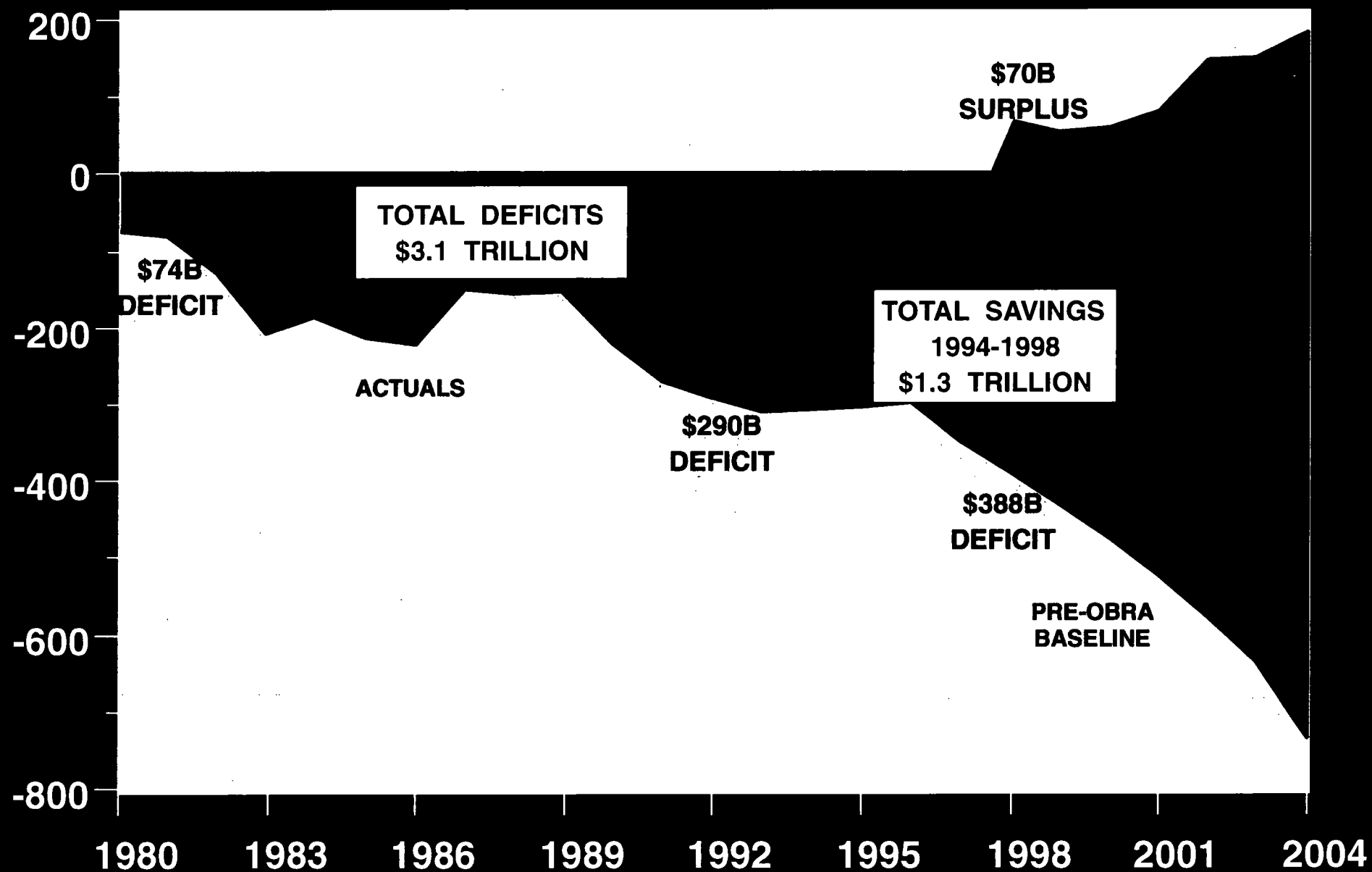


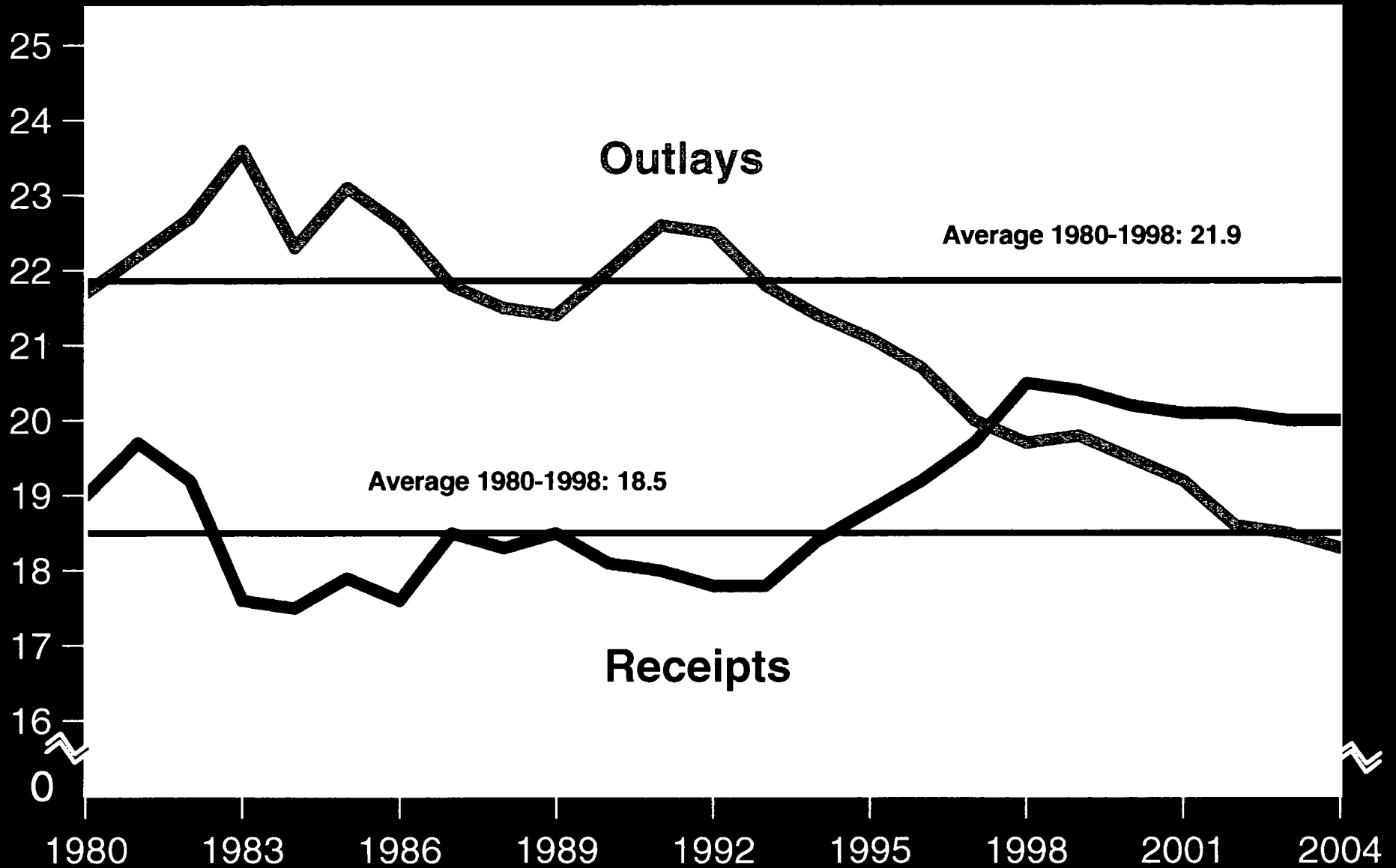
# A BALANCED BUDGET AFTER DECADES OF DEFICITS

Surplus (+)/Deficits (-) in Billions



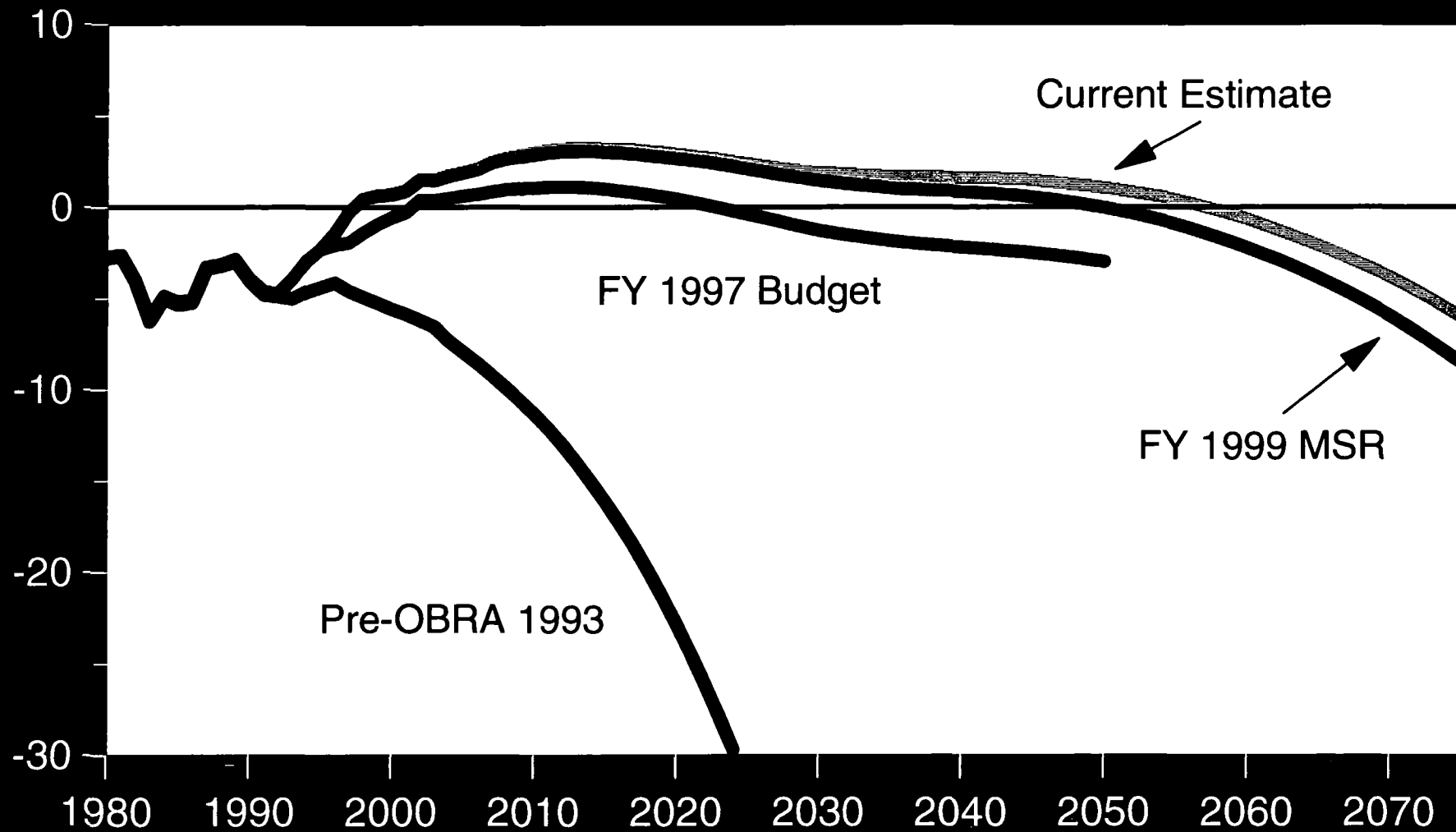
# THE ERA OF BIG GOVERNMENT IS OVER

Percent of GDP



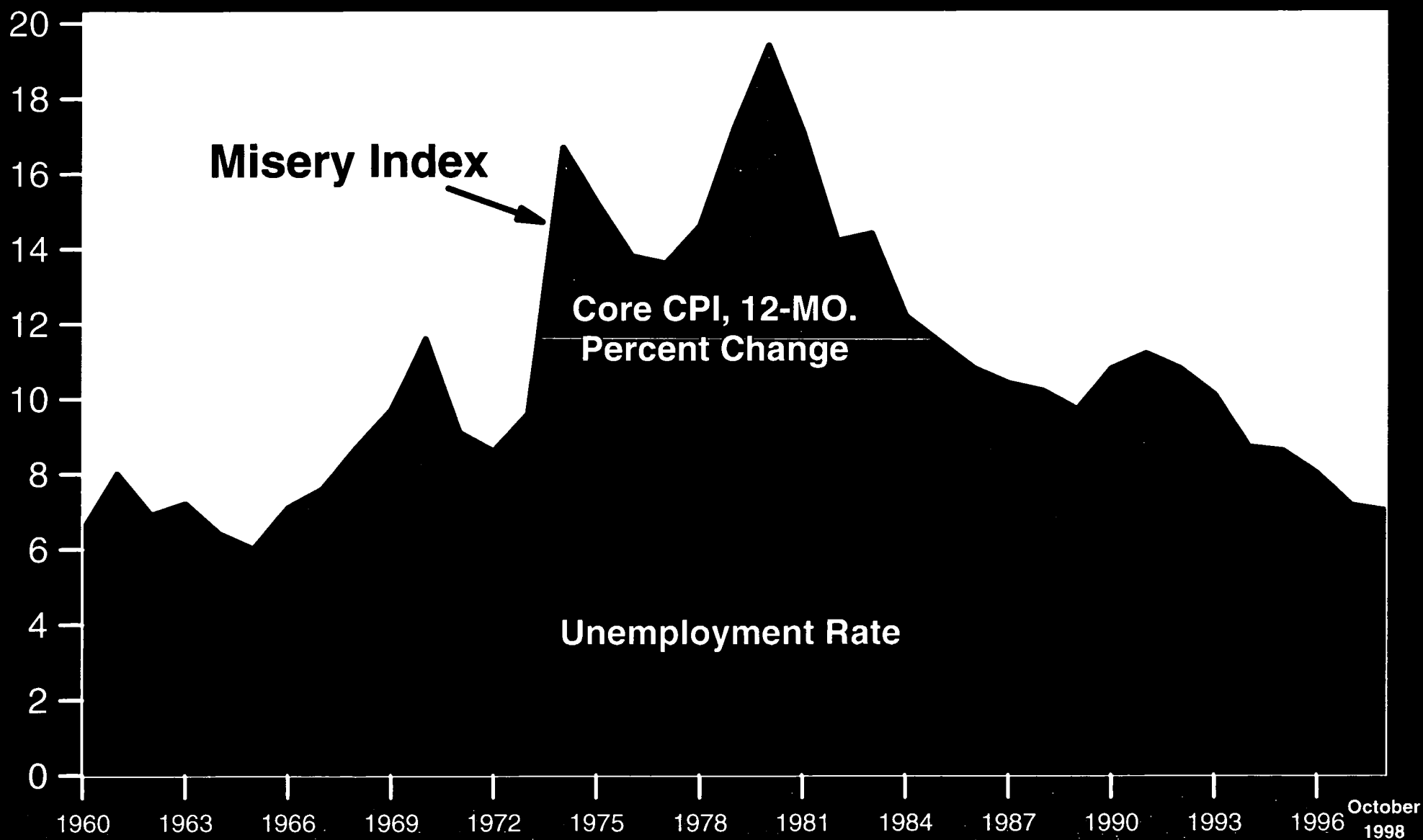
# IMPROVED OUTLOOK: UNIQUE OPPORTUNITY TO SAVE SOCIAL SECURITY

Surplus/Deficit (-) As A Percent of GDP

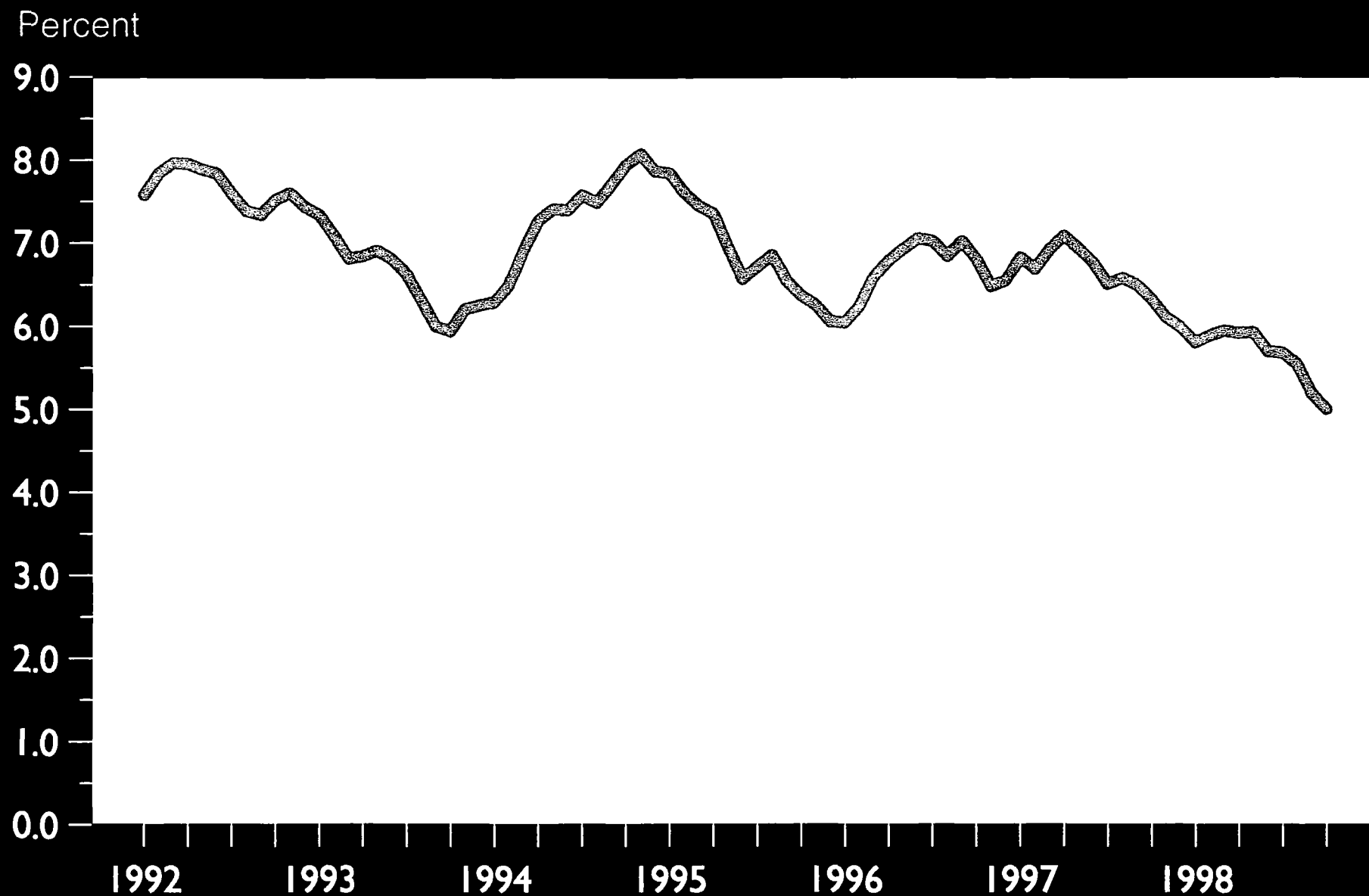


# THE MISERY INDEX IS AT ITS LOWEST SINCE THE 1960s

Percent

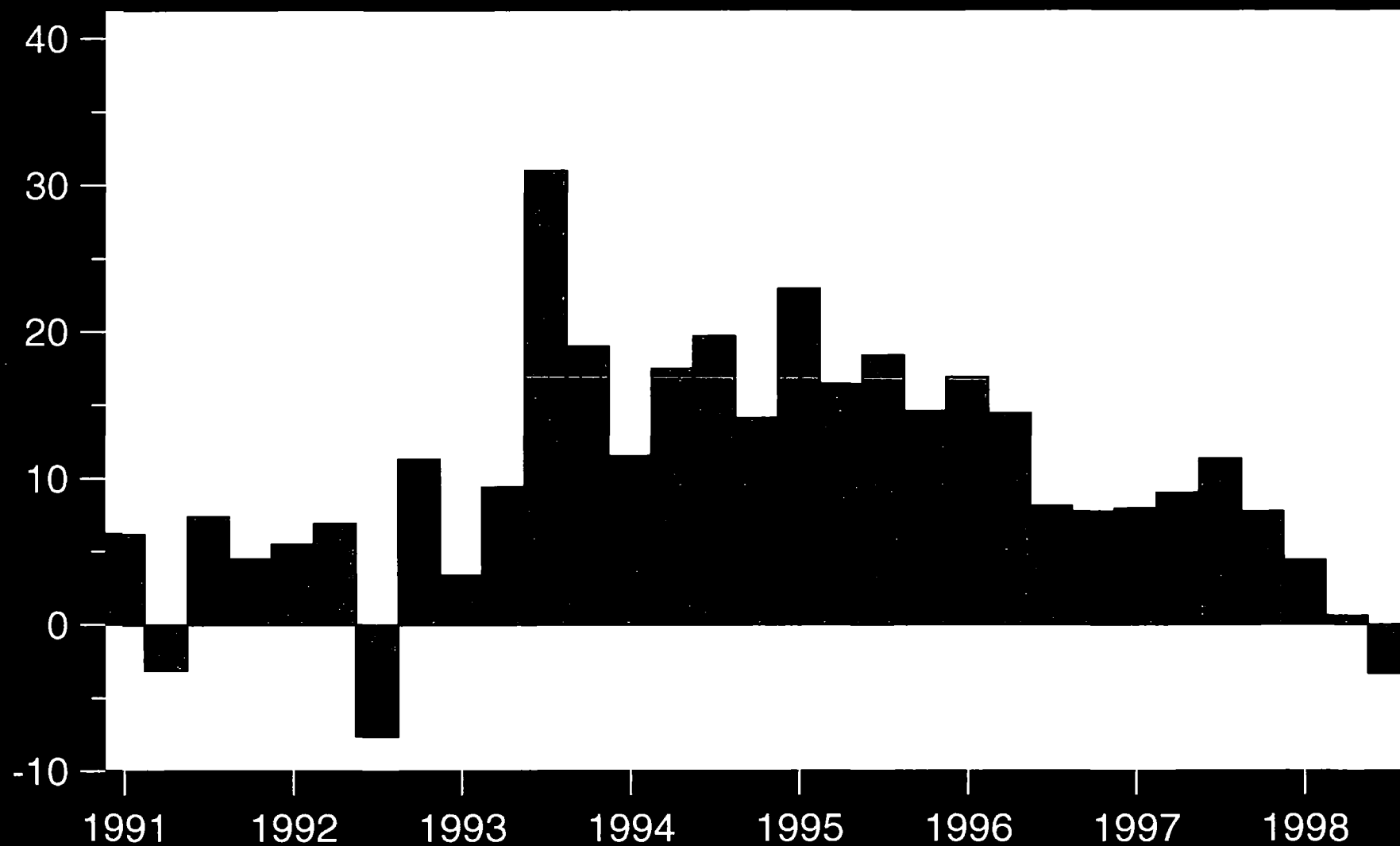


## TREASURY BOND RATES ARE AT 30-YEAR LOWS

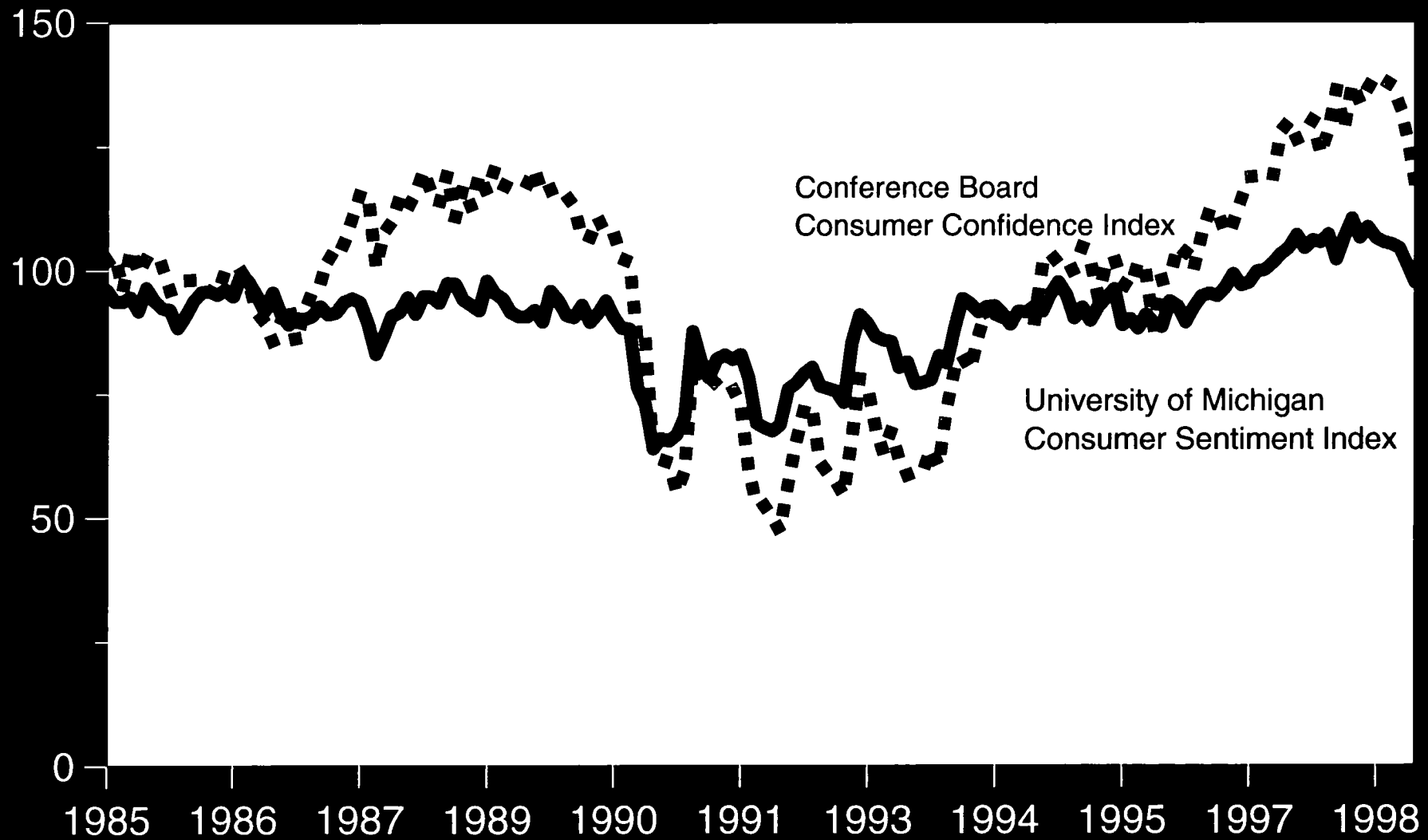


# AFTER EXTRAORDINARY GROWTH, CORPORATE PROFITS ARE SLOWING

(Percent Change From One Year Earlier)

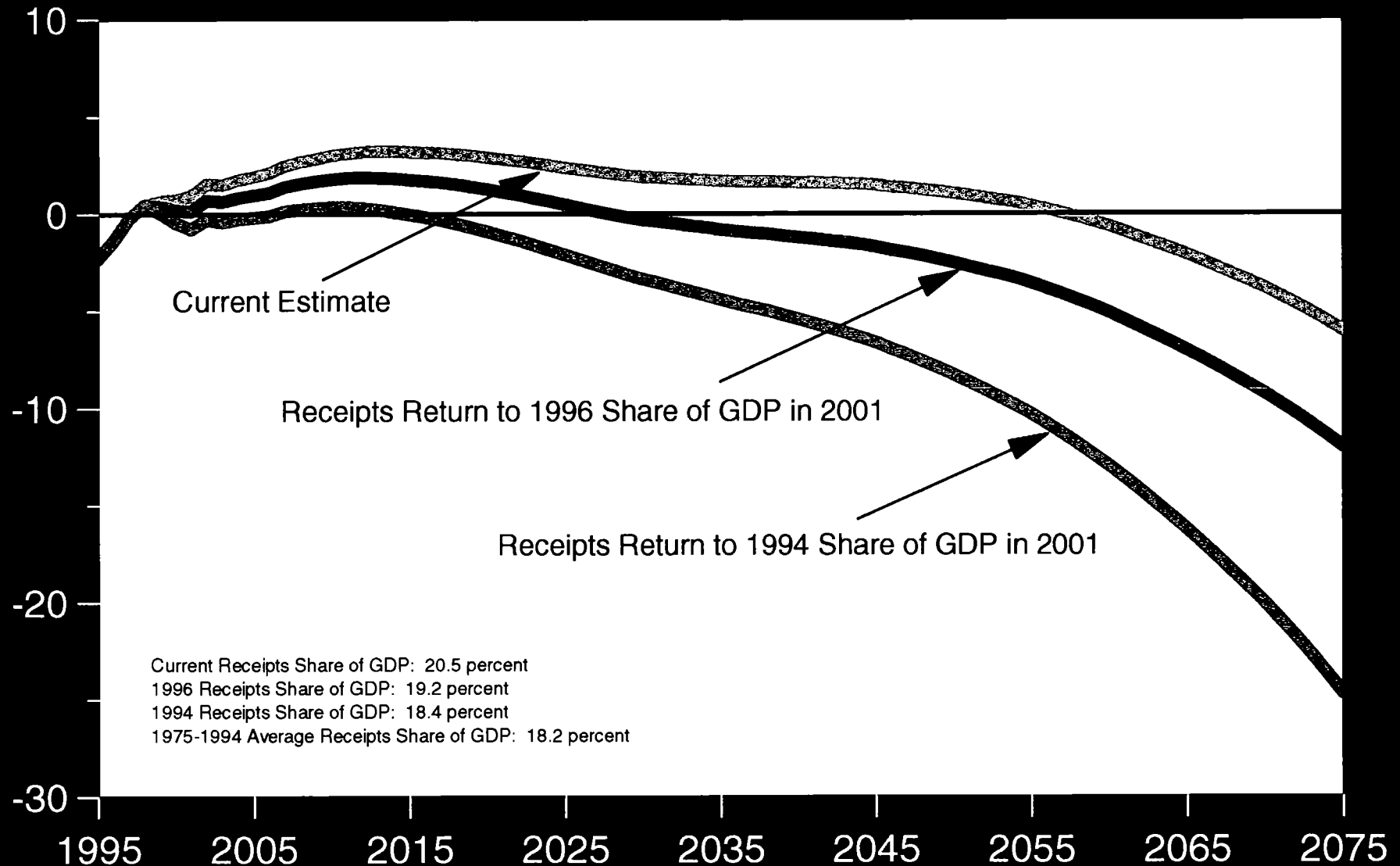


## CONSUMER CONFIDENCE IS BEGINNING TO SLIP



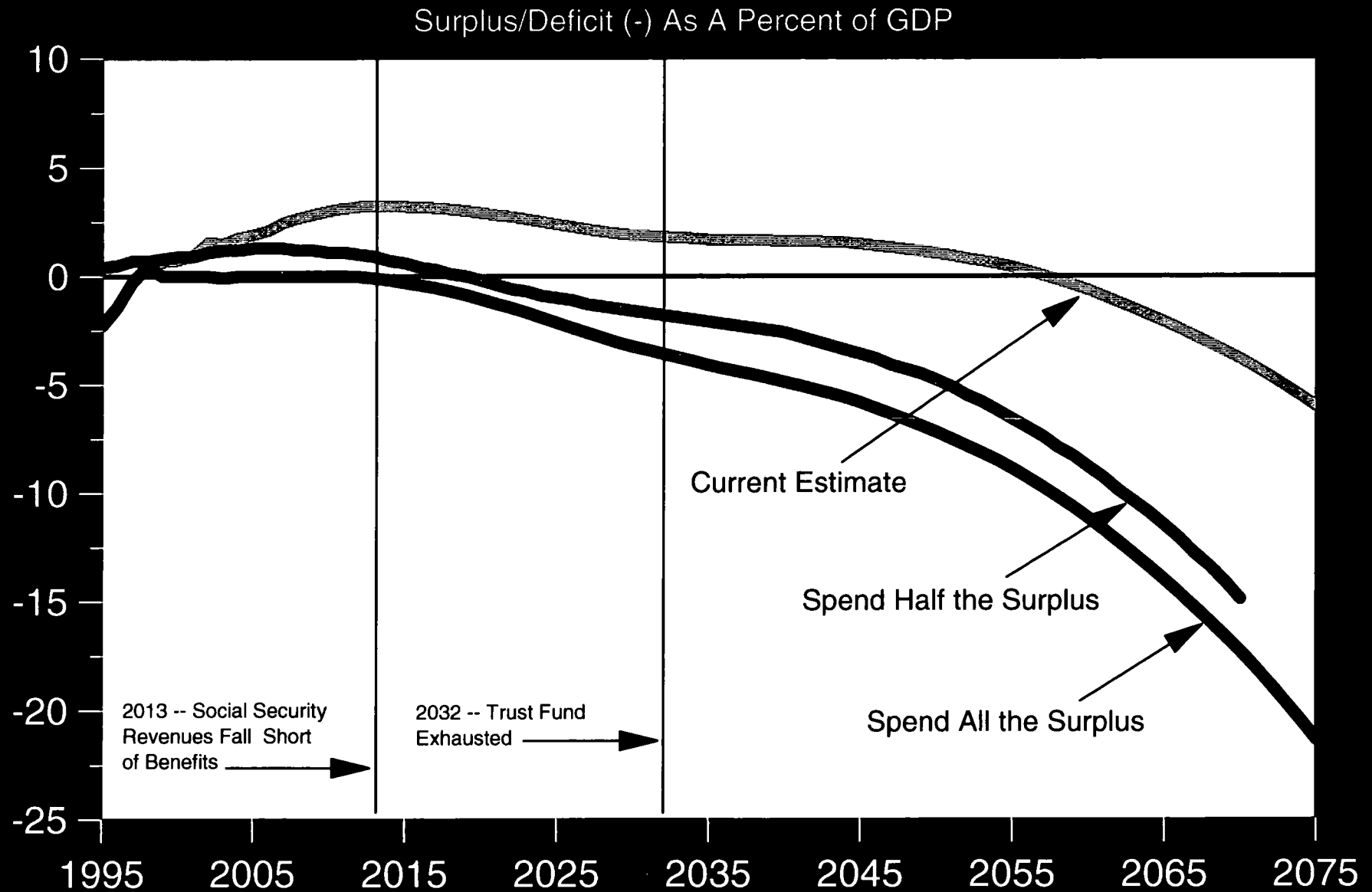
# REVERSE REVENUE "SURPRISE" WOULD ENDANGER SURPLUS

Surplus/Deficit(-) As A Percent of GDP





**OPTIONS OTHER THAN DEBT REDUCTION  
(INCLUDING THROUGH SOCIAL SECURITY)  
WOULD WORSEN THE LONG-RANGE OUTLOOK**



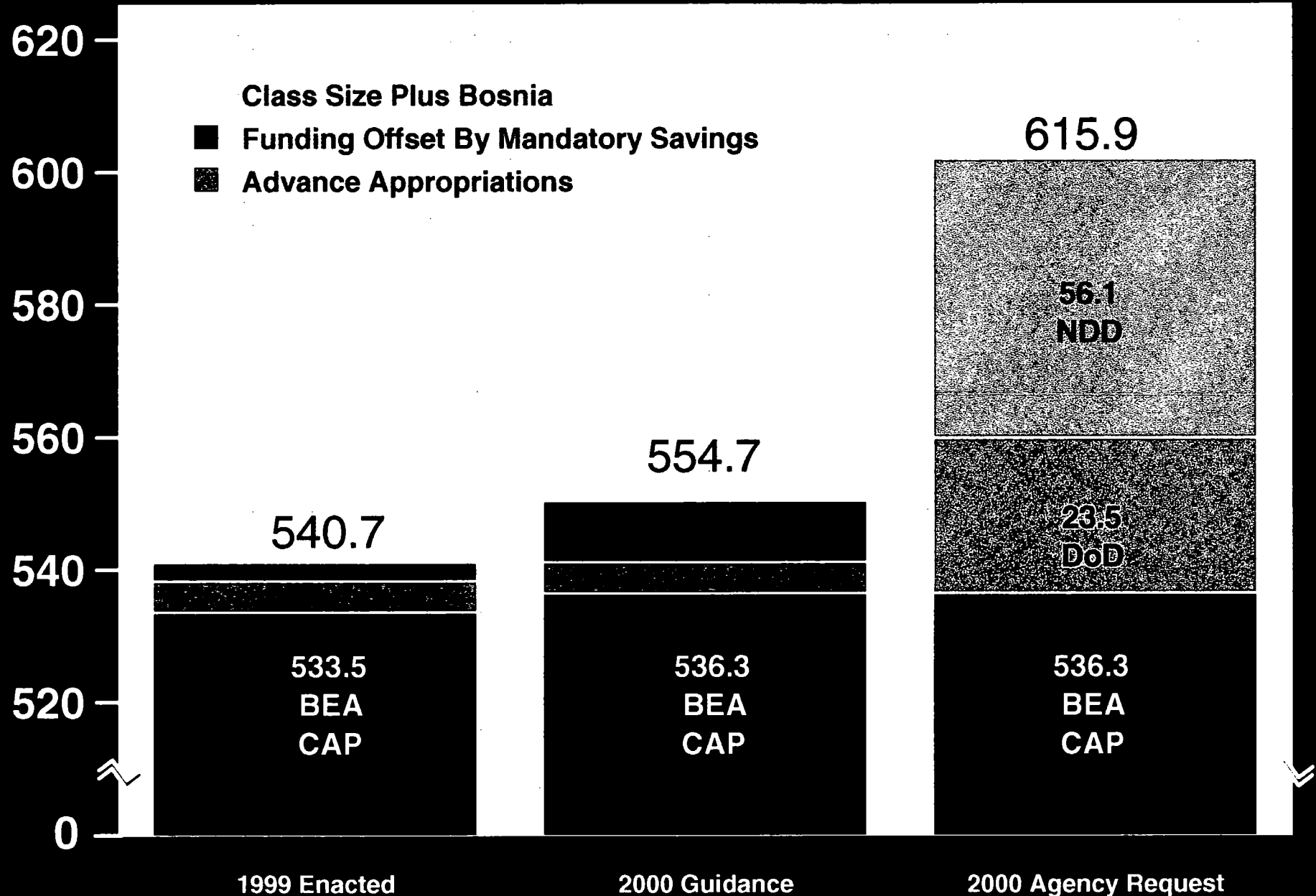
# SURPLUS/DEFICIT (-) ESTIMATES

(In Billions of Dollars)

|                             | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total       |
|-----------------------------|------|------|------|------|------|------|------|------|------|------|-------------|
| <b>1999<br/>MSR</b>         | 54   | 61   | 83   | 148  | 150  | 184  | 213  | 245  | 300  | 342  | <b>1788</b> |
| <b>Current<br/>Estimate</b> | 47   | 64   | 89   | 157  | 166  | 192  | 221  | 253  | 305  | 348  | <b>1842</b> |

# FY 2000 Discretionary Overview

DOLLARS IN BILLIONS



# Additional Requirements and Initiatives

|                                    | <u>00</u> | <u>(Outlays)</u> | <u>5-Year</u> |
|------------------------------------|-----------|------------------|---------------|
| ● <b>Mandatory Reproposals:</b>    |           |                  |               |
| – Child Care and Early Learning    | 1.2       |                  | 9.3           |
| – Medicare Buy-In                  | 0.1       |                  | 2.1           |
| – Superfund Orphan Shares          | 0.2       |                  | 1.0           |
| – Other                            | 0.7       |                  | 5.1           |
| ● <b>Tax Reproposals:</b>          |           |                  |               |
| – Affordable Child Care            | 0.3       |                  | 5.6           |
| – Energy Efficiency/Climate Change | 0.4       |                  | 4.4           |
| – School Construction              | 0.2       |                  | 5.0           |
| – Expiring Provisions              | 1.0       |                  | 3.5           |
| – Other                            | 1.3       |                  | 5.9           |
| ● <b>Expiring Programs:</b>        |           |                  |               |
| – Welfare-To-Work                  | 0.2       |                  | 5.6           |
| – COPS                             | 1.2       |                  | 3.6           |

## New Initiatives

# **2000 Budget Goals**

- **Save Surplus for Social Security**
- **Fulfill Prior Commitments**
- **Adequately Fund Core Government**
- **Finance Initiatives**

# STATUS OF HEALTH BUDGET IDEAS IN PASSBACK, 11/23/98

*(Italics indicate discretionary funding)*

| NEW IDEAS                                                                      | PASSBACK STATUS                                                                                           | REMARKS                                                                                                                                                                    |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. LONG-TERM CARE</b>                                                       |                                                                                                           |                                                                                                                                                                            |
| Long-term care tax credit                                                      | NA                                                                                                        |                                                                                                                                                                            |
| Offering private long-term care insurance to Federal employees                 | NA                                                                                                        |                                                                                                                                                                            |
| <i>Family Caregiver Support Program (new Administration on Aging grants)</i>   | <i>Will fund this new program but only at \$10 million -- much lower than the requested \$150 million</i> | <i>Necessary to attract aging network to support our long-term care policies. Without full funding cannot support programs in all states. VP will be ally.</i>             |
| <i>Nursing home quality initiative (HHS has asked for \$100 million)</i>       | <i>Will fund at a lower level, partially through politically problematic user fees</i>                    | <i>May need more money to attract validators. Ask if user fees are really viable.</i>                                                                                      |
| <i>Educating Medicare beneficiaries about long-term care alternatives</i>      | <i>Support idea but not sure about any funding (asking \$25 million)</i>                                  | <i>Low-cost activity worth the effort; shows we are not counting on Medicare to expand.</i>                                                                                |
| <b>2. DISABILITY</b>                                                           |                                                                                                           |                                                                                                                                                                            |
| Jeffords-Kennedy Work Incentives Improvement Act                               | Included in passback                                                                                      |                                                                                                                                                                            |
| Tax credit for people with disabilities                                        | NA                                                                                                        |                                                                                                                                                                            |
| Medigap reform for people with disabilities                                    | No cost / included in passback                                                                            |                                                                                                                                                                            |
| <i>Funds for Medicaid de-institutionalization demonstration (\$50 million)</i> | <i>Rejected by OMB</i>                                                                                    | <i>Issue is major priority for activists but might not be worth the fight since they may well think our base proposal is too modest, let alone any compromise with OMB</i> |
| <b>3. MODERNIZING MEDICARE</b>                                                 |                                                                                                           |                                                                                                                                                                            |
| Adopting private sector, competitive pricing strategies                        | Included in passback                                                                                      |                                                                                                                                                                            |
| Reducing Medicare fraud and overpayment                                        | Included in passback                                                                                      |                                                                                                                                                                            |
| Prescription drug coverage for Medicare beneficiaries                          | OMB is considering some type of limited state grant proposal                                              | Worth considering, but may expose us to criticism that we gave up on a real Medicare drug benefit and are undermining those that want one                                  |

| NEW IDEAS                                                                                                                                      | PASSBACK STATUS                                                          | REMARKS                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Protecting Medicare beneficiaries from HMO withdrawals                                                                                         | No cost / included in passback                                           |                                                                                                                                                                       |
| Redesigning and increasing enrollment in Medicare's premium assistance program                                                                 | No cost / likely to included in passback                                 |                                                                                                                                                                       |
| Cancer clinical trials demonstration                                                                                                           | Rejected unless funded by tobacco.                                       | VP priority. He'll need to fight to get in budget.                                                                                                                    |
| <i>Bringing children's hospitals into parity with all other hospitals training future doctors (could be discretionary or capped mandatory)</i> | <i>Rejected</i>                                                          | <i>FLOTUS priority, need to fight to get in budget. Because of financial well-being of children's hospitals, OMB opposes. There is a viable equity argument here.</i> |
| <b>4. HEALTH INSURANCE COVERAGE EXPANSIONS</b>                                                                                                 |                                                                          |                                                                                                                                                                       |
| Grants and/or tax incentives for small business purchasing coalitions                                                                          | Do not know status; hoping for at least \$50 million                     | Please check status.                                                                                                                                                  |
| Children's health insurance outreach                                                                                                           | Probably included, but in a budget-neutral form                          | Appears acceptable                                                                                                                                                    |
| Medicaid extension for foster children                                                                                                         | Likely included in passback                                              | FLOTUS priority. We should support.                                                                                                                                   |
| Health coverage options for people ages 55 to 65                                                                                               | Rejected                                                                 | Moynihan & Gephardt have indicated that they will introduce this; could seem strange if we do not. President still seems interested.                                  |
| <b>5. PUBLIC HEALTH/ UNDERSERVED POPULATIONS</b>                                                                                               |                                                                          |                                                                                                                                                                       |
| <i>Fighting bioterrorism (\$100 million)</i>                                                                                                   | <i>Included in passback as part of a larger public health initiative</i> | <i>Probably ok but you may want to confirm adequacy for this and the super-bug initiative</i>                                                                         |
| <i>Combating resistant to anti-biotics (super bug) (\$20 million)</i>                                                                          | <i>Subsumed in bioterrorism initiative</i>                               | <i>See above</i>                                                                                                                                                      |
| <i>Investing in biomedical research (\$500 million plus)</i>                                                                                   | <i>Very small increase in funding</i>                                    | <i>Assume that VP will demand much higher discretionary funding, supplemented by tobacco</i>                                                                          |
| <i>New initiative to prevent and treat asthma (\$25-50 million)</i>                                                                            | <i>Accepted EPA increase in funding</i>                                  | <i>Check to see if any public health or Medicaid money available -- EPA only funding is insufficient</i>                                                              |

| NEW IDEAS                                                                                                                       | PASSBACK STATUS                                                                                                                                               | REMARKS                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>President's Race &amp; Health Initiative for targeted diseases with serious disparities in incidence / outcomes (\$80 m)</i> | <i>No new money but earmarked \$50 million from new CHC funds</i>                                                                                             | <i>Needs new money; will not be viewed as credible without it</i>                                                                                                                                       |
| <i>Investment in mental health services and substance abuse treatment (\$5-100 million)</i>                                     | <i>No new money / probably a net cut if you include all mental health budget categories</i>                                                                   | <i>Presents a political problem since mental health is viewed as chronically underfunded &amp; VP and Tipper are hosting 1999 conference</i>                                                            |
| <i>Improving access to promising HIV/AIDS drugs</i>                                                                             | <i>Increase in overall Ryan White funds of \$70-80 m.</i>                                                                                                     | <i>We probably will need a bit more -- total to about \$100 million or so</i>                                                                                                                           |
| <i>Heart disease initiative (\$20 m.)</i>                                                                                       | <i>Do not know status</i>                                                                                                                                     | <i>Please check status</i>                                                                                                                                                                              |
| <i>Investing in DoD breast cancer / prostate cancer, osteoporosis programs (\$250 million)</i>                                  | <i>Do not know status. Check funding of previous years.</i>                                                                                                   | <i>Please check status. We have never put money into this account. If DoD gets big increase, we may as well fund some of our priority disease research here (we have more control over this money).</i> |
| <i>Rural emergency system proposal to sustain viability of health care facilities (\$50 million)</i>                            | <i>Probably rejected</i>                                                                                                                                      | <i>We need to fight to include something in the budget.</i>                                                                                                                                             |
| <i>Enhancing drug approvals, food safety and other FDA priorities</i>                                                           | <i>Included, but not anywhere near the request, two user fees fund devices &amp; food initiatives</i>                                                         | <i>Apparently not a bad number; let HHS push if they want more. User fee structure if very good.</i>                                                                                                    |
| <i>Improving health for medically underserved Native Americans (\$500 million)</i>                                              | <i>\$175 million increase, which is large relative to virtually all other discretionary items but less than the amount it says is needed for basic health</i> | <i>Mary Smith recommends at least \$225 million</i>                                                                                                                                                     |

**Items recommended by OMB / not on our list:**

- **Medicaid cost allocation:** \$2 billion in savings over 5 years from recapturing an overpayment in Medicaid administrative costs. This was in last year's budget and was almost included in the Omnibus Bill but was rejected. Somewhat legitimate policy concerns have been raised by states and advocates about both the mechanism for recapturing this money (i.e., the prohibition on using TANF funds for administrative costs) and the other demands that we are placing on administrative costs in states (e.g., children's health outreach, better enforcement of nursing home standards). **Probably very big mistake to include again, particularly if there can be no draw down from TANF.**
- **Reduction in Medicare hospital payments.** There is growing evidence that Medicare is overpaying hospitals, even with the reductions made by the BBA. However, it is not clear whether this evidence justifies the politically painful act of cutting hospital payments. We are still reviewing the feasibility and advisability. If we use, however, need validation from independent source.



## **Reform and Automation of Abuse and Neglect Courts**

**Policy.** The purpose of this effort is to provide enhanced support to abuse and neglect courts in order to better serve children in our public child welfare system. The 1997 Adoption and Safe Families Act (ASFA) shortened timeframes for judicial decision-making and permanency planning for children in foster care, adding to caseload pressures already felt by abuse and neglect court systems throughout the country. This initiative would help alleviate this burden by providing competitive grants to state and local abuse and neglect courts for the development of computerized case-tracking systems to better monitor and expedite the permanency plans of the children served by the courts. In addition, the initiative will enhance judicial training and disseminate “best practice” standards for attorneys practicing in the abuse and neglect courts. The DOJ would administer the court automation initiative, while HHS would administer the training and technical assistance effort. The model dependency court work done at the Department of Justice and current work underway to implement the ASFA has set the stage for increased support for court data systems development to ensure that children do not fall through the cracks of unreliable data systems. Senators Rockefeller and Dewine introduced a bill at the end of the 105th Congress that included these two pieces.

**Cost.** Total of \$5 million in FY 2000 discretionary funding: (1) \$4 million for OJJDP to offer competitive grants for abuse and neglect courts to automate case-tracking systems, and (2) \$1 million to HHS for judicial training and for dissemination of “best practice” standards for attorneys practicing in the abuse and neglect courts. The funding level would be maintained over five years, in order that multi-year automation grants be awarded.

**Objections and Status.** DPC has only had preliminary discussions with HHS and DOJ; HHS and DOJ staff believe that support for courts is critical for the ASFA to be successful, but both agencies are likely object to this increase if it replaces other funding priorities.



11:49:39 AM

Record Type: Record

To: Shirley S. Sagawa/WHO/EOP

cc:

Subject: for budget meeting -- prevention money

I talked to Melanne about a week ago on this, and she agreed to take it to Jack.

As part of the School Safety Conference, the President announced a new initiative, Safe School-Safe Communities, which basically created a coordinated grants system in which communities creating comprehensive initiatives (involving schools, local police, local government, faith organizations and others) to address youth violence would apply for grants to a coordinated council, representing the Departments of Justice, Education and HHS. Justice would put cops and prevention money in the pool, Education would put safe schools money in the pool, and HHS would put mental health money in the pool. At this point, all the money is ok in the OMB process, except for HHS' mental health money. That money, which comes from HHS's

SAHMSA as part of their Mental Health Knowledge Development and Application (MHKDA) grants. As part of FY 99, they received \$98 million, \$40 million above their FY 98 level. The conference report language directs SAHMSA to use the additional funds for at-risk youth and references the recent school shootings

HHS will devote around \$20-25 million of the \$40 million towards this coordinated grants initiative, which is what we want. However, to do so, they need flat funding, not a cut back. OMB tells us that they have passed back \$78 million for the MHKDA program for FY 2000 -- \$20 million less than the actual FY 99 appropriation, but still \$20 million over the FY 98 level. HHS has appealed the shortfall.

This whole project will be the single biggest pot of prevention money. As the First Lady office, we should weigh in to support their level funding for FY 2000 so that it is \$40 million over FY 98, which is \$20 million over their passback. OMB has been amenable to this, so it shouldn't be such a heavy lift.

Let me know if you have any questions.

|    | A                  | B                       | C | D          | E | F          |
|----|--------------------|-------------------------|---|------------|---|------------|
| 1  | GET INITIATIVES    |                         |   |            |   |            |
| 2  |                    |                         |   |            |   |            |
| 3  |                    |                         |   | 12/10      |   | 12/15      |
| 4  | Agency/Policy Area |                         |   | Discussion |   | Discussion |
| 5  |                    |                         |   |            |   |            |
| 6  | CEQ                |                         |   |            |   |            |
| 7  |                    | Costal Salmon           |   | 125        |   | 100        |
| 8  |                    | Lands and Livability    |   | 750        |   | 375        |
| 9  |                    | Clean Air Fund          |   | 250        |   | 250        |
| 10 |                    |                         |   |            |   |            |
| 11 | HHS                |                         |   |            |   |            |
| 12 |                    | CDC                     |   | 75         |   | 60         |
| 13 |                    | Long-Term Care          |   | 150        |   | 150        |
| 14 |                    | AIDS                    |   |            |   | 28         |
| 15 |                    | CBC AIDS                |   |            |   | 50         |
| 16 |                    | Mental Health (SAMSHA)  |   | 75         |   | 65         |
| 17 |                    | Race and Health         |   | 50         |   | 50         |
| 18 |                    | Children's Hospital     |   | 40         |   | 40         |
| 19 |                    | Tobacco -- PH CDC       |   | 27         |   | 27         |
| 20 |                    | Tobacco -- FDA          |   | 66         |   | 34         |
| 21 |                    | Educational Research    |   | 25         |   | 15         |
| 22 |                    | Food Safety             |   | 50         |   | 40         |
| 23 |                    |                         |   |            |   |            |
| 24 | Education          |                         |   |            |   |            |
| 25 |                    | Adult Literacy          |   | 255        |   | 190        |
| 26 |                    | Social promotion        |   | 350        |   | 350        |
| 27 |                    | Quality                 |   |            |   | 18         |
| 28 |                    | Urban/Rural Computing   |   | 100        |   | 60         |
| 29 |                    | Charter Schools         |   | 9          |   | 10         |
| 30 |                    | Stay in College         |   | 100        |   | 25         |
| 31 |                    | Title I Accountability  |   | 250        |   | 0          |
| 32 |                    | Technology for Disabled |   | 60         |   | 35         |
| 33 |                    | Native Americans        |   | 10         |   | 10         |
| 34 |                    | Education Research      |   | 25         |   |            |
| 35 |                    |                         |   |            |   |            |
| 36 | Labor              |                         |   |            |   |            |
| 37 |                    |                         |   |            |   |            |
| 38 |                    | Universal re-employment |   | 300        |   | 250        |
| 39 |                    | Youth employment        |   | 212        |   | 170        |

|    | A | B                             | C           | D   | E | F     |
|----|---|-------------------------------|-------------|-----|---|-------|
| 40 |   | FMLA/Paid Leave               |             | 8   |   | 8     |
| 41 |   | Child Labor                   |             |     |   |       |
| 42 |   |                               | Enforcement | 3   |   |       |
| 43 |   |                               | Standards   | 40  |   | 40    |
| 44 |   | Equal Pay                     |             | 20  |   | 20    |
| 45 |   | NLRB                          |             | 10  |   | 10    |
| 46 |   |                               |             |     |   |       |
| 47 |   | Urban Initiative              |             |     |   | 150   |
| 48 |   | SBA                           |             | 238 |   |       |
| 49 |   | Treasury                      |             | 25  |   |       |
| 50 |   |                               |             |     |   |       |
| 51 |   | HUD Abandoned buildings       |             | 100 |   | 50    |
| 52 |   |                               |             |     |   |       |
| 53 |   | Treasury                      |             |     |   |       |
| 54 |   | Firearms                      |             | 25  |   | 15    |
| 55 |   |                               |             |     |   |       |
| 56 |   | Americorps                    |             | 100 |   | 80    |
| 57 |   |                               |             |     |   |       |
| 58 |   | Child Labor                   |             | 30  |   |       |
| 59 |   |                               |             |     |   |       |
| 60 |   | Microcredit                   |             | 10  |   | 10    |
| 61 |   |                               |             |     |   |       |
| 62 |   | Information Technology        |             |     |   |       |
| 63 |   | DARPA                         |             | 100 |   | [100] |
| 64 |   | NSF                           |             | 60  |   | 35    |
| 65 |   | DOE                           |             | 70  |   | 35    |
| 66 |   | Digital Library               |             | 20  |   | 20    |
| 67 |   |                               |             |     |   |       |
| 68 |   | Energy                        |             |     |   |       |
| 69 |   | Climate Change                |             | 75  |   | 75    |
| 70 |   | Russia                        |             | 535 |   |       |
| 71 |   |                               |             |     |   |       |
| 72 |   | Agriculture                   |             |     |   |       |
| 73 |   | Integrated Service Ecosystems |             | 50  |   | 50    |
| 74 |   |                               |             |     |   |       |
| 75 |   | VA                            |             |     |   |       |
| 76 |   | Smoking cessation             |             | 90  |   | [90]  |
| 77 |   | Homeless vets                 |             |     |   |       |
| 78 |   |                               |             |     |   |       |

|    | A                     | B                  | C | D    | E | F     |
|----|-----------------------|--------------------|---|------|---|-------|
| 79 | Justice               |                    |   |      |   |       |
| 80 |                       | COPS II            |   | 650  |   | 650   |
| 81 |                       | Coerced abstinence |   | 100  |   | [100] |
| 82 |                       | Offender Justice   |   | 40   |   | 40    |
| 83 |                       |                    |   |      |   |       |
| 84 | Unallocated Education |                    |   |      |   | -500  |
| 85 |                       |                    |   |      |   |       |
| 86 | Total                 |                    |   | 5753 |   | 3190  |



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20410-0001

**Memorandum to:** Melanne Verveer  
Chief of Staff to the First Lady

**From:** Jon Cowan  
Chief of Staff

**Date:** November 24, 1998

**Subject:** Department of Housing and Urban Development Policies  
and Initiatives Targeted to Children

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It was a pleasure meeting with you a few weeks ago. Rhoda has always spoken so highly of you, and I look forward to working more closely with you in the upcoming months. As we mentioned to you at the meeting, there are so many opportunities for the First Lady to work with HUD. I hope this memo will be helpful to you in identifying some potential opportunities.

As we discussed, the Department administers a wide range of programs that support families with children. Through these programs, HUD assists families and those moving to work by providing safe and decent child care for their children and opportunities for parents to become self-sufficient. Among our many programs that benefit children are those that fund child care and youth development activities, such as the HOPE VI and Community Development Block Grant programs, those that addresses child safety issues, such as our lead-based paint-hazard control program and our Healthy Homes for Healthy Children Initiative, and those that address the growing problem of homelessness among families with children.

The following is synopsis of the various HUD programs that benefit children and youth. The programs outlined in this memo, with the exception of Kiddie Mac, have all been in operation for several years and we currently have projects in operation throughout the country. As a champion of children's issues, the First Lady may be interested participating in a tour or an event highlighting one of these programs. We would be happy to arrange such an activity.

## **THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT CHILDREN AND YOUTH PROGRAMS**

### **KIDDIE MAC PROPOSAL**

The "Kiddie Mac" bill, sponsored by Representative Maloney and Representative Baker, is a new proposal that HUD is pursuing for future implementation. This bill **would set national standards for and subsidize the financing of child care facilities in an effort to increase the supply of high-quality, affordable child care.** The bill would amend the National Housing Act, authorizing the Federal Housing Administration (FHA) to insure loans for the construction or renovation of child care facilities. The FHA insurance, by reducing risks, would encourage more lenders to make loans to child care providers and operators, thereby reducing the costs of financing these facilities.

### **HOPE VI**

Since 1993, the HOPE VI program has been the engine driving the transformation of public housing. The specific elements of transformation that have proven key to the program include changing not only the physical shape of public housing but also establishing positive incentives that include resident self-sufficiency and comprehensive services, lessening concentration of poverty, promoting mixed-income communities and forging partnerships with other agencies, local governments, non profit organizations and private businesses to leverage support and resources. In the FY 1999 budget Congress once again strongly endorsed HOPE VI and its direction by appropriating \$625 million to the program – a \$75 million increase over last year.

**HOPE VI Community and Supportive Service funds are being used in two primary areas: job training, with the necessary supportive services such as child care, and education.** A common obstacle that residents face in moving to work is available child care, particularly in off hours. This is an especially difficult problem because many residents are obtaining jobs in the service sector, where swing shift jobs are common. A number of HOPE VI sites are attempting to solve this problem; in Kansas City, the Housing Authority has developed a program that trains residents to provide licensed family day care - particularly at off hours - out of their homes.

### **PUBLIC AND INDIAN HOUSING DRUG ELIMINATION PROGRAM (PHDEP)**

In FY 1998, HUD will award \$243 million in Public Housing Drug Elimination grants to empower public and Tribal housing agencies to turn the tide against drugs and drug-related crime in their own communities. In FY 1999 appropriations will provide an additional \$310 million for PHDEP activities. Funds from these grant are put to a variety of uses, including:

- Employment of security personnel and investigators
- Reimbursement of local law enforcement agencies for additional security
- Voluntary tenant patrols
- Physical design improvements to enhance security
- **Drug prevention, intervention, and treatment programs**
- Security and drug prevention programs operated by resident groups

For example, in Browning, Montana the Blackfeet tribe has designed drug prevention/intervention activities which include an educational component that involves providing referrals for youth and families to Blackfeet Community College for obtaining a GED and other university level courses as well as a **Stay In School program for youth**. Tutoring is offered at the Mountain Shield Youth Center.

### **COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)**

CDBG funds a broad range of housing and community development activities that must meet the national objectives of benefiting low and moderate income persons, aiding in the prevention or elimination of slums and blight and addressing other community development needs presenting a serious and immediate threat to the health or welfare of the community.

Examples of use of CDBG's to fund initiatives that promote the safety and well being of children include the **Child Abuse Center in Cobb County, Georgia which serves victims of child abuse; the Summer Youth Recreational Voucher Program in Dekalb, Georgia which provides over 500 children with productive and meaningful summer programs; in the city of Boca Raton, Florida CDBG funds are being utilized to implement a comprehensive, supportive service program for public housing residents that include educational/training opportunities for both adults and children, latch key child care, and anti-drug activities.** In FY 1999, \$4.75 billion has been appropriated for CDBG.

### **LEAD-BASED PAINT PROGRAM**

Childhood lead poisoning is a major environmental illness affecting nearly 900,000 children in the United States. The illness disproportionately affects minority and poor children living in older housing, most often in inner cities. **HUD plays a key role in reducing the number of young children who are exposed to lead hazards in their homes through its Lead-Based Paint Grant Program and aggressive public outreach efforts.**

In November 1997, HUD announced its "Campaign for a Lead-Safe America," with spokesperson Tipper Gore. To implement this campaign, HUD made available, in FY 1998, \$3 million in grants for two new outreach initiatives. The grants will support national and local efforts to raise awareness about lead poisoning and promote primary



prevention. In FY 1999 \$80 million has been appropriated for the Lead-Based Program, \$10 million of which will go to the Healthy Homes Initiative.

In addition to the new outreach grant program, five rounds of lead hazard control grants have been awarded to 84 grantees in 30 states and the District of Columbia. These grants will allow more than 40,000 low-income families with children to control lead-based paint hazards in their homes. Already, nearly 13,000 units have been made lead-safe.

The competitive grants to States and local governments fund a broad range of activities including:

- Inspection and abatement of lead-based paint hazards in low-income housing built before 1978
- Liability insurance
- Blood testing of young children
- Temporary relocation of families during hazard control
- Community education and outreach

For example, in Maryland, the Baltimore Department of Health and the City of Baltimore have created over 750 units of lead-safe housing in low-income inner city communities. Outreach staff work with families to enroll them in the program, assist with relocation when necessary, and educate families about lead poisoning and what they can do to protect their children. The Baltimore program also has expanded employment opportunities to those living in the communities by providing on-the-job training in construction and certification in lead abatement.

Another HUD grantee, the Akron Department of Health, in Ohio, has secured a Housecall Van (Mobile Clinic) to provide free blood-lead screening for children under the age of six living in high risk areas. Any children identified with elevated lead levels are followed and the necessary interventions are taken to reduce their blood lead levels.

### **THE “HEALTHY HOMES FOR HEALTHY CHILDREN” INITIATIVE**

**In FY 1998, HUD launched the “Healthy Homes for Healthy Children” initiative to address housing-related illnesses and injuries that affect some 2.5 million children each year.**

HUD’s FY 1999 budget includes—for the first time—\$10 million for this initiative. The funding will be used to develop and implement a program of research and demonstration projects to address multiple housing-related problems that affect the health of children.

To further support the initiative, HUD recently unveiled a major national public education campaign featuring celebrity spokesperson—Bob Vila. The campaign includes television advertisements and print public service announcements on health and safety

hazards found in the home, and a new toll-free number for consumers and parents to call to receive information about home safety.

HUD, also has available a home safety checklist developed in collaboration with the Environmental Protection Agency (EPA), the Consumer Product Safety Commission (CPSC), and the Centers for Disease Control and Poisoning Prevention (CDC). The brochure provides tips for parents to take to protect their children from hazards in the home.

## **HOMELESS PROGRAMS**

### ***1) Housing Opportunities for Persons with AIDS (HOPWA)***

This HUD administered program provides funds to states, cities, local governments and nonprofit organizations to help communities address the housing needs of persons with HIV/AIDS and their families. **Funds are used for housing assistance (rental assistance, short-term payments and housing in community residences and other facilities) and related services, such as day care, health-care, mental health assessment, drug and alcohol abuse treatment and counseling, nutritional services, child care, employment training and transportation.** Funds may also be used to help communities develop programs and to build the capacity of organizations to undertake activities.

The FY 1999 appropriation of \$225 million, which includes the Administration's requested increase of \$21 million over the prior year, is estimated to be able to reach over 51,000 persons with some form of housing assistance and other persons who will receive services only that help enable them to maintain independent living or help make other housing support appropriate to their needs. Reports from the grantees show that family members constitute about 31 percent of the persons receiving housing assistance. Grantees also reported that **an estimated 9.5 percent of the persons receiving housing assistance are persons who are 17 years of age or younger. A review of how grantees used supportive services funds, illustrated that child care activities constituted 3.3 percent of service costs.**

### ***2) Emergency Shelter Grant Program (ESG)***

The ESG Program provides funding to state and local governments to improve the quality of emergency shelters for the homeless, to rehabilitate or convert buildings for use as emergency shelters, to pay certain operation and social service expenses, and to fund preventive programs. **Emergency shelters, although not an ideal living environment for children, provides an alternative for families who would otherwise live in buses, cars or under freeways. The social services available to families and their children are critical to the recovery from homelessness and builds a basis for acquiring skill necessary to become self-sufficient.**

### ***3) Supportive Housing Program (SHP)***

In 1995, HUD moved from emergency response to the development of supportive housing and supportive services to assist homeless people along the Continuum of Care to achieve self-sufficiency. The SHP Program, authorized by Title IV of the Stewart B. McKinney Homeless Assistance Act is the major vehicle for the Continuum of Care. Successful use of funds in programs which are benefiting children include the Continuum of Care program in Grand Rapids/Kent County, Michigan. **Utilizing \$8 million of SHP resources, the City of Grand Rapids is acting on behalf of five transitional housing facilities to contract with mainstream service providers for employment, transportation, child care and domestic violence.**

### ***4) HIV Prevention Services***

In response to the President's 1997 World AIDS Day Directive on Increasing Access to HIV Prevention Services for Young People, the **Department prepared a seven point approach to encourage youth prevention activities.** Among these activities are encouraging use of HUD-funded housing projects as sites for HIV prevention activities; including youth prevention as part of training programs for new HUD staff; providing HIV prevention activities in HUD funded projects for the homeless; and providing HIV prevention information in packages distributed by Community Builders.

### **FAMILY SELF-SUFFICIENCY**

The Family Self-Sufficiency program (FSS) is intended to promote the development of local strategies to enable families to achieve economic independence and self-sufficiency. FSS provides participating families with opportunities for educational services, job training, counseling, and other social services while they are living in assisted housing.

**Supportive services provided through an FSS program may include, but are not limited to: child care; transportation; education; job training and employment counseling; and personal welfare assistance such as substance/alcohol abuse treatment or counseling, household skill training, and homeownership counseling.**

As a part of the program an interest-bearing FSS escrow account is established for each participating family. A portion of the increases in earned income of the family is credited to this account during the term of the contract to enable the family to complete an interim goal such as education. The money earned in the escrow account could be used for such activities as the purchase of a home or to pay for a child's education tuition.

### **CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)**

In response to an Executive Order by President Clinton, and in cooperation with other Federal agencies, the Department is helping to ensure success of the Children's Health Insurance Program (CHIP) outreach initiative. **The Office of Public and Indian**

**Housing has encouraged the Executive Directors of 3,400 Public Housing Authorities administering 15,000 public housing developments to become involved in local efforts to ensure that eligible children are enrolled.** The Office of Community Planning and Development has distributed information on CHIP to Implementation Directors of 71 Urban Empowerment Zones and Enterprise Communities, has distributed information to grantees providing assistance to homeless families, and has provided information to grantees participating in the HOME program, and has made available the Department's highly regarded computer mapping software, Community 2020, for use as a planning and coordinating tool. HUD's Office of Housing has provided information regarding CHIP to approximately 20,000 owners/managers of HUD-assisted multi-family housing.

### **EZ/EC CHILDREN'S PROGRAMMING**

Through the EZ/EC Initiative community leaders, residents, local and state governments, non-profit agencies, and businesses have come together to rebuild and strengthen communities by developing our nation's most valuable resource - children. **The EZ/EC Initiative promotes children and the children's initiative through a variety of innovative and creative partnerships and programs across the nation. These programs range from early childhood development initiatives, educational support projects, and job training programs.** There are dozens of individual projects and programs serving youth throughout the EZ/EC communities that are implemented on the local level.

An example of one such program is in Hugo, OK where the Parents as Teachers Program teaches young mothers and fathers how to read to, talk to, and exercise with their children from birth to age 3. As a result of the program both the language and intellectual development of the children participating have been above the national average.

### **YOUTHBUILD**

**Youthbuild is designed to help young high school dropouts obtain education, employment skills, and meaningful work experience to help them obtain well-paying jobs and achieve self-sufficiency.** Youthbuild provides funding to nonprofits, State and local housing agencies, State and local governments, and other organizations eligible to provide education and employment training under Federal employment training programs. The funding is used to implement housing construction/rehabilitation training programs for very low-income high school dropouts age 16 to 24. Youthbuild programs offer educational and job training services, counseling and other support, and on-site paid training in housing rehabilitation or construction work. At least 50 percent of each participant's time is spent in on-site training. More than \$100 million has been appropriated for the Youthbuild program since 1993.

## **NEIGHBORHOOD NETWORKS**

Neighborhood Networks computer center initiative is a community-based effort to develop computer learning centers in privately-owned, HUD-subsidized multi-family developments across the country. **HUD's goal is to provide children and adults in lower-income neighborhoods access to computer resources. These centers give residents the chance to gain job skills necessary to enter the workforce and educates children through after-school programs, mentoring and internships.**

Launched in 1995, there are now more than 300 Neighborhood Networks centers across the nation serving more than 50,000 households. HUD plans to have at least 500 centers operational by the year 2000. The initiative allows HUD to partner with local apartment owners, businesses, schools and non-profit organizations to establish computer centers which are funded through existing project revenues, contributions and donations.

## **HISTORICALLY BLACK COLLEGES AND UNIVERSITIES (HBCU)**

HBCU is designed to help historically black colleges and universities expand their role and effectiveness in addressing community development needs - neighborhood revitalization, housing, and economic development - in their localities. Under this program, HBCU's are awarded funding for projects designed primarily to benefit low- and moderate-income residents, help prevent or eliminate slums or blight, or meet an urgent community development need in the community in which the HBCU is located.

For example, in 1996, **HUD awarded a grant to St. Philip's College of San Antonio, TX for \$300,000 to be used specifically for early childhood development activities. St. Philip's is using the funds for construction of a family resource center to house a childcare center, training center for early childhood development, and violence counseling.**

## **YOUTH SPORTS PROGRAM (YSP)**

The Youth Sports Program was last funded in FY 1995 **to support sports, cultural, educational, recreational, or other activities designed to promote positive youth development and appeal to youth as alternatives to drug use or drug-related crime.** PHDEP grantees may apply their funds to some YSP eligible activities, including:

- Redesign or modification of public spaces in housing authority developments to support YSP activities
- Provision of public youth services, including equipment and personnel costs of operating sports, cultural, and educational programs related to drug abuse prevention
- Support for youth development and gang prevention strategies such as Boys & Girls Clubs, D.A.R.E., Girl Scouts, and Boy Scouts

For example, in 1995 the Sault Ste. Marie Tribe of Chippewa Housing Authority (SSMHA) utilized Youth Sports grant funds to establish the Chippewa Camp. "The culture camp has been a positive activity for the tribe as a whole. We are really proud of it. It is helping develop our culture, instilling a positive identity in our families and children and helping keep them away from drugs and alcohol," boasts Jolene Nertoli, SSMHA's executive director.

### **ECONOMIC DEVELOPMENT AND SUPPORTIVE SERVICES PROGRAM (EDSS)**

The Economic Development and Supportive Services program (EDSS) provides public housing entities, with resources to: (1) increase the self-sufficiency of public and Tribal housing residents, especially those affected by welfare reform, and (2) enhance the ability of the elderly and persons with disabilities to remain independent.

**Grants to promote self-sufficiency among non-elderly families fund such activities as: childcare,** economic development, job training and placements, entrepreneurship training, transportation. Grants to provide supportive services for the elderly and persons with disabilities may fund a range of activities to encourage independent living, including assistance with daily activities, nutritious meal services, coordination of transportation services, and health education.

The following are EDSS programs that directly benefit children and youth. Although many of these programs have not been funded in the last several years, they are still operating with the funds that have been awarded and continue to report to HUD on their activities.

#### ***1) Youth Apprenticeship Program (YAP)***

Funding years: FY 1994

Total Grants Awarded: 8

Total Funds Awarded: \$10 million

The Youth Apprenticeship Program (YAP) provides grants to housing agencies to join with labor-management and Youth Corps organizations in **establishing youth apprenticeship programs in HOPE VI communities**. YAP targets 16 to 30 year-old public and assisted housing youth and young adults living in or near HOPE VI communities. YAP offers 30 months of job training, life skills training, and employment opportunities in conjunction with HOPE VI physical revitalization activities.

#### ***2) Apprenticeship Demonstration Program in the Construction Trade and Public Housing Operations***

Funding Years: FY 1995

Total Grants Awarded: 39

Total Funds Awarded: \$40 million

The Apprenticeship Demonstration **provides housing agencies with resources to help youth living in public housing attain construction and other building skills.** To provide apprenticeship and employment opportunities that will lead to self-sufficiency, the Demonstration promotes partnerships between HOPE VI-eligible housing agencies and the Laborers International Union of North America, the United Brotherhood of Carpenters, the International Brotherhood of Painters, or the American Federation of State, County, and Municipal Employees.

As an example, Kodiak Island Housing Authority (KIHA) recently announced the commencement of their certified Building Maintenance Journeyman Apprenticeship Training Program. This program is the result of the local Office of Native American Programs, KIHA and the Department of Labor combining efforts to help address the need for education, employment and training opportunities for program participants.

### ***3) Family Investment Centers (FIC)***

Funding Years: FY 1994

Total Grants Awarded: 82

Total Funds Awarded: \$68 million

Family Investment Centers (FIC), which are located in public housing communities, encourage resident economic independence. **FIC funding can be used to hire service coordinators and to renovate, purchase, or construct a facility to provide supportive services such as education, job training, and job referrals.** In FY 1994, FIC funding was awarded to 82 public housing agencies and Tribally Designated Housing entities representing every region of the country.

### ***4) Family Investment Centers (FIC) - After School Demonstration Program***

Funding Years: FY 1994

Total Grants Awarded: 4

Total Funds Awarded: \$3.5 million

**The FIC After-School Demonstration Program assists housing agencies in developing and expanding effective after-school programs for youth ages 7 to 13.** The program allows youth to develop their potential, while permitting their parents the time to participate in education or training activities or to go to work. The program demonstrates different ways to promote the long-term welfare of youth through supervised activities in safe environments, accessibility to supportive service, and coordination between public housing agencies, local school systems, colleges and universities, and private businesses.

### ***5) Youth Development Initiative***

Funding years: FY 1994

Total Grants Awarded: 5

Total Funds Awarded: \$5 million

**The Youth Development Initiative (Youth FIC) provides grants to housing agencies to assist public housing residents age 13 to 25 in gaining access to education, employment, and supportive services.** Youth FIC also provides services to help non-custodial parents (under age 26) of children residing in public housing meet their child support agreements. Youth FIC is one component of a larger strategy to address the problems and causes of violence in America's low-income communities, and is intended to complement national crime prevention initiatives including HUD's Operation Safe Home, as well as other youth problems and drug elimination efforts.

### ***6) Early Childhood Development Demonstration Program***

Funding Years: FY 1988-FY 1995

Total Grants Awarded: 262

Total Funds Awarded: \$35.9 million

**The Early Childhood Demonstration Program is designed to expand the availability of full-day, year-round child care services for residents of public housing developments.** The FY 1988 and FY 1989 programs were funded and operated by HUD. **Beginning in FY 1990, funds were awarded to include HHS's Head Start program. Under an Interagency Agreement between HUD and HHS, the program enables the parents or guardians of children age 0 to 13 to obtain or retain the skills and education necessary to enter and remain in the workforce.** This demonstration program has proven beneficial for families seeking to go to work and remain employed. Today, child care and early childhood development are activities eligible for funding under EDSS.

### ***7) Youth Entrepreneurial Demonstration Program***

Funding Years: FY 1995

Total Grants Awarded: 2

Total Funds Awarded: \$1 million

**The Youth Entrepreneurial Demonstration program provides resources for public housing agencies to empower public housing youth economically by developing and expanding their entrepreneurial skills. The ultimate goal is to provide opportunities to youth and young adults (age 16 to 24) to establish businesses within or outside of their public housing communities.** Participating youth and young adults receive initial literacy services, business planning and start-up assistance, and follow-up support once their businesses are established.



**PRESIDENT CLINTON'S PROPOSAL:  
CHILD CARE THAT STRENGTHENS AMERICAN FAMILIES**

*"Not a single American family should ever have to choose between the job they need and the child they love."*

President Bill Clinton

State of the Union Address, January 27, 1998

President Clinton announced an historic initiative to improve child care for America's working families. The initiative proposes over \$20 billion over five years for child care -- **to help working families pay for child care, build a good supply of after-school programs, improve the safety and quality of care, and promote early learning.**

**Ensuring affordable, accessible, safe child care.** The President's child care initiative responds to the struggles our nation's working parents face in finding child care they can afford, trust and rely on. The new initiative:

- **Makes child care more affordable for working families.** To help working families struggling to meet the costs of child care, the initiative invests \$7.5 billion over five years to double the number of children receiving child care subsidies to more than two million by the year 2003. The initiative also invests \$5.1 billion over five years to increase tax credits for child care for three million families and provides a new tax credit for businesses that offer child care services to their employees at a cost of \$500 million over five years.
- **Increases access to and promotes early learning and healthy child development.** To improve early learning, the initiative includes \$3 billion over five years to establish an Early Learning Fund that helps local communities improve the quality and safety of child care for children ages zero to five. The initiative also increases investment in Head Start and doubles the number of children served by Early Head Start to 80,000.
- **Improves the safety and quality of child care.** To help ensure safe, quality child care, the initiative: steps up enforcement of state health and safety standards in child care settings, facilitates background checks on child care providers, increases scholarships and training for child care providers, and invests in child care research and evaluation.
- **Expands access to safe after-school care.** To help create safe, positive learning environments for American school-age children who lack adult supervision during a typical week, the initiative increases the 21st Century Learning Center Program by \$800 million over five years to provide after-school care for up to half a million children a year.

### **Makes Child Care More Affordable for Working Families**

**Doubles the Number of Children Receiving Child Care Subsidies to More than Two Million.** The President proposes to expand the Child Care and Development Block Grant to help working families struggling to meet the costs of child care. This block grant is the primary federal subsidy program to pay for child care, enabling low-income parents to work. Funds are distributed by formula to the states to operate direct child care subsidy programs, as well as to improve the quality and availability of care. The President's initiative will more than double the number of children served from the one million served in FY 95 (the latest year for which data are available). The President's budget will increase funding for the block grant by \$7.5 billion (with a match) over five years, which will enable states to provide subsidies for more than two million children by 2003.

**Increases Tax Credits for Child Care for Three Million Working Families.** The Child and Dependent Care Tax Credit provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. The President's proposal increases the credit for families earning under \$60,000, providing an additional average tax cut of \$358 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty (\$35,000 for a family of four) that take the maximum allowable child care expenses under the law. The President's budget will include \$5.1 billion over five years to expand the Child and Dependent Care Tax Credit for three million working families.

**Provides New Business Tax Credits.** The child care initiative includes a tax credit to businesses that provide child care services for their employees, by building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resources and referral services to employees. The credit covers 25% of qualified costs, but may not exceed \$150,000 per year. The President's budget will include approximately \$500 million over five years for these tax credits.

### **Promotes Early Learning and Healthy Child Development**

**Promotes Early Learning.** Research shows that children's experiences in the earliest years are critical to their development and future success. The President's

proposed Early Learning Fund provides challenge grants to communities (distributed by states) to support programs to improve early learning and the quality and safety of child care for children ages zero to five. Funds may be used for the following activities: providing basic training to child care providers (including first aid and CPR); connecting individual child care providers to centers for education and support; assisting child care providers to meet accreditation and licensing requirements; linking child care providers with health professionals; reducing group sizes and child-to-staff ratios; and providing home visits, parent education, and consumer education about child care.

The President's Early Learning Fund builds on state initiatives such as North Carolina's Smart Start, which helps North Carolina's children enter school healthy and ready to succeed. Smart Start funds a broad variety of local efforts, including improving staff-to-child ratios, health linkages that have raised immunization rates, and parent education and mentoring programs to give new parents support. The President's budget will include \$3 billion over five years for this fund.

**Increases Investment in Head Start and Doubles the Number of Children Served by Early Head Start.** Head Start provides early, continuous and comprehensive child development and family support services, preparing children for a lifetime of learning and development. The President is committed to reauthorize Head Start and reach one million children by 2002. The President's budget will invest \$3.8 billion over five years to keep on track his commitment to serving one million children by 2002, and to double the number of infants and toddlers in Early Head Start to 80,000.

#### Improves the Quality of Child Care

**Steps Up Enforcement of State Health and Safety Standards.** Building on the military's model child care program, this proposed initiative will fund state efforts to improve licensing systems and enforce child care health and safety standards, including by increasing unannounced inspections of child care settings. The President's budget will include \$500 million over five years for this program.

**Facilitates Background Checks on Child Care Providers.** On the day of the White House Conference on Child Care, the President transmitted to Congress the National Crime Prevention and Privacy Compact, which will facilitate effective background checks on child care providers by eliminating state law barriers to sharing criminal history information for non-criminal purposes. Although the vast majority of child care providers are dedicated to the teaching and nurturing of children, one tragedy in child care is too many. Background checks are an important way to ensure that the people watching our children are fit for this responsibility.

**Increases Scholarships and Training for Child Care Providers.** At the White House

Conference on Child Care, the President proposed establishing a Child Care Provider Scholarship Fund to enable states to provide scholarship funds to students working toward a child care credential. Eligible child care workers must commit to remaining in the field for at least one year for each year of assistance received and will earn increased compensation or bonuses when they complete their course work. The President proposed a federal investment of \$250 million over five years, which will support 50,000 scholarships per year. The President is also proposing to expand the Department of Labor's Child Care Apprenticeship Program to fund the training of child care providers.

**Invests in Research.** Because too little is known about our child care system, the President's budget will increase support for data, research, and evaluation. This research fund will also support a National Center on Child Care Statistics and a child care hotline that parents can call to get information about how to find child care in their communities and how to identify appropriate, quality care for their children. In addition, the research fund will support demonstration projects to test approaches to help new parents who choose to stay home to care for their newborns or newly adopted children. The President's budget will include \$150 million over five years for this fund.

#### **Expands and Streamlines After-School Care**

An estimated five million school-age children spend time as "latchkey kids" without adult supervision during a typical week. Research indicates that during these unsupervised hours children are more likely to engage in at-risk behavior, such as crime, drugs, and alcohol use. To meet this pressing demand, the President is proposing a dramatic expansion of after-school care.

**Provides After-School Care for up to Half a Million Children a Year.** The President proposes a dramatic expansion of the 21st Century Community Learning Center Program to provide start-up funds (with a local match) to school-community partnerships to establish or expand before- and after-school programs for school-age children. The program increases the supply of after-school care in a cost-effective manner primarily by funding programs that use public schools and their existing resources, such as computers, gymnasiums, and sports equipment. The program also includes a set aside to fund programs run by community organizations. The President's budget will request \$800 million of entirely new money for this program, for a total of \$1 billion over five years.

**Improves Coordination of Federal After-School Initiatives to Help Communities Make Best Use of Existing Resources.** The President will put in place a collaborative effort involving numerous federal agencies to eliminate duplication and better coordinate federal funding for after-school programs in three to five pilot cities, including the District of Columbia.

**DRAFT: CHILDREN AND FAMILIES  
USES OF FUNDS FOR FY 2000 BUDGET**  
(Dollars in Billions)

| DISCRETIONARY                                                                                                   | Request        | OMB<br>Passback | HHS/DOL/DOJ<br>Appeal | WH<br>Priorities | COMMENTS                   |
|-----------------------------------------------------------------------------------------------------------------|----------------|-----------------|-----------------------|------------------|----------------------------|
|                                                                                                                 | FY 2000        | FY 2000         | FY 2000               | FY 2000          |                            |
| Child Care Quality                                                                                              | 0.182          | 0.182           |                       |                  | FY99 advance appropriated  |
| Head Start**                                                                                                    | 4.997          | 4.997           | +0.398                | **               | Participation goal dilemma |
| FMLA/Paid Leave Research Fund (DOL)                                                                             | 0.0            | 0.0             | 0.0                   | 0.010            | Important next step        |
| <del>Abortion Safety</del>                                                                                      | <del>0.0</del> | <del>0.0</del>  | <del>0.0</del>        | <del>0.045</del> | <del>High priority</del>   |
|  Abuse and Neglect Court Reform | 0.0            | 0.0             | 0.0                   | 0.005            | FLOTUS priority            |
| Transitional Living                                                                                             | 0.015          | 0.020           | 0.0                   |                  | FLOTUS priority            |

\*\*See attached one-pager for discussion.

| MANDATORY                                                                                                              | Request    | OMB<br>Passback | HHS<br>Appeal | WH<br>Priorities | COMMENTS                                        |
|------------------------------------------------------------------------------------------------------------------------|------------|-----------------|---------------|------------------|-------------------------------------------------|
|                                                                                                                        | FY 2000-04 | FY 2000-04      | FY 2000-04    | FY 2000-04       |                                                 |
|  CCDBG (Subsidies and Infant Fund)* |            |                 |               | 10.5             | Replaces FY99 Subsidies and Early Learning Fund |
| Independent Living                                                                                                     | 0.175      | 0.175           |               |                  | High priority                                   |
| IV-E Extension for Foster Youth                                                                                        | 0.0        | 0.0             |               | c. 0.050         | OMB holding In its base                         |

\*For child care mandatory items, HHS made no specific FY 2000 request and OMB made no specific passback; presumed request level for FY 2000 is taken from FY 1999 budget.

December 17, 1998

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: Jennifer Klein  
Nicole Rabner  
Neera Tanden

CC: Melanne Verveer  
Shirley Sagawa

RE: Update on Budget

We thought you might like an update on your domestic priorities in the budget process. The budget team held its first meeting with the President today.

**Children and Families**

- **Child Care.** We have recommended that the President essentially reintroduce last year's child care initiative -- \$7.5 billion for subsidies for working families to pay for child care through the Child Care Development Block Grant, a \$3 billion set aside for early childhood education, and \$182 million for child care quality. On the tax side, in addition to last year's proposals to expand the Dependent Care Tax Credit (approximately \$5 billion) and give a tax credit to businesses who build or expand child care for their employees (\$500 million), we have proposed an additional tax credit for parents who stay at home for the first year of their child's life (about \$1 billion). The funding for the block grant and the early education fund is mandatory, and there is tremendous competition for mandatory funds, but so far we have preserved the \$10.5 billion. The rest of the package seems fairly stable.
- **Parental Leave.** In addition to expanding the Family and Medical Leave Act (FMLA) to reach employees of businesses with 25 or more employees (currently the threshold is 50 employees), we have proposed to create an \$8 million research fund to study paid leave as well as to update the data in the 1995 national FMLA Commission study on unpaid leave. A few states are already providing leave benefits and others are exploring the issue, yet many unanswered questions remain. This fund will support state activities and study how best to structure paid leave programs.
- **Head Start.** The final budget figure is uncertain; OMB and HHS are trying to work out a substantial increase for the program in order to stay on track to meet the President's goal of reaching 1 million children with Head Start services by the year 2002. As you know, the 1998 reauthorization made that goal more expensive to accomplish because it

increased significantly the percentage of expansion dollars (i.e. new money in the program) that must be targeted to quality, rather than to serving more children.

**Education.** The Department of Education budget is in a state of flux. Each year, the President has proposed an increase in its budget of roughly \$3 billion. Due to budget constraints, this year OMB has currently given Education only a \$1 billion to \$1.5 billion increase. Nevertheless, the Department continues to raise the legitimate concern that the Administration could be outspent by Republicans on education this year.

On specific initiatives, the only program that is slated to receive a significant increase at this time is the 21st Century Community Learning Centers Program; half of the proposed increase of \$400 million (which would bring the program to \$600 million a year) would be targeted for grant recipients who put programs in place to end social promotion. In addition, there is a proposal under consideration to add a \$100 million to Title I for an accountability initiative. (NOTE: At this point, the President's advisors have decided not to include new policy proposals for the reauthorization of the Education and Secondary Education Act as part of the President's FY 2000 budget.)

**Health Care.** There are a number of new initiatives that may be of interest. The centerpiece is a long term care tax credit. While this is a high priority, Treasury is attempting to reduce the cost of this program by lowering the amount of the credit (the current proposal is \$1,000) or by phasing it in. On coverage, there are a number of proposals: (1) providing Medicaid and CHIP eligibility for legal immigrant children (who had been excluded under welfare reform); (2) the Jeffords-Kennedy Work Incentives Improvement Act that allows states to cover workers with disabilities regardless of their income or assets through Medicaid; (3) a tax credit for disabled workers to help them pay expenses related to working; (4) a tax credit to encourage the development of purchasing groups modeled on FEHBP; and (5) Medicare buy-in for people ages 62 to 65 who have lost their jobs and health insurance (as we proposed last year).

Two discretionary pieces that you have supported are still being discussed. While there will be a \$25 million investment in asthma prevention and treatment through EPA, OMB has refused to fund an additional \$50 million for HHS and have instead proposed a \$50 million program to educate Medicaid providers about asthma. However, the majority of children suffering from asthma have no ongoing health coverage -- Medicaid or private -- and we therefore believe we need a more public health oriented approach. That said, discretionary dollars are tight, and the EPA program is an important piece. Finally, we have worked with Chris on a \$40 million discretionary proposal to provide graduate medical education funds to children's hospitals to help reduce the burden they face because they do not receive funds through Medicare as do other teaching hospitals. While OMB and other advisors have opposed this proposal, the President expressed his strong support for it in the meeting today.

**Child Welfare.** We have recommended a series of proposals designed to assist young people who "age out" of the foster care system: (1) a 50 percent increase in the Independent Living

program, which provides transition services for this population, costing \$175 million over five years; (2) Medicaid coverage for this population up to age 24, costing \$50 million over five years; (3) an extension of IV-E eligibility for an extra year (from age 18 to 19) for young people involved in comprehensive residential programs; costing \$50 million over four years; and (4) an increase in the Transitional Living program, which provides funds to local community-based organizations for residential and skills training services, costing \$25 million over five years. In addition, we have recommended a new \$5 million grant program to provide enhanced support to abuse and neglect courts to automate case-tracking systems and train attorneys and judges. We are very optimistic about securing both of these initiatives.

**Abortion and Family Planning.** We are recommending an increase in Title X family planning, building on past budget successes and promising trends of declining teen pregnancy and infant mortality. Currently, OMB plans to increase the program by \$15 million to \$230 million for FY 2000, but we are hopeful that we will secure an additional \$10 million. In addition, we have proposed a \$4.5 million fund to provide additional security for abortion clinics in the wake of escalating violence against clinics and providers.

## **Crime**

- **Crime Bill.** The President's advisers are now discussing whether to put forward a major Administration crime bill, or a series of significant crime initiatives which are tied to the FY 2000 budget. If we do put forward an omnibus crime bill, its major pieces would include: (1) a reauthorization of the COPS program (the 1994 crime bill's authorization expires at the end of FY 2000) with some changes; (2) a series of new firearms initiatives; and (3) offender accountability provisions, such as alternative programs for youthful offenders. As part of the FY 2000, the COPS program will receive \$1.3 billion, \$100 million less than it received in this year's budget process.
- **Prevention.** There are a number of prevention programs that have been flat-funded. The Department of Justice's main source of prevention funding is its At-Risk Youth Initiative, which funds a variety of prevention programs, including home visitation, mentoring, and anti-truancy initiatives -- this initiative will be flat-funded at \$95 million. In addition, the Safe and Drug Free Schools program will receive the same amount it received last year. Currently, the program mostly funds anti-drug curricula, but as part of the reauthorization of the Education and Secondary Education Act, we hope better to target the funds toward research-based prevention efforts.
- **Domestic Violence.** Like the rest of the 1994 Crime Bill, the Violence Against Women Act (VAWA) is due to be reauthorized by the end of FY 2000. There are a number of VAWA II proposals on the hill, and Senator Biden has promised early action on this legislation. Domestic violence programs are funded by both the Departments of Justice and Health and Human Services, and both Departments are receiving level funding (\$435 million) for their initiatives to fund police, prosecutors and women's shelters.



**AmeriCorps.** AmeriCorps had requested \$176 million, and it looks like they will get \$80 million. This means they will reach 100,000 members in 3 to 4 years rather than 2, and that more of the members will be summer-only (high school and college) rather than full-year. In addition, there is no new money in the budget for other service programs, with the exception of a new senior service initiative which will be counted as part of the AmeriCorps expansion. This approach is probably more realistic, but somewhat disappointing given the role we had hoped you would play in highlighting the AmeriCorps program. On the tax side, the Treasury Department is attempting to rescure the cost of excluding AmeriCorps post-service education awards from taxable income so that it does not count as a revenue raiser (they currently believe that it will raise revenue because some AmeriCorps members would no longer be eligible for Hope or Lifetime Learning credits).

**Microcredit.** The Administration will advance a number of proposals to expand access to microcredit: (1) raising the CDFI budget by \$5 million to \$100 million; (2) increasing by 75 percent SBA funds for technical assistance programs to \$28 million; (3) doubling funding for SBA microlending programs; (4) including \$105 million over four years for the PRIME Act initiatives (Senator Kennedy's bill); and (5) increasing funding for Individual Development Accounts from \$10 to \$25 million (which can be applied to small business capitalization).

November 5, 1998

To: Maria Echaveste  
From: Clara Shin  
Subject: 1998 State of the Union

To inform the policy initiatives that will be addressed in the 1999 State of the Union, I have outlined the four general themes and the specific topics included in last year's address. For each theme and topic discussed, I have charted the corollary achievements and new proposals announced by the President. Please note that for some topics, the President did not announce achievements.

#### 1. AN ECONOMY THAT OFFERS OPPORTUNITY

| Topics                     | Achievements and Proposals                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Balanced Budget            | <ul style="list-style-type: none"><li>• Balance the budget for the first time in 30 years (in FY99).</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Save Social Security First | <ul style="list-style-type: none"><li>• Reserve 100% of the projected budget surplus until we have taken the necessary measures to strengthen Social Security.</li><li>• Conduct nonpartisan forums in every region of the country.</li><li>• Hold a White House Conference on Social Security in December.</li><li>• Convene (in one year) Congressional leaders to craft historic, bipartisan legislation to achieve a strong Social Security system.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Minimum Wage               | <ul style="list-style-type: none"><li>• Raise the minimum wage.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Education                  | <p><i>Achievements:</i></p> <ul style="list-style-type: none"><li>• Expanded public school choice.</li><li>• Opened the way to 3,000 new charter schools.</li><li>• Worked to connect every classroom to the Information Superhighway.</li><li>• Committed to expanding Head Start to a million children.</li><li>• Launched <i>America Reads</i>.</li><li>• Funded 220,000 new Pell Grant scholarships.</li><li>• Launched tax-free education IRAs and HOPE scholarships (\$1,500 tax credits).</li><li>• Provided lifetime learning credits.</li></ul> <p><i>Proposals:</i></p> <ul style="list-style-type: none"><li>• Implement a voluntary national test based on national standards in 4th grade reading and 8th grade math.</li><li>• Hire 100,000 new teachers who have passed a state competency test and reduce class size in the 1st, 2nd, and 3d grades (to an average of 18 students/class).</li><li>• Pass a school construction tax cut to help communities modernize or build 5,000 schools.</li><li>• End social promotion.</li><li>• Enlist colleges and universities in reaching out to disadvantaged children, starting in the 6th grade, so that they may attend college.</li></ul> |

|                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic Growth       | <p><i>Achievements:</i></p> <ul style="list-style-type: none"> <li>Opened new markets with 240 trade agreements, over 5 years, that remove foreign barriers to products made in the USA.</li> </ul> <p><i>Proposals:</i></p> <ul style="list-style-type: none"> <li>Fight abusive child labor.</li> <li>Fund the training of workers temporarily dislocated by the global marketplace or by the march of technology.</li> <li>Consolidate training programs into one G.I. Bill for Workers.</li> </ul> |
| Trade Agreements      | <ul style="list-style-type: none"> <li>Forge new partnerships with Latin America, Asia, and Europe.</li> <li>Pass the new African Trade Act.</li> <li>Provide fast track negotiating authority.</li> </ul>                                                                                                                                                                                                                                                                                             |
| International Economy | <ul style="list-style-type: none"> <li>Renew America's commitment to the International Monetary Fund.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                       |

## 2. A SOCIETY ROOTED IN RESPONSIBILITY

| Topics                       | Achievements and Proposals                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Welfare Reform               | <p><i>Achievements:</i></p> <ul style="list-style-type: none"> <li>Moved 2 million more Americans off welfare two years ahead of schedule (on top of a 4-year decline in welfare rolls).</li> <li>Restored some benefits to legal immigrants.</li> </ul> <p><i>Proposals:</i></p> <ul style="list-style-type: none"> <li>Provide child care.</li> <li>Help families move closer to available jobs.</li> <li>Challenge more companies to join the welfare-to-work partnership.</li> <li>Increase child support collections from deadbeat parents.</li> </ul> |
| Health Care Reform           | <p><i>Achievements:</i></p> <ul style="list-style-type: none"> <li>Helped guarantee health insurance for Americans who are changing jobs.</li> <li>Extended health care to up to five million children.</li> </ul> <p><i>Proposals:</i></p> <ul style="list-style-type: none"> <li>Pass a Consumer Bill of Rights.</li> <li>Allow Americans to buy into the Medicare system.</li> </ul>                                                                                                                                                                     |
| Tobacco Reform               | <ul style="list-style-type: none"> <li>Pass comprehensive legislation that improves the public health, protects tobacco farmers, and changes the way tobacco companies do business.</li> <li>Lower teen smoking.</li> <li>Raise the price of cigarettes by up to \$1.50 a pack over the next ten years.</li> <li>Penalize the tobacco industry if it keeps marketing to children.</li> </ul>                                                                                                                                                                |
| Family and Medical Leave Act | <ul style="list-style-type: none"> <li>Extend the Family and Medical Leave Act to cover 10 million more workers.</li> <li>Give parents time off when they have to go see their children's teachers or take them to the doctor.</li> </ul>                                                                                                                                                                                                                                                                                                                   |

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Child Care                  | <ul style="list-style-type: none"> <li>• Help fund child care for a million more children.</li> <li>• Provide scholarships and conduct background checks for child care workers.</li> <li>• Emphasize early learning.</li> <li>• Fund tax credits for businesses that provide child care for their employees.</li> <li>• Provide a larger child care tax credit for working families.</li> </ul>                                                                                                                                                                                                                                                                                                                           |
| Public Safety               | <p><i>Achievements:</i></p> <ul style="list-style-type: none"> <li>• Pursued a strategy for more police, tougher punishment, smarter prevention, and crime-fighting partnerships with local law enforcement and citizen groups.</li> <li>• Facilitated the decrease in violent crimes, robberies, assaults, and burglaries.</li> </ul> <p><i>Proposals:</i></p> <ul style="list-style-type: none"> <li>• Finish putting 100,000 more police on the streets.</li> <li>• Pass a juvenile crime bill which provides for more prosecutors and probation officers to crack down on gangs, guns, and drugs, and bar violent juveniles from buying guns for life.</li> <li>• Expand support for after-school programs.</li> </ul> |
| Drug Control                | <p><i>Achievement:</i></p> <ul style="list-style-type: none"> <li>• Passed the largest anti-drug budget in history.</li> </ul> <p><i>Proposals:</i></p> <ul style="list-style-type: none"> <li>• Hire 1,000 new border patrol agents.</li> <li>• Deploy the most sophisticated available new technologies to stop drugs at our borders.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                         |
| Federal Courts              | <ul style="list-style-type: none"> <li>• Fill the large number of vacancies in the federal courts.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| International Politics      | <ul style="list-style-type: none"> <li>• Make Hungary, Poland, and the Czech Republic the newest members of NATO.</li> <li>• Continue support for our mission in Bosnia upon the completion of the NATO mission.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Weapons of Mass Destruction | <ul style="list-style-type: none"> <li>• Approve a comprehensive nuclear test ban.</li> <li>• Confront the new hazards of chemical and biological weapons, and the outlaw states, terrorists, and organized criminals seeking to acquire them.</li> <li>• Deny Saddam Hussein the capacity to use weapons of mass destruction again.</li> <li>• Enforce the Biological Weapons Convention.</li> <li>• Pay our debt to the United Nations.</li> </ul>                                                                                                                                                                                                                                                                       |

### 3. A NATION THAT LIVES BY COMMUNITY

| Topics                   | Achievements and Proposals                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Campaign Finance Reform  | <ul style="list-style-type: none"> <li>• Pass campaign finance reform.</li> <li>• Provide free or reduced-cost television time for candidates who voluntarily observe spending limits.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Reinventing Government   | <p><i>Achievements:</i></p> <ul style="list-style-type: none"> <li>• Reduced the federal payroll by 300,000 workers.</li> <li>• Cut 16,000 pages of regulation.</li> <li>• Eliminated hundreds of programs and improved agency operations.</li> </ul> <p><i>Proposal:</i></p> <ul style="list-style-type: none"> <li>• Pass IRS reforms including new citizen advocacy panels, a stronger taxpayer advocate, 24 hour phone lines, and relief for innocent taxpayers.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Community Development    | <p><i>Achievement:</i></p> <ul style="list-style-type: none"> <li>• Funded community development banks, commercial loans in poor neighborhoods, and the cleanup of polluted sites for development.</li> </ul> <p><i>Proposals:</i></p> <ul style="list-style-type: none"> <li>• Triple the number of empowerment zones.</li> <li>• Provide business incentives for investing in empowerment zones.</li> <li>• Help poor families move into homes of their own.</li> <li>• Use tax cuts to spur the construction of more low-income housing.</li> <li>• Renew our resolve to make our capital city a great city; and keep all our cities going strong into the 21st century.</li> </ul>                                                                                                                                                                                                                                                                   |
| Environmental Protection | <p><i>Achievements:</i></p> <ul style="list-style-type: none"> <li>• Placed the toughest-ever controls on smog and soot.</li> <li>• Moved to protect Yellowstone, the Everglades, and Lake Tahoe.</li> <li>• Expanded every community's right to know about toxics that threaten their children.</li> <li>• Effected a food safety plan that uses new science to protect consumers from such dangers as E. coli and salmonella.</li> <li>• Facilitated a historic agreement committing the U.S. to reducing greenhouse gas emissions through market forces, new technologies, and energy efficiency.</li> </ul> <p><i>Proposals:</i></p> <ul style="list-style-type: none"> <li>• Launch a Clean Water Initiative to clean our rivers, lakes, and coastal waters.</li> <li>• Reduce global warming by funding \$6 billion in tax cuts and R&amp;D to encourage innovation, renewable energy, fuel-efficient cars, and energy-efficient homes.</li> </ul> |
| Race                     | <p><i>Achievement:</i></p> <ul style="list-style-type: none"> <li>• Launched a national initiative on race.</li> </ul> <p><i>Proposals:</i></p> <ul style="list-style-type: none"> <li>• Enforce civil rights enforcement laws.</li> <li>• End the backlog at the Equal Employment Opportunity Commission.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

#### 4. THE MILLENNIUM: GIFTS TO THE FUTURE

| Topics             | Achievements and Proposals                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Millennium Program | <p><i>Achievement:</i></p> <ul style="list-style-type: none"><li>• Launched the White House Millennium Program.</li></ul> <p><i>Proposal:</i></p> <ul style="list-style-type: none"><li>• Engage the public and private sectors in advancing the arts and humanities.</li><li>• Save America's treasures.</li></ul>                                                                                                                                                                                                          |
| Science            | <ul style="list-style-type: none"><li>• Start up a 21st Century Research Fund for path-breaking scientific inquiry--the largest funding increase in history for the National Institute of Health, the National Science Foundation, and the National Cancer Institute.</li><li>• Prevent the misuse of genetic tests.</li><li>• Ratify the ethical consensus of the scientific and religious communities.</li><li>• Ban the cloning of human beings.</li><li>• Enable all the world's people to explore cyberspace.</li></ul> |
| Internet           | <ul style="list-style-type: none"><li>• Give parents the tools to protect their children from inappropriate material on the Internet.</li><li>• Protect the Internet's exploding global commercial potential.</li><li>• Step up support for building the next generation Internet, which will operate at speeds up to a thousand times faster than today.</li></ul>                                                                                                                                                          |
| Space              | <p><i>Achievement:</i></p> <ul style="list-style-type: none"><li>• Initiated the building of an international space station.</li></ul> <p><i>Proposals:</i></p> <ul style="list-style-type: none"><li>• Return John Glenn to space.</li><li>• Open new frontiers in outer space.</li></ul>                                                                                                                                                                                                                                   |

MEMORANDUM

TO: Paul Begala  
Sandy Berger  
Sidney Blumenthal  
George Frampton  
Elena Kagan  
Sally Katzen  
Neal Lane  
Jack Lew  
Ann Lewis  
Sylvia Mathews  
Minyon Moore  
Mark Pen  
Bruce Reed  
Doug Sosnick  
Gene Sperling  
Larry Stein  
Todd Stern  
Karen Tramontano  
Melanne Verveer  
Michael Waldman

CC: John Podesta

FROM: Maria Echaveste

DATE: November 6, 1998

SUBJECT: State of the Union Ideas Memos

SHIRLEY, —  
I'VE ATTACHED  
3 THINGS:  
① POLICY COUNCIL  
DRAFT MEMOS  
② " " SUMMARY  
③ 1998 SOTU THANKS  
SUMMARY FOR LUNCH!

As promised, please find attached draft State of the Union memos from CEQ, OSTP, DPC, NEC, and the Special Projects Office. If you have any questions, please do not hesitate to contact me or Clara Shin at 6-5506. Thank you.

## DRAFT -- NOT ADMINISTRATION POLICY

November 6, 1998

### MEMORANDUM FOR THE PRESIDENT

FROM: GEORGE T. FRAMPTON, JR.

SUBJECT: PROPOSED 1999 STATE OF THE UNION INITIATIVES

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The following is a set of six potential State of the Union announcements for your consideration. In some cases, these announcements have more than one part and could be presented as separate, smaller announcements or packaged into a single, larger announcement.

#### A LANDS LEGACY

**Action:** You would announce a broad strategy or a series of targeted initiatives (depending on available budget) built around a new vision of conservation with the aim of reconnecting people and the land.

**Background:** Time and again over the past century, Americans have demonstrated their commitment to preserving our greatest natural treasures. This Administration has added immeasurably to this impressive legacy with steps to protect Yellowstone, the red rock canyons of Utah and California's old-growth redwoods.

Increasingly, though, we face new conservation challenges that call for a new conservation ethic. Having preserved so many of our "crown jewels" -- places prized precisely because they are pristine and remote -- we must focus now as well on natural wonders in our very backyards. A conservation ethic for the 21st century recognizes people as part of the natural landscape, and seeks to preserve natural and open spaces in each community, within reach of every citizen.

This approach is implicit in many of the Administration's conservation efforts -- for instance, Everglades restoration, habitat conservation planning, and acquisition through the Land and Water Conservation Fund of threatened lands near urban areas. This initiative would more fully articulate this new conservation vision and set in motion collaborative strategies to fulfill it in both urban and rural settings.

One vehicle for this initiative is an ambitious proposal by Interior called Partnership for America's Resources. This proposal would draw on and significantly expand several existing funds, including the Land and Water Conservation Fund, and establish new dedicated funding sources to generate a total of about \$3 billion a year through 2009. These funds would support a wide range of acquisition and restoration programs at the federal, state and local levels. If the budget were to allow, this



proposal would crown the Administration's solid conservation record, closing the century with a dramatic achievement matching that of Theodore Roosevelt at the century's start.

An alternate approach would be a streamlined version of Interior's proposal that draws as well on other agencies' resources and incorporates targeted tax incentives. Each element would cultivate positive connections between people and the land, for instance by promoting sustainable forestry on private lands, protecting farmland from development, supporting efforts that protect wildlife while accommodating growth, or ensuring city and suburban dwellers easy access to nature and open space. The initiatives could include:

*Northern Forests* - A collaborative effort with local government, property owners, the conservation community and the states of New York, Maine, New Hampshire and Vermont to preserve the natural and economic values of the largest contiguous wild forest in the eastern United States. Up to 3.5 million acres now owned by timber companies are or soon will be for sale. Disposition of this land will have profound impacts on the economy and environment of this region.

*Parks and Communities* - A collaborative effort with state and local governments and the private sector guided by the vision of open space and recreation within walking distance of every child in America. Eighty percent of Americans lives in urban areas, and half have no park or open space within walking distance of their home. This initiative could include a commitment to create or rehabilitate 1000 parks or recreation facilities.

*Farmland Preservation* - Tax incentives and increased USDA funding to help preserve farmland threatened by development. This is a key component of the livability agenda launched by the Vice President, which highlights the close connection between loss of prime farmland and runaway sprawl.

*Lewis and Clark National Preserve* - Redesignation of a stretch of the Missouri River in Montana (now part Wild and Scenic River, part National Wildlife Refuge) to commemorate the Lewis and Clark expedition, which explored the area in 1805.

*Conservation Incentives* - A targeted tax incentive that reduces tax on capital gains realized through transfer of property that will remain under conservation easement.

*Habitat Protection* - Increased cost-share funding to acquire habitat in regions undertaking comprehensive conservation planning to balance growth and endangered species needs (as recently completed in Orange, Riverside and San Diego counties).

**Cost:** TBD, depending on scope.

## **CLEAN AIR FUND**

**Action:** You would propose \$1 billion in new funding to provide low-interest financing for projects that achieve early reductions in air pollution and/or greenhouse gas emissions, giving cities and states a significant nonregulatory tool in the fight for cleaner air.

**Background:** One of the Administration's top environmental accomplishments is the adoption of tough standards to reduce smog and soot. We also have proposed strengthening standards to reduce regional haze in the West. While these steps have been well received by the public, many mayors and governors continue to cite them as constraints on economic growth. These concerns, which are likely to become more pronounced as the standards are implemented, stem in part from concerns about the cost of compliance.

In addition, one of the Administration's top climate change priorities is encouraging early, voluntary action to reduce greenhouse gases. Again, one barrier is concerns about the capital investment necessary to achieve these reductions.

In the case of water quality, strong bipartisan majorities in Congress have long supported a revolving fund to finance state and local infrastructure projects to reduce water pollution. This proposal would take a similar approach to air emissions. For soot or smog-related emissions, funding would be made available to states upon demonstration, consistent with EPA guidelines, that a project would achieve reductions sooner than required, or from sources not subject to regulation. For greenhouse gas emissions, funding would be made available upon a demonstration consistent with DOE guidelines that the project would achieve "early" reductions that otherwise would not have been made. Guidelines will ensure that the fund does not compensate polluters for taking action already required by regulation.

We are reviewing with Treasury a number of possible models for the fund and for allocating financing, ranging from the existing clean water state revolving funds to the school-construction model to that used for low-income housing tax credit.

**Cost:** \$1 billion annually in fund capitalization (outlay rates significantly lower, and may be reduced over time by operation of a cost cap in the President's implementation plan for the new soot and smog standards). Differential costs of alternative financing mechanisms TBD.

## **A NEW PARTNERSHIP FOR LAKES AND COASTS**

**Action:** You would launch a new initiative to protect America's coasts and the Great Lakes, propose new funding to help farmers combat water pollution, and call on Congress to reauthorize and strengthen the Clean Water Act.

**Background:** The five-year Clean Water Action Plan you launched earlier this year establishes a

solid framework for addressing the next generation of clean water challenges, principally nonpoint source pollution. This initiative underscores some unfinished business -- reauthorization of the Clean Water Act, and increased funding for farmers -- and targets additional resources to the specific and urgent needs of the Great Lakes and coastal areas. Specifically, it would create a dedicated source of funding (subject to state cost-sharing) to restore wetlands, accelerate cleanup of contaminated sediment, and support local partnerships to restore estuaries.

Each of these issues has a strong economic component. Along the Gulf Coast, loss of wetlands raises the risk of catastrophic damage from hurricanes and floods. Sediment contamination hampers urban redevelopment, damages commercial and recreational fisheries in regions like the Great Lakes, and undermines the competitiveness of our ports by increasing dredging costs. Pollution of estuaries destroys commercial fisheries, threatens drinking water, and increases pollution control costs.

This initiative would: commit an additional \$300 million a year to restore wetlands in Louisiana and other Gulf states (this funding mechanism, a variation on the Landrieu-Dingell proposal, also would support Everglades restoration); commit an additional \$280 million a year for sediment cleanup and natural resource restoration; and commit an additional \$100 million a year to implement estuary recovery plans developed in partnership with states and local communities.

**Cost:** \$680 million.

In addition, the following proposals could be included in this initiative, or announced before the State of the Union:

*Save the Colorado Initiative* - You would propose funding to remove uranium mine tailings in Moab, Utah, that are contaminating endangered species and the Colorado River, a major water source for California. The Atlas Corporation, which operated the mine, recently filed for bankruptcy, making it inevitable under current law that the Department of Energy will bear ultimate responsibility for the cleanup. Democrats and Republicans in both the California and Utah delegations have united behind Congressman George Miller (D-CA) in demanding that the tailings be moved. Governor Leavitt and Secretary Babbitt strongly support the proposal. Cost: \$125 million over five years, assuming Atlas will be able to pay \$7 million over the same period.

*Helping Farmers Protect Water Quality* - As part of your Clean Water Action Plan, you requested \$100 million in FY 1999 for a USDA program to help farmers control polluted runoff. This funding was denied by Congress. As an alternative, you would announce flexible use of Commodity Credit Corporation funds for the same purpose. USDA is exploring how much funding could be made available this way. Cost: TBD

## ENVIRONMENT-TO-WORK INITIATIVE

**Action:** You would announce a \$100 million-a-year initiative to train former welfare recipients and other workers for jobs in environmental cleanup and energy efficiency; and to retrain timber workers, miners and fishermen for environmental restoration work.

**Background:** One of the overriding themes of the Administration's environmental message is that a healthy environment and a strong economy go hand in hand. Yet despite notable successes -- for instance, brownfields cleanup and our Jobs in the Woods program in the Pacific Northwest -- environmental initiatives are not always seen as being in the interests of organized labor.

This interagency initiative would address these concerns in both urban and rural areas by providing training for high-paying jobs in emerging environmental fields. In cities, it would train workers in hazardous waste and brownfields cleanup, and in lead and asbestos abatement (jobs for which poorly educated workers are often illegally recruited). In rural regions, it would build on Jobs in the Woods to retrain timber workers in other regions where harvest levels are projected to decline; retrain fishermen in areas with declining stocks to do habitat restoration; and train a new generation of mine workers for mine reclamation and watershed restoration work. In addition, it would train workers to conduct energy audits and perform other energy efficiency work in both urban and rural settings.

**Cost:** \$100 million, with a portion funded from the Abandoned Mine Reclamation Fund.

## PRESERVING AND EXPLORING OUR OCEAN FRONTIER

**Action:** You would announce designation of a new national marine sanctuary, set a goal of doubling the number of marine sanctuaries over the next 10 years, and propose legislation to strengthen protections within existing and new sanctuaries.

**Background:** At the dawn of the 20th century, under the leadership of President Teddy Roosevelt, America committed itself to a new lands ethic, preserving irreplaceable pieces of our rich landscape for all time. As we approach the 21st century, a comparable opportunity beckons off our shores. As you noted in your address to the National Ocean Conference, the oceans are a vast frontier largely unexplored, and largely unprotected.

Over the past quarter-century, the federal government has created 12 national marine sanctuaries encompassing 18,000 square miles of coral reefs, kelp forests and other ocean ecosystems that are home to a variety of endangered marine life. Management plans for each sanctuary are developed in collaboration with nearby communities, commercial fishermen, marine-related industry, conservationists, and marine scientists. The level of protection varies among the sanctuaries, with some little more than boundaries on a map.

There is a growing call from the scientific and conservation communities to both strengthen and expand the sanctuary system. This proposal would meet both objectives. First, you would announce the designation by the Commerce Department of a new sanctuary. (Prime candidates include "seamounts" off California, underwater canyons and ledges off Cape Hatteras and Massachusetts, brine pools and vents in the Gulf of Mexico, and waters off the Northern Mariana Islands.) Second, you would set a goal of 24 sanctuaries -- double the current number -- by 2009. You could invite Congress to work with the Administration in identifying areas for designation. Third, you would propose legislation to set a minimum level of protection within the sanctuaries.

A new exploration venture by the National Geographic Society, in partnership with the Goldman Foundation, presents an ideal opportunity to amplify our message. Dr. Sylvia Earle, former chief scientist at NOAA and recently honored as Time Magazine's first Hero of the Earth, will explore each of the existing sanctuaries in state-of-the-art submersibles.

**Cost:** An additional \$6 million in FY 2000, \$21 million in FY 2001, and \$36 million in FY 2002.

## **DECLARING WAR ON ASTHMA**

**Action:** You would launch a national campaign to halt the dramatic increase in asthma incidence and, ultimately, to reduce by half the number of children who die from the disease or suffer severe symptoms.

**Background:** Asthma afflicts more than 5.5 million children in America and is the leading cause of childhood hospitalization. The number of children suffering asthma has doubled in the past 15 years, and the number dying from it has tripled in the last 20 years. Black and Hispanic children are twice likely as white children to develop the disease.

The Administration has launched several efforts to combat asthma, including tougher air quality standards and recent grants to universities to establish environmental health research centers. This initiative would expand successful programs by HHS and EPA to reduce asthma risks in schools and homes through education. It also would support additional monitoring and research to better track incidence and develop potential cures.

**Cost:** \$55 million.

November 6, 1998

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE

SUBJECT: Themes and Initiatives for the January 1999 State of the Union Address

Purpose

This memorandum makes recommendations for themes that underscore your vision for the 21<sup>st</sup> century and related initiatives to include in the 1999 State of the Union Address. The emphasis is on science, technology, and education.

Background

The 1999 State of the Union address provides an opportunity to amplify two themes that are integral to your commitment to strengthen our nation for the 21<sup>st</sup> century: **education** and **exploration**. You have been consistent and eloquent about your commitment to investing in America's future, including your recent statement that "we have to make the investments and decisions that we know will produce growth over the long run for the American economy. Whether it's in education, or science and technology, we have to do the things that send the signal that we understand how the world economy works and we intend to do well in it." Continued American leadership in the world and a better quality of life for all Americans depend on our enduring commitment to science, to technology, to learning, and to research.

RECOMMENDATION

That you approve the following themes and initiatives for use in the 1999 State of the Union Address:

1. **Theme: Education**

Amplify the bold agenda announced in your 1998 address. Commit to:

A. An expanded **Education Research Initiative** that will provide all citizens the math and science skills they need for full participation in an increasingly "knowledge-based" social and economic system. The National Science Foundation, the Department of Education, the National Institute of Child Health and Human Development, and the Domestic Policy Council are supportive of this initiative, which will fund an enhanced research effort to help determine the

most effective methods for teaching and learning based on the current state of knowledge and technological development.

B.     **An Information Technology (IT) Workforce Initiative** to address the shortage of IT industry workers. Leaders in industry, academia, and government currently decry their inability to recruit qualified workers needed to undertake highly-skilled jobs from the assembly line to high-powered computations required to design new drugs. This initiative will establish partnerships among school boards, community colleges, universities, and corporate America to ensure this problem does not constrain the economic productivity growth we can expect as information technology pervades the economy.

C.     **A Math and Science Teachers Initiative** to address the impending shortage of math and science teachers. Qualified teachers are increasingly hard to find as we move toward a requirement of 2,000,000 K-12 teachers. This initiative will emphasize enhanced teacher training and partnerships between school boards and local industries to ensure sufficient numbers of teachers trained (and retained) in math and science teaching.

## 2.     **Theme: Exploration**

Amplify on the "gift to the millennium" you made in your 1998 address -- the 21<sup>st</sup> Century Research Fund for pathbreaking scientific inquiry. Commit to:

A.     **A "Millennium Research Fund"** that ensures substantial, stable support for a balanced portfolio of civilian and university-based research, including DOD 6.1 and 6.2. Budgetary initiatives in a variety of areas, e.g., biomedical research, food safety, genome research, critical infrastructure protection, bioterrorism, biodiversity, clean water, clean energy, and climate change research could be used to amplify the exploration theme.

B.     **An Information Technology Research Initiative** that includes a substantial increase in the budget for information technology, as recommended by your Information Technology Advisory Committee. This includes research to produce the next generation of information technology and computer scientists and engineers. It also includes the use of world-class information technology to advance research in all fields of science and engineering. IT is key to good jobs and a strong economy (it generated one-third of all economic growth between 1995 and 1997), key to good health (including telemedicine), key to security (to counter-terrorism and weapons systems), and key to environmental quality (for monitoring to modeling).

C.     Remaining resolute in our work with our international partners (including Russia) to make a success of the **International Space Station**. John Glenn's mission has reinvigorated Americans' interest in space exploration, and we should capitalize on their enthusiasm to build Congressional support.

\_\_\_\_ Approve    \_\_\_\_ Disapprove    \_\_\_\_ Approve as Amended    \_\_\_\_ No Action

THE WHITE HOUSE

WASHINGTON

November 6, 1998

MEMORANDUM FOR THE PRESIDENT

FROM:

TODD STERN 

SUBJECT:

State of the Union -- Climate Change Ideas

Last year's State of the Union included a substantial section (16 lines) on climate change. Our specific announcement was your five-year, \$6 billion program of tax cuts and R&D to spur energy efficiency and the development of renewable energy. This year's environmental section of the speech should, of course, include climate change. Below are three specific deliverables that could be included in the speech.

**Getting Energy Efficient Products into Our Homes.** While R&D into new energy saving technologies is extremely important, economists also recognize that we could achieve enormous reductions of greenhouse gases if consumers took advantage of the energy saving products already in the marketplace. You could announce a new initiative to help move a designated list of several major Energy Star products (e.g., refrigerators, washing machines, air conditioners, furnaces) off the shelves and into consumers' homes. The initiative would consist of the following elements: (1) a partnership with major manufacturers to launch a campaign to inform consumers about the financial and environmental benefits of retiring older appliances early and replacing them with new, energy efficient models. (The retired products would be recycled, producing further energy savings.) DOE has been engaged in discussions with GE, Whirlpool, Maytag, Amana and White Consolidated, who are all prepared to participate; (2) rebates from the manufacturers and/or electric utilities; (3) federal financial incentives, which could take the form of tax incentives or rebates. Rough estimates suggest that for a cost of around \$1 billion annually, the federal government could provide an incentive equal to around 10% of the purchase price of selected Energy Star equipment. This program could save millions of tons of carbon emissions annually and save consumers hundreds of dollars a year on their energy bills.

**Bioenergy -- Growing an Alternative to Fossil Fuels.** Biomass represents a major potential resource for our energy future. It can be used to make fuel, burned directly to produce electricity, and used for the production of chemicals. By growing products like switch grass on idle cropland and putting agricultural and wood waste to good use, some experts predict we could eventually produce energy equivalent to more than half of our current annual crude oil imports. You could launch a partnership with farmers, the forest products industry, power companies, chemical companies and others to develop a clean, biomass-based energy industry. Such an initiative would not only be good energy policy, but would give farmers something to like about dealing with climate change. Senators Lugar and Harkin, among others, are very interested in biomass. DOE and USDA are already making substantial investments in bioenergy. We can do



this initiative with funding that fits within the total available for the second year of the five-year Climate Change Technology Initiative you announced last year.

**Financing of Clean Energy Projects.** The CEQ State of the Union memo includes an idea for a revolving fund to finance state and local infrastructure projects to reduce air pollution or greenhouse gases. The idea would be to fund projects achieving early reductions that wouldn't otherwise be made. For a full discussion of this idea, see the CEQ memo.

## MEMORANDUM

TO: Paul Begala  
Sandy Berger  
Sidney Blumenthal  
George Frampton  
Elena Kagan  
Sally Katzen  
Neal Lane  
Jack Lew  
Ann Lewis  
Sylvia Mathews  
Minyon Moore  
Mark Pen  
Bruce Reed  
Doug Sosnick  
Gene Sperling  
Larry Stein  
Todd Stern  
Karen Tramontano  
Melanne Verveer  
Michael Waldman

CC: John Podesta

FROM: Maria Echaveste

DATE: November 6, 1998

SUBJECT: State of the Union Ideas Memos

As promised, please find attached draft State of the Union memos from CEQ, OSTP, DPC, NEC, and the Special Projects Office. If you have any questions, please do not hesitate to contact me or Clara Shin at 6-5506. Thank you.

November 6, 1998

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE

SUBJECT: Themes and Initiatives for the January 1999 State of the Union Address

Purpose

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RECOMMENDATION

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most effective methods for teaching and learning based on the current state of knowledge and technological development.

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\_\_\_\_ Approve    \_\_\_\_ Disapprove    \_\_\_\_ Approve as Amended    \_\_\_\_ No Action

## DRAFT -- NOT ADMINISTRATION POLICY

November 6, 1998

### MEMORANDUM FOR THE PRESIDENT

FROM: GEORGE T. FRAMPTON, JR.

SUBJECT: PROPOSED 1999 STATE OF THE UNION INITIATIVES

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The following is a set of six potential State of the Union announcements for your consideration. In some cases, these announcements have more than one part and could be presented as separate, smaller announcements or packaged into a single, larger announcement.

#### A LANDS LEGACY

**Action:** You would announce a broad strategy or a series of targeted initiatives (depending on available budget) built around a new vision of conservation with the aim of reconnecting people and the land.

**Background:** Time and again over the past century, Americans have demonstrated their commitment to preserving our greatest natural treasures. This Administration has added immeasurably to this impressive legacy with steps to protect Yellowstone, the red rock canyons of Utah and California's old-growth redwoods.

Increasingly, though, we face new conservation challenges that call for a new conservation ethic. Having preserved so many of our "crown jewels" -- places prized precisely because they are pristine and remote -- we must focus now as well on natural wonders in our very backyards. A conservation ethic for the 21st century recognizes people as part of the natural landscape, and seeks to preserve natural and open spaces in each community, within reach of every citizen.

This approach is implicit in many of the Administration's conservation efforts -- for instance, Everglades restoration, habitat conservation planning, and acquisition through the Land and Water Conservation Fund of threatened lands near urban areas. This initiative would more fully articulate this new conservation vision and set in motion collaborative strategies to fulfill it in both urban and rural settings.

One vehicle for this initiative is an ambitious proposal by Interior called Partnership for America's Resources. This proposal would draw on and significantly expand several existing funds, including the Land and Water Conservation Fund, and establish new dedicated funding sources to generate a total of about \$3 billion a year through 2009. These funds would support a wide range of acquisition and restoration programs at the federal, state and local levels. If the budget were to allow, this

proposal would crown the Administration's solid conservation record, closing the century with a dramatic achievement matching that of Theodore Roosevelt at the century's start.

An alternate approach would be a streamlined version of Interior's proposal that draws as well on other agencies' resources and incorporates targeted tax incentives. Each element would cultivate positive connections between people and the land, for instance by promoting sustainable forestry on private lands, protecting farmland from development, supporting efforts that protect wildlife while accommodating growth, or ensuring city and suburban dwellers easy access to nature and open space. The initiatives could include:

*Northern Forests* - A collaborative effort with local government, property owners, the conservation community and the states of New York, Maine, New Hampshire and Vermont to preserve the natural and economic values of the largest contiguous wild forest in the eastern United States. Up to 3.5 million acres now owned by timber companies are or soon will be for sale. Disposition of this land will have profound impacts on the economy and environment of this region.

*Parks and Communities* - A collaborative effort with state and local governments and the private sector guided by the vision of open space and recreation within walking distance of every child in America. Eighty percent of Americans live in urban areas, and half have no park or open space within walking distance of their home. This initiative could include a commitment to create or rehabilitate 1000 parks or recreation facilities.

*Farmland Preservation* - Tax incentives and increased USDA funding to help preserve farmland threatened by development. This is a key component of the livability agenda launched by the Vice President, which highlights the close connection between loss of prime farmland and runaway sprawl.

*Lewis and Clark National Preserve* - Redesignation of a stretch of the Missouri River in Montana (now part Wild and Scenic River, part National Wildlife Refuge) to commemorate the Lewis and Clark expedition, which explored the area in 1805.

*Conservation Incentives* - A targeted tax incentive that reduces tax on capital gains realized through transfer of property that will remain under conservation easement.

*Habitat Protection* - Increased cost-share funding to acquire habitat in regions undertaking comprehensive conservation planning to balance growth and endangered species needs (as recently completed in Orange, Riverside and San Diego counties).

**Cost:** TBD, depending on scope.

## **CLEAN AIR FUND**

**Action:** You would propose \$1 billion in new funding to provide low-interest financing for projects that achieve early reductions in air pollution and/or greenhouse gas emissions, giving cities and states a significant nonregulatory tool in the fight for cleaner air.

**Background:** One of the Administration's top environmental accomplishments is the adoption of tough standards to reduce smog and soot. We also have proposed strengthening standards to reduce regional haze in the West. While these steps have been well received by the public, many mayors and governors continue to cite them as constraints on economic growth. These concerns, which are likely to become more pronounced as the standards are implemented, stem in part from concerns about the cost of compliance.

In addition, one of the Administration's top climate change priorities is encouraging early, voluntary action to reduce greenhouse gases. Again, one barrier is concerns about the capital investment necessary to achieve these reductions.

In the case of water quality, strong bipartisan majorities in Congress have long supported a revolving fund to finance state and local infrastructure projects to reduce water pollution. This proposal would take a similar approach to air emissions. For soot or smog-related emissions, funding would be made available to states upon demonstration, consistent with EPA guidelines, that a project would achieve reductions sooner than required, or from sources not subject to regulation. For greenhouse gas emissions, funding would be made available upon a demonstration consistent with DOE guidelines that the project would achieve "early" reductions that otherwise would not have been made. Guidelines will ensure that the fund does not compensate polluters for taking action already required by regulation.

We are reviewing with Treasury a number of possible models for the fund and for allocating financing, ranging from the existing clean water state revolving funds to the school-construction model to that used for low-income housing tax credit.

**Cost:** \$1 billion annually in fund capitalization (outlay rates significantly lower, and may be reduced over time by operation of a cost cap in the President's implementation plan for the new soot and smog standards). Differential costs of alternative financing mechanisms TBD.

## **A NEW PARTNERSHIP FOR LAKES AND COASTS**

**Action:** You would launch a new initiative to protect America's coasts and the Great Lakes, propose new funding to help farmers combat water pollution, and call on Congress to reauthorize and strengthen the Clean Water Act.

**Background:** The five-year Clean Water Action Plan you launched earlier this year establishes a

solid framework for addressing the next generation of clean water challenges, principally nonpoint source pollution. This initiative underscores some unfinished business -- reauthorization of the Clean Water Act, and increased funding for farmers -- and targets additional resources to the specific and urgent needs of the Great Lakes and coastal areas. Specifically, it would create a dedicated source of funding (subject to state cost-sharing) to restore wetlands, accelerate cleanup of contaminated sediment, and support local partnerships to restore estuaries.

Each of these issues has a strong economic component. Along the Gulf Coast, loss of wetlands raises the risk of catastrophic damage from hurricanes and floods. Sediment contamination hampers urban redevelopment, damages commercial and recreational fisheries in regions like the Great Lakes, and undermines the competitiveness of our ports by increasing dredging costs. Pollution of estuaries destroys commercial fisheries, threatens drinking water, and increases pollution control costs.

This initiative would: commit an additional \$300 million a year to restore wetlands in Louisiana and other Gulf states (this funding mechanism, a variation on the Landrieu-Dingell proposal, also would support Everglades restoration); commit an additional \$280 million a year for sediment cleanup and natural resource restoration; and commit an additional \$100 million a year to implement estuary recovery plans developed in partnership with states and local communities.

**Cost:** \$680 million.

In addition, the following proposals could be included in this initiative, or announced before the State of the Union:

*Save the Colorado Initiative* - You would propose funding to remove uranium mine tailings in Moab, Utah, that are contaminating endangered species and the Colorado River, a major water source for California. The Atlas Corporation, which operated the mine, recently filed for bankruptcy, making it inevitable under current law that the Department of Energy will bear ultimate responsibility for the cleanup. Democrats and Republicans in both the California and Utah delegations have united behind Congressman George Miller (D-CA) in demanding that the tailings be moved. Governor Leavitt and Secretary Babbitt strongly support the proposal. Cost: \$125 million over five years, assuming Atlas will be able to pay \$7 million over the same period.

*Helping Farmers Protect Water Quality* - As part of your Clean Water Action Plan, you requested \$100 million in FY 1999 for a USDA program to help farmers control polluted runoff. This funding was denied by Congress. As an alternative, you would announce flexible use of Commodity Credit Corporation funds for the same purpose. USDA is exploring how much funding could be made available this way. Cost: TBD



## ENVIRONMENT-TO-WORK INITIATIVE

**Action:** You would announce a \$100 million-a-year initiative to train former welfare recipients and other workers for jobs in environmental cleanup and energy efficiency; and to retrain timber workers, miners and fishermen for environmental restoration work.

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**Cost:** \$100 million, with a portion funded from the Abandoned Mine Reclamation Fund.

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THE WHITE HOUSE

WASHINGTON

November 6, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN 

SUBJECT: State of the Union -- Climate Change Ideas

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this initiative with funding that fits within the total available for the second year of the five-year Climate Change Technology Initiative you announced last year.

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