: This week the Justice Department entered into an agreement with the law firm of Robins, Kaplan, Miller & Ciresi, from Minneapolis to serve as consultants on the federal tobacco litigation. This firm represented the State of Minnesota and Blue Cross-Blue Shield in their lawsuit against the tobacco industry. The agreement is for the firm to advise and assist the Department's litigation team on a reduced-rate billing basis of $75 per hour through June 30, 1999. The contract does not contemplate payment of any contingency fee related to potential recoveries. Jim Cramer, a leading Wall Street analyst, wrote that the hire shows "Justice means business."

8. Tobacco --Kick Butts Day: The fourth annual Kick Butts Day is scheduled for April 14. The Vice President will participate in an event in Akron, Ohio where he will release a new HHS report on kids and tobacco. The report indicates that Marlboro (Philip Morris), Newport (Lorillard), and Camel (RJR/Nabisco) are the cigarette brands used most among teens who are current smokers. The dominant brand is Marlboro, which is preferred by about 60 percent of youth smokers and is as popular among girls as among boys.

9. Community Empowerment -- Low Income Housing Tax Credit: Shortly after coming back from recess, Senators Graham and Mack of Florida plan to introduce legislation to expand the Low Income Housing Tax Credit (LIHTC). Their bill will be very closely modeled on your proposal. In the House, Representative Nancy Johnson's bipartisan LIHTC bill has amassed 70 cosponsors.

10. Welfare -- GW Study on Diversion Policies: We expect George Washington University will issue the second of its reports funded by HHS which provides an inventory of state approaches and examines practices in five cities -- Atlanta, Annapolis, Kansas City, Missoula, and Cincinnati. The study finds that the most common form of diversion requires applicants for welfare to participate in a job search before they can receive cash assistance, and that the diversion payments offered by nearly half the states to help families meet short-term needs in lieu of welfare are being used on a limited basis. The study also notes that diversion has the potential to reduce initial access to Medicaid, especially as families bypass welfare entirely or go to work so quickly that they may not qualify for Medicaid under most states' current eligibility criteria. The study highlights the importance of our Medicaid outreach efforts and our initiatives to encourage states to take advantage of the flexibility they have under current law to expand Medicaid eligibility for low-income working families. HHS plans to award research funds to several states or large counties to track what happens to families who are diverted from the caseload, including the extent to which they continue to participate in Medicaid and other programs to support working families.

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THE WHITE HOUSE

WASHINGTON

April 9, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. **Education -- Ed-Flex:** Hill staff met during the recess to hammer out differences between the Senate and House bills. On Monday, Secretary Riley will send conferees a letter threatening a veto over the Senate Republican provision to weaken class size. On Tuesday, Senate Democrats will release a letter with at least 35 signatures supporting that veto threat. We expect a quick conference and rapid action in both houses if the bill is acceptable.

2. **Education -- ESEA:** Despite extensive consultation with us, civil rights groups continue to oppose an ESEA bill that includes the Administration's position on social promotions. We and the Education Department have held a series of meetings with civil rights advocates including Hugh Price, Wade Henderson, Bill Taylor, and others in an unsuccessful effort to find a compromise. Education has suggested that we consider making one of several possible concessions, such as phasing in the requirement to end social promotions over a longer period -- but even that will not be enough to win the groups' support. Another option would be to split off the social promotion provisions in a separate bill. Senator Kennedy sympathizes with our predicament but would like to avoid a war with the civil rights community. We have asked his staff to take part in our continuing meetings with the groups, in the hope that we can at least secure Senator Kennedy's support, even if we fail to win over the civil rights community. You are tentatively scheduled to announce the ESEA bill on April 28.

3. **Education -- 1994 ESEA Report:** On Friday, the Department of Education released a congressionally mandated report evaluating the effectiveness of programs included in the 1994 ESEA reauthorization. The report submits that states have made progress in the development of academic standards, but that more accountability in federal education programs is needed -- along the lines of what you have called for in ESEA.

4. **Education -- California Class Size Waiver:** Last week Vice President Gore announced approval of a waiver sought by Gov. Davis to permit California school districts to use federal class size funding to reduce class size and improve teacher quality in any grade. The decision was based on California's progress in reducing class size in the early grades to 20 and the lack of additional school facilities and qualified teachers needed to accommodate smaller classes in those grades. Governor Davis will encourage California districts to use this funding

to reduce class size in 10th grade reading and math classes to help prepare students for a new high school exit exam that he signed into law.

5. Health Care -- Update on Aetna's Affordable Choice: On May 5, the Aetna Insurance Company is scheduled to hold an event to unveil a low-cost health plan option targeted to small businesses and their employees who cannot afford traditional health insurance. The plan is much less expensive than traditional insurance options because it limits its health coverage to capped, front-end benefits that provide front loaded coverage for hospital stays -- $750 a day for the first three days, $350 for days four through 10, and declining to $100 a day after 10 days -- and up to eight physician's visits with a $50 copayment. The plan allows enrollees to access a price discount on prescriptions, which Aetna has extracted from the pharmaceutical industry in its negotiations on behalf of its other health plans. Past attempts to provide affordable, bare-bones coverage for this population have proven unsuccessful, primarily because employers and employees have not been attracted to back-end coverage designed to provide protections against catastrophic expenses. The Aetna plan takes the opposite approach. These plans would not qualify as traditional insurance, and as such, may not have to provide state mandated benefits. The Aetna plan will be strongly endorsed by the NFIB and possibly the Chamber of Commerce. We believe a number of members of Congress (e.g. Representative Thomas and Senators Frist and Breaux) will endorse this offering and participate in the event. Eli Segal is also very supportive. Although the plan might actually help expand coverage somewhat, our traditional base Democrats and consumer advocates are unlikely to be impressed. They will argue that it could provide a false sense of security, since the average hospital cost per day is over $1000 and the average length of stay is 7 days, and that the insurance reform and patient protections we have endorsed would not likely apply to this product.

6. Health Care -- Medicare Prescription Drug Update: Next week Senators Kennedy and Rockefeller are tentatively scheduled to introduce legislation to provide a Medicare prescription drug benefit. In return for a $10 to $20 premium -- which would automatically be added to the Medicare Part B premiums that provides for physician and other services -- the beneficiary would have 80 percent of drug costs covered after they paid a $100 deductible. This benefit would be capped at $1600m -- meaning that beneficiaries would not get any coverage after they had received $1600 worth of prescription drugs -- and is projected to cost between $50 and $75 billion over 5 years -- $110 billion to $140 billion over 10 years. Its design, which is similar to some of the more modestly, front loaded benefits that we have been developing for your consideration, would leave catastrophic expenses to be paid out of pocket by beneficiaries. Most health policy experts would be critical of the capped, front-loaded benefit because it leaves the sickest patients most vulnerable to excessive drug costs. Having said this, this benefit is far more generous than that currently available in Medigap plans and the front-loaded nature of the program might be more popular than a back-end coverage policy. Because Senator Kennedy is introducing this legislation, it is more likely to be accepted as a substantial benefit than if we had produced the same package. Interestingly, Senators Moynihan, Graham (FL), and Bryant (NV) are in the process of developing a similarly structured plan. While it clearly might be better strategically for Senator Moynihan to unveil his plan first, it is unlikely that he will be ready to do so within the next two weeks. It is even less likely that Senator Kennedy can be convinced to delay the introduction of his bill until after Senator Moynihan introduces his. Notably, the Senate advocates of a drug benefit are unwilling -- if not completely unable -- to propose traditional Medicare provider and/or beneficiary savings that are significant enough to pay for the benefit. As a consequence, both Senator Kennedy and Senator Moynihan are likely to highlight the desirability of tobacco taxes and/or some use of the surplus to help finance their proposal. We are in the process of developing a number of options for your consideration, which we hope to review with you in short order.

7. Tobacco -- Medicare Lawsuit: This week the Justice Department entered into an agreement with the law firm of Robins, Kaplan, Miller & Ciresi, from Minneapolis to serve as consultants on the federal tobacco litigation. This firm represented the State of Minnesota and Blue Cross-Blue Shield in their lawsuit against the tobacco industry. The agreement is for the firm to advise and assist the Department's litigation team on a reduced-rate billing basis of $75 per hour through June 30, 1999. The contract does not contemplate payment of any contingency fee related to potential recoveries. Jim Cramer, a leading Wall Street analyst, wrote that the hire shows "Justice means business."

8. Tobacco --Kick Butts Day: The fourth annual Kick Butts Day is scheduled for April 14. The Vice President will participate in an event in Akron, Ohio where he will release a new HHS report on kids and tobacco. The report indicates that Marlboro (Philip Morris), Newport (Lorillard), and Camel (RJR/Nabisco) are the cigarette brands used most among teens who are current smokers. The dominant brand is Marlboro, which is preferred by about 60 percent of youth smokers and is as popular among girls as among boys.

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THE WHITE HOUSE

WASHINGTON

4-5-99

April 3, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Health Care -- Democratic Patients' Bill of Rights Event: You are scheduled to join Democratic members of Congress in Philadelphia on Friday to highlight the need for strong, enforceable patients' bill of rights legislation -- and to contrast the proposal we favor with the weak version of the bill reported out of the Senate Labor Committee just before recess. At the event, you can announce an Internet-based petition, which is intended to attract over one million signatories, in support of a strong, enforceable patients' rights bill. You also can announce the OPM "call letter" that takes the final step in requiring all participating FEHBP insurers to come into full compliance with the patients' bill of rights.

we should do something about this — better to have Medicare pay when they can afford [illegible] than [illegible] to waive cap

2. Health Care -- Medicare Annual Cap on Rehabilitative Services: You recently asked about the $1500 annual cap on Medicare payments for outpatient physical therapy and other rehabilitative services. This cap was included in the Balanced Budget Act at Congressman Thomas's insistence; we had opposed it for fear that it would have an adverse impact on chronically ill beneficiaries. Providers and advocates are now arguing that the cap has had just such an impact, pointing to a recent study showing that almost 13 percent of Medicare beneficiaries incur significant out-of-pocket expenditures as a result of the cap. Senator Grassley has proposed legislation that would allow Medicare beneficiaries to exceed the cap if they have an illness that clearly requires additional services. This proposal, however, may prove very costly; we are scoring it now as well as reviewing alternatives.

3. Health Care -- Medicare Toll-Free Line: HHS instituted on Thursday a new nationwide toll-free telephone line, 1-800 MEDICARE, to help Medicare beneficiaries learn about the new health care options available to them under Medicare+Choice. Callers can talk to a customer service representative in English or Spanish to get information about the Medicare program generally and/or about particular Medicare health plans in a community.

4. Tobacco -- Medicaid Recoupment: We met this week with the major public health groups to discuss ways to build support for our proposal to ensure that a portion of the tobacco settlement funds goes to prevent youth smoking. We urged them to develop a political and communications plan focused on the effectiveness of such programs and the refusal of many states to use settlement money for this purpose. To use just a few examples: the Oklahoma legislature is considering using the money to eliminate highway tolls; Louisiana's governor has

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proposed paying off state debt and funding gene therapy research with the funds; and Rhode Island's governor has proposed using the first installment to balance the budget (which has set off a fierce debate in the legislature). In addition, many states purporting to spend the tobacco funds on public health or tobacco use prevention are merely supplanting current spending, effectively freeing these funds for other uses. The public health community so far has been utterly ineffectual on this issue, but we hope participants in the meeting emerged with a better understanding of the political situation we face and some more effective strategies for dealing with it.

5. Tobacco – Oregon Verdict: A jury in Oregon last week ordered Philip Morris to pay $81 million in damages (including $79.5 million in punitives) to the family of a man who died of lung cancer after smoking for 40 years. The verdict was the largest ever against a tobacco company, exceeding the $51.5 million verdict awarded by a California jury against Philip Morris earlier this year. Shares of tobacco companies fell sharply this week as a result of the verdict.

6. Welfare -- Child Support Computer Systems: You recently asked about an HHS policy denying federal reimbursement to states that entered into contracts for child support and child welfare computer systems without first receiving federal approval. HHS has applied this policy strictly, refusing federal payments even when the federal government clearly would have approved the contracts. In the past, HHS has denied federal funds to California, Hawaii, Kansas, Nevada, and Pennsylvania on these grounds. In recently reviewing this policy, however, HHS officials discovered that it is in conflict with the department's current policy on Medicaid computer systems -- even though the two policies are interpretations of the same regulation. When it comes to Medicaid computer contracts, HHS provides reimbursement even in the absence of prior approval if the contract meets departmental requirements and the state institutes controls to ensure that it will seek advance approval in the future. HHS officials are now trying to reconcile the two policies; they probably will decide to adopt an agency-wide policy similar to the policy that now is applied in the Medicaid program.

Good idea

7. Welfare -- Food Assistance: You recently asked what we could do to ensure that families obtain needed food assistance, in light of some reports that more working families are seeking help from private food banks. We are working to address these issues on two fronts: first, to ensure that states follow the current food stamp law by providing assistance to all eligible individuals who seek assistance; and second, to develop and implement new initiatives to make the food stamp program more accessible to working families.

We have taken numerous steps in recent months to ensure that states follow the food stamp law. USDA has launched a number of investigations of state and local practices, including an inquiry in New York City which found that local welfare offices were not allowing individuals to apply for food stamps on their first visit to the office. (USDA issued a formal warning to New York that it would impose penalties if the city were to continue these practices; around the same time, a federal district court judge issued an injunction prohibiting the practices and requiring the

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city to submit a corrective action plan to the court.) USDA also has issued formal guidelines to all states reminding them of their obligations under the law.

In addition to these enforcement actions, we are working with USDA and others to develop and implement efforts to make food stamps more available to eligible families. Historically, individuals with earned income who are eligible for food stamps have been only about half as likely to seek them as individuals receiving cash assistance. In part, this is because individuals with earnings are eligible for far less in food stamps and may decide the amount is not worth it. In part, it is because individuals need to report earnings to the food stamp office, and working people often find it hard to get to the office during open hours.

We are currently working with USDA and OMB to devise administrative proposals to help address these and other potential barriers, and we hope to provide you with a set of recommendations soon. Our biggest problem will be cost: the most effective administrative proposals are likely to cost several hundred million dollars, and OMB's policy is to insist on equivalent offsets from the relevant department. In addition, we will be working to enact the proposals in this year's budget to increase funds for food stamp outreach (the budget proposes a 50 percent federal match for media campaigns and other outreach activities) and to expand the class of legal immigrants entitled to receive this benefit.

8. Education -- Workforce Investment Act Rule: OMB and DPC have almost completed work on the Department of Labor's interim final rule to implement the Workforce Investment Act, which you signed last August to reform the nation's job training system. The rule will assist states and communities to develop a network of One-Stop Career Centers (at least 2,500 upon full implementation) to provide a wide range of employment services to both job seekers and employers. The rule also will implement the Act's provisions on Individual Training Accounts, which will give individuals access to quality job training programs of their choice. Consistent with the goal of consolidating and streamlining job training programs, the new regulation is approximately half the length of the rule it replaces. The department consulted broadly with state and local governments, key Congressional committees, and other stakeholders in developing the rule, and we expect it to get a good reception.

9. Drunk Driving -- .08 BAC Studies: The Department of Transportation released two independent studies last week on the effect of lowering the illegal blood alcohol concentration (BAC) from .10 percent to .08 percent. One study estimated that .08 BAC laws resulted in 275 fewer fatalities in the 16 states that had these laws in ~~1997 and that an additional 590~~ lives could have been saved if all 50 states had .08 laws. A second, 11-state study found that .08 BAC laws were associated with significant reductions in alcohol-related fatalities in five of the states studied (VT, KS, NC, FL, NM), with two other states (VA and CA) registering reductions following the adoption of both a .08 BAC law and an administrative license revocation (ALR) law (under which police immediately suspend the license of a drunk driver) and the remaining four states (UT, OR, ME, NH) showing no statistically significant changes. The GAO is planning to release in June a review of these and other existing studies on .08 BAC laws, as required by the transportation bill you signed last year. We expect that the GAO will criticize earlier NHTSA studies, but confirm the soundness of the new studies and conclude that .08 BAC laws can be effective in reducing alcohol-related deaths, especially in combination with ALR laws.

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THE WHITE HOUSE

WASHINGTON

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March 27, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. **Education -- Ed-Flex Legislation:** As a result of activity last week, we are now in a very strong position to ensure that the Republican amendment undermining your class size initiative is dropped from Ed-Flex legislation. Over 200 House members voted in favor of a motion to instruct conferees to drop this provision, and at least 35 Senators have signed a letter (not yet released) recommending that you veto the Ed-Flex bill if this provision remains in it. We are working with OMB on a letter to the Ed-Flex conference committee to convey a veto threat on the class size issue and express support for the strongest possible accountability provisions. As you know, we made good progress in both the House and the Senate on accountability; now our challenge is to combine these somewhat different accountability provisions to ensure that waivers are tied to gains in student achievement.

2. **Education -- Charter Schools and Desegregation:** We are working with the Education and Justice Departments on issues relating to the relationship between charter schools and desegregation orders. An op-ed by Clint Bolick in the Wall Street Journal this week attacked Bill Lann Lee for "waging a war" against charter schools because of his efforts to prevent proposed charter schools from changing the racial balance called for in existing desegregation orders. The op-ed made special reference to actions the Department has taken in Louisiana to block the creation of new charter schools and /or to insist that the schools or school boards involved take new steps to ensure continued racial balance in the community. The issues involved in these cases are very tricky. The Justice Department notes that new charter schools can undermine hard-won desegregation orders that ensure racial balance in school systems. Charter school advocates, on the other hand, argue that a rigid enforcement strategy in this area will prevent many communities -- including predominantly minority communities -- from gaining the benefits of charter schools. (The proposed charter schools involved in the Louisiana cases, for example, are in largely minority communities; Justice is fearful that these schools either will siphon white students from other schools in the system or will lead minority parents to take their children out of more integrated schools in the system to enroll them in the new charters.) The Education Department is now in the process of developing draft guidance on these issues.

3. **Education -- Social Promotion Policy:** We are attempting, though not with any great success, to make the civil rights community comfortable with your no-social-promotion policy. As currently drafted, your proposal would insist that states have plans to prevent social promotion

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by requiring students to meet performance standards (as measured by multiple indicators, including a valid test) at three key transition points and providing qualified teachers and intensive support and intervention services for children in danger of failing. In a speech last week, Hugh Price called for postponing any no-social-promotion policies until states could prove that they are providing equal educational opportunities to all students. Wade Henderson and several other civil rights leaders expressed similar views to us yesterday, complaining in particular that our rhetoric on social promotion lends itself to being appropriated and misused by people who share none of our interest in giving children the tools they need to meet high standards. We are continuing to explore ways of responding to the civil rights community's concern on this issue, including by incorporating measures that the National Council of La Raza proposed to strengthen Governor Bush's social promotion legislation. These ideas focus principally on staging the various timetables in the bill and insisting on independent assessments of the adequacy of support and intervention services. We are not terribly hopeful, however, that these ideas will convince the civil rights community to support this aspect of our ESEA proposal (they strongly support the other accountability measures in the bill), and at some point futile attempts to win this support may become counterproductive.

4. Education – Detroit School Reform: Governor Engler is expected to sign a bill today to give Mayor Archer authority to oust the existing locally-elected school board and replace it with a new "reform board" made up of six of the Mayor's appointees plus the State Superintendent -- effectively giving Archer the same kind of power over the Detroit school system that Mayor Daley has in Chicago. The reform board will run the city's schools for five years, after which Detroit residents will vote on whether to keep it. Earlier versions of the proposal would have given effective control of the board to Engler rather than Archer, provoking general outrage among Detroit residents. Even as enacted, the bill remains controversial, although Archer strongly supports it.

5. Children and Families – Child Care: The Senate last week passed an amendment to the Republican budget resolution increasing mandatory funding for the child care block grant by $5 billion over five years and $10 billion over ten years, with a corresponding decrease in any proposed tax cut. This action represents a significant step forward for your proposal to boost child care subsidies for low-income families (funded in your budget at $7.5 billion over five years). The amendment, pushed hard by Senator Dodd with the help of Senator Jeffords, also includes a non-binding provision stating that tax relief for child care (through, for example, expansion of the Child and Dependent Care Tax Credit), should benefit all working families (presumably by making the credit refundable) as well as assist stay-at-home parents who care for an infant. Twelve Republicans -- Senators Abraham, Campbell, Chafee, Collins, Dewine, Frist, Hatch, Jeffords, Roberts, Snowe, Specter, and Warner -- voted with all Democrats to pass the amendment. The challenge now will be to ensure that the conference committee on the budget resolution retains this provision. We are looking for ways for you, the Vice President, and/or the First Lady to highlight this issue as the conference committee begins to meet.

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are interested, you can announce

9. Tobacco – Medicaid
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10. Tobacco – Florida
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11. Welfare Reform -
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6. Health Care – Medicare Reform: We an
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expect the Medicare trustees to project on Tuesday that
(perhaps until 2015 or so) as a result of increased rev
projections will diminish the urgency of using the surplu
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they already have made a major contribution to the h
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program apparently assured, proponents of a generou
toward using more and more of the surplus for this pu
to answer in developing our new Medicare plan is wh
to fund a drug benefit through the surplus.

More generally, we were reminded this wee
treacherous political shoals in putting together a plan.
Senate Democrats need a credible plan as soon as po
Stark, and McDermott made it equally clear that they
wished we had not agreed to do one. We will be pushe
reforms in our plans, while being pushed from the Ho
The challenge will be to balance the need to offer cre
Democrats on board our proposal.

7. Health Care – Organ Donation: Organ do
year -- a big improvement from the one percent increas
jump is attributable in part to our new regulation on
media attention given to public figures needing organ
star Walter Payton. The organ donation advocacy co
issue sometime soon. If you are interested, we could
announce a $5 million grant program to increase organ
sector commitments from the AFL-CIO, UAW, Aetn

8. Health Care – Physical Restraints in Ins
legislative proposal, we are preparing administrative
physical restraints in institutional settings. Senat
Thursday that they will introduce a Freedom From Re
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and upon the written order of a physician. Dodd and L
after reports last fall that several mentally ill childrer
died as a result of the improper use of restraints by fa
in other parts of the nation. While expressing support

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with high poverty rates and large concentrations of welfare recipients, including Atlanta, Baltimore, Chicago, Los Angeles, Miami, New Orleans, New York, Philadelphia, and Washington, D.C. The Partnership will hold a major convention in Chicago this summer for delegations from these cities, and Eli would very much like you to participate.

You also asked whether the slower rate of caseload decline in some cities is related to unemployment. In general, cities with slower rates of caseload decline did have higher unemployment rates. For example, El Paso, Los Angeles, New York, and Philadelphia had the slowest caseload declines and three of the four had central city unemployment rates above 7 percent -- compared to the national average of 4.5 percent -- when the caseload decline was measured. (The fourth city, Philadelphia, had an unemployment rate of 5.9 percent.) The correlation, however, is by no means perfect; for example, Baltimore and Cleveland also had high unemployment, but significantly larger caseload declines.

12. Welfare Reform -- Economist Article: We thought you might like to see the attached Economist article highlighting the Welfare to Work Partnership's success and chronicling the progress of welfare reform.

THE PRESIDENT HAS SEEN '99 MAR 20 PM1:31
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THE WHITE HOUSE

WASHINGTON

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March 20, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Tobacco – Recoupment Issue: The Senate rejected, by a vote of 71-29, a Specter-Harkin amendment to the supplemental appropriations bill that would have allowed the states to retain all tobacco settlement funds in exchange for a commitment to use 20 percent of the funds to combat teen smoking and 30 percent to expand public health programs and/or assist tobacco farmers. The vote leaves intact a provision in the supplemental (offered by Senator Hutchison in committee) that would give up the federal share of the tobacco settlement without any commitment by the states. Those opposing the Specter-Harkin amendment included a number of normally anti-tobacco Democrats (such as Conrad, Leahy, and Kerry) who decided not to buck their governors on this issue. Senator Daschle is attempting to determine whether a watered-down version of the amendment (either requiring only the 20 percent set-aside for tobacco prevention programs or providing simply that the states spend 50 percent of the funds on some combination of tobacco prevention, farmer assistance, education, public health, or children) would garner greater Democratic support. (Note that seven Republicans voted for Specter-Harkin, so the amendment would have passed had all Democrats supported it.) Neither Daschle nor we, however, are very hopeful that he can find a formula to bring Democrats back on board. Our best hope now is that our demand for a clean bill will convince the conference committee to strip the recoupment provision from the supplemental, and that the governors, having lost this opportunity to resolve the issue, will decide to negotiate with us rather than await the next potential vehicle.

2. Health Care – Patients' Bill of Rights: The Senate Labor Committee reported out patients' rights legislation on Thursday by a party-line vote. The legislation applies only to patients in self-insured plans, thus relegating the 80 million Americans in insured plans to state law protections; it omits crucial patient protections, such as access to specialists; it essentially allows HMOs to define what services count as medically necessary in the independent appeals process; and it lacks any adequate enforcement mechanism. Although some Republican Senators (particularly Chafee and Specter) may support some strengthening amendments on the floor, the odds of significantly improving the bill in the Senate are slight. (There is also a question about whether Senator Lott will bring the bill to the floor in the absence of a very constraining time agreement.) The House should pass a stronger bill (though probably not as strong as the Dingell version), setting up the possibility of some middle-ground compromise in conference if the legislation gets that far.

THE PRESIDENT HAS SEEN
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3. **Health Care -- Medicare:** We are currently preparing options for your consideration on Medicare reform, so that you can put out your own plan as soon as possible. We will not be able to evaluate some questions fully until after March 30, when the Social Security/ Medicare trustees are scheduled to issue their annual report. We expect this report to push out the exhaustion date of the Medicare trust fund by a number of years (perhaps to 2012 or even later). Because these new numbers will make it easier to reach the goal of ensuring solvency until 2020 -- enabling the Republicans to claim the excess funds for tax cuts -- all your advisors agree that you should stop making reference to the year 2020 in articulating the goals of Medicare reform. But because we may want to tap into some of these excess funds ourselves -- in our case, for a more generous prescription drug benefit -- we also do not advise that you insist on adding 10 or 12 years to whatever the trustees announce as the new exhaustion date. For now, we all agree that you should simply demand that we dedicate 15 percent of the surplus ($686 billion over 15 years) to Medicare. This formulation will allow us some latitude on the question whether all this money should go toward extending solvency or some could go to a drug benefit.

4. **Health Care -- Nursing Home Quality:** The Senate Aging Committee, chaired by Senator Grassley, released a GAO report last week -- and will release another next week -- criticizing HCFA's enforcement of nursing home quality standards. The reports state that HCFA often declines to investigate serious complaints and takes insufficient corrective action when it does find violations. The reports especially castigate HCFA for failing to enforce quality standards against repeat offenders. Although a nursing home quality initiative you unveiled last year is addressing some of these problems, we believe additional steps are necessary. We instructed HCFA last week to ensure investigations of serious complaints (i.e., those alleging harm to residents) within 10 working days, increase the minimum fine for facilities violating quality standards, and make it easier to impose larger fines. We are also working on a set of more far-reaching changes for inclusion in the new crime bill you will announce on April 1. The most important part of this package is a provision to give the Department of Justice new authority to impose criminal and civil penalties on individuals, facilities, chains, or management companies that engage in a pattern of conduct resulting in physical or mental harm to nursing home residents. Enactment of this provision will ensure that HCFA is not the sole federal entity with specific authority to bring enforcement actions against irresponsible nursing home operators.

5. **Health Care -- Nursing Home Resident Protection Act:** You are tentatively scheduled to have a signing ceremony next week for a bill to protect Medicaid patients in nursing homes that decide to withdraw from the Medicaid program. Under the legislation, these nursing homes can refuse additional Medicaid patients, but cannot evict current Medicaid patients.

6. **Health Care -- Medicaid Guidance:** At our request, HCFA will release on

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Monday new guidance to states to ensure that individuals eligible for Medicaid -- especially children -- are enrolled as soon as they ask to apply. As you know, some state or local governments appear to be imposing waiting periods before issuing applications for Medicaid or determining eligibility for the program. This guidance makes clear that these delays violate the law and that welfare reform efforts (including diversion programs) cannot reduce access to the Medicaid program. We believe that advocates will applaud the guidance, while states will not seriously object to it.

7. Health Care – Antibiotics in Animal Feed: You recently asked about a report indicating that feeding antibiotics to livestock may increase the prevalence of antibiotic-resistant bacteria and thereby decrease our ability to cure infections in people. The FDA has become concerned about this problem and is planning to issue a draft regulation requiring manufacturers to test their antibiotic feed additives at regular intervals to see if they foster the growth of resistant bacteria. If the products are found to do so, the FDA will curtail their distribution or remove them from the market. The drug and agriculture industries will object to the draft regulation, arguing that antibiotic feed additives are necessary to produce affordable meat and poultry and are not dangerous to the people who consume these products. Public health advocates probably will say that the regulation does not go far enough, because it does not immediately eliminate or severely restrict the use of antibiotics in animal feed. The FDA should issue the draft regulation within a few weeks, with a formal NPRM several months away.

Good - stay on this

8. Health Care – Stem Cell Research: The next issue of *Science* will include a letter from 73 prominent scientists, including 67 Nobel Prize winners, supporting NIH's plans to fund stem cell research. This letter, which makes clear the scientific and medical potential of stem cell research, should help us to defeat legislation proposed by pro-life members of Congress to prohibit NIH from funding such experiments.

9. Education – Ed-Flex/Class Size/Special Education: The conference committee on the Ed-Flex bill is expected to get under way after the two-week congressional recess. When the House appoints conferees next week, Congressman Clay will offer a motion instructing House conferees to "insist that funds appropriated . . . for class size reduction" be used only for that purpose and that "additional funding should be appropriated" for special education. We have heard from several sources that Lott, Frist, Hastert, and Goodling all have said that they intend to take the class size/special ed provision out of the Ed-Flex bill in conference. We are not taking this outcome for granted, however, and we are continuing to work with the education groups to maintain pressure for deleting this provision.

10. Education – University of California Admissions Policy: The University of California Board of Regents yesterday approved, by a vote of 13 to 1, a plan to guarantee a place in one of the university system's eight undergraduate campuses for the top four percent of the students in each of the state's high schools. Although Governor Davis proposed this action as a way to increase diversity in the wake of the state's affirmative action prohibition,

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it is not expected to have a dramatic effect on the racial composition of the university system. The plan will add about 3,600 students of all racial backgrounds to the current pool of eligible applicants, increasing the eligibility rate for African-Americans from 2.8 to 3.6 percent, for Hispanics from 3.8 to 4.7 percent, for whites from 12.7 to 14.4 percent, and for Asian Americans from 30 to 31.5 percent. The plan was based on a policy adopted in Texas that guarantees admission to the top 10 percent of every graduating class.

11. Welfare Reform -- TANF Rule: HHS, OMB, and we have reached consensus on the major issues in the final welfare regulation and expect to be able to release it in mid-April. While continuing to hold states generally accountable for work requirements, time limits, and maintenance of effort provisions, we have responded to their (and the advocates') pleas for additional flexibility. In particular, the final rule will allow states to use TANF funds to provide child care, transportation, job retention services, and other supports to non-welfare working families without triggering time limits or other TANF requirements. While many states have wanted to use TANF funds for these purposes to ensure that families coming off the rolls do not go back on, they have hesitated to do so for fear that such assistance would count toward the federal five-year time limit. The rule alleviates this fear by defining such supports for working families as "non-assistance," which is not subject to TANF requirements. The rule also treats work subsidies given to employers as "non-assistance," which we think will encourage more states to use them. (In 1997, only 1 percent of working welfare recipients were in subsidized jobs.) We expect a generally positive reaction to the regulation and are exploring appropriate announcement opportunities.

12. Welfare Reform -- Cuts in TANF Funds Restored: The Senate passed an amendment offered by Senator Stevens on Thursday to eliminate from the supplemental appropriations bill the $350 million cut in TANF funds. As you know, our SAP opposed the TANF cut and Governors lobbied hard against it. Stevens substituted a change to HUD's Section 8 housing program which OMB assures us has no adverse programmatic impact: although the provision defers spending from FY 1999 to FY 2000, so many housing contracts straddle both years that this provision is little more than a change in accounting.

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March 6, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Tobacco -- Medicaid Recoupment: The Senate Appropriations Committee decided Thursday to amend the supplemental appropriations bill by adding Senator Hutchison's legislation to waive all federal claims to tobacco settlement funds received by the states. Before the markup, Senator Roth objected to the Appropriations Committee taking up the Hutchison bill, noting that this action would "bypass the jurisdiction of the Finance Committee" and that the bill "has enormous ramifications for the Medicaid program and should be thoughtfully considered through the committee process." He noted that the amendment was not paid for and urged the committee, if it felt compelled to act, to prevent recoupment only in 1999 or 2000 to give the Finance Committee time to act. Senator Stevens apparently asked Hutchison to withdraw her amendment in deference to Roth's objection, but she refused to do so. In the event, the amendment passed by voice vote, with only Senators Harkin, Durbin, and Specter speaking against it. The committee rejected an alternative amendment proposed by Harkin to waive federal claims in exchange for a commitment by the states to dedicate 25 percent of the settlement funds to tobacco control programs.

For some time now, we have been working with Senator Daschle and others to develop an alternative to the Hutchison bill -- essentially a menu of permissible state uses -- that could attract significant support; we have found, however, that many Senators, including a fair number of Democrats, are under great pressure from state officials to resist any restrictions on use of the money. As a freestanding piece of legislation, the Hutchison bill now has 40 co-sponsors, including nine Democrats (although some of the Democrats say they would be willing to accept an alternative along the lines we have suggested if it gave the states sufficient flexibility over spending). One possible approach to the current situation is to urge the NGA to negotiate an alternative bill with us right now for inclusion on the supplemental; although the NGA believes it has a very strong hand in Congress, it might accept this offer both because it wants immediate use of the money and because it fears a presidential veto. This approach, however, could anger some anti-tobacco Democrats (especially in the House), who still hold out the hope that we can use the recoupment issue as a vehicle for broader tobacco legislation. We are continuing to discuss options with John, Larry, and Jack and diverse people on the Hill (of course, all this is complicated by the other issues raised by the supplemental) and hope to have a recommendation for you shortly.

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2. Tobacco – New Evidence on Tobacco Use: Two new studies show that cigarette sales declined sharply in Alaska and Oregon after the states increased tobacco taxes. Alaska tripled its tax from $.29 to $1.00 a pack in October 1997, raising the retail price of cigarettes by 39 percent. A study conducted by the state found that tobacco sales declined 17 percent the next year, without any apparent upsurge in smuggling or crime. Oregon raised its tax by $.30 per pack in February 1997, increasing cigarette prices by 16 percent; it also devoted 10 percent of the proceeds to tobacco prevention programs. A study conducted by the CDC and Oregon Health Division found that tobacco sales fell 11.3 percent as a result. The study noted that this decline was far larger than expected given the size of the price increase, and attributed the additional drop to expanded prevention activities. Most studies have found that every 10 percent increase in price reduces overall smoking by about 4 percent (while reducing youth smoking by about 7 percent) -- essentially the effect found in Alaska. According to this model, the 16 percent price increase in Oregon should have resulted in a 6.3 percent decline in consumption -- far less than the 11.3 percent decline actually achieved. The difference, according to the study, resulted from the state's expenditure of $8.5 million a year to fund community-based tobacco-use prevention coalitions in every county, a statewide public awareness and education campaign, comprehensive school-based programs, tribal tobacco-use prevention programs, multicultural outreach and education, and a quitters' help line providing smoking cessation support. These findings bolster the rationale for ensuring that states use at least part of their settlement money on tobacco prevention.

This could be the basis of the alternative legislation

3. Education – Ed-Flex Legislation: As you know, the Senate will vote Monday afternoon on a cloture petition filed by Senator Lott to bring the Ed-Flex debate to an end and cut off consideration of the Kennedy-Murray class size amendment. Before the class size issue came to the fore, Democrats succeeded in strengthening the accountability provisions of the bill and providing additional protections for very high-poverty schools. The last (and most) significant issue is class size. (Although Democrats have offered other amendments, including some on dropout prevention and afterschool programs, Senator Daschle is trying hard to focus the message and debate on class size, lest Democrats appear simply obstructionist.) Secretary Riley and Senators Daschle, Kennedy, and Murray held a press conference Friday to urge the Republican Leadership to allow an up-or-down vote on a class size amendment; we released a statement from you at that event, and your radio address this weekend will serve to amplify this message. Secretary Riley and Bruce have met several times with the major education groups, which are now working hard to put pressure on Republicans. The Vice President probably will make a statement prior to the cloture vote on Monday, either at the White House or in a meeting on the Hill that Daschle, Kennedy, and Murray are holding with education groups.

4. Education – Individuals with Disabilities Education Act (IDEA): We and Secretary Riley agreed to postpone issuance of the Education Department's new IDEA regulation until this coming Friday to give us more time to conduct outreach to Governors and other state officials. Bruce and the Secretary will participate in a conference call with Governors Carper, Leavitt, and Dean (and possibly others) this Tuesday. The postponement also should prevent any dovetailing of the regulation with the current Ed-Flex debate. Even without the regulation as a

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catalyst, Republicans may second-degree Democratic amendments (including on class size) with proposals to increase support to the states for special education programs.

In a decision that may further exacerbate the simmering IDEA controversy, the Supreme court held 7-2 last week that the statute requires school districts to provide children with any health services necessary for the children to attend school, as long as the services need not be administered by a doctor. The case involved a quadriplegic student who needs assistance during the day to clear his tracheotomy tube and maintain his ventilator. The Justice Department filed an amicus brief on the side of the student, setting out the Education Department's longstanding interpretation of the statute. The costs of this decision to local school districts may not be exorbitant: only a couple of thousand students across the country need the kind of "high-end" health services involved in this case; fewer than 20,000 need any kind of health services covered by this decision; and Medicaid appropriately covers many of these students and services. The decision, however, may fuel growing public concerns about the costs of complying with IDEA. At the same time, it may intensify worries among Congressional authorizers that states are inappropriately tapping into Medicaid (e.g., for non-health services) to pay for special education programs. At a meeting at the White House yesterday, HHS and the Education Department agreed to release a joint letter explaining the scope of the decision and noting the potential for -- but also the limits of -- Medicaid funding.

5. Health Care -- Regulation on Over-the-Counter Drugs: The Vice President will join Secretary Shalala and FDA Commissioner Henney on Thursday to unveil a new FDA regulation requiring that labels on over-the-counter drug products have a standardized format and large print, which will assist consumers to understand product warnings and comply with dosage guidance. Both consumer advocates and physician and other provider groups will praise this regulation, and even product manufacturers will acknowledge its usefulness. Studies indicate that people often have difficulty determining the correct dosage of over-the-counter medications, and that many of the elderly, who use significantly more over-the-counter drugs than others, have trouble reading the small type on product labels. This regulation will be an effective step toward preventing the thousands of hospitalizations each year caused by misuse of over-the-counter medications.

Good

6. Health Care -- Medicare Commission: Senators Kennedy and Rockefeller and Congressmen Dingell and McDermott were pleased with the meeting on the Medicare Commission that you had with them on Thursday -- particularly with your understanding of the shortcomings of the Breaux plan and your commitment to inform them of any alternative Administration proposal. As you no doubt could tell from the meeting, base Democrats will express strong opposition to virtually anything that comes out of the Commission.

Laura Tyson and Stuart Altman held another meeting on Friday with Senator Breaux, Congressman Thomas, and a number of other Republicans to discuss compromise options. Because it now seems impossible to reach agreement on any detailed plan, Breaux and Thomas tried to convince Stuart and Laura to vote for a report that suggests agreement on a set of general

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propositions. Laura and Stuart rejected this approach for fear that Republicans would draft flawed legislation, ostensibly based on the report, and portray Laura and Stuart as having endorsed it. But Laura and Stuart are considering two other options. The first option is to vote for the Commission report (thus giving the Commission the 11 votes necessary to issue it), but insist on detailing in the report their objections to the Commission's proposal and their recommendations for making it acceptable. The second option is to vote against the Commission report, but issue a public statement (because Commission rules do not allow for minority views) that explains why they chose to vote against the proposal and outlines the approach to Medicare reform that they believe is desirable. Laura (and to some extent Stuart) are leaning toward the first option; they believe this option is more likely to provide momentum for Medicare reform, which they see as their first priority. Both Laura and Stuart understand, however, that the press will focus on the Commission's ability to report out premium support and other controversial reforms, and will overlook or minimize their detailed objections. For this reason, they have made no final decisions and wish to discuss these options further next week.

Podesta [illegible] try to make the call

7. Crime – Community Prosecutors: Deputy Attorney General Holder plans to use his morning press availability on Thursday to highlight the community prosecutors portion of your 21st Century crime bill, which we plan to send up to the Hill later this month. As you know, your FY 2000 budget includes $1 billion over the next five years for this proposed new program to hire and train community prosecutors. As the former U.S. Attorney for the District of Columbia, Holder helped to launch one of the first successful community prosecution programs, and he is personally committed to building public and congressional support for this initiative. On a related note, in testimony before the House Committee on Government Reform on Wednesday, Mayor Giuliani expressed support for community prosecution programs.

we must get ahead of this story

8. Crime – Police Brutality: We and Chuck Ruff are sending you a separate memo this weekend detailing a proposed course of action and set of policy initiatives to address the issue of police misconduct. As you may have seen in Saturday's newspapers, the U.S. Commission on Civil Rights voted 3-2 to investigate police practices and police-community relations in New York and other, as yet unspecified cities.

9. Crime – VAWA Decision: As you may also have seen in the paper today, the en banc Court of Appeals for the Fourth Circuit invalidated the part of the Violence Against Women Act that permits victims of rape and domestic violence to sue their attackers for violating their civil rights. The Court held that neither the Commerce Clause nor the Fourteenth Amendment gave Congress the authority to pass the law: in the Court's view, "such a statute . . . simply cannot be reconciled with the principles of limited Federal Government upon which this nation is founded." The ruling means that in Virginia, Maryland, West Virginia, and the Carolinas, victims of rape and domestic violence will be able to sue their attackers only under state tort laws and in state courts. We and Chuck will talk with the Justice Department about filing a cert petition to seek Supreme Court review.

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10. Welfare Reform -- Cuts in TANF Block Grant: As you know, the Senate Appropriations Committee last week proposed paying for part of the emergency supplemental by cutting $350 million in TANF block grant funding in FY 1999. (Of course, there are also numerous other objectionable offsets in the bill.) Although the bill would restore the cut in later years, this provision would establish a precedent of raiding TANF to pay for other measures. The governors will oppose the cut strongly, claiming it breaks Congress's commitment in 1996 to provide five years of full block grant funding. Some in Congress will defend the cut by pointing to unobligated balances in the TANF program. State data compiled by HHS (but not yet released) show that in FY 1998, states spent or obligated 84 percent of the $16.5 billion TANF block grant, leaving $2.7 billion or 16 percent unobligated. There is considerable state variation -- 19 states have obligated all their FY 98 funds, while 12 states account for three-quarters of the unobligated balances. We will provide you with a more complete report on these trends in a separate memo. For now, we note only that unobligated balances may result from sensible decisions by states to put off allocation of some TANF funds until they fully implement their welfare reform programs and/or they begin to experience an economic downturn. We are fearful that agreeing to cuts in TANF will undercut welfare-to-work efforts just as work requirements increase and the caseloads become more concentrated with the hardest-to-employ recipients.

not sure exp. in light of state position on tobacco

11. Immigration -- Report on Declining Use of Public Benefits: The Urban Institute will issue a report on Monday showing that between 1994 and 1997, use of public benefits by noncitizen families declined more than use of such benefits by citizen families. The study found that receipt of cash benefits (AFDC/TANF, SSI, and state-funded general assistance) by noncitizens declined 35 percent, while use by citizens declined only 15 percent. Similarly, the study found that use of Medicaid and Food Stamps declined 22 and 30 percent, respectively, among noncitizens, but only 7 and 21 percent among citizens. The report concludes that because most legal immigrants were still eligible for federal and/or state benefits through 1997, the difference in take-up rates was due to the welfare law's "chilling effect" -- i.e., misunderstandings about new eligibility rules and/or fear that receipt of benefits would adversely affect immigration status. We have been working closely with the Department of Justice and HHS on these issues, and we expect to issue guidance this month on the use by noncitizens of public benefits. The guidance will include a resolution of the "public charge" issue -- i.e., the question of when the receipt of public benefits renders a noncitizen a "public charge," so as to affect his or her ability to reenter the country -- that we expect immigrant advocates to greet warmly. In addition, of course, we will continue to press for our budget proposals to restore additional health, nutrition, and disability benefits to vulnerable legal immigrants.

12. Civil Rights -- Report on Paired Testing: The Urban Institute also issued a report last week on the usefulness of paired testing to combat discriminatory practices. As you know, "paired testing" programs use two individuals similar in all relevant characteristics except racial or ethnic background to check for discrimination. Paired testing is now used primarily in the housing area, and your budget includes $7.5 million to expand HUD's current testing program. The Urban Institute report recommends extending the use of paired testing in other settings, such as the workplace. The EEOC conducted a pilot project two years ago on paired testing in the employment context, but is still in the process of evaluating the data. When Republicans objected to the pilot project during last year's appropriations battles, the EEOC agreed not to do any testing this year -- which it was not planning to do anyway, given the unfinished evaluation -- in exchange for significantly increased funding for its general activities. We expect to face this issue again in this year's appropriations bill.

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THE WHITE HOUSE

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March 1, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. **Health Care -- Prescription Drug Benefit:** Senator Breaux is talking with Laura Tyson and Stuart Altman about incorporating a prescription drug benefit into his Medicare proposal, but they remain far from reaching any agreement. Laura and Stuart are demanding that the benefit be available to all Medicare beneficiaries, whereas Senator Breaux is limiting the benefit to beneficiaries in private health plans plus (perhaps) low-income beneficiaries in the fee-for-service program. Laura and Stuart have pointed out that Breaux's approach would fail to provide millions of beneficiaries in rural and other areas that will not attract private health plans with any access to a drug benefit; the two also believe that effective price competition between the fee-for-service program and private plans can occur only if they offer the same benefits. In response to Breaux's request, Laura and Stuart are developing their own drug benefit proposal; we expect the plan to offer an optional benefit with a 50 percent subsidy of the premium (as compared to the normal 75 percent subsidy), a $300-500 deductible, and a 25 percent copayment. You should be aware that your comments last week about prescription drug benefits made many Democrats fearful that you would endorse the Breaux approach to this issue. (You seemed to indicate that not all beneficiaries needed to have access to this benefit.) In response to questions, we construed your remarks as meaning only that the benefit should be optional, so that beneficiaries who already have good drug coverage could decline it.

2. **Crime -- Assault Weapons Report:** The Justice Department released on Monday a report from the National Institute of Justice on the impact of the 1994 assault weapons ban. The report's findings are limited because of a short study period, but are generally quite encouraging. The study estimates that murder rates declined by 6.7 to 10 percent in the year following the ban's enactment after controlling for other factors, such as pre-existing state assault weapons bans, juvenile handgun bans, California's three-strikes law, and New York's quality-of-life policing. The study also indicates that criminal use of assault weapons decreased by 20 percent in the first year after the ban (as compared with 11 percent for all guns), as reflected in declining law enforcement requests for ATF traces. Finally, the report notes that no police officers died as a result of assault weapons in the year after the ban, while such weapons were involved in 16 percent of all killings of police the year before. The report notes, however, that such police killings are extremely rare to begin with and that it is difficult to draw firm conclusions about this data.

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3. Crime -- Diallo Shooting: You asked last week about the recent shooting of Amadou Diallo. Four white officers of the New York City Police Department shot Diallo, an immigrant from Guinea, in front of his apartment building in Harlem. A total of 41 shots were fired, and Diallo died at the scene. The officers did not find a weapon on or near Diallo. The four officers were part of a specialized street crime unit reportedly searching for a serial rapist. The Department of Justice's Civil Rights and Criminal Divisions, the FBI, and the U.S. Attorney for the Southern District of New York are all working closely with the Bronx District Attorney's Office on the investigation; in addition, the Community Relations Service has conducted conciliation services in the neighborhood. The Department is also now considering whether to expand an ongoing investigation of whether the New York Police Department has engaged in a "pattern or practice" of police misconduct; the U.S. Attorney for the Eastern District of New York is leading this inquiry, and the City is cooperating with it. Finally, we are working with the Justice Department to develop a set of policy initiatives addressing this issue, mostly involving police recruiting and training, for inclusion in the crime bill we will unveil later this month. We are attaching an op-ed by Bill Bratton, which appeared in the New York Times this weekend, offering a similar set of proposals.

Good

4. Education -- NAEP Reading Scores: The National Center for Education Statistics will release on Thursday a report showing state-by-state reading scores on NAEP between 1994 and 1998. As you recall, the Vice President and Secretary Riley recently announced the national scores from this report, which showed small but statistically significant gains in reading among 4th, 8th, and 12th graders. The state-by-state data is still being compiled, but the Education Department expects that most states will show improvements during this four-year period. Secretary Riley will hold a press conference in Washington, D.C. to highlight the results, and the Vice President will highlight New York and Connecticut scores in an event in New York City.

5. Education -- Report on Title I: The Department of Education released on Monday a Congressionally mandated report on the Title I program. The report found that academic achievement in high-poverty schools has improved, largely as a result of reforms made in the 1994 ESEA reauthorization: for example, math scores for fourth graders in the highest-poverty schools have improved by almost one grade level, and reading scores for those students have also improved significantly. The report found, however, that a substantial gap between high-poverty schools and other schools remains: the percentage of high-poverty 4th grade students who met the basic performance level was only about half the national rate on NAEP reading tests and two-thirds the national rate on NAEP math tests. We released a statement from you welcoming the positive results, but urging stepped-up efforts to improve these schools, in particular by passing your Education Accountability Act and class size initiative.

6. Welfare -- Working Families in Poverty: The research group Child Trends issued a report on Thursday on working poor families. The report, based on 1996 census data, found that children of working parents were seven times less likely to be poor than children of non-working parents. Only 9 percent of children whose parents work were poor, compared to 63 percent of children with non-working parents. The report also found, however, that work does not guarantee an escape from poverty: the study found that fully 35 percent of poor children have working parents. In making this calculation, the report used the official measure of poverty, which does not include as income the Earned Income Tax Credit or non-cash supports such as Food Stamps. Many analysts have pointed out how EITC and Food Stamps provide families with resources to move above the poverty line. The CEA has reported that the EITC lifted 4.3 million people out of poverty in 1997 and that over half the decline in child poverty between 1993 and 1997 resulted from changes in the EITC and other taxes. The Center on Budget and Policy Priorities has calculated that a family of four can reach the $17,100 poverty line through a full-time minimum wage job ($9,800), the EITC ($3,700), and Food Stamps ($3,600).

7. Community Empowerment -- Yankee Stadium: As you requested, we contacted Congressman Rangel about his interest in preserving Yankee Stadium and keeping the Yankees in the Bronx. Rangel appears to want help in identifying funds to improve transportation access (both highway and rail links) to the stadium and promote commercial development in the surrounding area. He is not asking for funds to help rehabilitate the stadium. We will discuss with OMB, NEC, and HUD how we can best address this request.

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February 20, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Education -- Ed-Flex Bill: Senator Lott intends to bring the Ed-Flex bill to the floor within the next two weeks to secure a quick victory on education for the Republicans. (You will hear a lot about this bill from the governors when you meet with them on Monday; your briefing materials for the NGA roundtable include talking points on Ed-Flex, as well as on education accountability and tobacco recoupment.) Hill Democrats are generally unenthusiastic about Ed-Flex, although most -- especially in the Senate -- have resigned themselves to voting for it. Their -- and our -- goals for the Ed-Flex debate are (1) to strengthen the bill's accountability provisions, and (2) to put the Republicans to a tough vote on class size reduction. We are working with Senator Kennedy on an accountability provision that will require states to assess the impact of education waivers and to change or discontinue those that are not working; we hope to get bipartisan support, including from the bill's sponsors, for this provision. At the same time, we are working with Kennedy and other Senate Democrats on an amendment to authorize our class size reduction initiative for seven years. If we can attract enough Republican votes to pass this amendment, we can convert an intended Republican victory into a huge win for our own education agenda. And even if we fail in this objective, we can use the amendment to emphasize the difference between the two parties when it comes to supporting needed school improvements.

2. Health -- Children's Health Insurance Outreach Event: You and the First Lady are currently scheduled to participate in an event on Tuesday to highlight new initiatives designed to identify and enroll the over 5 million children who are eligible for but not yet enrolled in CHIP or Medicaid. You will unveil a new national toll-free number (1-877 KIDS NOW) for children's health outreach; a major media campaign, which includes the airing of PSA's on NBC, Univision, and Black Entertainment Television and radio advertisements in the 47 states with CHIP programs; a number of private sector commitments, such as Safeway's agreement to print the new 1-800 number on all its grocery bags; and the next generation of efforts by your Federal Interagency Task Force on Children's Health Outreach. Governors Carper and Leavitt, the chair and vice chair of the NGA, will join you at this event.

3. Health -- Jeffords-Kennedy Bill: The Jeffords-Kennedy-Roth-Moynihan Work Incentives Improvement Act continues to gain bipartisan support in the Senate, and the Labor and Human Resources Committee plans to mark up the bill on March 4. The bill is also attracting bipartisan interest in the House, although it is still unclear who will emerge there as the lead sponsors. Given the broad support for this legislation, your advisors agree that you should urge prompt passage of the bill when you meet with the Congressional leadership this week.

4. Health -- Stem Cell Research: Secretary Shalala will testify next week about her Department's legal ruling that the ban on federal funding of human embryo research does not apply to stem cell research. The Secretary has received two harsh letters on this subject from pro-life members of Congress -- the first from 70 House members and the second from seven Senators (Ashcroft, Brownback, Enzi, Helms, Kyl, Nickles, and Smith). The House letter characterizes the HHS legal opinion as "a carefully worded effort to justify transgressing th[e] law" and charges that the definition of an "embryo" used by HHS (cells that can develop into a human being if implanted in the womb) is encouraging researchers to engineer lethal defects in embryos to avoid the congressional ban. The disease and patient advocacy community strongly supports our interpretation of the law. Senator Spector and Congressman Porter support the result -- federal funding of stem cell research -- but have doubts as to whether current law allows it. They have expressed interest in developing new legislation that would explicitly authorize federal funding of stem cell research subject to certain safeguards. Secretary Shalala will testify that no new legislation is necessary, but we are drafting appropriate statutory language in case we later need it.

5. Health -- Medicare Commission: Senator Breaux released on Thursday a preliminary CBO analysis of his proposal to adopt a premium support model for Medicare. Although the CBO admitted that it lacked "specifics on many aspects of [the] proposal," it praised Breaux's general approach, saying it would foster competition, increase choice, and reduce costs. Breaux will trumpet this analysis in the coming week, as the Democrats on the Commission meet on Tuesday and the full Commission meets on Wednesday. The other Democrats (except for Senator Kerrey) will continue to raise concerns about the Breaux proposal and to insist on a plan that uses surplus funds, guarantees a defined benefit package, and provides a good prescription drug benefit. As you know, the Commission is scheduled to report on March 1, but Senator Breaux raised the possibility last week of extending the deadline.

6. Crime -- **Gun Tracing Initiative:** The Treasury Department will release on Sunday its second report on the Youth Crime Gun Interdiction Initiative (YCGII) now underway in 27 cities, as well as announce the extension of this initiative to ten more cities. As you know, this initiative is designed to fight gun trafficking by collecting and analyzing information about guns used in crimes ("crime guns") and then recovered by law enforcement officers. (In addition to using this information for law enforcement purposes, some of the cities filing lawsuits against gun manufacturers and dealers have relied on ATF's gun tracing data.) The new report finds that: (1) about eight of ten crime guns recovered and submitted to ATF for tracing were handguns; (2) over 11 percent were recovered from juveniles, and almost a third (32.4 percent) were recovered from 18-24 year olds; and (3) between 25 and 36 percent of the firearms

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recovered from juveniles and between 32 and 49 percent of the guns recovered from 18-24 year olds were bought legally less than three years before their recovery, indicating a significant and rapid diversion of legally purchased guns to an illegal market involving children and youth. Your new budget will enable Treasury to extend its gun tracing program to New Orleans, LA; Oakland, CA; San Francisco, CA; Dallas, TX; Tampa, FL; Charlotte-Mecklenberg, NC; Louisville, KY; Portland, OR; Omaha, NE; and Denver, CO.

7. Welfare Reform – Urban Caseload Trends: A Brookings study released last week on welfare trends in the nation's 30 largest cities shows that caseloads are declining rapidly in these cities, although the rate of decline in some cities lags behind the overall rate of decline in their states. Welfare rolls in the 30 largest cities declined by 35 percent between 1994 and 1998, while caseloads declined by 44 percent in their respective states. As a result of these different rates of decline, the share of state caseloads attributable to these 30 cities grew from 45 to 53 percent. Not all the states involved in the study, however, experienced this greater concentration of welfare recipients: nearly one-third saw no change in concentration and one-quarter saw declining concentration. Cities with the fastest caseload decline (over 50 percent) included Milwaukee, Jacksonville, Denver, and Portland, while cities with the slowest caseload decline (between 18 and 26 percent) included Los Angeles, El Paso, Philadelphia, and New York. Not surprisingly, slower rates of caseload decline were closely correlated with higher levels of poverty. The Brookings report recommends additional welfare-to-work funding for the cities and highlights our Welfare-to-Work program as an important source of these funds.

+ Chicago
we need to work on this.

8. Children and Families – Foster Care: Congressman Cardin, the ranking Democrat on the House Ways and Means Subcommittee on Human Resources, introduced legislation last week to provide additional support to the nearly 20,000 young people each year who "age out" of the foster care system. As you know, your FY 2000 budget provides nearly $300 million over five years in enhanced support for these young people. The Cardin legislation differs somewhat from our proposal and will likely cost more, but our goals are similar and we will work closely with Cardin over the coming months. The Chair of the Subcommittee, Nancy Johnson, shares an interest in this issue and plans to hold a hearing on March 9.

9. Consumer Protection – Child Car Seats: You are tentatively scheduled to use next week's radio address to announce a final rule on child safety seats in cars and light trucks. (You announced the proposed rule in February 1997.) The rule will ensure that by 2002, all new child safety seats will be equipped with three standard attachments -- one on top and two at the base -- and all new cars and light trucks will be equipped with standard anchors in the back seat linking to these attachments. The Department of Transportation estimates that this rule will prevent as many as fifty child deaths and 18,000 child injuries each year.

THE WHITE HOUSE

WASHINGTON

February 12, 1999

2-16-99

Copied:
Reed
Kagan
Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. **Tobacco -- Record Verdict:** A jury in San Francisco awarded a former smoker $1.5 million in compensatory damages and $50 million in punitive damages in her lawsuit against Philip Morris Co., the largest award ever in a suit filed by an individual smoker. The verdict sent tobacco stocks reeling, and stunned tobacco analysts who considered this a relatively weak case. This award could open the floodgates to similar claims against tobacco companies and may increase the pressure on the tobacco industry to settle the federal claims being brought by the Justice Department.

2. **Crime -- NY Gun Verdict:** On Thursday, a jury in the Federal District Court in Brooklyn found 9 gun manufacturers collectively liable for shootings with illegally obtained handguns due to their negligent marketing and distribution practices. The case, Hamilton v. Accu-Tek, represents the first time a jury has found gun makers liable on a theory of negligent distribution. The suit was brought on behalf of 6 homicide victims and a severely wounded teenager, all of whom were shot with illegally obtained handguns. The plaintiffs argued that gun manufacturers oversupply the market in southern states with weak gun laws, enabling traffickers to move guns up the "iron pipeline" to New York. Even though the plaintiffs could not prove which manufacturers' guns were used in any of the specific incidents, they argued that the defendants marketed and distributed handguns so negligently that they contributed to the illegal gun trafficking that ultimately resulted in the shootings. Of the more than 25 gun manufacturers named as defendants, the jury found 15 negligent but only 9 liable for any of the shootings. However, the jury awarded damages only to one plaintiff -- the surviving teen -- in the amount of $3.95 million, of which he is expected to collect about $500,000. The Justice Department is currently reviewing the details of this decision, and we intend to meet with them soon to discuss its implications on similar lawsuits recently filed by New Orleans, Chicago, and other cities.

3. **Health Care -- Ganske HMO Bill:** On Wednesday, Rep. Ganske and 10 other Republicans introduced a new version of the Patients Bill of Rights, which denies access to punitive damages for individuals suing plans for actions that result in harm. Although there were other modest changes to the underlying bill, the legislation effectively retains the core protections that Rep. Dingell has been advocating. Ganske and Dingell are contemplating a

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joint press conference after the recess to highlight the similarities of the two bills and to underscore their belief that a compromise is easily within reach that can attract far more than the 218 votes necessary in the House. In the Senate, however, any bill will have a much lower threshold of protections. Our strategy should be to expedite House action in order to influence the Senate bill.

4. Health Care -- Medicare Prescription Drug Benefit: Chris Jennings reports that an internal committee of the Pharmaceutical Research and Manufacturers Association (PhRMA) will recommend that the association endorse the development of a Medicare prescription drug benefit that would be administered privately. This recommendation apparently will be forwarded to PhRMA's Board of Directors this week, and they may endorse the proposal as early as Thursday of next week. If true, such an endorsement will increase momentum for the inclusion of a prescription drug benefit in any Medicare Commission recommendation. On Wednesday, Rep. Allen and 65 Democratic cosponsors introduced legislation that allows pharmacists to provide prescription drugs to Medicare beneficiaries at Federal supply schedule prices, creating a system similar to the one used by the Veterans Administration. Chris believes that despite the fact that the drug industry can defensibly label this as something very close to price controls, the bill will provide pressure to move forward with a more realistic Medicare drug benefit. Chris is also hearing that some Republicans, like Senator Roth, are also interested in a Medicare drug benefit for all beneficiaries.

5. Children and Families -- FMLA Verdict: Kevin Knussman, a Maryland state trooper who was denied the right to take 12 weeks of paternity leave, won a $375,000 jury verdict against the state of Maryland. You met Knussman in August 1995, and the First Lady wrote about his story in *It Takes A Village*. A state trooper for 18 years, Mr. Knussman needed to take 12 weeks of family leave when his first daughter was born in 1994, but his employer allowed him only 2 weeks because he was a man. The jury found that this conduct violated the FMLA and constituted unlawful sex discrimination under Title VII. Maryland is expected to appeal.

6. Welfare Reform -- Elaine Kinslow: You recently asked about a news story noting that Elaine Kinslow, the welfare-to-work success story from Indianapolis you saluted in last year's State of the Union, had to change jobs when her employer lost its government transportation grant. We have been in communication with that company, Pathfinder Transportation Service, many times over the past year. As you may recall, Pathfinder ran a van service for welfare recipients going to work, but lost its contract when the state decided not to use state funds for this purpose and wrongly contended that federal rules prevented the use of TANF funds. To correct this misunderstanding, we worked with HHS, Labor, and DOT to issue official joint guidance last spring explaining how TANF and other federal resources can be used to address transportation challenges for people moving from welfare to work, and made sure Pathfinder as well as the right Indiana state officials received copies. You sent a letter to every governor stressing the importance of investing TANF savings in transportation, child care, and other services. Despite this information, Indiana decided not to

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continue the contract with Pathfinder. However, Pathfinder does receive funds from local employers and job placement agencies, and is part of an Indianapolis consortium applying for a federal Access to Jobs grant that DOT will consider this spring.

7. **Welfare Reform -- Washington State:** A recent survey of individuals leaving welfare in Washington shows high rates of employment and earnings, even as caseloads continue to decline. Most people left welfare for employment (67%), with the next most common reasons being increased income through child support or SSI (9%), and conflict with program requirements (8%). Seventy-one percent of those who left the rolls between April and August 1998 were still working when they were surveyed in the Fall of 1998, at an average wage of over $8 an hour. Washington systematically contacts people once they've gone to work to help them find opportunities to increase their skills through short-term community college courses or other training and to find better jobs. The state also is investing TANF savings in extensive supports for working families, and recently reallocated TANF funds to increase reimbursement for child care providers who accept infants or provide care during non-standard hours.

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Bruce,

DPC Weekly report

THE WHITE HOUSE

WASHINGTON

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THE PRESIDENT HAS SEEN
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January 9, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

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Waldman

1. **Health Care – Disability Package:** You are scheduled to participate in a bipartisan event on Wednesday to unveil the Administration's new work incentives initiative for individuals with disabilities. Your package, which costs $1.7 billion over five years, includes funds for: (1) the Jeffords-Kennedy Work Incentives Improvement Act, which would allow working people with disabilities to buy into Medicaid (at the states' option) and Medicare; (2) a new tax credit for work-related expenses of disability, such as transportation and personal assistance services; and (3) a program to help fund the development and dissemination of new assistive technologies for people with disabilities. Your proposal will receive strong support from the disability community. The package also should attract strong bipartisan interest in Congress, giving us an excellent chance of enacting Jeffords-Kennedy and the other components of the initiative this year.

2. **Health Care – Medicare Managed Care:** As required by the Balanced Budget Act, HCFA will announce by Friday a plan to implement a risk adjustment payment mechanism for Medicare managed care plans. This payment mechanism is meant to ensure accurate reimbursement by increasing compensation for plans serving disproportionately sick patients and lowering compensation for plans serving disproportionately healthy beneficiaries. Because current data indicate that HMOs are attracting fairly healthy patients, the implementation of this new system would reduce payment rates to most Medicare managed care plans, in many cases by as much as 15 percent in 2000. Managed care providers are now warning that the system would drive many participating plans out of the Medicare program, adding to the problems caused by last year's HMO withdrawals. In light of this danger, we have decided to use our administrative authority to phase in the risk adjustment payment mechanism over a five- to six-year period; we are also in the process of developing additional policies (in the nature of both carrots and sticks) to minimize the likelihood of plan withdrawals. The delay in full implementation of the risk adjustment system will save the industry hundreds of millions, if not billions, of dollars. We expect, however, that the industry will petition Congress for further redress, up to and including repeal of the system.

3. Health Care – Medicare Commission: As the Medicare Commission nears its March 1 deadline, members are intensifying their efforts to come up with reform proposals and the press is paying greater attention to their progress. Most of the attention at last week's meeting focused on a "premium support" approach that Senator Breaux is pushing, but that most other Democrats on the Commission are now reluctant to embrace. "Premium support" is a term coined by Reischauer and Aaron to refer to models that have both a defined contribution and defined benefits. These models essentially guarantee a set of benefits, but limit government payment for those benefits in some way. The Commission's discussion of the premium support approach left many critical issues unresolved, and neither HCFA nor the CBO has yet scored these proposals. (HCFA hopes to complete its estimates within two weeks, while the CBO has declined to do any work for the Commission.) We took no position on the premium support ideas coming out of the meeting, noting that "the devil is in the details" and that we will be analyzing the ideas closely as the Commission gives them greater content. On a related issue, most Commission members now appear to agree that Medicare should include a prescription drug benefit, but have reached no consensus on its scope, design, management, or financing. (As you know, one critical question is whether all beneficiaries or only those in managed care should receive this benefit.) Finally, virtually all members now privately acknowledge (and Bruce Vladeck said publicly last week) that significant new revenues will be needed to extend the life of the Trust Fund.

4. Education -- Education Week Report: In its annual "Quality Counts" report, released last week, Education Week focused on how states are (or aren't) holding schools, educators, and students accountable for results -- and in so doing, provided strong support for our ESEA proposals. The report demonstrates that although states are beginning to adopt accountability measures, relatively few are using the full set of measures needed to ensure high-quality performance. According to the report, 36 states issue report cards for each school, but only 26 place them on the internet and only 13 send them directly to parents. Perhaps even worse, only 19 states publicly identify and provide assistance to low performing schools; of these, 18 have the ultimate power to take over, reconstitute, or close down failing public schools, but only three (New York, Oklahoma and Texas) actually have applied this sanction (to a total of 55 schools). Only 19 states provide rewards to successful schools, with only fourteen giving such schools additional money. And only five states have what the report considers a comprehensive system for holding schools accountable for results -- school report cards and ratings, monetary rewards for success, and graduated sanctions for failure, up to and including reconstitution or closure. Significantly, other studies have shown that two of these five states -- North Carolina and Texas -- can boast the largest overall gains in student achievement and the greatest success in closing the achievement gap between minority and majority students. As you know, our ESEA proposal essentially would require states to adopt and carry out this set of accountability measures, as well as a number of others focusing on ending social promotion and ensuring teacher quality.

cc Bruce / M Waldman
might want to cite some of them —

THE PRESIDENT HAS SEEN
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5. Crime – 21st Century Policing Initiative: You are scheduled to participate in an event on Thursday to unveil the 21st Century Policing Initiative contained in the FY 2000 budget. This $1.275 initiative includes (1) $600 million to continue to hire and redeploy police officers; (2) $300 million for new crime-fighting technology, such as crime mapping systems; (3) $200 million to hire community prosecutors; and (4) $125 million for innovative community crime prevention programs. In addition, you can release new data from the National Crime Victimization Survey showing continued declines in crime in the first six months of 1998.

6. Crime – Victims Assistance: The Vice President will announce next week the release of over $300 million from the Crime Victims Fund to provide assistance for victims. These funds help to support nearly 3,000 victims' service agencies nationwide, including domestic violence shelters, child abuse and sexual assault programs, and programs to assist survivors of homicide. Money in the Crime Victims Fund comes exclusively from fines paid by criminal offenders, collected by U.S. Attorneys, federal courts, and the Bureau of Prisons. All 50 states will receive funding, including: $43 million for California; $17 million for New York; $23 million for Texas; $15 million for Florida, $12 million for Illinois, and $3 million for Arkansas.

7. Crime – Prisoners Report: The Justice Department will release a report on Sunday indicating that prisoners, and particularly violent offenders, are serving out more of their sentences. The Bureau of Justice Statistics report, *Truth in Sentencing in State Prisons*, indicates that by the end of 1998, 27 states and the District of Columbia required violent offenders to serve at least 85 percent of their prison sentences -- up from five states in 1993. An additional 13 states have adopted truth-in-sentencing laws requiring violent offenders to serve some substantial portion of their sentences before becoming eligible for release. As you know, the 1994 Crime Act provides additional prison construction funds to states that adopt the 85 percent standard, and the Justice Department has awarded over $1.3 billion to states through this incentive grants program. The average time served by released violent offenders (those convicted of murder, rape, robbery, or aggravated assault) increased from 43 months in 1993 to 49 months in 1997. In addition, the release rate among murderers was cut in half between 1990 and 1996 -- from 10 percent to five percent of all murderers.

8. Welfare – Work Participation Data: We released two weeks ago the first work participation data under the welfare reform law, which was better than anyone had expected. All 36 states (plus the District of Columbia) subject to participation rates in FY 1997 met their target. The data showed that 28 percent of all adults on welfare participated in a direct work activity (employment, work experience, or community service) or another welfare-to-work activity (job search or vocational education). The data also showed that the percentage of welfare recipients in a direct work activity tripled since 1992.