State of the Union – Policy & Theme Memos

Revisions marked

December ~~12~~ 13, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING

CC: JOHN PODESTA

SUBJECT: THEMES AND PROPOSALS FOR THE STATE OF THE UNION

This memo outlines three things: first, the overarching theme we propose for the State of the Union; second, the big ideas initiative that we believe should be the centerpiece of the speech and the budget; third, the eight signature policies that comprise the big ideas package.

I. THEME: RESPONSIBILITY FOR THE FUTURE

The theme we recommend for the State of the Union is "Responsibility for the Future." This theme brings together all the major elements of your agenda: strengthening Medicare and Social Security, and reducing the debt; investing in and reforming public education; bridging the digital divide; investing in scientific research; protecting the environment; promoting peace around the world; and closing the opportunity gap.

"Responsibility for the Future" reinforces both liberal convictions about equity (leave no one behind) and Third Way sensibilities about accountability (let no one fail to do his part). It is consistent with your longstanding theme of "responsibility, opportunity, and community," and sets forth a powerful message that will resound long after we're gone. The country has come a long way these seven years, enabling us to turn even more to challenges of the next generation.

II. BIG IDEA: CLOSING THE OPPORTUNITY GAP

We believe your big idea for the budget and the State of the Union should be an initiative to close "~~Closing~~ the Opportunity Gap." ~~Initiative.~~ It is a package of eight signature ideas ~~proposals~~ described in the next section, and would highlight three or four major budget pieces. We had considered other labels for this initiative ("Leaving No One Behind," "Every Child's Initiative," and "Education First") but advocate "Closing the Opportunity Gap" because it shows continuity with your core philosophy and values, suggests a sweeping challenge worthy of a sweeping response, and provides a framework that will energize the entire economic and domestic team, from Summers and Herman to Shalala, Riley, and Cuomo.

AN OPPORTUNITY AGENDA

III. EIGHT SIGNATURE ELEMENTS OF ~~"CLOSING THE OPPORTUNITY GAP"~~

Your final State of the Union should be more than a laundry list of worthy ideas (although we provide, for reference, such a list in three longer memos which are attached). Here, we outline a package of signature "Opportunity ~~Gap~~ Agenda" proposals. These proposals represent the core of your domestic vision; they are ambitious ideas that will stick in the public mind. They are bold enough to show that your imperative is action, and appealing enough to stand a chance of enactment this year. Together, they give purpose and principle to your final year's agenda.

The "Opportunity ~~Gap" initiative~~ Agenda consists of eight proposals: 1) universal pre-school to give all poor children a smart start; 2) universal after-school to help kids meet high standards; 3) a plan to turn around every failing school over the next decade; 4) measures to bridge the digital divide; 5) a set of new steps to help low-income students get into college and complete a degree; 6) proposals to encourage absent fathers to take responsibility for the support and love they owe their children; 7) a new bargain of tax cuts and other measures to reward work and family; and 8) a major expansion of New Markets to help all communities share in economic prosperity.

1. Early Childhood/Universal Pre-School. With a significant down payment in the FY2001 budget, you can lay the groundwork for achieving a goal that you, the Vice President, and the First Lady have talked about for some time: *universal access to pre-school for every 4-year-old in America*. There are a number of ways to do this:

- *Dramatic increase in Head Start funding.* Could expand by $1 billion over FY '00, to expand Head Start from 880,000 children to nearly 1,000,000 in FY '01. A path for future fund increases to make Head Start universal could also be established.

- *Early Childhood Learning Fund.* A dramatic increase in the Early Childhood Learning Fund combined with a path for future increases. Could expand to $1 billion for FY 01 – a $400 million increase – and aim for $10-$20 billion over 10 years.

- *Child Care Initiative.* ~~This could be a major component of the Early Childhood/Universal Pre-School.~~ Our ~~initiatives~~ proposals to ~~increase~~ expand child care subsidies and tax credits could be a major component of this initiative. (See details under Rewarding Work and Family.)

2. Universal After-School. By doubling after-school funding in the FY 2001 budget (from $453 million in FY 2000 to at least $1 billion in FY 2001), you can meet an urgent goal, which is to *provide after-school and summer school to every student in a failing school.* You called on states and districts to end social promotion in this past year's State of the Union; this initiative will enable you to say we're giving them the resources to end social promotion the right way, and give every student in our worst schools the extra help they need. Over a ten year period, we can make after-school and summer school universal for every Title I school – and with a sliding scale for students above 200% of poverty, we could eventually make after-school available to every student. (Cost: $20-30 billion over 10 years).

3. Turning Around Every Failing School. To close the opportunity gap, we must close the achievement gap by focusing our efforts on the worst-performing schools. With a series of accountability and performance initiatives in the FY 2001 budget (and the after-school pledge

outlined above), you can credibly set forth an ambitious, defining goal for strengthening public education: *turning around or shutting down every failing school in America over the next decade.* In addition to doubling after-school funding, the key steps include: expanding your accountability fund; reaching your goal of 3,000 charter schools before you leave office; funding a new performance bonus to reward states and school districts for increasing their percentage of qualified teachers, adopting statewide accountability systems and school report card; and requiring universal public school choice for students in failing schools. We could also reintroduce a version of education opportunity zones. (Cost: $3-5 billion over 10 years).

4. Closing the Digital Divide. If we are to close the opportunity gap in the next century, we must do all we can to *address the emerging digital divide.* Key elements could include:

- *Community Technology Centers.* A more than four-fold increase in funding – from $32.5 million in FY 2000 to $132.5 million in FY 2001 – as part of a major challenge to have Internet centers in all poor communities. We could challenge the private sector to contribute hardware, software and man-hours – and possibly give them tax incentives to donate used equipment.

- *Develop Universal Internet Access.* Reserve a $100 million fund for public-private partnerships to bring affordable Internet access to poor families.

- *Teacher Training for the Internet.* We could dedicate $100 million – perhaps from the existing technology literacy challenge initiative – to ensure all new teachers, or all middle-school teachers, receive training in how to use computers as a learning device.

- *School Internet Modernization Fund.* A discretionary counterpart to our school construction proposal to modernize schools for new teachers and Internet access.

5. Closing the College Opportunity Gap and the Skill Gap. This element would focus on different aspects of closing the opportunity gap for college: helping more students aspire to and prepare for college, continuing to make college more affordable, and starting to address America's quiet crisis of declining college completion rates.

- *Keeping Students on Track to College.* We could increase access for impoverished young people through Youth Opportunity Grants, TRIO, GEAR UP, and Youth Build, increasing funding to a total of $500 million.

- *AP Courses Online.* Small and poor schools often lack the resources and teachers to offer challenging courses. This distance learning initiative aims to ensure that students in underserved areas get access to Advanced Placement and other high-quality academic courses and ESL programs online. Total funding for the initiative in FY2001 would be $225 million, including $50 million for grants, $25 million for course development, and $125 million in increases in existing programs.

- *Test Prep for Poor Kids.* This program would support partnerships among high schools, proven providers of college test prep courses (like Kaplan, Princeton

Review), and community-based organizations to offer high-need students SAT/ACT preparation and other services related to college admissions. Grants of $30 million would serve approximately 50,000 students.

- *Refundable Hope Scholarship and Pell Grant Increase.* Expanding the maximum Pell Grant from $3,300 to $3,500 would cost $766 million in FY 2001. A complementary proposal would be to make the Hope Scholarship refundable.

- *Challenging Students to Complete College.* The above initiatives could also be organized to promote not just going to college, but also completing college. In addition, a new initiative of College Completion Challenge Grants would provide grants to deal with college completion with a comprehensive program including, pre-freshman summer programs, support services and increased grant aid to students.

- *Enabling Disabled People to Work.* A~~n initiative~~ proposal for training and getting to work for disabled people could also fit within ~~Closing the College Opportunity Gap and the Skill Gap~~ this initiative.

6. Demanding Responsible Fatherhood. If we are going to close the opportunity gap, we must close the responsibility gap. Demanding and promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. Mothers should not bear the whole burden of welfare reform; *now we must make sure that every unemployed father who owes child support goes to work and provides that support.* To achieve this goal, we can: 1) focus the Welfare-to-Work program on putting low-income fathers to work, and propose that states use their welfare surpluses to require deadbeat fathers to work and pay the child support they owe; 2) propose new measures to collect more child support from parents who can afford to pay; 3) restore the child-support pass-through and revise outdated rules to ensure mothers and children receive more of the support the father pays; and 4) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society. (Cost: $100 million in discretionary costs in FY 2001 plus mandatory costs of $1.2 billion over 5 years and $2.6 billion over 10 years).

7. Rewarding Work and Family. You could propose *a new social contract for the working poor.* This element could be the organizing principle for further initiatives in housing, expanding health care coverage, and rewarding work through EITC expansion.

- *Child Care Block Grant in Discretionary Budget.* We stand a better chance of increasing child care subsidies poor if we move it to the discretionary side.

- *Expanding Housing Vouchers.* Expand to 100,000 housing vouchers in FY 2001, with a goal of 500,000 vouchers by the fifth year. With such a plan, you could realistically propose that within a decade, no poor family will be trapped in the projects. (Cost: $3-6 billion over five years, $10-15 billion over ten).

- *Expanding Health Coverage.*

  - *Extend CHIP to Parents.* Would provide states with the same incentives to cover parents as children under Medicaid and the Children's Health Insurance Program (CHIP). Costs range from $5 to $18 billion over 5 years.
  - *Outreach to Enroll Uninsured Children in Medicaid.* This could be done through school-based outreach at a cost of about $3 billion over 10 years. Another idea would be to simplify and unify the eligibility rules for Medicaid and CHIP, at a cost that is likely to be less than $500 million over 5 years.
  - *Restore Option to Cover Legal Immigrants.* This proposal would restore state benefits for certain pregnant women, children, and SSI-recipient legal immigrants. The cost is about $3 billion over 10 years.

- *Rewarding Work and Family Through the EITC and Child Care.*

  - *Making the EITC Even More Pro-Work.* The EITC could be expanded by (1) increasing the phaseout so that more families get the maximum amount; (2) lowering the phaseout rate so that marginal tax rates are reduced; and (3) easing the marriage penalty by making these phaseouts more favorable for married couples. The third component would cost $11 billion over 10 years.
  - *EITC Increase for Three Children.* Alternately, the EITC could be expanded by raising the maximum EITC with families with three or more children (which would benefit all families with three children), at $8 billion/10 years.
  - *Making the Dependent Care Tax Credit Refundable.* Our child care tax package provides significant relief for families earning $30-60,000. But working poor families who need help the most earn too little (under $18,000) to be eligible. Making the DCTC refundable costs $4 billion over 5 years.

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- *Progressive Savings Accounts.* We could propose a scaled-back version of USAs – a highly-progressive savings incentive targeted at those who would be least likely to save and who do not have incentives to save under current law.

8. New Markets Initiative and Empowerment Zones. Help include communities that have not fully shared in our prosperity by expanding the New Markets initiative and including empowerment zones within the initiative.

- *Expanded New Markets Tax Credit.* Double the new markets tax credit, costing $4 billion over 10 years.

- *Expanded Empowerment Zones Credit.* The goal would be to increase existing incentives, include empowerment zones in the new markets framework, and compromise with Talent-Watts' American Community Renewal Act.

- *Expanded Low-Income Housing Tax Credit.* The FY 2000 budget proposed expanding the Low-Income Housing Tax Credit (LIHTC) from $1.25 per capita to

$1.75 per capita at a cost of $1.6 billion over 5 years. In light of housing shortages in many parts of the country, we may want to expand this credit even further.

- *Making Homeownership More Affordable.* A new homeownership tax credit could help boost homeownership rates for lower income families by subsidizing the interest rate for income-qualified, first-time homebuyers at 15 to 30 percent below conventional rates. The cost of this proposal could be scaled to the desired level.

- *Expanding Faith-Based Involvement.* Propose to allow federal substance abuse treatment, juvenile justice, and after-school funds to be used by faith-based organizations.

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THE WHITE HOUSE

URGENT

Domestic Policy Council

DATE: ____________________

FACSIMILE FOR: Anna Richter

FAX: 62878
PHONE:

FACSIMILE FROM: Cynthia Rice, Special Assistant to the President for Domestic Policy

FAX: 202-456-7431
PHONE: 202-456-2846

NUMBER OF PAGES (INCLUDING COVER): 14

COMMENTS: Pls call with Qs.

From Themes + Proposals for SOU memo

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7. Rewarding Work and Family. You could propose *a new social contract for the working poor.* This element could be the organizing principle for further initiatives in housing, expanding health care coverage, and rewarding work through EITC expansion.

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   - Help Working Families who Need Them Get Food Stamps. allow low-income working families to get food stamps and have a reliable car, and fund outreach efforts ($700-$1.7 billion over 5 years, with $15 million in FY2001 discretionary)
   - *Restore Option to Cover Legal Immigrants.* This proposal would restore state benefits for certain pregnant women, children, and SSI-recipient legal immigrants. The cost is about $2 billion over ~~10~~ 5 years. $2 to $6
   - *Progressive Savings Accounts.*

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PRELIMINARY COST OF THE "CLOSING THE OPPORTUNITY GAP INITIATIVE"

(billions of dollars above passback)

	FY 2001	2001-10
Early Childhood / Universal Pre-School	**0.8**	**30-40**
Increase in Head Start	0.4	
Early Childhood Learning Fund	0.4	
Universal After-School for Poor Children	**0.55**	**20-30**
Turning Around Failing Schools	**0.3**	**3-5**
Closing the Digital Divide	**0.77**	**10**
Community Technology Centers	0.07	
Universal Internet Access	0.1	
Teacher Training for the Internet	0.1	
School Internet Modernization Fund	0.5	
Closing the Opportunity Gap for College	**0.42**	**10**
Keeping Students on Track to College	0.25	
Stanley Kaplan and AP Online for Poor Kids	0.07	
Refundable Hope Scholarship and Pell Grant Increase	??	
Challenging Students to Complete College	0.1	
Fathers Responsibility	**0.25**	~~**5**~~ 2.6
Rewarding Work and Family	**1**	**10-15**
Expanding Housing Vouchers	0	3-6
Expanding Health Coverage		
Extend CHIP to Parents	??	*10-35*
Outreach to Enroll Uninsured	0.2	??
Restore Benefits for Certain Legal Immigrants	~~??~~ .3-.5	~~X~~ 6-12 (?)
Make the EITC More Pro-Work	??	??
EITC Increase for Three Children	??	*8*
Progressive Savings Account	??	??
Move CCDBG to Discretionary	0.8	
Making DCTC Refundable	??	*8*
New Markets Initiative and Empowerment Zones		
Expanded New Markets Tax Credit	??	*4*
Expanded Empowerment Zone Credit	??	??
Expanded Low-Income Housing Tax Credit	??	*3.2+*
Making Homeownership More Affordable	??	??
DISCRETIONARY TOTAL	**4.09**	**88-113**
Food Stamps for Working Families	.1-.2	.7-1.7

Revisions marked

December 12, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING

CC: JOHN PODESTA

SUBJECT: THEMES AND PROPOSALS FOR THE STATE OF THE UNION

This memo outlines three things: first, the overarching theme we propose for the State of the Union; second, the "big ideas" initiative that should be the centerpiece of the speech and the budget; third, the eight signature policies that comprise the "big ideas" package.

I. THEME: RESPONSIBILITY FOR THE FUTURE

The theme we recommend for the State of the Union is "Responsibility for the Future." This theme brings together all the major elements of your agenda: strengthening Medicare and Social Security, and reducing the debt; investing in and reforming public education; bridging the digital divide; investing in scientific research; protecting the environment; promoting peace around the world; and closing the opportunity gap.

"Responsibility for the Future" reinforces both liberal convictions about equity (leave no one behind) and Third Way sensibilities about accountability (let no one fail to do his part). It is consistent with your longstanding theme of "responsibility, opportunity, and community," and sets forth a powerful message that will resound long after we're gone. The country has come a long way these seven years, enabling us to turn even more to challenges of the next generation.

II. BIG IDEA: CLOSING THE OPPORTUNITY GAP

We believe your "big idea" for the budget and the State of the Union should be a "Closing the Opportunity Gap" initiative. It is a package of eight signature proposals described in the next section, and would highlight three or four major budget pieces. We had considered other labels for this initiative ("Leaving No One Behind," "Every Child's Initiative," and "Education First") but advocate "~~Closing the~~ Opportunity ~~Gap~~" because it shows continuity with your core philosophy and values, suggests a sweeping challenge worthy of a sweeping response, and provides a framework that will energize the entire economic and domestic team, from Summers and Herman to Shalala, Riley, and Cuomo.

Fund

III. EIGHT SIGNATURE ELEMENTS OF "CLOSING THE OPPORTUNITY GAP"

Your final State of the Union should be more than a laundry list of worthy ideas (although we provide, for reference, such a list in three longer memos which are attached). Here, we outline a package of signature "Opportunity Gap" proposals. These proposals represent the core of your domestic vision; they are ambitious ideas that will stick in the public mind. They are bold enough to show that your imperative is action, and appealing enough to stand a chance of enactment this year. Together, they give purpose and principle to your final year's agenda.

The "Opportunity Gap" initiative consists of eight proposals: 1) universal pre-school to give all poor children a smart start; 2) universal after-school to help kids meet high standards; 3) a plan to turn around every failing school over the next decade; 4) measures to bridge the digital divide; 5) a set of new steps to help low-income students get into college and complete a degree; 6) proposals to encourage absent fathers to take responsibility for the support and love they owe their children; 7) a new bargain of tax cuts and other measures to reward work and family; and 8) a major expansion of New Markets to help all communities share in economic prosperity.

1. Early Childhood/Universal Pre-School. With a significant down payment in the FY2001 budget, you can lay the groundwork for achieving a goal that you, the Vice President, and the First Lady have talked about for some time: *universal access to pre-school for every 4-year-old in America.* There are a number of ways to do this:

- *Dramatic increase in Head Start funding.* Could expand by $1 billion over FY '00, to expand Head Start from 880,000 children to nearly 1,000,000 in FY '01. A path for future fund increases to make Head Start universal could also be established.

- *Early Childhood Learning Fund.* A dramatic increase in the Early Childhood Learning Fund combined with a path for future increases. Could expand to $1 billion for FY 01 – a $400 million increase – and aim for $10-$20 billion over 10 years.

- *Child Care Initiative.* This could be a major component of the Early Childhood/Universal Pre-School. (See details under Rewarding Work and Family.)

2. Universal After-School. By doubling after-school funding in the FY 2001 budget (from $453 million in FY 2000 to at least $1 billion in FY 2001), you can meet an urgent goal, which is to *provide after-school and summer school to every student in a failing school.* You called on states and districts to end social promotion in this past year's State of the Union; this initiative will enable you to say we're giving them the resources to end social promotion the right way, and give every student in our worst schools the extra help they need. Over a ten year period, we can make after-school and summer school universal for every Title I school – and with a sliding scale for students above 200% of poverty, we could eventually make after-school available to every student. (Cost: $20-30 billion over 10 years).

3. Turning Around Every Failing School. To close the opportunity gap, we must close the achievement gap by focusing our efforts on the worst-performing schools. With a series of accountability and performance initiatives in the FY 2001 budget (and the after-school pledge

outlined above), you can credibly set forth an ambitious, defining goal for strengthening public education: *turning around or shutting down every failing school in America over the next decade*. In addition to doubling after-school funding, the key steps include: expanding your accountability fund; reaching your goal of 3,000 charter schools before you leave office; funding a new performance bonus to reward states and school districts for increasing their percentage of qualified teachers, adopting statewide accountability systems and school report card; and requiring universal public school choice for students in failing schools. We could also reintroduce a version of education opportunity zones. (Cost: $3-5 billion over 10 years).

4. Closing the Digital Divide. If we are to close the opportunity gap in the next century, we must do all we can to *address the emerging digital divide*. Key elements could include:

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- *Develop Universal Internet Access*. Reserve a $100 million fund for public-private partnerships to bring affordable Internet access to poor families.

- *Teacher Training for the Internet*. We could dedicate $100 million – perhaps from the existing technology literacy challenge initiative – to ensure all new teachers, or all middle-school teachers, receive training in how to use computers as a learning device.

- *School Internet Modernization Fund*. A discretionary counterpart to our school construction proposal to modernize schools for new teachers and Internet access.

5. Closing the College Opportunity Gap and the Skill Gap. This element would focus on different aspects of closing the opportunity gap for college: helping more students aspire to and prepare for college, continuing to make college more affordable, and starting to address America's quiet crisis of declining college completion rates.

- *Keeping Students on Track to College*. We could increase access for impoverished young people through Youth Opportunity Grants, TRIO, GEAR UP, and Youth Build, increasing funding to a total of $500 million.

- *AP Courses Online*. Small and poor schools often lack the resources and teachers to offer challenging courses. This distance learning initiative aims to ensure that students in underserved areas get access to Advanced Placement and other high-quality academic courses and ESL programs online. Total funding for the initiative would be $225 million, including $50 million for grants, $25 million for course development, and $125 million in increases in existing programs.

- *Test Prep for Poor Kids*. This program would support partnerships among high schools, proven providers of college test prep courses (like Kaplan, Princeton

Review), and community-based organizations to offer high-need students SAT/ACT preparation and other services related to college admissions. Grants of $30 million would serve approximately 50,000 students.

- *Refundable Hope Scholarship and Pell Grant Increase.* Expanding the maximum Pell Grant from $3,300 to $3,500 would cost $766 million in FY 2001. A complementary proposal would be to make the Hope Scholarship refundable.

- *Challenging Students to Complete College.* The above initiatives could also be organized to promote not just going to college, but also completing college. In addition, a new initiative of College Completion Challenge Grants would provide grants to deal with college completion with a comprehensive program including, pre-freshman summer programs, support services and increased grant aid to students.

- *Enabling Disabled People to Work.* An initiative for training and getting to work for disabled people could also fit within Closing the College Opportunity Gap and the Skill Gap.

6. Demanding Responsible Fatherhood. If we are going to close the opportunity gap, we must close the responsibility gap. Demanding and promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. Mothers should not bear the whole burden of welfare reform; *now we must make sure that every unemployed father who owes child support goes to work and provides that support.* To achieve this goal, we can: 1) focus the Welfare-to-Work program on putting low-income fathers to work, and propose that states use their welfare surpluses to require deadbeat fathers to work and pay the child support they owe; 2) propose new measures to collect more child support from parents who can afford to pay; 3) restore the child-support pass-through and revise outdated rules to ensure mothers and children receive more of the support the father pays; and 4) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society. (Cost: $100 million in discretionary costs in FY 2001 plus mandatory costs of $1.2 billion over 5 years and $2.6 billion over 10 years).

7. Rewarding Work and Family. You could propose *a new social contract for the working poor.* This element could be the organizing principle for further initiatives in housing, expanding health care coverage, and rewarding work through EITC expansion.

- *Child Care Block Grant in Discretionary Budget.* We stand a better chance of increasing child care subsidies poor if we move it to the discretionary side.

- *Expanding Housing Vouchers.* Expand to 100,000 housing vouchers in FY 2001, with a goal of 500,000 vouchers by the fifth year. With such a plan, you could realistically propose that within a decade, no poor family will be trapped in the projects. (Cost: $3-6 billion over five years, $10-15 billion over ten).

- *Expanding Health Coverage.*

    - *Extend CHIP to Parents.* Would provide states with the same incentives to cover parents as children under Medicaid and the Children's Health Insurance Program (CHIP). Costs range from $5 to $18 billion over 5 years.
    - *Outreach to Enroll Uninsured Children in Medicaid.* This could be done through school-based outreach at a cost of about $3 billion over 10 years. Another idea would be to simplify and unify the eligibility rules for Medicaid and CHIP, at a cost that is likely to be less than $500 million over 5 years.
    - *Restore Option to Cover Legal Immigrants.* This proposal would restore state benefits for certain pregnant women, children, and SSI-recipient legal immigrants. The cost is about $3 billion over 10 years.

- *Rewarding Work and Family Through the EITC and Child Care.*

    - *Making the EITC Even More Pro-Work.* The EITC could be expanded by (1) increasing the phaseout so that more families get the maximum amount; (2) lowering the phaseout rate so that marginal tax rates are reduced; and (3) easing the marriage penalty by making these phaseouts more favorable for married couples. The third component would cost $11 billion over 10 years.
    - *EITC Increase for Three Children.* Alternately, the EITC could be expanded by raising the maximum EITC with families with three or more children (which would benefit all families with three children), at $8 billion/10 years.
    - *Making the Dependent Care Tax Credit Refundable.* Our child care tax package provides significant relief for families earning $30-60,000. But working poor families who need help the most earn too little (under $18,000) to be eligible. Making the DCTC refundable costs $4 billion over 5 years.

This was under Health, which was a mistake. I moved it here and added language.

- *Progressive Savings Accounts.* We could propose a scaled-back version of USAs – a highly-progressive savings incentive targeted at those who would be least likely to save and who do not have incentives to save under current law.

8. New Markets Initiative and Empowerment Zones. Help include communities that have not fully shared in our prosperity by expanding the New Markets initiative and including empowerment zones within the initiative.

- *Expanded New Markets Tax Credit.* Double the new markets tax credit, costing $4 billion over 10 years.

- *Expanded Empowerment Zones Credit.* The goal would be to increase existing incentives, include empowerment zones in the new markets framework, and compromise with Talent-Watts' American Community Renewal Act.

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$1.75 per capita at a cost of $1.6 billion over 5 years. In light of housing shortages in many parts of the country, we may want to expand this credit even further.

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- *Expanding Faith-Based Involvement.* Propose to allow federal substance abuse treatment, juvenile justice, and after-school funds to be used by faith-based organizations.

Nicole

December 12, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING

CC: JOHN PODESTA

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- *Early ~~Childhood~~ Learning Fund.* A dramatic increase in the Early ~~Childhood~~ Learning Fund combined with a path for future increases. Could expand to $1 billion for FY 01 – a $400 million increase – and aim for $10-$20 billion over 10 years. √

FYI, our current fund does not pay for slots.

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$ initiative

General sentence or cost?

$8B w/ addition in FY01; $1.22 mil add for FY02

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PRELIMINARY COST OF THE "CLOSING THE OPPORTUNITY GAP INITIATIVE"
(billions of dollars above passback)

	FY 2001	2001-10
Early Childhood / Universal Pre-School	**0.8**	**30-40**
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Early Childhood Learning Fund	0.4	
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Refundable Hope Scholarship and Pell Grant Increase	??	
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Rewarding Work and Family	**1**	**10-15**
Expanding Housing Vouchers	0	
Expanding Health Coverage		
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Restore Benefits for Certain Legal Immigrants	??	3
Make the EITC More Pro-Work	??	??
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DISCRETIONARY TOTAL	**4.09**	**88-113**

December 12, 1999

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Your final State of the Union should be more than a laundry list of worthy ideas (although we provide, for reference, such a list in three longer memos which are attached). Here, we outline a package of signature "Opportunity Gap" proposals. These proposals represent the core of your domestic vision; they are ambitious ideas that will stick in the public mind. They are bold enough to show that your imperative is action, and appealing enough to stand a chance of enactment this year. Together, they give purpose and principle to your final year's agenda.

The "Opportunity Gap" initiative consists of eight proposals: 1) universal pre-school to give all poor children a smart start; 2) universal after-school to help kids meet high standards; 3) a plan to turn around every failing school over the next decade; 4) measures to bridge the digital divide; 5) a set of new steps to help low-income students get into college and complete a degree; 6) proposals to encourage absent fathers to take responsibility for the support and love they owe their children; 7) a new bargain of tax cuts and other measures to reward work and family; and 8) a major expansion of New Markets to help all communities share in economic prosperity.

1. Early Childhood/Universal Pre-School. With a significant down payment in the FY2001 budget, you can lay the groundwork for achieving a goal that you, the Vice President, and the First Lady have talked about for some time: *universal access to pre-school for every 4-year-old in America*. There are a number of ways to do this:

- *Dramatic increase in Head Start funding.* Could expand by $1 billion over FY '00, to expand Head Start from 880,000 children to nearly 1,000,000 in FY '01. A path for future fund increases to make Head Start universal could also be established.

- *Early Childhood Learning Fund.* A dramatic increase in the Early Childhood Learning Fund combined with a path for future increases. Could expand to $1 billion for FY 01 – a $400 million increase – and aim for $10-$20 billion over 10 years.

2. Universal After-School. By doubling after-school funding in the FY 2001 budget (from $453 million in FY 2000 to at least $1 billion in FY 2001), you can meet an urgent goal, which is to *provide after-school and summer school to every student in a failing school*. You called on states and districts to end social promotion in this past year's State of the Union; this initiative will enable you to say we're giving them the resources to end social promotion the right way, and give every student in our worst schools the extra help they need. Over a ten year period, we can make after-school and summer school universal for every Title I school – and with a sliding scale for students above 200% of poverty, we could eventually make after-school available to every student. (Cost: $20-30 billion over 10 years).

3. Turning Around Every Failing School. To close the opportunity gap, we must close the achievement gap by focusing our efforts on the worst-performing schools. With a series of accountability and performance initiatives in the FY 2001 budget (and the after-school pledge outlined above), you can credibly set forth an ambitious, defining goal for strengthening public education: *turning around or shutting down every failing school in America over the next decade*. In addition to doubling after-school funding, the key steps include: expanding your accountability fund; reaching your goal of 3,000 charter schools before you leave office; funding a new performance bonus to reward states and school districts for increasing their percentage of qualified teachers, adopting statewide accountability systems and school report card; and requiring universal public school choice for students in failing schools. We could also reintroduce a version of education opportunity zones. (Cost: $3-5 billion over 10 years).

4. Closing the Digital Divide. If we are to close the opportunity gap in the next century, we must do all we can to *address the emerging digital divide*. Key elements could include:

- *Community Technology Centers.* A more than four-fold increase in funding – from $32.5 million in FY 2000 to $132.5 million in FY 2001 – as part of a major challenge to have Internet centers in all poor communities. We could challenge the private sector to contribute hardware, software and man-hours – and possibly give them tax incentives to donate used equipment.

- *Develop Universal Internet Access.* Reserve a $100 million fund for public-private partnerships to bring affordable Internet access to poor families.

- *Teacher Training for the Internet.* We could dedicate $100 million – perhaps from the existing technology literacy challenge initiative – to ensure all new teachers, or all middle-school teachers, receive training in how to use computers as a learning device.

- *School Internet Modernization Fund.* A discretionary counterpart to our school construction proposal to modernize schools for new teachers and Internet access.

5. Closing the Opportunity Gap for College. This element would focus on different aspects of closing the opportunity gap for college: helping more students aspire to and prepare for college, continuing to make college more affordable, and starting to address America's quiet crisis of declining college completion rates.

- *Keeping Students on Track to College.* We could increase access for impoverished young people through Youth Opportunity Grants, TRIO, GEAR UP, and Youth Build, increasing funding to a total of $500 million.

- *AP Courses Online.* Small and poor schools often lack the resources and teachers to offer challenging courses. This distance learning initiative aims to ensure that students in underserved areas get access to Advanced Placement and other high-quality academic courses and ESL programs online. Total funding for the initiative would be $225 million, including $50 million for grants, $25 million for course development, and $125 million in increases in existing programs.

- *Test Prep for Poor Kids.* This program would support partnerships among high schools, proven providers of college test prep courses (like Kaplan, Princeton Review), and community-based organizations to offer high-need students SAT/ACT preparation and other services related to college admissions. Grants of $30 million would serve approximately 50,000 students.

- *Refundable Hope Scholarship and Pell Grant Increase.* Expanding the maximum Pell Grant from $3,300 to $3,500 would cost $766 million in FY 2001. A complementary proposal would be to make the Hope Scholarship refundable.

- *Challenging Students to Complete College.* The above initiatives could also be organized to promote not just going to college, but also completing college. In addition, a new initiative of College Completion Challenge Grants would provide grants to deal with college completion with a comprehensive program including, pre-freshman summer programs, support services and increased grant aid to students.

6. Demanding Responsible Fatherhood. If we are going to close the opportunity gap, we must close the responsibility gap. Demanding and promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. Mothers should not bear the whole burden of welfare reform; *now we must make sure that every unemployed father who owes child support goes to work and provides that support.* To achieve this goal, we can: 1) focus the Welfare-to-Work program on putting low-income fathers to work, and propose that states use their welfare surpluses to require deadbeat fathers to work and pay the child support they owe; 2) propose new measures to collect more child support from parents who can afford to pay; 3) restore the child-support pass-through and revise outdated rules to ensure mothers and children receive more of the support the father pays; and 4) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society. (Cost: $100 million in discretionary costs in FY 2001 plus mandatory costs of $1.2 billion over 5 years and $2.6 billion over 10 years).

7. Rewarding Work and Family. You could propose *a new social contract for the working poor.* This element could be the organizing principle for further initiatives in housing, expanding health care coverage, and rewarding work through EITC expansion.

- *Expanding Housing Vouchers.* Expand to 100,000 housing vouchers in FY 2001, with a goal of 500,000 vouchers by the fifth year. With such a plan, you could realistically propose that within a decade, no poor family will be trapped in the projects. (Cost: $3-6 billion over five years, $10-15 billion over ten).

- *Expanding Health Coverage.*

  - *Extend CHIP to Parents.* Would provide states with the same incentives to cover parents as children under Medicaid and the Children's Health Insurance Program (CHIP). Costs range from $5 to $18 billion over 5 years.
  - *Outreach to Enroll Uninsured Children in Medicaid.* This could be done through school-based outreach at a cost of about $3 billion over 10 years. Another idea would be to simplify and unify the eligibility rules for Medicaid and CHIP, at a cost that is likely to be less than $500 million over 5 years.

HCorp

Medicare buy-in, [illegible] cost, [illegible] tax credit

- *Restore Option to Cover Legal Immigrants.* This proposal would restore state benefits for certain pregnant women, children, and SSI-recipient legal immigrants. The cost is about $3 billion over 10 years.
- *Progressive Savings Accounts.*

- *Rewarding Work and Family Through the EITC and Child Care.*

  - *Making the EITC Even More Pro-Work.* The EITC could be expanded by (1) increasing the phaseout so that more families get the maximum amount; (2) lowering the phaseout rate so that marginal tax rates are reduced; and (3) easing the marriage penalty by making these phaseouts more favorable for married couples. The third component would cost $11 billion over 10 years.
  - *EITC Increase for Three Children.* Alternately, the EITC could be expanded by raising the maximum EITC with families with three or more children (which would benefit all families with three children), at $8 billion/10 years.
  - *Child Care Block Grant in Discretionary Budget.* We stand a better chance of increasing child care subsidies poor if we move it to the discretionary side.
  - *Making the Dependent Care Tax Credit Refundable.* Our child care tax package provides significant relief for families earning $30-60,000. But working poor families who need help the most earn too little (under $18,000) to be eligible. Making the DCTC refundable costs $4 billion over 5 years.

8. New Markets Initiative and Empowerment Zones. Help include communities that have not fully shared in our prosperity by expanding the New Markets initiative and including empowerment zones within the initiative.

- *Expanded New Markets Tax Credit.* Double the new markets tax credit, costing $4 billion over 10 years.

- *Expanded Empowerment Zones Credit.* The goal would be to increase existing incentives, include empowerment zones in the new markets framework, and compromise with Talent-Watts' American Community Renewal Act.

- *Expanded Low-Income Housing Tax Credit.* The FY 2000 budget proposed expanding the Low-Income Housing Tax Credit (LIHTC) from $1.25 per capita to $1.75 per capita at a cost of $1.6 billion over 5 years. In light of housing shortages in many parts of the country, we may want to expand this credit even further.

- *Making Homeownership More Affordable.* A new homeownership tax credit could help boost homeownership rates for lower income families by subsidizing the interest rate for income-qualified, first-time homebuyers at 15 to 30 percent below conventional rates. The cost of this proposal could be scaled to the desired level.

- *Expanding Faith-Based Involvement.* Propose to allow federal substance abuse treatment, juvenile justice, and after-school funds to be used by faith-based organizations.

PRELIMINARY COST OF THE "CLOSING THE OPPORTUNITY GAP INITIATIVE"

(billions of dollars above passback)

	FY 2001	2001-10
Early Childhood / Universal Pre-School	**0.8**	**30-40**
Increase in Head Start	0.4	
Early Childhood Learning Fund	0.4	
Universal After-School for Poor Children	**0.55**	**20-30**
Turning Around Failing Schools	**0.3**	**3-5**
Closing the Digital Divide	**0.77**	**10**
Community Technology Centers	0.07	
Universal Internet Access	0.1	
Teacher Training for the Internet	0.1	
School Internet Modernization Fund	0.5	
Closing the Opportunity Gap for College	**0.42**	**10**
Keeping Students on Track to College	0.25	
Stanley Kaplan and AP Online for Poor Kids	0.07	
Refundable Hope Scholarship and Pell Grant Increase	??	
Challenging Students to Complete College	0.1	
Fathers Responsibility	**0.25**	**5**
Rewarding Work and Family	**1**	**10-15**
Expanding Housing Vouchers	0	
Expanding Health Coverage		
Extend CHIP to Parents	??	*10-35*
Outreach to Enroll Uninsured	0.2	??
Restore Benefits for Certain Legal Immigrants	??	3
Make the EITC More Pro-Work	??	??
EITC Increase for Three Children	??	*8*
Progressive Savings Account	??	??
Move CCDBG to Discretionary	0.8	
Making DCTC Refundable	??	*8*
New Markets Initiative and Empowerment Zones		
Expanded New Markets Tax Credit	??	*4*
Expanded Empowerment Zone Credit	??	??
Expanded Low-Income Housing Tax Credit	??	*3.2+*
Making Homeownership More Affordable	??	??
DISCRETIONARY TOTAL	**4.09**	**88-113**

December 12, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING
CHRIS JENNINGS

CC: JOHN PODESTA

SUBJ: HEALTH CARE IDEAS FOR STATE OF THE UNION/BUDGET

Strengthening and Modernizing Medicare

1. Plan To Strengthen and Modernize Medicare. Your plan from June will need to be modified since the re-estimate for the prescription drug benefit is considerably higher, savings on the new baseline are lower (as is the appetite for savings in Congress), and the April Trustees' report will likely show an improvement in Medicare solvency absent any actions. Changes to the plan are being considered (to be discussed in a separate memo).

2. Medicare Preventive Benefit Authority. This proposal would allow HHS to add new preventive benefits to Medicare if their cost when fully implemented were less than a fixed dollar threshold (e.g., less than 0.1 percent of federal Medicare spending). It builds on the preventive initiative in the Medicare plan (which eliminates cost sharing for preventive services, authorizes additional studies and a smoking cessation demonstration). (Cost: not yet estimated).

3. Immunosuppressive Drug Extension Adjustment. Currently, Medicare pays for immunosuppressive drugs that prevent rejection of transplanted organs. This coverage extends for three years after the transplant. The Balanced Budget Refinement Act added a flawed, dollar-limited 8-month extension on coverage of immunosuppressive drugs. This proposal would make the extension one year rather than 8 months, would remove the funding cap, and remove the time limit. (Cost: roughly $100 million over 5 years).

4. Cancer Clinical Trials. This three-year demonstration would cover the patient care costs associated with certain clinical trials for Medicare beneficiaries. This proposal was in the President's FY 1999 and 2000 budgets, and has been a Vice Presidential priority. (Cost: $750 million for 2002-04).

Improving Access to Affordable Health Insurance Coverage

5. Family Health Insurance Initiative. Over 85 percent of the parents of uninsured children in families with income below 200 percent of poverty are themselves uninsured. This option, included in the Gore health proposal, would provide states with the same incentives to cover parents as children under Medicaid and the Children's Health Insurance Program (CHIP). Specifically, a state could receive a higher federal matching rate for expanding coverage to the parents of children currently eligible for Medicaid or CHIP, if that state has expanded to 200 percent of poverty for children. This enhanced matching rate would be drawn from the CHIP allotments that would be increased to help pay for the entire family. States would cover the parents in the same program as their children. Since most uninsured children also have uninsured parents, this is an efficient way to bring down the numbers of the uninsured. It could also increase enrollment of children, since parents are more likely to enroll their children if they, too, can get health coverage. (Cost: from $5 billion to $18 billion over 5 years depending on who receives the enhanced match and whether the allotments are raised).

6. Medicaid Option to Cover Poor Adults. Currently, states can cover only adults who are parents through Medicaid. This policy would remove this "categorical" eligibility, replacing it with a straight income-related eligibility. This approach has been take by several states through Medicaid 1115 waivers, and fully moves Medicaid to an income-related – rather than welfare-related – health insurance program. HHS has developed this as a possible alternative to the parents' initiative. (Cost is unknown, but likely less than the family initiative since there is no higher matching rate and states would prefer to expand to working parents than all poor adults).

7. Tax Credit for Individual Insurance To Address Current Tax Inequity. Unlike employees who work at firms that provide coverage, workers who have no access to employer-based insurance and who buy it for themselves receive absolutely no tax subsidy. To address this inequity, this policy (supported by the Vice President) would give people without access to employer-based insurance a tax credit, equal to 25 percent of the cost of coverage and similar in value to the 100 percent tax deduction employers now receive, for purchasing individual insurance. This credit could only be used for qualified individual insurance plans or Medicare, Medicaid, or CHIP buy-in options. Because the credit is relatively small, it likely would not have an adverse incentive impact on employers now offering to drop coverage. But while it would be popular, it would not be expected to increase take-up in coverage for the currently uninsured. (Cost still being estimated but about $15 over 5 years, $35 over 10 years).

8. Encouraging Small Businesses To Offer Health Insurance. Workers in small businesses are more likely to be uninsured. This initiative would encourage small businesses to offer health insurance through: (1) a new tax credit for small businesses who join coalitions; (2) tax-exempt status for foundation contributions to create coalitions; and (3) technical assistance. It would be different from last year's proposal because the credit would be increased to 25 percent of the employer contribution, and all firms (not just those that previously did not offer coverage) would be eligible for the credit. (Cost still being estimated, but about $1 billion over 5 years, $2.5 billion over 10).

9. Medicare Buy-In for Certain 55 to 65 Year Olds. The fastest growing group of uninsured are those ages 55 to 65. Between 1997 and 1998, the proportion of people in this age group who were uninsured increased by 5 percent, from 14.3 to 15.0 percent. All of this increase occurred among people above poverty, with a dramatic jump for those with income between 300 and 400 percent of poverty. This initiative expands the health options available for older Americans by: enabling Americans aged 62 to 65 to buy into Medicare; providing a similar Medicare buy-in for vulnerable displaced workers ages 55 and older; and providing COBRA to Americans ages 55 and older whose companies reneged on their commitment to provide retiree health benefits. This proposal was in the last two budgets. (Cost: $1.8 billion over 5 years, $2.9 billion over 10).

10. Medicaid Coverage for Certain Women with Breast Cancer. This proposal is the Breast and Cervical Cancer Prevention Act (HR 1070) that has 272 House cosponsors and passed unanimously by the House Commerce Committee (a Senate bill has not yet been marked up). It would give states the option to provide temporary Medicaid coverage to uninsured women who have learned that they have breast or cervical cancer through a CDC screening program. States would get the CHIP match rate for this group. It is important to note that most policy analysts think that covering selected disease categories and/or people participating in a particular program is a troubling precedent. However, if there are no coverage expansions for this group, it would hard not to include this initiative in our budget. (Cost: about $300 million over 5 years).

11. Ensuring that All Workers Paid by the Federal Government Have Access to Employer-Based Insurance. This policy would allow all types of temporary government employees to access the Federal Employees' Health Benefits Program. Currently, FEHBP serves only permanent federal employees. Cost estimate and more details pending.

12. Tax Credit for COBRA Continuation Coverage. Currently, employers must offer departing employees the option of buying into their health plan at a premium of 102 percent. Intended to ensure coverage during the transition to new jobs, this policy has proven unaffordable to some people and burdensome to employers. To address these concerns, our new proposal would provide a tax credit of 30 percent for this coverage to the employer whose employee takes this option. This subsidy would be split equally between reduced employer cost and lower premiums for participants (87 percent). Cost estimate pending.

Finishing the Job of Targeting and Enrolling Uninsured Children

13. Encouraging School-Based Outreach. Sites like schools and child care centers are natural places to reach out to uninsured children. To tap into these resources, this proposal would (1) allow school lunch application information to be shared with Medicaid and CHIP for outreach; (2) let enrollment in the school lunch program serve as a proxy for Medicaid or CHIP eligibility while formal applications are being processed; and (3) more broadly apply the presumptive eligibility option in Medicaid to homeless programs, TANF and CHIP eligibility workers, and others who are in a position to do preliminary assessments of children's eligibility for Medicaid or CHIP. (Cost: estimate pending – likely about $1 billion over 5 years, nearly $3 billion over 10 years).

14. Ensuring Seamless Health Insurance Coverage for Children. To ensure that children do not fall through the cracks of different eligibility rules for Medicaid and CHIP, this proposal would require that states conform Medicaid eligibility for children to that of CHIP in the following respects: (1) assets tests; (2) mail-in application; (3) redetermination period; and (4) eligibility to age 21. Thus, a state could not have simpler enrollment and redetermination processes for its CHIP program than it has for its Medicaid program. (Cost: pending – likely less than $500 million over 5 years).

Long-Term Care

15. Long-Term Care Initiative. An initiative that has already been well received and has already begun to receive bipartisan support is the long-term care proposal. Last year, you proposed a major, seven-part initiative that would: (1) provide a $1,000 tax credit for people with long-term care needs or their families to offset the costs of care; (2) create a new Family Caregivers Program that offers respite services, information, and other assistance; (3) offer private long-term care insurance to Federal employees; (4) improve nursing home quality; (5) expand Medicaid options for community-based services; (6) encourage assisted living facilities for Medicaid beneficiaries; and (7) conduct a $10 million education campaign on long-term care for Medicare beneficiaries. (Cost: about $6 billion over 5 years)

Discretionary Initiatives

16. Preventing Medical Errors. This initiative will develop new avenues for the prevention of medical errors. It will include the IOM's recommendation of $35 million to establish a Center for Patient Safety at HHS and include new efforts to strengthen FDA's voluntary adverse event reporting system from health professionals and consumers, and implement new requirements for the naming, labeling, and packaging of drugs that are designed to prevent medical errors. FDA estimates that with adequate funding, it could reduce adverse events by 10 percent and save approximately 10,000 lives annually. This initiative could be combined with regulatory actions to ensure patient safety, including requiring hospitals participating in Medicare to implement error reduction programs. (Cost: $60 million). + pack

17. Internet Drug Sales. We would provide new funds for the investigation, identification, and prosecution of entities selling over the Internet unapproved new drugs, counterfeit drugs, prescription drugs without a valid prescription, expired or illegally diverted pharmaceuticals, and products based on fraudulent health claims. It would establish new certification requirements for all Internet pharmacy sites to ensure that they meet all state and federal requirements. It would create new civil money penalties of up to $100,000 for dispensing without a valid prescription over the Internet or for selling drugs without federal certification; and provide FDA with new administrative subpoena authority to build a case against offenders. (Cost: $11 million). +

18. Preventing Breast and Prostate Ccancer. This initiative will fully fund the National Environmental Health Laboratory, which evaluates the exposure of men, women, and children to toxic substances that cause cancer. Funds will also be used to assist state and local public health officials to ensure thorough investigation of cancer clusters and to rapidly evaluate the local impact of public health disasters, such as chemical spills and groundwater contamination. (Cost: $20 million). 15m

19. Improving Nursing Home Quality. This initiative provides mandatory and discretionary funds to HCFA to help States strengthen nursing home enforcement tools and increase federal oversight of nursing home quality and safety standards. Funding will be provided for new enforcement provisions and increased surveys of repeat offenders and improve surveyor training. (Cost: $31 million).

20. Education Funds for Children's Hospitals. This initiative provides freestanding children's hospitals with federal financing to provide direct graduate medical education associated with the provision of care to Medicaid patients. While some states have funded GME through Medicaid, most of those programs are ending as states move to Medicaid managed care. There is a legitimate equity argument here, as these hospitals shoulder much of the burden of training the nation's pediatricians and pediatric subspecialists. (Cost: $104 million).

21. Addressing Mental Illness. This proposal will increase funding for treatment for the severely mentally ill and establish a new local mental health enhancement program that would provide new prevention, early intervention, and treatment services for Americans with less severe mental illnesses. (Cost: $100 million).

22. HIV and AIDS. This initiative would increase our current proposed investment in the Ryan White program and the AIDS Drug Assistance Program (ADAP), which provide critical services for people with HIV/AIDS. In addition, it would establish a strategic plan designed to reduce new HIV infections by 50 percent in three years. The new prevention initiative would: help 150,000 individuals not aware of their infection learn of their status and find prevention counseling and treatment services; expand community prevention planning, with a special emphasis on racial and ethnic minorities, women, injection drug users and their partners, and young gay men; and build a data infrastructure to assist local public health officials in targeting their prevention efforts. The new investment in Ryan White and ADAP would shorten the waiting time needed to access the comprehensive range of drugs needed to effectively treat this disease. (Cost: $100 million in FY '01).

23. Access for Uninsured Americans. This proposal would create a new grant program for community-based providers to develop comprehensive systems of care, develop linked financial and telecommunication systems, and fill the service gaps that exist in many communities, especially primary care, mental health, and substance abuse services. It would: hold providers accountable for health outcomes by helping them develop the systems to appropriately monitor and manage patient needs; preserve access to critical tertiary care services financial support to large public hospitals; and provide new services to the uninsured, including primary care, and mental health services. (Cost: $100 million).

24. Investment in Biomedical Research. The potential breakthroughs in diagnoses, treatments and cures resulting from the nation's increasing investment in biomedical research are impressive. They include: decoding the complete gene sequence by the spring of 2000, developing new treatments to delay the onset of Parkinson's, Alzheimer's and cancer, and new interventions to prevent paralysis with spinal cord injuries. The Administration's last budget dedicated a $360 million increase to the NIH, which is far short of the over $2 billion that was included in the final budget. This has resulted in criticism from the scientific and patient advocacy communities. (Cost: $500 million to $1.5 billion).

25. Safeguards Against Scientific and Biomedical Abuses. This package addresses the perils of some of the new scientific breakthroughs of our day. These include inappropriate patenting and licensing of genetic material, the insufficient provision of protections to human subjects in clinical trials, and the continuing threat of bioterrorism. Under consideration are a host of initiatives to address these potential problems, including legislation to prohibit the use of genetic information in all health insurance policies and employment decisions.

December 12, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Eric Liu

SUBJECT: State of the Union/Budget Ideas

This memorandum provides summaries of all the budget proposals we are developing for the State of the Union, organized by issue area. A separate memo lays out overarching themes and highlights the most compelling ideas.

EDUCATION

A. Smaller Classes, Smaller Schools

1. **A Comprehensive Effort to Modernize and Revolutionize Schools.** As you have often said, the trouble with America's schools as we enter the 21st Century isn't that they aren't what they used to be; it's that they still *are* what they used to be. We need to change that, in two significant ways:

    - **A New Initiative to Repair Existing Schools.** To complement our existing school construction tax credit, which will primarily help fund new construction, we have worked with OMB on a discretionary initiative for FY2001 that would provide funds for immediate repairs. As part of the discretionary budget, this plan will make it more difficult for Congress to ignore school construction in the budget debate next fall.

    - **A Small Schools Initiative to Reform the American High School.** Since Littleton, a movement has emerged to make America's high schools smaller, not only for reasons of safety, but as an engine of reform. This initiative would offer competitive grants to school districts for opening smaller schools (including charter schools), or for breaking up larger schools and such using strategies as schools-within-schools, career academics, or restructured school days. The funds could be used for planning and implementation costs, professional development, team building, minor facility renovation, additional planning time, legal and accounting consulting, supplies and other relevant costs. These funds could also be used to seed small charter high schools in the district. The initiative received $45 million in the FY2000 omnibus; we recommended expanding funding to at least $125 million for FY2001.

2. **Class Size.** The Education Department is prepared to settle for $1.5 billion for class size, only a modest increase from the $1.3 billion we got this year. If we want a defining fight on 100,000 teachers next fall – and if we want to say credibly that we're on a path to 100,000 over 6 years – we'll have to request a bigger increase than that. Funding class size at $1.7 –1.8 billion would make more sense.

B. Turning Around Failing Schools

1. **Universal After-School.** By doubling after-school funding in the FY 2001 budget (from $453 million in FY 2000 to at least $900 million in FY 2001), you can meet an urgent goal, which is to provide after-school and summer school to every student in a failing school. You called on states and districts to end social promotion in this past year's State of the Union; this initiative will enable you to say we're giving them the resources to end social promotion the right way, and give every student in our worst schools the extra help they need. Over a ten year period, we can make after-school and summer school universal for every Title I school – and with a sliding scale for students above 200% of poverty, we could eventually make after-school available to every student. (Cost: $20-30 billion over 10 years).

2. **Reward High Performance.** This proposal calls for a Rewards Fund that would award funding to states meeting federal performance criteria and would support teacher performance pay demonstration projects described above. From FY 2001-2003, states would receive awards for adopting statewide accountability systems, including high school exit exams, meeting teacher quality requirements, and developing and disseminating report cards ahead of the timetable you are calling for in your ESEA proposal. After 2003, the Reward Fund would incorporate student performance measures as well. (Cost: $150 million).

3. **Expanding Charter Schools, Second-Chance Schools, and Public School Choice.** With a decent increase in the FY01 budget, you can reach your goal of 3,000 charter schools by the time you leave office. We could also propose using charter funds to create new second-chance schools to serve students who have been removed from their previous schools because of discipline problems. Finally, we should provide seed money for innovative public school choice projects, and continue to support universal public school choice for students in failing schools. (Cost: $50-100 million).

4. **Education Opportunity Zones.** To encourage innovation and reward districts that end social promotion the right way, we could once again propose Education Opportunity Zones, which we left out of the FY00 budget, but which could attract bipartisan support from Jeffords, Rangel and Clay.

C. Teacher Quality And Performance

1. **Teacher Quality Fund.** Our ESEA proposal includes a Teaching to High Standards block grant that combines Eisenhower Goals 2000, and Title VI. At the passback level of $1 billion, that block grant can include set-asides for:

- A pay-for-performance and peer review demo (still under development this week in consultation with the Vice President).

- Troops to Teachers (Cost: $25 million).

- Teacher Recruitment: a down payment on the Vice President's 21st Century Teachers Corps (modeled after Teach for America), and an OMB initiative to recruit future teachers while they're still in high school. (Cost: $100 million).

- Principals: Without quality school leaders, school reform is destined to fail. Our initiative would fund independent School Leadership Centers to recruit nontraditional candidates and to focus on effective management, school design, technology, and district governance. At present, there is no federal program focused solely on school leadership and only a handful of programs allow funds to be used for it. (Cost: $25 million).

D. Distance Learning, Higher Standards

1. **AP Online.** Small and poor schools often lack the resources and teachers to offer challenging courses. Indeed, less than 60 percent of high schools today offer AP courses. This distance learning initiative aims to ensure that students in underserved areas get access to high-quality academic courses and ESL programs online. In order to ensure high-quality content, the proposal also calls for a partnership with leading course software developers like APEX (run by Microsoft co-founder, Paul Allen), which would subsidize the cost of high quality Web-based course development in return for cut-rate prices for high poverty school districts. Total funding for the initiative would be $225 million, including $50 million for grants, $25 million for course development, and $125 million in increases in existing programs.

2. **SAT and ACT Test Prep.** Historically, poor and minority students have not scored well on college entrance exams such as the SAT and ACT. This program would be modeled after California's College Preparation Partnership Program, which the NAACP has recently endorsed. It would support partnerships among high schools, proven providers of college test prep courses (such as Kaplan and Princeton Review), and community-based organizations to offer high-need students college test preparation and other services related to college admissions. Competitive grants of $30 million would serve approximately 50,000 students.

CHILD CARE

1. Child Care Subsidies. Our FY '99 and FY '00 budget requests have included $7.5 billion over five years in mandatory funds for the Child Care and Development Block Grant (CCDBG). We recommend moving our CCDBG increase request to the discretionary side of the budget (the CCDBG has mandatory and discretionary titles). The discretionary title is currently funded at $1.182 million. The CCDBG is a forward-funded program, but we recommend adding $818 million for FY 01 to the title, reaching $2 billion to the title overall and serving an additional 200,000 low-income children with subsidies, and adding $1 billion to the title for FY 02.

2. Improving Child Care Quality. The President's FY 99 and FY 00 budget included $3 billion over five years in mandatory funds to create a new Early Learning Fund to help local communities improve child care quality, through a variety of allowable activities including licensing, accreditation, parent education, etc. We recommend maintaining a request for new child care quality dollars, by moving our request to the discretionary side and building on our FY 99 achievement of $173 million in CCDBG quality dollars. (Cost: $350 million).

3. Create Early Childhood Professional Development Grants. Fund this new proposal (currently in our ESEA bill) at $40 million to provide grants to partnerships between universities, child care providers, and school districts to offer training and professional development to child care providers around language and literacy. (Cost: $40 million).

4. Campus-Based Child Care. The FY '00 budget included $10 million to support campus-based child care. According to estimates by universities, only 10-25 percent of the students who need this benefit are being served. We propose doubling this request. (Cost: $20 million).

5. Child Care in Non-Traditional Hours. We could create a new set-aside within the Child and Development Block Grant to help build supply of non-traditional hour child care (e.g. for parents on night shifts, etc.). According to studies, there is a growing need for this care.

6. Maintain Child Care Tax Credit Expansion Proposal. Expand Child and Dependent Care Tax Credit (CDCTC) to provide greater tax relief to three million low- and middle-income families who are struggling to afford child care. We are also exploring the possibility and cost of making this tax credit refundable. (Cost: $4-4.5 billion over five years for refundability).

7. Child Care Tax Credit for Businesses. Maintain proposal from last two years to provide tax relief to companies offering child care to their workers. (Cost: $500 million over five years).

CRIME

1. Federal Firearms Enforcement. To complement our legislative proposals on gun control – and to blunt the rhetoric of the gun lobby – we propose a comprehensive initiative on enforcement and prosecution. This initiative puts an unprecedented level of resources into firearms enforcement. It includes: 1) 500 new ATF agents, to investigate more gun trafficking cases and to bring the successful Youth Crime Gun Interdiction Initiative to more cities; 2) new ATF inspectors to crack down on unscrupulous dealers, manufacturers and distributors; 3) a comprehensive crime gun tracing package; 4) 1,000 new federal gun prosecutors and additional funds to help cities create community gun prosecutors; 5) a major expansion of existing ballistics testing systems; 6) funding for better Brady background checks; and 7) a new national notification system tied to NICS that speeds certain Brady denials (felons and other restricted persons) to local authorities. (Cost: $309 million).

2. 21st Century Policing Initiative. This is the next generation of COPS, and will put us on the path to reach 50,000 officers by FY 2005. It also funds law enforcement technology, community prosecutors and community crime prevention. (Cost: $1.475 billion)

3. Police Gun Buybacks. This initiative would encourage state and local police departments to end the practice of re-selling used police guns and confiscated crime guns on the civilian market. The program would purchase used police guns on a one-time basis from departments on the condition that they permanently agree to halt re-sales or trade-ups in the future and destroy all seized firearms. (Cost: $10 million).

4. Kids and Gun Safety. We have two initiatives in mind: a Treasury proposal to fund gun safety technology experts and expand public education to help prevent children's access to guns and accidental deaths; and a plan to support local media campaigns to highlight proper storage of guns as well as other messages to prevent child access, accidents, and other forms of gun violence. Localities could also use media campaigns to publicize gun penalties to maximize deterrence. (Cost: $12 million).

5. Community Supervision of Released Offenders. With nearly 500,000 inmates expected to leave prison this year – and with data showing that two-thirds of all released prisoners are re-arrested for new offenses within three years – we plan a broad initiative to address community safety concerns, reduce recidivism rates, and provide support for ex-offenders. The initiative – targeted to areas with the most returning offenders – would be comprised of three elements: 1) community reentry partnerships, through which police and corrections agencies would team up with community providers to monitor and provide targeted social services to offenders; 2) reentry courts modeled on drug courts; and 3) the hiring of more probation and parole officers. The Labor Department is also developing a complementary proposal to help ex-offenders become better fathers and prepare for employment. (Cost: $125 million).

6. Zero Tolerance Drug Supervision. This initiative combines key programs to promote coerced abstinence from drugs for offenders under criminal justice supervision. The initiative provides (1) $100 million to help states and localities to drug-test, treat, and punish prisoners, parolees and probationers; (2) $50 million for drug courts; and (3) $65 million for the Residential Substance Abuse Treatment program to provide intensive drug treatment to hardcore drug users before and after they are released from prison. (Cost: $300 million).

WELFARE AND WORK

1. Responsible Fatherhood Initiative. Promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. We can put forward a package of proposals to 1) ensure every unemployed father who owes child support goes to work and supports his children; 2) collect more child support from parents who can afford to pay; 3) revise outdated rules to ensure mothers and children receive more of the support the father pays; and 4) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society. (Cost: $100 million in discretionary costs in FY 2001 plus mandatory costs of $1.2 billion over 5 years and $2.6 billion over 10 years).

2. Welfare-to-Work Grants. These grants could fund projects in three areas key to sustaining the success of welfare reform: 1) to help every low income father work, pay child support, and reconnect with his children; 2) to help the hardest to employ move from welfare to work and succeed in the workforce; and 3) to increase job retention, skills upgrading and supports (including outreach on food stamps, Medicaid, child care, and EITC) for low-income working families, including those who have left welfare, through local one-stop employment centers. (Cost: $1 billion over 5 years and $2.4 billion over 10 – $200 of which would be FY 2001 discretionary, the rest mandatory).

3. Affordable Housing for Working Families. This proposal would provide housing vouchers to working families with children who need housing the most. This group of families could be defined in several ways: currently between 500,000 and 1 million working poor families get no housing assistance and pay more than 50 percent of their income in rent and/or live in substandard housing, while about 600,000 families with poor children live in public housing. Adding 100,000 vouchers a year for five years (reaching 500,000 in the fifth year) would cost about $3 billion dollars, and reaching a million families within 10 years would cost twice as much. This ignores the cost of renewing vouchers in the years after they are put in place, which OMB does not normally include in cost estimates but would create large ongoing obligations ($20 billion or more if a million families are served). (Cost: $3 to $6 billion over 5 years).

4. Employment for People with Disabilities. By enabling people with disabilities to work and keep their health care, the Ticket to Work and Work Incentives Improvement Act of 1999 will give individuals with disabilities a greater opportunity to participate in our nation's workforce. To build on this progress, we have a package of proposals. Among them would be a program to improve local One-Stop employment and training offices to better serve people with disabilities, as well as technical assistance, tax credits and assistive technology. (Cost: $113 million in discretionary funds in FY 2001, and $700 million in mandatory funds over 5 years).

5. Food Stamps. There are several proposals we could make to help ensure access to food stamps for working families. Unlike the executive actions we took last July, these require legislative changes. One is to raise the vehicle asset limit for TANF. This proposal would give states the option to conform this food stamp vehicle limit to the vehicle limit used in their TANF or Medicaid program, ensuring families that work their way off welfare do not suddenly face the loss of their food stamps if they buy a reliable car. Another is to provide at least $15 million for FY 2001 for on-going food stamp outreach efforts, including campaign materials and an enhanced 1-800 number. To improve nutrition among the elderly, we could offer a pilot program to make it easier for this population to access food stamps. Less than 30 percent of the elderly who are eligible for food stamps actually participate. (Cost: $80 million discretionary, $700 million - $1.7 billion mandatory).

6. Legal Immigrant Benefits. At a minimum we should repeat the proposals we made last year, and there are compelling reasons to go further in several areas. Our FY2000 proposal would have provided a state option to cover children and pregnant women under CHIP and

Medicaid, regardless of when they entered the U.S. (Under current law, states have this option only for immigrants who arrived in the U.S. before 8/22/96.) This proposal has bipartisan support. We could also allow legal immigrants who are qualified under the Violence Against Women Act due to domestic violence to be eligible for all federal public benefits, including SSI, food stamps, TANF, Medicaid, and CHIP, regardless of the date of entry. In addition, we could eliminate the 7 year limitation on the exemption from all benefits for refugees and asylees, propose making all legal immigrants eligible for food stamps, and restore SSI eligibility to more legal immigrants. (Cost: $2 to $6 billion).

7. Cars to Work. There are several ways we could help low income families get the transportation they need to get to work. In addition to providing full funding for the Access to Jobs Transportation program ($150 million), we could launch a program providing one-time seed funding of $10 million to one or more national organizations to provide loans to low-income families to repair or purchase cars.

8. Individual Development Accounts. We support $25 million for the Assets for Independence IDA demonstration program, which is the full authorized level and more than double the $10 million appropriated for the last two years. We also recommend a legislative change to allow low-income families to use IDAs to save for a car that will allow them to get a job, keep a job, or take advantage of job opportunities they couldn't otherwise access. Currently IDAs can be used to purchase a home, pay for higher education, or start a small business. (Cost: $25 million).

9. Boosting Homeownership. We are working on a number of options to promote home-ownership among low-income families and think this, along with other proposals, could be part of a proposal to reduce the "asset gap" among racial and ethnic minorities. We understand Treasury is developing a proposal to encourage homeownership through a tax credit that reduces monthly costs for low-income homebuyers. PPI has proposed "no interest second mortgage tax credits" to lending institutions that are willing to make small no-interest 25 year loans to qualified low-income families to use as down payments. Incentives could also be provided to employers to help their low-income employees buy homes, such as Bank of America's Associate Home Ownership Program which was highlighted in the President's August 3rd welfare town hall. This approach has the advantage of connecting employment and home ownership, and enlisting employer participation, but on balance, it probably makes more sense to subsidize individuals than businesses. We could certainly highlight leading-edge companies such as Bank of America, whose efforts would complement a tax credit for families, in any announcement. We are also exploring ways to highlight existing authority to use Section 8 vouchers toward homeownership, through publication of housing regulations and other administrative actions.

10. Increasing Targeted Substance Abuse Treatment. We could build on our success in the FY 2000 budget process by requesting an additional increase for SAMHSA's Targeted Capacity Expansion Grant program. In FY 2000 we succeeded in getting $114 million, slightly above our request of $110 million and more than double FY 99 levels. These funds are provided on a competitive basis to communities to meet emerging substance abuse problems and unmet treatment needs. In past years, a significant number of grants have focused on women moving from welfare to work, Native Americans, youth offenders, and HIV/AIDS. We could also designate a portion of these resources for treatment in communities who participate in the reentry initiative. These grants are a high priority for Mayors and for the Congressional Black Caucus, and HHS proposed a substantial increase in its budget submission. (Cost: $139 million).

PHILANTHROPY, FAITH AND SERVICE

1. Faith-Based Involvement in Substance Abuse Treatment, Juvenile Justice, and After-School Programs. Propose to allow federal substance abuse treatment, juvenile justice, and after-school funds to be used by faith-based organizations. The substance abuse treatment idea is included in the Frist-sponsored Senate SAMSHA reauthorization bill. A House bill, by Representatives Watts and Talent, allows faith-based groups to receive funded through both SAMSHA and Medicaid. (Currently, faith-based groups can be Medicaid providers only if they are actually health care providers or are involved in certain outreach activities). The Juvenile Justice bill in conference included provisions allowing faith-based groups to provide certain services. Faith-based groups are not currently eligible for direct funding through the 21st Century Community Learning Centers program, but the Department of Education has made clear that faith-based groups can be partner with programs that receive direct funds. (Cost: none).

2. Deductibility of Charitable Contributions for Nonitemizers. One broad change that could effect both the level and composition of individual gifts would be to allow non-itemizers to claim a deduction (or tax credit) for charitable contributions above a certain floor. In addition to affecting the total amount of charitable contributions, allowing non-itemizers to take such a deduction could also affect the proportion of gifts going to different types of recipients since non-itemizers gifts disproportionately benefit religious organizations and social service groups as opposed to educational institutions and private foundations. (Cost: $2 to $6 billion a year).

3. Allowing Charitable Giving Until April 15. If the charitable deduction is meant to provide incentives for charitable giving, the program should encourage such activity to the fullest extent. The cost of this proposal is negligible.

4. Excise Tax on Investment Income of Private Foundations. Private foundations pay an excise tax on their net investment income, with a complicated formula requiring some to pay 1 percent tax and others to pay a 2 percent tax. While the intent of the distinction between a 1 and 2 percent rate of tax on investment income was to prevent foundation disbursements from falling, the mechanism is unduly complicated and may even dampen foundation giving. This excise tax should be eliminated or modified. In 1997, foundations paid $486 million in federal excise taxes. (Cost: to be determined, probably about $500 million).

5. Nonprofits Capacity Building Program (NCBP). In order to create a stronger and more effective nonprofit sector, capacity and technical assistance could be provided to train and manage assistance for nonprofit and community-based organizations through development centers nationwide. This could be accomplished either through a new and dedicated program or through existing agencies such as the SBA. (Cost: $50 million).

6. Social Venture Capital Formation. We are exploring the idea of stimulating "venture philanthropy" by allowing a tax credit (greater than the current deduction for charitable gifts) to individuals and corporations that contribute to neighborhood organizations engaged in educational, social and economic services for the poor. To be eligible for the credit, obligors would have to make a contribution over a certain floor and submit a joint proposal with a tax-exempt non-profit. The initiative encourages businesses to form more committed partnerships with grantees in order to achieve the long-term goals of the nonprofit organization.

7. Improving Disclosure by Charitable Organizations. By far the most important source of public information about charitable organizations is the IRS Form 990 annual information returns. Over the years, the amount of information to be included on these returns by charitable organizations has increased, as have the penalties for failure to file and accurately completing these returns. Despite the evolution, the Forms 990 are frequently criticized both by charities who have difficulty completing them and by the public that has difficulty reading them. Requiring electronic filing of Forms 990 would make it easier for the public to access this information and reduce fraud. (Cost: minimal to none).

8. Second Chance Homes. Provide funding through HHS for second chance homes, including homes funded by faith-based organizations, to teen parents to help them and their children succeed. Perhaps these funds could fall under the rubric of preventing child neglect, and could be funded through IVB or IVE programs (will coordinate with our children and families team). States can use TANF funds for these purposes.

9. Assistance to Children of Prisoners. Propose new funding in the HHS Community Services Block Grant programs to fund community and faith-based organizations to assist children of prisoners (current CSBG funding is about $500 million per year). This could be coupled with other ex-offender proposals, including possible faith-based ministries in re-entry programs.

10. AmeriCorps Reserves Program. This program would be modeled on the military Reserves program. Young people would serve in the Reserve Corps on weekends and/or after work in exchange for funds that could be used toward: repaying student loans, financing further education for self or children, start-up costs for non-profits and charter schools, down payment on a first home, etc. The mission of the Reserve Corps would be to address national problems and crises, including natural disasters and domestic social problems while, at the same time, working to renew and reinvigorate civic life by committing to service, responsibility, and citizenship. Reserve Corps members would be given flexibility in terms of how much time they were willing/able to serve each year and would be awarded correspondingly. (Cost: $4 million).

11. Community Coaches. Provide seed money to school districts to fund point people in the public schools who "coach" community service for kids and who act as liaisons to the surrounding business and civic leaders. (Cost: $5 million).

WORK, FAMILY AND CHILDREN

1. Benefits for Alternative/Contingent Workers. Alternative workers, including agency temps, part-time workers, and independent contractors, are less much likely than traditional workers to receive or be eligible for health insurance coverage and pension benefits from their employers. For example, seven percent of agency temporaries receive health insurance coverage from their employers, and only 24 percent are eligible and only four percent of agency temporaries participate in an employer retirement plan and only 10 percent are eligible to do so. We are considering tax credits that encourage non-profit organizations and unions to offer (health insurance and) pension/401-k benefits. We are also looking into requiring Census CPS to develop better measures of this fast-growing but vaguely-defined sector of the workforce. According to the Bureau of Labor Statistics, the category of workers that includes independent contractors, on-call workers, temporary workers, and contract workers comprises 12.5 percent. In addition to the 18.3 percent of the workforce that is employed part-time, approximately 30 percent of the workforce is employed by some alternative arrangement. It has been difficult, however, to collect accurate data (which would inform policy decisions) on this class of workers, as well as telecommuters and other alternative workers.

2. Support Domestic Partners. You could recognize the changing nature of the American family and empower non-traditional families by calling for the inclusion of domestic partners in the Family and Medical Leave Act. We could support Representative Maloney's bill to amend the Family and Medical Leave Act (FMLA) to permit leave to care for a domestic partner, parent-in-law, adult child, sibling, or grandparent if the family member has a serious health condition. We could also take leadership in the drive to include domestic partners as health care beneficiaries by putting forward an Executive Order calling for the inclusion of domestic partners in the Federal Employee Health Care Benefit plan.

3. New Paid Leave Demonstration Program. We are exploring a proposal through which states could use the Unemployment Insurance system to create a federally funded, state-administered paid parental leave program. The cost estimate would grow significantly if we cover all workers regardless of income and/or if we cover both parents in a household, and would decrease significantly if we introduce a state match requirement.

4. Youth Empowerment Fellowships. We would reward social entrepreneurship by providing fellowships to young people who have developed innovative community initiatives. The Fellowships could be modeled on programs like the Echoing Green Fellowships, which are targeted to young social entrepreneurs who can catalyze positive social change. Alternatively, grants could be modeled on youth-driven grant programs such as the Oakland Fund for Children and Youth which dedicates 2.5% of the City of Oakland General Fund to youth development projects. The awards would be selective (e.g. 100 per year), prestigious, and would represent a diverse set of young people and set of ideas for youth empowerment. (Cost: $20 million).

5. Rewarding Youth Achievement. We are considering reviving this proposal, which was floated in the FY2000 budget. The goal of RYA is to increase the rate at which academically achieving, economically disadvantaged students graduate from high school and continue on to higher levels of education or training. RYA would provide summer employment to youth who meet academic achievement and attendance standards. Participants would also be eligible for an end-of-summer bonus if they perform well in their summer job. In addition, RYA would provide career counseling, mentoring, and tutoring to place participants in career related employment.

6. Children's Savings Accounts. Set up an asset-building program that would fund accounts for children as they are born. Children could be provided with $1,000 "start in life" deposits for the roughly four million babies born each year, followed by $500 yearly deposits until age five. CSAs would be available for higher education, first-home purchase, and small-business capitalization. The accounts would be funded through a combination of direct government deposits and tax deductions, and contributions would be encouraged through tax incentives for relatives, employers, corporations, churches, and others. (Cost: $40 billion over five years).

IMMIGRATION AND CIVIL RIGHTS

1. Making Naturalization Easier. Earlier this year, an independent auditor issued a report recommending numerous changes to streamline and improve the current citizenship test and naturalization process. This proposal would provide the resources and the technical expertise to implement the recommendations. (Cost: $1.5 million).

2. ESL/Civics Initiative. This year we won partial funding for our proposal to provide funding for English as a Second Language programs that are linked to civics and life skills instruction. (Your request was $70 million and we received $25.5 million in the final budget agreement). In FY2001, we should request at least $75 million.

3. AgNet Registry. This proposal would create an online job registry for growers and farmworkers alike, and thus help growers find an adequate labor supply in a predictable and timely manner. (Cost: $10 million).

4. EEOC/Equal Pay Initiative. In FY 2000, we requested $10 million for a new Equal Pay Initiative to increase compliance with equal pay laws. It would provide training to EEOC employees to identify and respond to wage discrimination, increase technical assistance to businesses on how to meet legal requirements, and launch an equal pay public announcement campaign to inform employers and employees alike of their rights and responsibilities. EEOC only received a slight increase in the final FY 2000 budget, which did not include $10 million for this important initiative. We should repeat the request.

TOBACCO

1. Price Increase. There are several ways we could repackage tax proposals from FY2000. Option 1A: A 55 cents per-pack increase to be collected through tobacco excise taxes. This option should raise about $6.4 billion a year. Option 1B: A per-pack excise tax triggered by youth smoking rates. An increase in the per-pack excise tax would be triggered by missing the target rates for each year. The determination of the excise tax increase would depend on the level that the target rate was missed. Option 1C: Combine elements of Options 1A and 1B so that a per-pack excise tax exists for the first two years and is thereafter determined by youth smoking rates. Option 2: Acceleration of the BBA's 15 cents excise tax. The 1997 Balanced Budget Agreement (BBA) raised the excise tax 10 cents per-pack effective January 1, 2000 and another 5 cents effective January 1, 2002, for a cumulative 15 cent increase. The FY 2001 budget could accelerate the effective date of the additional 5 cents, raising several hundred million dollars. We may wish to consider packaging a tax increase with a particular spending proposal, such as Medicare prescription drugs.

2. State Lookback. Although state officials said the purpose of the $246 billion state settlements with the tobacco industry was to reduce youth smoking, few states are investing settlement funds in programs to prevent youth tobacco use. This proposal would ensure that if the provisions of the state settlement (45 cent price increase, some limitations on marketing and promotion of tobacco products, and funding for a national foundation to reduce youth smoking) do not actually reduce youth smoking, then states would be required to spend settlement funds on youth smoking prevention programs. The spending provisions would be triggered if certain youth smoking reduction targets were not met.

3. Preventing Youth Smoking. We should support continued funding of tobacco prevention programs at CDC and FDA, and include an increase if possible. CDC would provide technical assistance, strengthen tobacco use science for public health action and work with partners to create global tobacco programs. FDA funding would go to enforcement and evaluation and product regulation.

4. Department of Justice Tobacco Litigation. The Department of Justice has initiated litigation against the tobacco industry to recover certain federal health expenditures caused by tobacco use. We could either propose $20 million for the Department of Justice to finance the litigation (the same unsuccessful strategy employed in the FY2000 budget) or include the shared costs of the litigation within the requests for HHS, Defense and VA, since the suit is intended to recover the smoking related costs incurred by the Federal government, of which these three departments experienced substantial costs. (Cost: $20 million).

5. Expanding Cessation Coverage. Currently, smoking cessation prescription and non-prescription drugs are optional state Medicaid benefits that are matched by the federal government at the individual states FMAP rate (57 percent on average). Our understanding is that 27 States provide Medicaid coverage for FDA approved smoking cessation products. There are a number of options we could propose to expand the coverage of smoking cessation products for Medicaid and other federal programs. These include mandating coverage of prescription/nonprescription smoking cessation products, requiring Defense to provide effective cessation programs, or requiring the Federal Employees Health Benefits Program to provide a more generous cessation benefit.

6. Assisting Tobacco Farmers. These are two proposals that would allow us to maintain our commitment to ensure the well-being of tobacco farmers, their families and their communities. The first would directly compensate tobacco farmers. The Agricultural Appropriations bill for FY 2000 directs the Secretary of Agriculture to use $328 million in funds from the Commodity Credit Corporation to provide payments to compensate flue-cured and burley tobacco farmers that had their quotas reduced in 1999. We could propose an additional $328 million in FY 2001 for farmers facing quota reduction in 2000. The second approach would be to provide preferable tax treatment of payments to tobacco farmers. Proposals supported by Sen. Robb and Rep.

Boucher would exclude from gross income payments made by the tobacco industry to tobacco farmers as part of last year's settlement.

OTHER POLICY INITIATIVES

1. Closing the Digital Divide. We have been working with NEC to put together an initiative to address both the access gap and the skills gap that help create the "digital divide." We are considering a broad proposal that would subsidize home Internet access and computer leasing for low-income families, as well as efforts to ramp up Community Technology Centers and to draw private sector partnership commitments.

2. Native American Initiative. We have worked with Lynn Cutler to develop an ambitious, cross-agency package of proposals intended to benefit Native Americans. Included in the package are new initiatives on Indian health, dedicated monies for foster care and family caregiver programs, grants for tribal technology infrastructure, Native American small business development centers, 1000 new Native American professionals, a DOJ/BIA law enforcement initiative, a tribal youth mental health program and an array of other proposals. (Cost: $681 million).

3. National Cardiac Arrest Emergency Plan. Each year, approximately 250,000 Americans suffer cardiac arrest. The American Heart Association estimates that a national plan in this area could save almost 50,000 lives. It seems likely that some form of the Cardiac Arrest Survival Act will pass this year, and it would be wise to supply funds to make its goals a reality. The Act provides for: (1) a plan for providing defibrillators in public buildings and (2) establishing protections from civil liability arising from the emergency use of the devices.

4. Enhancing the Nation's Food Safety System. CDC estimates that contaminated food kills up to 5,000 Americans and sickens 76 million more each year. This initiative will increase the number of imported and domestic food inspections by over 7,000, with a special emphasis on high-risk domestic foods such eggs and unpasteurized juice. It will also place an additional 100 inspection agents in the field. The FDA expects that this new investment will prevent over 100,000 illnesses per year. (Cost: $35 million).

5. Mainstream Homeless Initiative. This initiative would create, for the first time, a mechanism to help states ensure that so-called "mainstream" programs – Medicaid, CHIP, TANF, and the Mental Health and Substance Abuse Block Grant -- are accessible to the homeless. States would look at areas such as: (1) how outreach is being done; (2) how intake questioning captures indicia of homelessness; (3) what outcome measures are in place to see whether homeless needs are being addressed. (Cost: $10 million).

6. Violence Against Women Act (VAWA II). In 1994, Congress passed the Violence Against Women Act (VAWA I), an historic piece of federal legislation that contains a broad array of ground-breaking laws to combat the epidemic of violence against women. Despite VAWA I's success, legislators and advocates alike agree that many gaps in our laws remain. Building upon these successful initial steps, VAWA II extends programs more comprehensively. We are also working with the agencies to develop some other domestic violence ideas. (VAWA needs to be reauthorized in FY2001).