THE WHITE HOUSE

WASHINGTON

February 3, 2000

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: ANN O'LEARY
RUBY SHAMIR

CC: MELANNE VERVEER
SHIRLEY SAGAWA
LISSA MUSCATINE

SUBJECT: UPDATE ON ECONOMIC PROPOSALS

The purpose of this memo is to give you a brief overview of the Administration's record on fiscal discipline and some of our major economic proposals for the FY 2001 budget, including saving Social Security, increasing the minimum wage and building on our New Markets initiative from last year.

MAINTAINING FISCAL DISCIPLINE AND ECONOMIC EXPANSION

Maintaining Fiscal Discipline
Currently, we are experiencing the first back-to-back budget surpluses in 42 years. Last year's surplus of $124 billion was the largest in our history and the latest numbers from the Treasury indicate the surplus for this year will be even larger. This surplus is considered even more significant when contrasted with the $209 billion deficit the President inherited when he was elected. In just the last two years, we have already paid down $140 billion of the national debt. Because we have resisted efforts to push our nation off the path of fiscal discipline with large and irresponsible tax cuts, our debt is $1.7 trillion less this year than it was projected to be back in 1993.

The FY 2001 budget accelerates the date that we will be able to pay off our debt to 2013 -- two years earlier than we had originally planned. The President's plan will protect Social Security funds, extend the solvency of the Social Security trust fund, and enable us to make Medicare secure now through 2025. We will be debt-free for the first time since 1835, when our nation had only 24 states and fewer than 15 million people. The President's plan to pay down the debt will result in lower interest rates and stronger investment. For typical families it will mean lower mortgage payments and car payments.

Nearing the Longest Economic Expansion in U.S. History

- America is currently in the longest peacetime expansion in its history. By the end of February, the U.S. will have enjoyed 107 consecutive months of expansion – the longest economic expansion in history.
- Since President Clinton took office in 1993, the economy has created 20.4 million new jobs – the highest number of jobs ever created under a single President. These are overwhelmingly good jobs: according to a study by the Council of Economic Advisers and the U.S. Department of Labor, 81 percent of all new jobs are located in industry/occupation categories that pay above-median wages.
- The vast majority of the new jobs – 18.8 million or 92 percent of the total – were created by the private sector, the highest private sector share of job creation since Harry S. Truman was President.
- The unemployment rate in 1999 fell to 4.2 percent – the lowest rate in 30 years. For African Americans, the unemployment rate fell to 8.0 percent – the lowest on record. For Hispanics, the unemployment rate fell to 6.4 percent – the lowest on record.
- The economy has expanded at 3.8 percent annually under President Clinton – the fastest growth rate of any administration since President Johnson.
- As a result of the strong economy and investments in people, 7.7 million people have been lifted out of poverty under President Clinton. The poverty has fallen to 12.7 percent – the lowest rate since 1979. For African Americans and African American children, the poverty rate is the lowest on record. For Hispanics, the poverty rate is the lowest since 1980. For single mothers, the poverty rate has fallen to the lowest level in history.
- In the third quarter of 1999, the homeownership rate rose to 67.0 percent – the highest rate ever recorded. The homeownership rates for African Americans and Hispanics also reached record levels in 1999.
- The underlying core rate of inflation was 1.9 percent in 1999 – the lowest rate since 1965.

SUPPORTING WORKING FAMILIES AND COMMUNITIES

Protecting and Strengthening Social Security

When the President releases the budget next week, he will include this year's proposal to strengthen Social Security. As he did in 1998 and 1999, the President is calling on Congress to enact his plan to save Social Security first – and strengthen it. Like last year, the President is proposing to reserve the entire Social Security surplus for Social Security and debt reduction. The President's proposal devotes the entire Social Security surplus to paying down the debt held by the public by a projected $2.2 trillion over the next 10 years. Additionally, after a decade of debt reduction from protecting Social Security funds, all the interest savings from this debt reduction will then be reinvested in Social Security, extending its solvency from 2034 to 2050. Projected interest savings for the first five years of the transfer (2011-2015) would be $690 billion. If the interest savings were prudently invested in equities, solvency would be extended to 2054. The Republican so-called "lockboxes" do not transfer interest savings to Social Security and thus do not add a single day to the life of the Trust Fund. Furthermore, because of their exorbitant tax cut proposals, the Republicans would probably end up spending hundreds of billions of dollars of the Social Security surplus.

Expanding the Earned Income Tax Credit (EITC)
The President is calling on Congress to pass his $21 billion plan to expand the Earned Income Tax Credit. Treasury estimates that the President's proposed EITC expansion would deliver tax relief for 6.8 million families, providing up to $1,200 in additional tax relief for some of these hard-pressed, working families. The President's proposal would build on the EITC expansion that he signed into law in 1993 which provided a tax cut for 15 million families. That expansion made the EITC even more effective at encouraging work and reducing poverty: In 1998, 4.3 million people were directly lifted out of poverty by the EITC – more than double the number in 1993.

The President's proposal would:
- ***Expand the Maximum Credit for Working Families with Three or More Children By $500.*** This would provide a tax break for 2.1 million low- and moderate-income working families. This expansion is targeted at the highest concentration of child poverty: in 1998 the poverty rate for children in families with three or more related children was 28.5 percent -- more than twice the 11.9 percent poverty rate for children in families with one or two related children.
- ***Expand the Credit for Married, Two-Earner Couples.*** This would benefit over 1.3 million married filers. For married, two-earner couples, this provision by itself would provide an average tax break of $250.
- ***Increase the Reward to Work While Expanding the Credit for Families with Two or More Children.*** This would provide an additional tax break, and an additional incentive to work, for families with two or more children by lowering the phase-out rate to give more rewards to families struggling to work their way into the middle class.
- ***Encourage Savings Through Simplification.*** Currently, when a working family contributes to a 401(k) they may see their EITC reduced. This proposal encourages savings and simplifies the calculation of earned income for the purposes of the EITC.

Simplifying Taxes and Rewarding Marriage and Work
The FY01 budget includes the President's proposal to reduce the marriage penalty for married, two-earner couples by increasing the standard deduction by nearly $2,000. The President will propose to increase the standard deduction for two-earner married couples to twice that of single filers, providing substantial tax relief for 9.1 million families. The President would provide an additional $500 increase in the standard deduction for single-earner married couples that do not face a marriage penalty. He would also increase the standard deduction for single filers by $250. The President's plan would cost $45 billion over 10 years and benefit 42.1 million families.

Yesterday, the House Ways and Means Committee approved a $182 billion marriage penalty relief bill on a party line vote. The bill would raise the standard deduction for married people, expand the income bracket for couples that would be subject to the lowest tax rate of 15 percent, and make more couples eligible for the Earned Income Tax Credit. The committee voted, 23 to 13, along party lines, with many Democrats, including Ranking member Rangel, saying that it was too expensive a proposal to accept without first figuring out its ramifications in the context of the larger budget, and the White House and Treasury have indicated support for a more modest approach. Democrats also pointed out that nearly half of the tax relief provided by the bill would benefit people who have no increased tax liability due to marriage.

Minimum Wage Increase
The President is calling on Congress to pass a $1 increase in the minimum wage, the same proposal as last year. A working parent with two children earning the minimum wage in 1993 made $10,559 with the EITC (in 1998 inflation-adjusted dollars) – well below the poverty line. As a result of the expanded EITC and higher minimum wage, a similarly situated family in 1998 was above the poverty line – making $13,268 – a 26 percent inflation-adjusted increase in their standard of living. As you know, the President's challenge to build on the success of these policies by raising the minimum wage by $1 would help 11.4 million Americans – 70 percent of whom are adults and 59 percent of whom are women.

Yesterday, the Senate passed the Bankruptcy Reform Bill. Although the Administration does not have a veto threat on the substantive bankruptcy provisions of the Senate bankruptcy bill, we strongly object to the minimum wage and tax amendment that was attached to the bill on the floor. This amendment would raise the minimum wage by $1.00 over three years and provide $18.4 billion in tax cuts over five years. The amendment also includes a provision that would undermine overtime pay for hourly employees by excluding bonuses and commissions from the rate of pay used to determine overtime pay.

The New Markets Initiative
As you know, last year's final budget included some funding for a number of New Markets programs. For FY01, the President is proposing to expand the New Markets Initiative to spur $22 billion in new capital investment in businesses in these economically distressed areas through a package of tax credits and loan guarantees. The proposal includes: more than doubling the New Markets Tax Credit to spur $15 billion dollars in new investment in community development in economically distressed areas; expanded Empowerment Zone Tax Incentives to extend and improve economic growth in the 31 existing urban and rural Empowerment Zones; fully funding America's Private Investment Companies (APICs), which would provide guaranteed debt to private investment companies to help leverage private equity capital and lower the cost of capital for investments in low- and moderate-income communities; expanding the New Market Venture Capital Firms (NMVCs) which provide both long-term growth capital and expert guidance to entrepreneurs who need both in order to transform their small businesses and great ideas into thriving companies. APICs and NMVCs received some funding last year, but still require the passage of authorizing legislation.

Additionally, the proposal calls for increasing the funding for SBA's microenterprise lending program; funding PRIME -- a program providing technical assistance to low-income entrepreneurs; boosting CDFI funding; expanding support for BusinessLINC to encourage large businesses to work with small businesses in new markets; and establishing a New Markets University Partnerships pilot project which, under the auspices of HUD, would provide Universities with funding to develop local community partnerships, assistance to intermediaries, and technical and business development assistance to new and existing firms. The President is also proposing a comprehensive initiative to reduce poverty in the Mississippi Delta and additional funding to expand the New Markets initiative to Indian Country.

The Republicans have pledged to work with us on New Markets. Representatives Watts and Talent have developed a Republican proposal called the American Community Renewal Act which mirrors our proposal in some significant ways.

From Digital Divide to Digital Opportunity

As you know, there is strong evidence of a "digital divide" – unequal access to technology by income, education level, race, and geography. To address this troubling trend, the President yesterday announced that his budget will include $2 billion in tax incentives over 10 years to encourage private sector donation of computers, sponsorship of community technology centers, and technology training for workers; $150 million to help train all new teachers entering the workforce to use technology effectively; $100 million to create 1,000 Community Technology Centers in low-income urban and rural neighborhoods; $50 million for a public/private partnership to expand home access to computers and the Internet for low-income families; $45 million to promote innovative applications of information and communications technology for under-served communities; $25 million to accelerate private sector deployment of broadband networks in under-served urban and rural communities; and $10 million to prepare Native Americans for careers in Information Technology and other technical fields.

Also, you should know that together with America's Promise, AOL, the YMCA and others, AmeriCorps*VISTA is deploying up to 400 members to work in schools, local YMCA's, Boys and Girls Clubs and community technology centers across the country. This effort, called PowerUP, is a major public-private effort to help ensure that America's underserved young people acquire the skills, experiences and resources they need to succeed in the digital age. AOL, Gateway, Sun Microsystems and other corporate partners have pledged more than $10 million to this effort.

Strengthening the Farm Safety Net

As the President has noted on numerous occasions since its passage, the 1996 Farm Bill fails to provide America's farmers with an adequate safety net. As prices have remained depressed for the past two years, the Federal government has provided over $15 billion in emergency assistance. In order to provide American farmers and ranchers with the critical assistance that they need and deserve, the President's budget includes $11 billion to strengthen the farm safety net until the next farm bill in 2002, with three key components: conservation, supplemental income assistance, and crop insurance. The FY01 budget includes:

- $1.3 billion to help family farmers take steps to protect water quality and the environment and to preserve farmland, including $600 million for a new conservation security program that will assist farmers who voluntarily adopt comprehensive plans to curb erosion and protect water supplies from pesticide and nutrient runoff.
- $3.1 billion for a new targeted supplemental income assistance program that will provide payments to producers whose farm revenue falls more than 92 percent below its 5-year average.
- $640 million to subsidize the cost of crop insurance premiums, to allow farmers to purchase higher levels of coverage than are included in the basic catastrophic coverage.

Ensuring Equal Pay
The President's FY01 budget will include a $27 million Equal Pay Initiative, an increase of $12 million over FY 00. The Initiative requests $10 million for the Equal Employment Opportunity Commission (EEOC) to provide training and technical assistance to about 3,000 employers on how to comply with equal pay requirements and to launch a public service announcement campaign on wage issues; $10 million for the Department of Labor (DOL) to train women in nontraditional jobs, including high-tech jobs and other skill shortage occupations; and $7 million for DOL to help employers assess and improve their pay policies, support public education efforts, provide for projects in non-traditional apprenticeships, and implement industry partnerships.

Retirement Savings Accounts To Help Families Save and Invest
The President's Retirement Savings Accounts (RSAs) proposal will give 76 million Americans the opportunity to build wealth and save for their retirement through a progressive tax cut. The President's proposal builds on the successful model of Individual Development Accounts (IDAs), extending generous matches to all low- and moderate-income families to encourage them to develop savings and assets. Workers between the ages of 25 and 60 with family earnings of at least $5,000 are eligible to receive matching contributions. When fully phased in, eligibility for matching contributions extends to couples with incomes of up to $80,000 and single filers with incomes up to $40,000. A person who participated for 40 years in this savings program could accumulate over $266,000 – enough to produce $24,000 a year of income in retirement. This proposal would cost $54 billion over 10 years.

Expanding Pension Coverage for Small Businesses
Currently only 18 percent of workers employed at organizations with fewer than 25 workers have access to pensions through their current job. In an effort to expand pension coverage, the President will offer businesses with up to 100 employees a tax credit that will pay for 50 percent of the qualified contributions made by small businesses to the pension plans -- 401(k)-type or defined benefit -- of non highly-compensated employees for three years. Those plans would have to provide pension benefits equivalent to at least 1 percent of pay for non-highly compensated employees who work at least halftime. Small employers would receive an additional credit for the administrative costs of starting a new plan and educating employees about retirement. This provision would cost $17 billion over 10 years.

December 3, 1999

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: MELANNE VERVEER
NICOLE RABNER
ANN O'LEARY
ELLEN LOVELL

SUBJECT: FY 2001 BUDGET PRIORITIES

On Monday afternoon, we are scheduled to meet with OMB to discuss FY 2001 budget priorities of the First Lady's office. As you know, the White House staff is currently developing a variety of policy proposals for the President's consideration for the budget and the State of the Union. Your staff is involved in this process and we will shortly forward a memo to you on the big picture items under discussion.

We also wanted to ensure that, as in past years, this budget reflects your discrete policy priorities, building on the work of the past seven years. The purpose of this memo is to outline budget ideas that we could recommend to OMB in the areas of domestic policy, international policy, and culture. We have placed an asterisk before those items that are *unlikely* to become priority items for the DPC/NEC, and therefore might make sense as distinct initiatives for our office to advance. Some of these ideas build on victories achieved in prior years, others represent items that were not successful but should be re-proposed, and some are new initiatives. Please let us know how you would like us to proceed – what proposals you would like us to lobby for on this list and/or what items we might be missing.

I. DOMESTIC POLICY

Child Care: Maintain strong Administration commitment to child care, focusing on securing new dollars for subsidies for low-income families (shifting our request to the discretionary side of the budget ledger). Additionally, we should maintain our commitment to child care quality, greater tax relief for parents and businesses, early childhood professional development grants and campus-based care.

Head Start: Maintain Administration commitment to serving one million children by 2002, by boosting spending significantly in FY 2001.

After-School Care: Significantly increase funding for after-school programs, taking steps to move toward making the program universal.

* **Paid Leave:** Create a new competitive grant program to fund state and sub-state experiments providing paid leave benefits to new parents (approximately $200 million).

* **Children's Hospitals – Graduate Medical Education:** Build on recent victory and dramatically expand current $40 million mark to provide children's hospitals with Federal financing for graduate medical education commensurate with that received by other teaching hospitals (increase by $100 million).

CHIP Expansion: Allow states to cover parents of children in Medicaid and Children's Health Insurance Program (CHIP). This option, which was included in the Gore health proposal, would allow states to use their enhanced Federal match rate from their CHIP allotments to cover parents of eligible children. This has the benefit not only of efficiently enrolling uninsured adults (since most parents of uninsured children are also uninsured) but could increase enrollment of children since there is a greater incentive for the family to enroll them. (Cost: about $4 billion per year)

CHIP: Expand outreach to enroll uninsured children in Medicaid and CHIP, with emphasis on schools. A number of proposals could decrease the number of uninsured children including allowing: (1) school lunch application information to be shared with Medicaid and CHIP for outreach; (2) states to let school lunch workers (and others) give "presumptive eligibility" to children while their formal applications are being processed; and (3) deemed or adjunctive eligibility, meaning that a child enrolled in school lunch (or Food Stamps or WIC) is automatically enrolled in Medicaid or CHIP; (4) states to draw from their CHIP allotments the same, enhanced match rate for any newly enrolled child over a base-year number; and (5) a new grant program to help states find and enroll uninsured, homeless children.

* **Children's Asthma:** Build on FY 2000 victory of funding for EPA asthma surveillance activities and re-propose initiative to create demonstration program to develop appropriate disease treatment protocols and beneficiary and provider outreach and education programs for the treatment of asthma in children enrolled in the Medicaid program ($50 million for FY 01).

Lead Poisoning: Build on Administration efforts and provide states with the option to receive Medicaid reimbursement for all costs associated with performing the environmental tests necessary to conclusively identify the presence of lead based paint in households with Medicaid enrolled children under the age of six. If lead based paint is present, state Medicaid agencies will be required to conduct comprehensive lead screening for all children in the household. Children do not have to be diagnosed with elevated blood lead levels in order to have their homes tested. (Cost: being estimated)

Youth Programs: Demonstrate an across the board increased investment in young people from small high schools to national service to family support to healthy adolescent development. The package could be focused on four components (drawn from research): Family, School, Health, and Communities. The package would allow the President to highlight his accomplishments in these areas and demonstrate a continued commitment to young people.

National Service: Increase funding for AmeriCorps to work toward the President's goal of supporting 100,000 AmeriCorps members each year. Currently, AmeriCorps funding supports nearly 50,000 members per year and was flat-funded from FY99 to FY00. Also, create new AmeriCorps Reserves, modeled on the Army reserves as a way to tap former AmeriCorps members for service. Reserve members would agree to serve an allotted time per year over weekends, after work, or on-leave from work. Like the Army reserves, members could be called to serve in times of national crisis.

Youth Empowerment Fellowships: Reward and support creativity by providing fellowships to young people who have developed innovative youth driven ideas ranging from engaging their peers in civic action to increasing academic achievement to improving their communities. The awards would be selective (e.g. 100 per year), prestigious, and would represent a diverse set of young people and set of ideas for youth empowerment.

* **Reforming the American High School (Small Schools):** New initiative to reinvent the high school as a smaller more personalized learning environment where students receive greater personal attention, feel challenged and motivated, and are prepared for further learning and work beyond high school.

Principals Academies: Provide funding for principal academies to address the shortage of quality principals in high need areas and the need to train principals to be both administrators and instructional leaders. Principal academies could be modeled on the military's National War College that serves as a training ground for military leaders.

Hispanic Education: Continue to provide additional funding and support for the Administration's Hispanic Education Action Plan. The FY00 budget includes $436 million in increases for a number of education programs that help to improve the educational outcomes of Latinos and limited English proficient students, including Title I Grants to LEAs, Adult Education, Bilingual Education, and TRIO.

Housing/Homeownership: Support HUD's overall request for $983 million for 172,000 new Section 8 vouchers, with the caveat that 50,000, rather than the 25,000 HUD proposed, be used for welfare to work; and propose designating approximately 1,000 vouchers for family reunification awarded on a competitive basis for responsible fatherhood demonstration projects that encourage non-custodial parents to re-unite with their families.

Food Stamp Outreach: Propose at least $10 million for FY 2001 for on-going food stamp outreach efforts, including campaign materials and an enhanced 1-800 number; examine currently funded programs for their use as outreach programs.

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Philanthropy: We are considering a range of tax incentives to encourage more giving. Options include: (1) allowing non-itemizers to claim a deduction (or tax credit) for charitable contributions above a certain floor; (2) allowing charitable giving until April 15th; (3) eliminate or modify excise tax on investment income of private foundations.

* **Family Planning:** Build on FY 2000 victory and propose another sizeable increase in Title X family planning budget ($30-$35 million increase) and an increase in the UNFPA budget (we promised the advocacy groups after the international family planning compromise that we would fight for increased resources).

* **Legal Services:** Maintain FY 2000 budget request of $340 million (LSC was funded at $305 million in the final FY 2000 budget).

II. INTERNATIONAL POLICY

* **Microenterprise:** Propose a $150 million earmark in the USAID budget for microenterprise projects.

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III. CULTURE

* **National Endowment for the Arts:** Re-propose unsuccessful FY 2000 budget request of $150 million (NEA was funded at $98 million in the final FY 2000 budget).

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* **Save America's Treasures**. Re-propose $30 million for Save America's Treasures, either through the existing program or through an increase for the National Historic Preservation Fund (NHPF) of the Interior Department's National Park Service (the former option is preferable, as the NHPF can only support federal sites and structures). (Note that Chairman Regula recently communicated his willingness to entertain SAT in the FY 01 budget.)

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November 19, 1999

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MELANNE VERVEER

FROM: **NICOLE RABNER**
RUBY SHAMIR

SUBJECT: **END OF SESSION VICTORIES**

The Administration achieved significant victories in the budget negotiations this year, as detailed in the attached "wins overview" document. The final FY 2000 appropriations mark for the NEA is $98 million; for the NEH the mark is $116 million; and for the Legal Services Corporation the mark is $305 million.

In addition to the appropriations victories, the Administration prevailed on a number of free-standing issues in which the First Lady has been particularly involved:

Foster Care: Independent Living Act. This evening, the Senate will approve by unanimous consent H.R. 3443, the Foster Care Independence Act of 1999. Because the House passed an identical bill yesterday, it will immediately be cleared to go the President. Minor modifications from the earlier versions include stronger accountability and adoption-promotion language and re-naming the Independent Living Program after the late Senator Chafee. We have asked Patti to work with Presidential scheduling on a date for a bill signing ceremony.

Health Care: Graduate Medical Education. Authorizing legislation for the Administration's $40 million proposal to support graduate medical education at free-standing children's hospitals (GME's) was passed yesterday afternoon and the proposal is fully funded in the omnibus appropriations measure. The children's hospitals are thrilled with this outcome and credit the First Lady for this success.

Health Care: Jeffords-Kennedy Work Incentives Improvement Act of 1999. The Work Incentives Improvement Act of 1999 yesterday passed the House by a 418-2 vote. Senate passage is expected before recess, and the President plans to sign it. The President devoted this week's radio address to this topic (paper attached). The measure will allow people with disabilities to retain their Medicare and Medicaid coverage after re-entering the workforce. Specifically, this legislation improves health care options for people with disabilities by removing the limits on the Medicaid buy-in option for workers with disabilities; creating a new Medicaid buy-in demonstration to help people who are not yet too disabled to work; extending

OVERVIEW: PRESIDENT CLINTON, VICE PRESIDENT GORE, AND CONGRESSIONAL DEMOCRATS WIN ON THE BUDGET, BUT CONGRESS STILL NEEDS TO DO MORE WORK TO ADDRESS AMERICA'S PRIORITIES

November 18, 1999

PROTECTING FISCAL DISCIPLINE AND PAYING DOWN THE DEBT. The budget agreement represents a victory for President Clinton's stand for fiscal discipline. Between 1981 and 1992, the debt quadrupled. In 1992 the deficit was $290 billion and projected to rise to over $400 billion in 1999. As a result of the tough and sometimes unpopular choices made by President Clinton in 1993 and 1997, we have seen seven consecutive years of fiscal improvement for the first time in America's history, bringing last year's budget to a unified surplus of $123 billion – the largest ever. Throughout the year, the Republicans have been proposing fiscally irresponsible tax cuts that would have jeopardized this record of fiscal discipline. In September, the President vetoed a Republican tax cut that would likely have drained hundreds of billions of dollars of the Social Security surplus from debt reduction. As a result of the President's stand, America will stay on course to pay off the debt held by the public by 2015 – for the first time since Andrew Jackson was President.

A VICTORY FOR AMERICA'S STUDENTS. After vetoing a Congressional budget that denied funding to priority education and training investments, President Clinton and Vice President Gore delivered on their ambitious education agenda.

- ✓ **More High-Quality Teachers With Smaller Class Sizes**: Following on a new initiative by the President last year, the budget agreement includes $1.3 billion for a bipartisan plan to help reduce class size in the early grades by hiring 100,000 quality teachers over the next six years.
- ✓ **Double Funding for After School:** $453 million for after school, providing support to 675,000 students – 375,000 more than last year.
- ✓ **GEAR UP:** A 67 percent increase to $200 million for the President's GEAR UP initiative, which helps 482,000 students aspire to and prepare for college – the second year of this new initiative.
- ✓ **Accountability for the Lowest Performing Schools:** $134 million in Title I funds to help turn around the worst-performing schools and hold them accountable for results.
- ✓ **Expanded Head Start:** A $607 million increase for Head Start to serve an additional 44,000 children. Total funding is $5.3 billion – 90 percent higher than 1993.
- ✓ **Hispanic Education Agenda:** $436 million in increases for a number of education programs that help to improve the educational achievement and high dropout rates of Latino students.
- ✓ **Largest Pell Grant Maximum Award Ever:** Increased to $3,300 – a 43 percent increase since 1993.

FIGHTING CRIME, DRUGS, AND GUNS. To keep crime coming down to record lows, President Clinton fought for important investments in the budget to build on the Administration's successful community policing initiative, including funds to put more police on the street and critical resources to strengthen law enforcement efforts to keep communities safe.

- ✓ **More Police for Our Streets**: The budget contains full funding for the first installment toward the President's goal to hire up to 50,000 more police officers for our Nation's streets by 2005. The initiative builds on the President's successful COPS program that has already funded 100,000 police officers to help keep America's streets safe.

Medicare coverage for people with disabilities who return to work; and enabling SSI or SSDI beneficiaries to go to any of a number of public or private providers for vocational rehabilitation.

Health Care: BBA Givebacks. The Balanced Budget Refinement Act of 1999 (BBRA) was passed by the House yesterday and is expected to pass the Senate before recess. As you know, the BBRA addresses many of the flaws and excessive payment reductions resulting from the Balanced Budget Act (BBA) of 1997. Among other things, the BBRA places a moratorium on the therapy caps that have proven harmful to beneficiaries; increases payments for very sick patients in nursing homes this year; restores funding to teaching hospitals; and eases the transition to the new prospective payment system for hospital outpatients. As part of the BBRA package, hospitals will receive $6.8 billion, nursing facilities will receive $2.7 billion, home health and hospice providers will receive $1.3 billion and Medicaid and CHIP will receive $0.8 billion. The BBRA is being scored by the CBO at $16 billion over five years and costs about $1.2 billion in FY 2000. The White House, however, is scoring the BBRA at $12.4 billion, because OMB considers modifications to payments to out-patient departments to be clarifications, but not changes, to the law. Please see attached for details of the BBRA.

Bankruptcy. Action on the Bankruptcy reform legislation appears to be dead for the year, due in large part to the introduction of two Democratic amendments that would require significant debate. The Democrats held firm not to limit debate on germane amendments. One amendment, introduced by Senator Carl Levin, would prohibit gun manufacturers from discharging debt associated with judgements related to firearm use or purchase. The other amendment, introduced by Senator Charles Schumer, would bar discharge of debts related to judgements against an individual who has violated someone's right to enter an abortion clinic. Senator Lott has promised to bring up the bill again after recess.

INVESTING IN A CLEANER ENVIRONMENT. President Clinton and Vice President Gore won significant gains for the environment in the fiscal year 2000 budget, including new resources to combat water pollution, protect wildlife, address global warming, and preserve precious lands across the country. At the same time, the President and Vice President forced Congress to drop or substantially modify dozens of anti-environmental riders that would have rolled back hard-won environmental safeguards and benefited special interests at the expense of our public lands.

- ✓ **Preserving Our Lands Legacy:** The President and Vice President won $651 million for Lands Legacy, a 42 percent increase for this historic initiative that strengthens federal efforts to preserve natural treasures and provides communities with new resources to protect local green spaces.

MAINTAINING AMERICA'S GLOBAL LEADERSHIP. The Republican Congressional budget would have turned its back on America's leading role in the world by not providing funds for peace in the Middle East, leadership at the United Nations, economic development in the poorest countries, and efforts to halt the spread of nuclear weapons. The President fought for and secured victories to strengthen America's leading role in the world – by meeting our commitment to the Middle East peace process, paying our dues and arrears to the United Nations, making a critical investment in debt relief for impoverished countries, funding efforts to safeguard nuclear weapons and expertise from the former Soviet Union, and help raise labor standards around the world.

EMPOWERING FAMILIES AND COMMUNITIES. President Clinton and Vice President Gore are committed to tapping the potential of America's urban and rural communities. This budget moves forward on their vision to help revitalize America's communities and empower families.

- ✓ **Funding 60,000 New Housing Vouchers for America's Hard-Pressed Working Families.**
- ✓ **Additional Funding for Empowerment Zones:** The budget provides $55 million in funding for Urban Empowerment Zones and $15 million for Rural Enterprise Zones and Enterprise Communities.
- ✓ **Continuing To Build a Network Of Community Development Banks Across the Nation:** The final budget includes $95 million for the Community Development Financial Institutions (CDFI) Fund.

PROGRESS ON THE NEW MARKETS INITIATIVE: In his State of the Union, President Clinton proposed to bring more private investment to all areas of the United States. The President and Congressional Leaders have agreed to work together to enact bipartisan legislation to help spur economic development in urban and rural communities that have not shared fully in the benefits of the nation's strong economy. The New Markets initiative enjoys bipartisan support.

- ✓ **Funding America's Private Investment Companies (APICs):** Provides $20 million of funding for APICs (subject to authorization), a key element of the President's New Markets Initiative, that would leverage $800 million of new investment in underserved areas.
- ✓ **New Markets Venture Capital Program:** Provides, subject to authorization, $16.5 million in funding for New Market Venture Capital Firms (NMVCs) and BusinessLINC to bring equity capital and technical assistance to small businesses in low- and moderate-income neighborhoods.

ADDRESSING HEALTH CARE. The President won a $34.5 billion investment in health programs, 11.7 percent above the FY 1999 enacted level, to strengthen the public health infrastructure, provide critical prevention and treatment services to individuals with mental illness, and advance biomedical research with a historic investment of $2.3 billion.

- ✓ **Passing the landmark Work Incentives Improvement Act for people with disabilities:** Since 1998, the President has advocated for the passage of the bipartisan Jeffords-Kennedy-Roth-Moynihan Work Incentives Improvement Act. Currently, people with disabilities often become ineligible for Medicaid or Medicare if they work, forcing a choice between health care and employment. This legislation allows people with disabilities to maintain their Medicare or Medicaid coverage when they go to work. It also includes a $250 million demonstration, which the President insisted on fully funding, that allows people with disabilities who are still working and are not yet sufficiently disabled to qualify for Medicaid to buy into the program. Finally, the bill reforms the training system for people with disabilities.

<u>RESPONDING TO THE FARM CRISIS:</u> The Agriculture Appropriations bill included $8.6 billion in emergency funds to assist our Nation's farmers and ranchers who are suffering through the second year in a row of low commodity prices and, for many, crop and livestock losses from severe drought and flooding. The final budget includes over $550 million more to fulfil the unmet needs identified by the President, including significant funds targeted to hurricane-affected areas, increased crop loss payments for all producers, and over $2.5 billion in additional farm loans to help producers secure financing for next year's crop. The President and Vice President remain concerned that Congress did not address the underlying issues that exist in the wake of Freedom to Farm legislation and that more needs to be done.

<u>A STRONG RESEARCH AND DEVELOPMENT AGENDA:</u> The final budget included an unprecedented commitment to key civilian research. The final budget increases the President's "21st Century Research Fund" for civilian research programs by more than $3 billion. It also includes a five year extension of the Research and Experimentation tax credit.

- ✓ **National Science Foundation**: A 6.6 percent increase in support for science and engineering research and education.
- ✓ **National Institutes of Health**: Provides $2.3 billion, a 15 percent increase over FY 1999 funding levels, to build on the President's commitment to biomedical research.
- ✓ **Information Technology**: The final budget includes more than $80 million in funding for the Next Generation Internet and $235 million for the Administration's "Information Technology for the 21st Century" initiative.

<u>MUCH WORK STILL LEFT TO DO</u> In the waning days of the session, the President and Congressional Democrats prevailed in making critical investments to advance the President's comprehensive education agenda, put more police on the streets, protect the environment, and strengthen America's leading role in the world. But much work still remains to be done.

- × **Passing Common Sense Gun Legislation:** Congress must pass a bipartisan juvenile crime bill that includes strong gun measures to: close the gun show loophole; require child safety locks for handguns; ban the importation of large capacity ammunition clips; and bar violent juveniles from owning guns for life.
- × **Passing a Strong, Enforceable, Patients' Bill of Rights:** During the past two years, the President has exercised his executive authority to extend critical patient protections to over 85 million

Americans. But ultimately, the only way to ensure that all Americans in all plans have basic consumer protections is to enact a strong, enforceable Patients' Bill of Rights.

× **Strengthening Social Security:** The Republicans have proposed so-called "lockbox" legislation that would not add a single day to the life of Social Security; the President has asked them to join him in using the benefits of fiscal discipline to extend the life of Social Security from 2034 to 2050.

× **Modernizing and Strengthening Medicare:** Although members of both parties joined the President and Vice President in the effort to adjust Medicare health care provider payments, Congress failed to address the growing challenges that Medicare faces. These challenges include modernizing it with a long overdue, optional prescription drug and giving Medicare the adequate resources and tools to be as efficient as possible.

× **Reducing Youth Smoking:** President Clinton and Vice President Gore have made passage of comprehensive tobacco legislation to reduce youth smoking a top priority in order to stop kids from smoking before they start, through a significant price increase, measures to prevent tobacco companies from marketing to children, and critical public health prevention and education programs.

× **Expanding Federal Hate Crimes Laws:** The President and Vice President have called for a bill that would make it easier to prosecute crimes based on race, color, religion and national origin; and that would also include crimes based on sexual orientation, gender and disability.

× **Funding the EEOC:** Despite EEOC's success in beginning to reduce its backlog of private-sector cases in the last year, Congress failed to provide the funding which would allow EEOC to meet its goal of reducing the backlog of cases to 28,000 by the end of 2000. In addition, despite the fact that women still earn only approximately 75 percent of what men earn, Congress has failed to fund the EEOC's Equal Pay Initiative to improve compliance with equal pay laws.

× **Providing for Long-term Care Assistance for Those With Chronic Illnesses and Their Families:** Despite proposals by the President and bipartisan support from many members of Congress, the Congress has failed to respond and lost an opportunity to provide critical assistance for this population.

× **Providing Health Options for Older Americans:** Although the number of uninsured Americans aged 55 to 65 is growing faster than any other age group, Congress refused to act on the President's proposals to expand health options for older Americans

× **Encouraging Small Businesses to Offer Health Insurance:** The President has urged Congress to provide new health insurance options for vulnerable Americans employed by small businesses.

× **Continuing to Help People Move From Welfare to Work:** Although the Congress enacted eligibility changes similar to those proposed by the President to allow states, tribes and communities to more effectively serve low-income fathers and hard-to-employ welfare recipients, Congress failed to provide any new funding.

× **Raising the Minimum Wage:** The Congress has failed to pass a clean, straightforward bill to increase the minimum wage by $1 over two years – a step that would simply restore it to the 1982 inflation-adjusted level. Instead, the Senate attached the minimum wage increase to fiscally irresponsible tax giveaways for special interests.

× **Expanding Trade and Providing Opportunity for Africa and the Caribbean Basin:** Congress should complete work on the Africa Growth and Opportunity Act. This legislation would be an important milestone in America's effort to build a new economic relationship with Sub-Saharan Africa and deepen ties with our Caribbean and Central American neighbors.

× **Supporting Southeast Europe's Economic Development and Integration**: Congress should pass the Southeast Europe Trade Preference Act submitted by the President, which would authorize expansion of duty-free treatment to a broad range of imports from the region for five years as part of an effort to strengthen stability and prevent further conflict in the Balkans by facilitating long-term economic growth.

- **Promoting Peacekeeping**: While the budget goes a long way in meeting the anticipated requirements for funding UN peacekeeping operations around the world, the Congress did not fund the full requests. To promote peace and encourage burden-sharing, Congress should fully fund UN peacekeeping efforts.
- **School Construction:** The President's school construction proposal would provide funding to help states and school districts build and modernize 6,000 schools nationwide. Congress should pass the President's plan and invest in our nation's schoolchildren.
- **Enacting Comprehensive Campaign Finance Reform:** This year, the Congress failed once again to adopt real, meaningful reform of our campaign finance system. The President will continue to fight for comprehensive campaign finance reform and believes that the Senate should act to restore the public's faith in our political process.
- **Child Care Initiative**. The Republicans refused to support the President's historic child care initiative to make child care better, safer, and more affordable for America's working families.
- **Farm Assistance**. The President and Vice President were pleased to get $8.6 billion in emergency assistance to farmers and ranchers, but they believe that Congress still needs to address the underlying issues that exist in the wake of Freedom to Farm legislation.
- **Providing Fairness to Immigrant Families**. Congress has failed to take action to provide fairness to immigrant families.
- **Continuing to Empower Communities:** The $70 million funding for EZs and ECs represents less than half of the amounts authorized. The President and Vice President are committed to seeking full funding for the remaining eight years of this program.

A VICTORY FOR AMERICA'S STUDENTS

November 18, 1999

	HOUSE GOP BUDGET*	FINAL BUDGET AGREEMENT	DIFFERENCE
Class Size Reduction	$0**	$1.3 billion	**+$1.3 billion**
After-School Programs	$300 million	$453 million	**+$153 million**
GEAR UP	$0	$200 million	**+$200 million**
Title I Grants to LEAs	$7.732 billion	$7.941 billion	**+$209 million**
Accountability Set-aside/Title I	$0	$134 million***	**+$134 million**
Head Start	$4.760 billion	$5.267 billion	**+$507 million**
Education Technology	$500 million	$769 million	**+$269 million**
Teacher Quality Enhancement	$75 million	$98 million	**+$23 million**
Safe and Drug Free Schools	$566 million	$606 million	**+$40 million**
Charter Schools	$130 million	$145 million	**+$15 million**
Reading Excellence	$200 million	$260 million	**+$60 million**
Adult Education	$ 378 million	$470 million	**+$92 million**
Work Study	$ 880 million	$934 million	**+$64 million**
Learning Anytime Anywhere	$0	$24 million	**+$24 million**
Hispanic Educ. Action Plan ****	$43 million	$436 million	**+$393 million**

*Based on the Labor/Health and Human Services and Education bill passed by the House Appropriations Committee on September 23, 1999. This bill provided $33.321 billion for all education programs, compared to $35.701 billion in the final budget agreement.

**House bill eliminated the class size program by absorbing it in a block grant that dedicated no funding specifically for class size reduction.

***The Title I set-aside for accountability is also included in the Title I grants to LEAs.

****These figures represent increase over FY 1999. HEAP figures also include increase to Title I.

PROTECTING FISCAL DISCIPLINE AND PAYING DOWN THE DEBT

The budget agreement represents a victory for President Clinton's stand for fiscal discipline. As a result of the President's commitments, America will stay on course to pay off the debt held by the public by 2015 – for the first time since Andrew Jackson was President.

- **Debt Quadrupled Between 1981 and 1992:** Between 1981 and 1992, the debt held by the public quadrupled. The budget deficit grew to $290 billion in 1992 – and was projected to grow to more than $400 billion by 1999.

- **President's Tough Choices Led to Largest Surplus Ever:** As a result of the tough and sometimes unpopular choices made by President Clinton in 1993 and 1997, we have seen seven consecutive years of fiscal improvement for the first time in America's history, bringing last year's budget to a unified surplus of $123 billion – the largest ever.

- **The President Stopped Republican Attempts to Reverse this Fiscal Discipline:** Throughout the year, the Republican Congress took steps that would have threatened our fiscal discipline. These were stopped by the President, who vetoed the Republican's fiscally irresponsible and exploding tax cut.

  - **In January, Republicans Proposed a Tax Cut that Would Have Spent the Social Security Surplus:** H.R. 3 and S. 3 called for an across-the-board 10 percent reduction in income tax rates. According to Joint Committee on Taxation Estimates, this proposal would have cost $58 billion in 2000 – *using tens of billions of dollars from the Social Security surplus this year.* In the first five years, this tax cut would have cost $360 billion – much more than could be paid for out of the non-Social Security surplus, then projected at $165 billion by the Congressional Budget Office (CBO).
  - **In August, Republicans Passed a Tax Cut that Would Likely Have Spent the Social Security Surplus:** In August, the Republican Congress passed a $792 billion tax cut that, if continued, would have used virtually all of CBO's projected surplus over the next 10 years. It would have used growing amounts of the Social Security surplus every year after 2004. This tax cut was based on a budget plan that would have required nearly 50 percent cuts in all domestic discretionary spending, assuming defense were funded at the level requested by the President. If cuts of this magnitude were not made, the likely consequence of the Republican tax cut would have been to divert hundreds of billions of dollars of the Social Security surplus from promised debt reduction.

A VICTORY FOR AMERICA'S STUDENTS

After vetoing a Congressional budget that denied funding to priority education and training investments, President Clinton and Vice President Gore delivered on their ambitious education agenda.

✓ **More High-Quality Teachers With Smaller Class Sizes**: President Clinton's budget included the second installment of his plan to help reduce class size in the early grades by hiring 100,000 quality teachers. The President vetoed a Congressional budget that reneged on last year's bipartisan agreement, did not guarantee funding for 29,000 teachers hired last year, and would have allowed Class Size dollars to be used for virtually any activity – including vouchers – rather than hiring qualified teachers. The final budget enhances last year's teacher quality and flexibility provisions and provides $1.3 billion for Class Size Reduction, enough to stay on track to hire 100,000 teachers over the next 6 years.

✓ **More than Twice as Much Federal Support for After School:** In his State of the Union address, the President called for a large investment in after school and summer school programs to give children the extra help they need to meet high standards. The final budget more than doubles the federal investment in these programs to $453 million, to provide educational support to nearly 675,000 students – 375,000 more students than last year.

✓ **Early Intervention To Help Disadvantaged Students Prepare for College:** House Republicans proposed to terminate the President's GEAR UP college preparation initiative for low-income students, a new initiative begun in 1998. The final budget increases funding for GEAR UP from $120 million in 1999 to $200 million to support State projects and partnerships of colleges, high-poverty schools, and community organizations, to help 482,000 students aspire to and prepare for college starting in the 7th grade.

✓ **Accountability for the Lowest Performing Schools:** In his State of the Union address, President Clinton insisted that "all states and school districts must turn around their worst-performing schools – or shut them down," and his Budget included funds to help states and school districts turn around their own failing schools. The final bill provides $134 million in Title I funds to help turn around the worst-performing schools and hold them accountable for results. In addition, the bill provides $7,807 million for the base program, Title I Grants to LEAs, which is an increase of $75 million over last year, in order to continue efforts to help disadvantaged students catch up with their peers.

✓ **More Education Technology for Students:** The final budget triples funding for Community Technology Centers to reach at least 120 low-income communities, provides $75 million to train new teachers in the use of technology, and provides $425 million to states and school districts to purchase computer hardware and educational software. Investment in educational technology has increased to $769 million, up from $698 million in 1999.

✓ **Making Schools Safe, Disciplined, and Drug-Free:** The budget agreement provides $606 million for school-based drug and violence prevention programs, including the President's $50 million request for the Coordinator Initiative, that would provide coordinators to plan, implement, and evaluate successful prevention programs in middle schools across the Nation. Additional resources are also provided for an expansion of the interagency Safe Schools / Healthy Students initiative, with HHS and DoJ.

✓ **Expanded Head Start:** President Clinton and Vice President Gore proposed a $607 million increase for Head Start to serve an additional 44,000 young children – and stay on track toward serving one million children by 2002. The House Republican budget did not provide the President's increase and would have denied over 40,000 children Head Start slots if enacted. The final budget includes the President's full increase for Head Start, which is funded at $5.3 billion – or 90 percent above the 1993 level.

✓ **Increasing Public School Choice Through Charter Schools:** The budget agreement provides $145 million for Public Charter Schools, an increase of $45 million over the FY 1999 enacted level. This will strengthen and expand public school choice by providing startup funding to as many as 2,400 charter schools next year, about 650 more schools than this year. The President has pledged to help start 3,000 charter schools across the country by early in the next century. When President Clinton and Vice President Gore were first elected in 1992, there was only one charter school operating in the country. This year, more than 1,700 charter schools are operating, serving a diverse student body in more than 30 states. This remarkable growth is in large part due to the President's leadership and support for these innovative high quality schools.

✓ **Hispanic Education Agenda:** President Clinton's budget included an ambitious agenda to address the disproportionately low educational achievement and high dropout rates of Latino students. The final budget includes $436 million in increases for a number of education programs that help to improve the educational outcomes of Latinos and limited English proficient students, including Title I Grants to LEAs, Adult Education, Bilingual Education, and TRIO.

✓ **English Language/Civics Education Initiative**: The increase to Adult Education targets $25.5 million for the President's ESL/Civics Initiative, which would provide instruction in both English literacy and critical life skills necessary for effective citizenship and civic participation.

✓ **Largest Maximum Pell Grant Award Ever:** The final budget provides $7.7 billion for Pell Grants, increasing the maximum Pell Grant award from $3,125 to $3,300. The maximum award has increased 43 percent since President Clinton and Vice President Gore took office in 1993.

✓ **Support for One Million Students To Work Their Way Through College:** The President's budget requested $934 million for Federal Work-Study to fulfill his commitment to expand work-study to one million students in FY 2000. House Republicans initially provided only $880 million. The final budget provides the President's request and will give one million students the opportunity to earn money for college through part-time work.

✓ **Training for Dislocated Workers:** The final budget provides a $190 million increase for a total of $1.6 billion to provide much needed training for dislocated workers. This is more than triple the funding in 1993, allowing the program to serve more than 3 times as many dislocated workers. This increase is a step toward meeting the 5-year goal of the Universal Reemployment Initiative to provide training to every dislocated worker who wants and needs training.

✓ **Providing for School Construction:** The final budget extends Qualified Zone Academy Bonds (QZABs) through 2001. QZABs provide no-interest loans to school districts in needy areas to fund certain expenditures on rehabilitation and repairs, educational equipment, curriculum development, and teacher training. QZABs have been used to purchase computers and develop technology-based curricula, renovate and repair a charter school, purchase computer software and hardware to develop literacy programs, and even to establish the first public secondary military academy in the nation.

✓ **Tax Relief to Encourage Worker Training:** The final budget extends the tax relief provided by Section 127 through 2001, which allows employers to provide educational assistance for courses at degree-granting institutions as a tax-free fringe benefit. By encouraging worker education, it helps employers expand the skills of their work force and expands the opportunities of workers to adapt to new technologies.

FIGHTING CRIME, DRUGS, AND GUNS

To keep crime coming down to record lows, President Clinton and Vice President Gore fought for important investments in the budget to build on the Administration's successful community policing initiative, including funds to put more police on the street and critical resources to strengthen law enforcement efforts to keep communities safe.

✓ **More Police on the Streets:** In 1994, President Clinton and Vice President Gore won a commitment to put 100,000 police officers on the street. In his State of the Union Address, the President proposed a 21st Century crime plan to hire up to 50,000 more police officers by 2005. The final budget contains full funding for the first installment toward meeting this goal.

✓ **Law Enforcement Technology:** The final budget provides $230 million to provide law enforcement with the latest crime-fighting and crime-solving technology.

✓ **Community Prosecutors:** Provides $10 for the Administration's initiative to extend the success of community policing to local prosecutors.

✓ **Strengthened Gun Enforcement:** An increase of $12.6 million for more ATF agents to bolster federal law enforcement efforts against gun crime.

✓ **Youth and Guns:** Over $50 million for the President's Youth Crime Gun Interdiction Initiative, to expand the initiative from 27 to 38 cities, trace more guns used in crimes, and add more ATF agents to crack down on illegal gun traffickers who supply guns to juveniles and criminals.

✓ **Youth Anti-Drug Media Campaign:** $185 million to continue the successful campaign to reach our youth with the message that drugs are wrong, dangerous and deadly.

INVESTING IN A CLEANER ENVIRONMENT

President Clinton and Vice President Gore won significant gains for the environment in the fiscal year 2000 budget, including new resources to combat water pollution, protect wildlife, address global warming, and preserve precious lands across the country. At the same time, the President and Vice President forced Congress to drop or substantially modify dozens of anti-environmental riders that would have rolled back hard-won environmental safeguards and benefited special interests at the expense of our public lands.

✓ **Preserving Our Lands Legacy:** The President and Vice President won $651 million for Lands Legacy, an historic initiative that strengthens federal efforts to preserve natural treasures and provides communities with new resources to protect local green spaces. Lands Legacy funding, a 42 percent increase over last year, includes:
- $444 million for federal agencies to acquire and protect dozens of natural and historic sites around the country and off our coasts, including:
  - The full $101 million needed to purchase New Mexico's majestic Baca Ranch, home to one of North America's largest wild elk herds;
  - $78 million to acquire lands critical to the Administration's Everglades restoration strategy;

- $36 million to manage and protect marine sanctuaries and coral reefs;
- $15 million in matching funds to protect wilderness and other lands in the California Desert.

- $206 million for states and local governments to help communities preserve their farms, urban parks, coastal areas, and working forests.

✓ **Ensuring Clean Water and Healthy Communities:** The final budget secures $1.8 billion for the President's Clean Water Action Plan, a 9 percent increase includes increased funds to reduce polluted runoff from large livestock operations. In addition, the Environmental Protection Agency budget provides $2.17 billion to help communities build or upgrade drinking water and sewage treatment plants, and $1.4 billion to continue progress toward cleaning up 900 Superfund sites by 2002.

✓ **Leading the Fight Against Global Warming:** The budget provides $1.1 billion for research and development of clean energy through the Climate Change Technology Initiative, including a 7 percent increase for energy efficiency investments to reduce pollution, create jobs, and save consumers money.

✓ **Saving Pacific Salmon:** The Administration secured $83 million to initiate two major new efforts to restore salmon in the Pacific Northwest: $58 million for states and tribes through the Administration's Pacific Coastal Salmon Recovery Fund; and $25 million to implement an historic salmon treaty with Canada.

✓ **Fighting Congestion and Dirty Air:** The budget provides $8.2 billion, a 10 percent increase, for programs that reduce air pollution while increasing transportation choices. This includes increases of $407 million for public transit, and $278 million to help communities reduce congestion while improving air quality.

✓ **Encouraging Energy Efficiency:** Extend through 2001 the tax credits for wind and biomass energy production. These tax credits encourage no- (wind) and low- (biomass) emission energy production. The biomass tax credit encourages farmers to grow certain materials that can be burned to produce energy. Producing energy from wind and biomass preserves scarce energy resources and reduces our reliance on imported oil.

✓ **Cleaning Up Brownfields:** The budget extends the tax provision that allows businesses to fully deduct the cost of cleaning up polluted "brownfields" in targeted areas through 2001. This provision encourages the redevelopment of blighted properties, which improves the environment and makes communities more livable.

✓ **Defending Our Environment Against Stealth Attacks:** In addition to securing these major new environmental investments, President Clinton and Vice President Gore stood as the last line of defense against congressional efforts to attach anti-environmental riders to budget bills. These riders would have given special deals to special interests by: allowing overcutting of our national forests and jeopardizing the President's plan to protect more than 40 million acres of roadless areas; allowing mining companies to dump more toxic waste on public lands and delaying critical mining reforms; letting major oil companies continue paying below-market royalties on oil developed on federal lands; crippling critical protections for wetlands and wildlife; and attempting to block common-sense actions to reduce greenhouse gas pollution.

MAINTAINING AMERICA'S GLOBAL LEADERSHIP

The Republican Congressional budget would have turned its back on America's leading role in the world by not providing for peace in the Middle East, leadership at the United Nations, economic development in the poorest countries, and efforts to halt the spread of nuclear weapons. The President fought for and secured victories to strengthen America's leading role in the world – by meeting our commitment to the Middle East peace process, paying our dues and arrears to the United Nations, making a critical investment in debt relief for impoverished countries, funding efforts to safeguard nuclear weapons and expertise from the former Soviet Union, and help raise labor standards around the world.

- ✓ **Promoting Peace in the Middle East:** The Congress fully funded the President's $1.8 billion request arising from the Wye River Agreement, which is essential to promoting peace in the Middle East. As Israelis and Palestinians move ahead on an ambitious agenda to rapidly conclude a peace accord, this funding sends an important message of U.S. commitment to building a lasting peace.

- ✓ **Maintaining Leadership at the United Nations:** In an agreement reached between the President and Congress, the United States will now be able to avoid losing its vote, encourage needed reforms at the UN, and repay $926 million owed to the UN. This will help meet our obligations to the UN in order to protect our national security interests and preserve American influence within the organization and around the world. The bill passed by the Congress and vetoed by the President would have caused the United States to lose its vote in the General Assembly.

- ✓ **Debt Relief for Poor Countries:** The bill provides $110 million to fund reduction of debts owed to the U.S. government by the poorest developing countries. This amount represents an increase of $90 million above the Foreign Operations conference agreement funding level for this purpose ($20 million). We now have sufficient resources to finance U.S. participation over the next year in the bilateral debt aspect of the Cologne Debt Initiative. The agreement also includes authorization for U.S. support to use a portion of International Monetary Fund (IMF) gold reserves for debt relief, and additional authorization would permit the use of the full amount of gold earnings. Together, the funding and authorizations will help to begin to provide debt relief for the world's poorest nations, and allow them to focus on providing basic needs for their own citizens instead of paying interest to international creditors. Unfortunately, the agreement omits appropriations for the U.S. contribution to the Heavily Indebted Poor Country (HIPC) Trust Fund, which will be necessary to fully finance the participation of some multilateral development institutions in this historic initiative. We will work with Congress next year to secure this crucial funding as well as authorization to use the remaining portion of IMF gold earnings.

- ✓ **Promoting International Development:** The bill provides $1.1 billion for the U.S. contribution to multilateral development banks including the World Bank and regional development banks. This amount represents an increase from the $895 million included in the Foreign Operations conference agreement; however, it remains lower than the Administration's original request of $1.4 billion. The bill also provides $1.8 billion for development assistance and child survival funding, over 96 percent of the President's request. This amount includes full funding of the President's expanded global HIV/AIDS assistance initiative.

- ✓ **Reducing the Nuclear Weapons Threat and Building Democracy in Russia and the Newly Independent States:** The final bills provide $1.5 billion across the government to fund critical efforts in the Newly Independent States (NIS) to reduce the threat of nuclear weapons, to promote democracy, private enterprise, and free speech, and to generally assist in the transition these countries are undertaking. The bulk of these funds will go to the President's Expanded Threat Reduction Initiative (ETRI) for programs to increase nuclear security in the former Soviet Union, dismantle strategic weapons, and strengthen efforts to block transfers of sensitive technology and expertise. The budget will also allow us to help remove Russian troops from Georgia and Moldova, and to expand civilian research projects with former Soviet weapons scientists.

- ✓ **Raising International Labor Standards and Protecting Workers:** The FY 2000 Budget includes $70 million for working with developing economies through the International Labor Organization (ILO), an increase of $30 million over FY 1999. These funds include $20 million to finance the creation of a new arm of the ILO to provide technical assistance to help countries implement core labor standards. The agreement also provides $10 million to fund bilateral technical assistance by the US Department of Labor to developing economies seeking to establish social safety net programs and design, implement and enforce labor market policies. In addition, Congress provided the State Department with sufficient funds to allow it to go forward with the President's initiative to support innovative efforts to eliminate sweatshops.

- ✓ **More Funding for President Clinton's Child Labor Initiative**: Last year, the President proposed a 10-fold increase in funding for the ILO's International Program for the Elimination of Child Labor (IPEC) – from $3 million to $30 million – and Congress agreed. This year, the Congress once again fully funded the President's $30 million request. In addition, Congress provided additional funds sought by the President to support enhanced customs enforcement of the ban on importation of goods made with forced or indentured child labor. Congress also provided sufficient funds to the United States Agency for International Development (USAID) to allow it to go forward with the President's new "School Works!" program, which will help developing countries provide educational alternatives to abusive child labor. Finally, to help us lead by example, the budget includes enhanced resources for domestic labor standards enforcement that should help improve compliance with U.S. child labor laws.

- ✓ **Improving Military Pay and Readiness:** The final bill fully funded the President's "trilogy" pay initiative which includes a significant pay raise, pay table reform, and a change in military retirement. The bill additionally funds fully all of our critical readiness programs (unit training, depot maintenance, recruiting, and spare purchases).

- ✓ **Modernizing the Air Force:** The final bill restores most of the funding for the F-22, allowing the program to continue.

- ✓ **Continuing Chemical Demilitarization:** The final bill approves the higher funding level passed by the Senate (the House proposed cuts of $392 million), helping to meet our treaty deadlines under the Chemical Weapons Convention for destruction of chemical weapons.

EMPOWERING FAMILIES AND COMMUNITIES

President Clinton and Vice President Gore are committed to tapping the potential of America's urban and rural communities. This budget moves forward on their vision to help revitalize America's communities and empower families.

- ✓ **Funding 60,000 New Housing Vouchers for America's Hard-Pressed Working Families:** The budget includes $347 million for 60,000 new housing vouchers for low-income families, building on last year's level of 50,000. The House and Senate-passed bills had included zero funding for this initiative. These vouchers will subsidize the rents of America's hard-pressed working families, enabling them to move closer to economic opportunities.

- ✓ **Additional Funding for Empowerment Zones:** The budget provides $70 million in funding for Rural and Urban Empowerment Zones. The President's budget requested $165 million – $150 million for urban EZs and $15 million for rural EZs/ECs. The House and Senate bills included no funding. All of the Urban and Rural EZs (20 Zones) and rural enterprise communities (20 ECs) that were designated by the Vice President in January 1999 as Round II zones will receive funding.

- ✓ **Protecting Rent Subsidies for Low-Income Families:** The final budget includes $10.8 billion for the renewal of all Section 8 contracts, an increase of $1.2 billion from FY 1999. This will ensure continuation of HUD rental subsidies for low-income tenants in privately-owned housing.

- ✓ **Housing Assistance for Elderly and Disabled:** The final budget includes expansion of funding for affordable housing for the elderly and disabled by $911 million, $57 million above FY 1999, enabling about 30,000 people to have affordable housing. Also included were core elements of a *Housing Security Plan* for older Americans that recognizes the dramatic increase in our elderly population and the changing housing needs that accompany this demographic shift.

- ✓ **Increased Funding for Homeless Assistance:** The President and Vice President proposed a major expansion of HUD's continuum of care program, designed to help homeless persons obtain temporary and permanent housing. The final budget includes $1.02 billion in funds for the homeless assistance grants – a $45 million, or 5 percent, increase over last year.

- ✓ **Extending the Work Opportunity Tax Credit:** This tax credit encourages employers to hire individuals who have traditionally had a hard time securing employment. Targeted groups include disadvantaged youth, including those living in empowerment zones and enterprise communities, welfare recipients, and qualified veterans. The maximum credit paid to the employer is as much as 40 percent of an individual's first $6,000 in wages. The President proposed to extend this credit in his FY 2000 budget and the final budget includes an extension through 2001.

- ✓ **Extending the Welfare-to-Work Tax Credit:** This tax credit encourages employers to hire and retain certain long-term assistance recipients. The maximum credit to an employer is as much as 50 percent of wages, with a maximum credit of $8,500 per qualified employee over 2 years. The President proposed to extend this credit in his FY 2000 budget and the final budget includes an extension through 2001.

- ✓ **Access to Jobs Transportation Funds:** The final budget includes $75 million to assist states and localities in developing flexible transportation alternatives, such as van services, to help former welfare recipients and other low income workers get to work.

- ✓ **Individual Development Accounts:** Since 1992, President Clinton and Vice President Gore have supported the creation of Individual Development Accounts (IDAs) to empower individuals to save for a first home, post-secondary education, or to start a new business. Last year, Congress passed legislation authorizing IDAs, and the final budget includes $10 million for a second round of demonstration grants.

- ✓ **Continuing To Build a Network Of Community Development Banks Across the Nation:** The final budget includes $95 million for the Community Development Financial Institutions (CDFI) Fund that will expand the capacity of the network of community development financial institutions across the country, spurring the flow of capital to distressed neighborhoods and low-income residents. The President's budget requested $125 million for the CDFI Fund – the House appropriated $70 million and the Senate appropriated $80 million. The added resources bring funding up to FY 1999 enacted levels.

- ✓ **More Home Delivered Meals:** President Clinton's budget included an additional $35 million for home-delivered meals, a 31 percent increase over last year's funding level. Hundreds of thousands of seniors with disabilities depend on nutritious home-delivered meals to help them remain in their homes. The final bill includes this increase to support the delivery of 146 million meals in FY 2000.

- ✓ **HUD Fair Housing.** The final budget includes $44 million for efforts to fight housing discrimination, a $4 million increase from last year's enacted level, as part of President Clinton and Vice President Gore's "One America" initiative. This amount includes $6 million to continue the audit-based fair housing enforcement initiative started last year.

- ✓ **Maintaining Community Service.** The VA/HUD bill includes $438.5 million for AmeriCorps, funding that will support nearly 50,000 AmeriCorps members in community service projects across the country.

PROGRESS ON THE NEW MARKETS INITIATIVE

In his State of the Union, President Clinton proposed to bring more private investment to all areas of the United States. The President and Congressional Leaders have agreed to work together to enact bipartisan legislation to help spur economic development in urban and rural communities that have not shared fully in the benefits of the nation's strong economy. The New Markets initiative enjoys bipartisan support.

- ✓ **Funding America's Private Investment Companies (APICs):** Provides $20 million of funding for APICs (subject to authorization), key elements of the President's New Markets Initiative to leverage $800 million of new investment in underserved areas.

- ✓ **New Markets Venture Capital Program:** $16.5 million in funding, subject to authorization, has been provided for the New Markets program at the Small Business Administration (SBA). This includes $6 million in funding for the New Markets Venture Capital program, which provides capital to untapped rural and urban new market areas; $1.5 million for BusinessLINC, which encourages large businesses to mentor small business owners; and $9 million for technical assistance to enhance the borrower's probability of success. This program exploits investment opportunities that are not presently being met by private lenders.

- ✓ **Authorization of the PRIME Program:** Congress passed new legislation that included authorization of the PRIME Act, which will provide micro-enterprise technical assistance through competitive grants to micro-enterprise development organizations that focus on low-income entrepreneurs.

ADDRESSING HEALTH CARE

The President won a $34.5 billion investment in health programs, 11.7 percent above the FY 1999 enacted level, to strengthen the public health infrastructure, provide critical prevention and treatment services to individuals with mental illness, and advance biomedical research with a historic investment of $2.3 billion.

- ✓ **Passing the Landmark Work Incentives Improvement Act for People with Disabilities:** Since 1998, the President has advocated for the passage of the bipartisan Jeffords-Kennedy-Roth-Moynihan Work Incentives Improvement Act. Currently, people with disabilities often become ineligible for Medicaid or Medicare if they work, forcing a choice between health care and employment. This legislation allows people with disabilities to maintain their Medicare or Medicaid coverage when they go to work. It also includes a $250 million demonstration, which the President insisted on fully funding, that allows people with disabilities who are still working and are not sufficiently disabled to qualify for Medicaid to buy into the program. Finally, the bill reforms the training system for people with disabilities.

- ✓ **Increasing Access to Health Care for the Uninsured:** Fully funds the President's request of $25 million, making a down payment on the President's $1 billion investment in developing integrated systems of care for the uninsured. It also provides an additional $15 million to identify the best way to deliver health care services to this population.

- ✓ **Supporting Graduate Medical Education at Children's Hospitals:** Fully funds the President's request of $40 million to support graduate medical education at freestanding children's hospitals, which play an essential role in the education of the nation's pediatricians.

- ✓ **Caring for the Nation's Elderly.** Includes a $43.5 million increase for the new Nursing Home Initiative, only $1 million below the President's request, for more rigorous inspections of nursing facilities and improved federal oversight and enforcement of nursing home quality.

- ✓ **Improving States' Capacity to Deliver Health Care Services to the Mentally Ill:** Provides an additional $67 million above the FY 1999 funding level, for the Mental Health Block Grant, a 23 percent increase over FY 1999 and the largest increase ever.

- ✓ **Preparing For and Preventing Bioterrorist Attacks:** Fully funds the President's request of $52 million to stockpile vaccines, antibiotics, and other medical supplies to deploy in the event of a chemical or biological terrorist attack.

- ✓ **Reducing Racial Disparities in Health Status:** Provides an additional $20 million, a 200 percent increase over the FY 1999 funding level for health education, prevention, and treatment services to address health disparities among minority populations.

- ✓ **Expanding AIDS Care, Prevention, and Research:** The Administration and Congress continue their strong partnership to address the AIDS epidemic with substantial increases in funding. Included in the bill are a $73 million increase in funding for HIV prevention activities to help stop the spread of this disease; an increase of $183 million in the Ryan White CARE Act, which helps provide primary care and support for those living with HIV/AIDS; and an estimated $300 million in additional funds for AIDS-related research at the NIH. Congress and the Administration also worked closely together to add $80 million in funding to the Minority AIDS Initiative, which utilizes existing programs to reach African-Americans, Latinos, and other racial and ethnic minorities that are disproportionately impacted by HIV/AIDS. Consistent with the President's request, an additional $100 million to fight AIDS internationally was funded. Finally, the Administration helped protect local authority over HIV prevention activities, successfully removing language from the District of Columbia appropriations bill that would have tied the hands of community health agencies in their ability to use needle exchange programs as part of their overall HIV prevention strategy.

- ✓ **Preventing Childhood Diseases:** Provides an additional $62 million, a 4 percent increase over FY 1999 funding levels to provide childhood immunizations nationwide and fully funds the President's request to eradicate polio worldwide.

- ✓ **Providing Critical Organ Transplants to Those Most In Need:** Permits the development of a more equitable allocation system for the over 63,000 Americans awaiting organ transplants, saving hundreds of lives a year.

- ✓ **First Time Funding For the Ricky Ray Hemophilia Relief Fund Act:** Provides $75 million for one-time payments of $100,000 to hemophiliacs who were infected with HIV by blood solids during the 1980s.

- ✓ **Controlling the Spread of Infectious Disease:** Provides $29 million to the Center for Disease Control (CDC), a 21 percent increase over the FY 1999 funding level, for programs dedicated to emerging infectious diseases and improving disease surveillance systems.

RESPONDING TO THE FARM CRISIS

The Agriculture Appropriations bill included $8.6 billion in emergency funds to assist our Nation's farmers and ranchers who are suffering through the second year in a row of low commodity prices and, for many, crop and livestock losses from severe drought and flooding. The bill doubled annual payments to farmers of major grain crops to about $11 billion. The emergency funds include $400 million to help subsidize the cost of crop insurance premiums and $325 million for livestock and dairy assistance. In addition, the Administration secured an additional $2.5 billion in farm loans in final negotiations, as well as $186 million more for nationwide crop losses – bringing total crop loss funds to nearly $1.4 billion, as well as $130 million to clear farm fields and streams of debris left by flooding. The President and Vice President remain concerned that Congress did not address the underlying issues that exist in the wake of Freedom to Farm legislation and that more needs to be done.

A STRONG RESEARCH AND DEVELOPMENT AGENDA

For six years in a row, President Clinton and Vice President Gore have proposed substantial increases in the Federal government's research and development portfolio to build a healthier, more prosperous, and productive future. The final budget increases the President's "21st Century Research Fund" for civilian research programs by more than $3 billion.

- ✓ **National Science Foundation**: A 6.6 percent increase in support for science and engineering research and education, including $126 million for the Administration's "Information Technology for the 21st century" initiative. The NSF supports nearly half of the non-medical basic research conducted at universities.

- ✓ **National Institutes of Health**: Provides $2.3 billion, a 15 percent increase over FY 1999 funding levels, to build on the President's commitment to biomedical research as a foundation for combating disease and advancing medical technologies.

- ✓ **Information Technology**: The final budget includes more than $80 million in funding for the Next Generation Internet, which is connecting more than 100 universities at speeds that are up to 1,000 times faster than today's Internet. It also includes $235 million for the Administration's "Information Technology for the 21st Century" initiative, which will strengthen America's leadership in the high-tech industries of the future, and accelerate the pace of discovery in all science and engineering disciplines. Currently, IT industries account for 1/3 of U.S. economic growth.

- ✓ **Defense Research**: Department of Defense (DOD) support for basic and applied research is up almost 8 percent. DOD is a leading supporter of basic research in computer sciences, mathematics, oceanography, and most engineering disciplines.

- ✓ **Increases in Science at Department of Energy**: Science Programs increased $117 million. DOE, the principal supporter of the Federal investment in the physical sciences, has supported research that has resulted in over 60 Nobel prizes. DOE's scientific user facilities are used by more than 15,000 scientists to conduct frontier scientific research, and provide the next generation of scientists and engineers.

- ✓ **Advanced Technology Program**: President Clinton's FY 2000 budget continues to fund ATP's research and development into cutting-edge high-technologies. While the House proposed eliminating the program, the final budget will allow ATP funding for an additional $51 million in new awards. ATP supports the development of high-risk technologies that promise significant commercial payoffs and widespread economic benefits.

- ✓ **NASA - Investing in Our Future:** The budget includes $13.65 billion for NASA, an additional $100 million. The funding levels passed by the House would have cut the NASA budget by almost $1 billion. These investments offer the potential of new scientific breakthroughs through an aggressive robotic series of exploration missions into the solar system, as well as enhancing our ability to monitor important changes in the earth's climate system, and strengthening aviation safety for the travelling public.

- ✓ **Extending the Research and Experimentation Tax Credit:** President Clinton proposed to extend the research tax credit because it provides incentives for private sector investment in research and innovation that can help increase America's economic competitiveness and enhance U.S. productivity. The final budget extends this research tax credit through 2004. This long-term extension will encourage companies to undertake new multi-year research activities, secure in the knowledge that the 20 percent tax credit will continue to be available.

OTHER HIGHLIGHTS

- ✓ **Nutrition for Women, Infants, and Children (WIC):** The final budget provides over $4 billion for nutrition assistance to 7.4 million women, infants, and children through the WIC program, an increase of $108 million over FY 1999. The additional funds will allow the program to provide a monthly package of nourishing supplemental foods, nutrition education, and health care referrals to 7.4 million low-income women, infants, and children who are at nutritional risk – a 25 percent increase in participation since 1993.

- ✓ **Boosting Funding for Natural Disasters Such as Hurricane Floyd:** The budget provides $2.8 billion for the Federal Emergency Management Agency's (FEMA) disaster relief fund to assist victims with repairs and recovery from natural disasters. This includes $215 million to address unmet housing needs resulting from Hurricane Floyd that could not otherwise be met by Federal disaster assistance programs.

- ✓ **Expanding Civil Rights Enforcement:** Funding for the Civil Rights Division of Justice was expanded from $69 million in FY 1999 to $82 million in FY 2000 – a 19 percent increase. Funding for HUD fair housing programs was increased by $4 million – a 10 percent increase.

- ✓ **Largest Increase In Family Planning Services Since 1993:** The President won a nearly $25 million increase for Title X family planning, the largest increase since 1993, bringing the program to almost $240 million for FY 99. These grants fund family planning clinics providing reproductive health services and clinical care to over 5 million low-income women.

- ✓ **President's Food Safety Initiative:** The bill provides an increase of $59 million for the President's Food Safety Initiative, which will fund enhanced domestic and imported food safety inspections; increased outbreak response and traceback work; and expanded research, risk assessment and education activities. In addition, this increase will fund enhanced Federal-State inspection partnerships, bioscience research, and Risk Assessment modeling and data collection to include the pre-harvest phase for all foods.

- ✓ **The Final Bill Strengthens Enforcement of Labor Protections.** The final bill provides key funding increases for worker protection programs including Occupational Safety and Health Administration (OSHA) oversight of employee pension and health plans, enforcement of wage and hour laws, and the National Labor Relations Board (NLRB). The final total of $1.3 billion is $105 million (9 percent) above the FY 1999 enacted level. As a result of these increases, OSHA will conduct approximately 3,000 more compliance inspections thereby increasing the safety and health of our Nation's workers, particularly those in high-hazard industries. In addition, the Department of Labor also will be able to implement new health care laws effectively and encourage equal pay practices that will benefit our workers.

- ✓ **Ensuring That American Families Continue to Benefit From Tax Credits:** The budget ensures that Americans take full advantage of their personal credits—including the child credit, the child and dependent care tax credit, and the Hope scholarship and Lifetime Learning credits—without restriction by the alternative minimum tax. The final budget extends these rules for the alternative minimum tax through 2001.

- ✓ **Encouraging First-Time Homeowners in the District of Columbia:** Extend through 2001 the $5,000 tax credit for low- and moderate-income first-time homebuyers who purchase homes in the District of Columbia. This tax credit encourages homeownership and strengthens neighborhoods in the Capital City.

DESPITE ALL THE PROGRESS IN THIS YEAR'S BUDGET, THERE IS STILL MORE WORK THAT NEEDS TO BE DONE

November 18, 1999

In the waning days of the session, the President and Congressional Democrats prevailed in making critical investments to advance the President's comprehensive education agenda, put more police on the streets, protect the environment, and strengthen America's leading role in the world. Much work remains for the future.

× **Passing Common Sense Gun Legislation:** While the Administration's successful strategy of keeping guns out of the hands of fugitives, felons, and children has contributed to record declines in crime, recent tragic shootings reinforce the need to protect American families from gun violence. For months, Congress has failed to enact common-sense gun legislation. Congress must pass a bipartisan juvenile crime bill that includes strong gun measures to: close the gun show loophole; require child safety locks for handguns; ban the importation of large capacity ammunition clips; and bar violent juveniles from owning guns for life.

× **Passing a Strong, Enforceable, Patients' Bill of Rights:** For over two years, the American people have been waiting for Congress to pass a strong, enforceable Patients Bill of Rights. During that time, the President has exercised his executive authority to extend critical patient protections to over 85 million Americans. The House passed such legislation earlier this year, but the Republican leadership is preventing an open debate on it in conference. The President continues to urge the Congress to recommit to passing this legislation and prevent another year from passing without action on this important issue.

× **Strengthening Social Security:** The President has put forth a specific proposal to use the benefits of fiscal discipline and debt reduction to strengthen Social Security, extending its solvency from 2034 to 2050. This would be a down payment on truly saving Social Security. The Republican so-called "lockbox" legislation would not add a single day to the life of Social Security.

× **Modernizing and Strengthening Medicare:** Although members of both parties joined the President in the effort to adjust Medicare health care provider payments, Congress failed to address the growing challenges that Medicare faces. With the number of beneficiaries expected to double over the next 30 years, Medicare needs adequate resources and the tools to be as efficient as possible. A long-overdue prescription drug benefit option is also essential for seniors and people with disabilities.

× **Reducing Youth Smoking:** President Clinton and Vice President Gore have made passage of comprehensive tobacco legislation to reduce youth smoking a top priority in order to stop kids from smoking before they start through a significant price increase, measures to prevent tobacco companies from marketing to children, and critical public health prevention and education programs. Congressional Republicans have acted as politicians instead of parents, and killed this year's effort to increase the excise tax on cigarettes by 55 cents a pack. Public health experts agree that the single most effective way to cut youth smoking is to raise the price of cigarettes.

- **Expanding Federal Hate Crimes Laws:** At a time when our leaders should be doing all they can to bring Americans together, the Congress has refused to enact legislation to punish hate crimes. The President has called for a bill that would make it easier to prosecute crimes based on race, color, religion and national origin; and that would also include crimes based on sexual orientation, gender and disability. Congress should take a strong stand against intolerance and hatred by enacting such legislation without further delay.

- **Funding the EEOC:** Despite EEOC's success in beginning to reduce its backlog of private-sector cases in the last year, Congress failed to provide the funding which would allow EEOC to meet its goal of reducing the backlog of cases to 28,000 by the end of 2000. In addition, despite the fact that women still earn only approximately 75 percent of what men earn, Congress has failed to fund the EEOC's Equal Pay Initiative to improve compliance with equal pay laws.

- **Providing for Long-term Care Assistance for the Those Chronic Illnesses and Their Families:** At the beginning of this year, the President proposed a new, $6 billion initiative to address complex long-term care needs, including an unprecedented $1,000 tax credit that compensates Americans with long-term care needs of all ages or the family caregivers who support them for their formal or informal costs. The initiative also supports a new National Family Caregivers Support Program that provides a range of critical services such as respite, home care services, and information and referral. Many members of Congress, on a bipartisan basis, introduced similar proposals, but despite this, the Congress failed to respond and lost an opportunity to provide critical assistance for this population.

- **Providing Health Options for Older Americans:** In the FY 1999 and FY 2000 budgets, the President proposed an initiative to expand health options available for older Americans by: enabling Americans aged 62 to 65 to buy into Medicare by paying a full premium; providing vulnerable displaced workers ages 55 and older access to Medicare by offering those who have involuntarily lost their jobs and their health care coverage a similar Medicare buy-in option; and providing Americans ages 55 and older whose companies reneged on their commitment to provide retiree health benefits a new health option, by extending "COBRA" continuation coverage until age 65. Despite the fact that the number of uninsured Americans aged 55 to 65 is growing faster than any other age group, Congress refused to act on this proposal.

- **Encouraging Small Businesses to Offer Health Insurance:** In the FY 2000 budget, the President proposed an initiative to encourage small businesses to offer health insurance to their employees through: a new tax credit for small businesses who offer coverage by joining coalitions; encouraging private foundations to support coalitions by allowing their contributions towards these organizations to be tax exempt; offering technical assistance to small business coalitions from the Office of Personnel Management. The President urges Congress to provide new health insurance options for these vulnerable Americans.

- **Continuing to Help People Move From Welfare to Work:** In January, the President proposed to invest an additional $1 billion in the Welfare-to-Work program and to reauthorize the program with several changes including helping more low-income fathers work and support their children. The Congress enacted eligibility changes similar to those proposed by the Administration to allow States, tribes and communities to more effectively serve low-income fathers and hard-to-employ welfare recipients, but failed to provide any new funding.

- **Raising the Minimum Wage:** The Congress has failed to pass a clean, straightforward bill to increase the minimum wage by $1 over two years – a step that would simply restore it to the 1982 inflation-adjusted level. Instead, the Senate attached the minimum wage increase to fiscally irresponsible tax giveaways for special interests. More than 11 million workers would benefit from a $1 increase in the minimum wage. A full-time, year-round worker at the minimum wage would get a $2,000 raise – enough for a typical family of four to buy groceries for 7 months or pay rent for 5 months.

- **Expanding Trade and Providing Opportunity for Africa and the Caribbean Basin:** Congress should complete work on the Africa Growth and Opportunity Act and the Caribbean Basin legislation -- crucial to strengthening our economic ties with Sub-Saharan Africa and our Caribbean and Central American neighbors. This legislation would help increase trade, enhance opportunity, and boost growth in America and nations in Africa, the Caribbean, and Central America. The President called for the rapid passage of the Africa legislation in the State of the Union address and has pressed the case for these bills several times since. The House passed this legislation overwhelming earlier this summer, but the legislation is now awaiting Conference action.

- **Supporting Southeast Europe's Economic Development and Integration**: Congress should pass the Southeast Europe Trade Preference Act submitted by the President, which would authorize expansion of duty-free treatment to a broad range of imports from the region for five years. This initiative is an important part of the Stability Pact launched by the President and other leaders last July, and is designed to strengthen stability and prevent further conflict in the Balkans by facilitating long-term economic growth.

- **Promoting Peacekeeping**: While the budget goes a long way in meeting the anticipated requirements for funding UN peacekeeping operations around the world, the Congress did not fund the full requests. The shortage threatens to undermine fragile peace processes around the world or to incur additional UN arrears. To promote peace and encourage burden-sharing, Congress should fully fund UN peacekeeping efforts.

- **School Construction:** Despite record student enrollment and a massive maintenance backlog in our nation's schools, Congressional Republicans again failed to enact school construction legislation. The President's school construction proposal would provide funding to help states and school districts build and modernize 6,000 schools nationwide. We can not hold students to high academic standards if we do not provide them with adequate facilities within which to learn. Congress should pass the President's plan and invest in our nation's schoolchildren.

- **Enacting Comprehensive Campaign Finance Reform:** This year, the Congress failed once again to adopt real, meaningful reform of our campaign finance system. Although the House passed a bipartisan reform plan, a minority of the Senate blocked further action and left unchecked the influence of moneyed special interests. The President will continue to fight for comprehensive campaign finance reform and believes that the Senate should act to restore the public's faith in our political process.

- **Child Care Initiative**. In his State of the Union, the President proposed an historic child care initiative to make child care better, safer, and more affordable for America's working families. The President's proposal included $7.5 billion over 5 years for child care subsidies for low-income working families, and tax credits to help millions of working families pay for child care. The Republican Majority has refused to support these critical investments.

- **Farm Assistance**. The President and Vice President were pleased to get $8.6 billion in emergency assistance to farmers and ranchers, but they believe that Congress did not address the underlying issues that exist in the wake of Freedom to Farm legislation. For example, most of the assistance is not targeted to farmers who need it most, but is available to farmers, both large and small, whether they have suffered particular difficulty this year or not.

- **Providing Fairness to Immigrant Families**. Congress has failed to take action to provide fairness to immigrant families by: restoring important disability, health, and nutrition benefits to additional categories of legal immigrants; restructuring the Immigration and Naturalization Service (INS); approving the Administration's proposal to support the process of democratization and stabilization now underway in Central America and Haiti and ensure equitable treatment for migrants from these countries; or changing the registry date to permit long-term migrants to adjust their status.

- **Continuing to Empower Communities:** Urban and Rural Empowerment Zones were funded at $70 million in 2000, $55 million for Urban Zones and $15 million for Rural Zones and Enterprise Communities. Empowerment Zones continue to be a priority for the President and Vice President and they are committed to supporting and obtaining funding for the Empowerment Zones' remaining eight years. Without the full 10 years of funding, the Round II Empowerment Zones and Enterprise Communities, designated in January 1999 by the Vice President, will have difficulty implementing their community and economic development strategies to revitalize their communities.

PRESIDENT CLINTON APPLAUDS NEW LAW TO HELP INDIVIDUALS WITH DISABILITIES RETURN TO WORK

--Embargoed until 10:06 am EST Saturday, November 20, 1999--

Today, in his weekly radio address, President Clinton will praise Congress for responding to his challenge to pass the Work Incentives Improvement Act. This landmark legislation will make it possible for millions of Americans with disabilities to join the workforce without fear of losing their Medicare or Medicaid coverage. It also enhances the employment services system for people with disabilities. The President today will challenge states to take advantage of the new health insurance options provided by the legislation. He will also point out that this legislation, which has been included in the final budget agreement, captures the essence of what the Administration's efforts on the budget were all about: expanding opportunity, rewarding responsibility, and strengthening community.

MILLIONS OF AMERICANS WITH DISABILITIES FACE BARRIERS TO EMPLOYMENT. At a time when the economy is performing at record levels, the unemployment rate among working-age adults with severe disabilities remains at nearly 75 percent. While people with disabilities can bring tremendous energy and talent to the American workforce, outdated institutional barriers can limit their opportunities to work. Under current law, people with disabilities often become ineligible for Medicaid or Medicare if they work, putting them in the untenable position of choosing between health care coverage and work.

THE PASSAGE OF THE WORK INCENTIVES IMPROVEMENT ACT ELIMINATES BARRIERS TO WORK FOR MILLIONS OF AMERICANS WITH DISABILITIES. Now, thanks to the Administration's efforts and the efforts of Senators Jeffords, Kennedy, Roth, and Moynihan, as well as Congressmen Lazio, Waxman, Bliley, and Dingell, the Work Incentives Improvement Act will help remove this barrier. This legislation, which costs about $500 million over 5 years, improves access to health care by providing greater state incentives and options for Medicaid coverage for workers with disabilities. Some states have already taken advantage of the option established by the Balanced Budget Act (BBA) to provide Medicaid coverage to certain low-income individuals with disabilities who are returning to work.

PRESIDENT CLINTON ENCOURAGES CURRENT EFFORTS TO HELP AMERICANS WITH DISABILITIES RETURN TO WORK AND CHALLENGES STATES TO DO MORE. Today, President Clinton will:

- **Highlight the important provisions of the Work Incentives Improvement Act.** This landmark new legislation creates two new options for states to offer the Medicaid buy-in for workers with disabilities and provides $150 million in grants to encourage states to take this option; creates a new Medicaid buy-in demonstration to help people whose disability is not yet so severe that they cannot work; extends Medicare coverage for an additional 4-and-a-half years for people in the disability insurance system who return to work; and enhances employment-related services for individuals with disabilities.

- **Challenge states to take advantage of the new health care coverage options under this legislation.** The President will challenge states to take advantage of these new options to offer Medicaid to individuals who are not eligible under the BBA option, including people with disabilities who get decent-paying jobs and those whose disabilities may subside or can be controlled with medical attention. He also will encourage states to apply for the new $250 million demonstration program that tests whether early medical intervention, made accessible by Medicaid coverage, will enable people with such disabilities as muscular dystrophy, Parkinson's Disease, or diabetes, to stay healthier and keep working.

THE CLINTON-GORE ADMINISTRATION'S LONG-STANDING COMMITMENT TO INCREASE OPPORTUNITY FOR PEOPLE WITH DISABILITIES. The passage of the Work Incentives Improvement Act is a major achievement for President Clinton, who championed the proposal in his FY 2000 budget. President Clinton and Vice President Gore have a longstanding commitment to increasing the employment of people with disabilities. The Administration has taken a number of actions to bring more disabled Americans into the workforce, including: issuing an executive order in June expanding hiring opportunities for people with psychiatric disabilities; putting in place new regulations in February to make work pay for people with disabilities receiving Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI), by allowing them to earn more and still receive critical cash and medical benefits; creating a task force last year to coordinate national policy on employment of people with disabilities in all sectors of the economy; and including in his budget a $1,000 tax credit for work-related expenses for people with disabilities and an investment in technology to help more people with disabilities work.

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BALANCED BUDGET REFINEMENT ACT OF 1999: HIGHLIGHTS
November 18, 1999

The Medicare, Medicaid and SCHIP Balanced Budget Refinement Act (BBRA) of 1999 addresses flawed policy and excessive payment reductions resulting from the Balanced Budget Act (BBA) of 1997. The President, Vice President and Secretary Shalala are pleased that Medicare beneficiaries' access to high-quality health care is improved through this bipartisan legislation. All parties to the agreement, in particular, Mr. Archer, Mr. Rangel, Mr. Thomas, Mr. Stark, Mr. Bliley, Mr. Dingell, Mr. Bilirakis, Mr. Brown, Senator Roth, and Senator Moynihan, played critical roles in achieving this outcome.

This BBRA addresses many of the problems raised by the Administration and Congress, by, for example, placing a moratorium on the therapy caps that have proven harmful to beneficiaries; increasing payments for very sick patients in nursing homes this year; restoring funding to teaching hospitals; and easing the transition to the new prospective payment system for hospital outpatients, among others. Unfortunately, it includes provisions that are not justifiable, such as a $4.8 billion payment increase to managed care plans that are already overpaid according to most experts. This is troubling because any excess payments from the Medicare trust fund put the program at greater risk. This legislative package costs about $1.2 billion in 2000 and $16 billion over 5 years. All estimates from CBO preliminary score, 11/18/99. The total cost also includes changes in premium revenue. The major provisions (not all provisions) are described below, along with their 5-year costs.

HOSPITALS ($6.8 billion)

Modifies outpatient department policies. The BBA created a new prospective payment system (PPS) for hospital outpatient care that pays set amounts for services that are similar clinically and in their use of resources. This bill adjusts the PPS. It:

Smoothes the transition to the PPS. During the first 3 and a half years of the PPS, this bill creates payment floors to minimize the disruption of the new system. Small rural hospitals would be held harmless for 4 years while cancer hospitals are permanently held harmless from the PPS. In addition, there will be a budget-neutral 3-year pass-through for certain drugs, devices and biologicals and outlier policy for high-cost cases. The bill also extends the current hospital outpatient capital policy through the implementation of PPS.

Clarification of budget-neutral implementation of PPS. This bill clarifies Congress's intent that the new system is not supposed to impose an additional reduction of 5.7 percent on top of the removal of formula-driven overpayment. (Note: OMB would not score this clarification)

Increases Indirect Medical Education Payments. Under the BBA, teaching hospitals' indirect medical education (IME) payment add-on was reduced to 6.0 percent in 2000, and 5.5 percent in 2001 and subsequent years. This proposal would raise the add-on to 6.5 percent in FY 2000, 6.25 percent in 2001, and 5.5 percent in 2002 and thereafter. This provides critical assistance to teaching hospitals adjusting to the changes in the health care system.

Takes Steps Towards Reforming Direct Medical Education. This bill begins to reduce the geographic disparity in payments for direct medical education. It raises the minimum payment for hospitals to 70 percent of the national, geographically adjusted average payment and limits growth in payments for hospitals with costs above 140 percent of the geographically adjusted average payment. For these hospitals, payments per resident will be frozen for FY 2001 and 2002 and increased at a rate of inflation (consumer price index) minus 2 percentage points for FY 2003 through 2005.

Increases disproportionate share hospital (DSH) payments. The BBA reduced DSH payments by 3 percent in 2000, 4 percent in 2001, and 5 percent in 2002. This proposal increases the payment rates set in the BBA. Under this bill, DSH would be reduced by 3 percent in 2001 and 4 percent in 2002. This restoration helps these hospitals care for the uninsured.

Increases payments for PPS-exempt hospitals. The BBA authorized the creation of a PPS system for inpatient rehabilitation hospitals. This bill makes adjustments to this PPS and requires the development of PPS systems for long-term care and psychiatric hospitals. It also includes a wage adjustment of the percentile cap for existing PPS-exempt hospitals and enhanced payments for long-term care and psychiatric hospitals.

Improves rural hospital programs. This bill modifies and improves a series of Medicare policies that support rural health care providers. They complement the special protection for rural hospitals in the outpatient PPS system.

Allows certain hospitals to reclassify to rural for purposes of designation as a Critical Access Hospital (CAH), Sole Community Hospital or Rural Referral Center. Updates certain standards applied for geographic reclassification.

Extends Medicare dependent hospital (MDH) program for five years; improves the CAH program.

Provides exceptions to residency caps for rural graduate medical education.

Rebases the targets for Sole Community Hospitals and provides for the full market basket increase in 2001.

Administrative actions. This complements the Administration's actions to delay the expansion of the hospital transfer policy; stop recoupment of DSH payments based on unclear guidance; delay implementation of the volume control system and refine the ambulatory payment classification system under the outpatient PPS; change to the wage threshold to allow rural hospitals to reclassify for payment purposes; and others.

SKILLED NURSING FACILITIES & THERAPY SERVICES ($2.7 billion)

Provides immediate increases in payment for high-cost cases. The BBA created a new prospective payment system (PPS) for skilled nursing facilities that was implemented on July 1, 1998. Under this system, payments are based on service needs of patients adjusted for area wages. Effective April through October 1, 2000, 20 percent will be added to 12 resource utilization groups (RUGs) for medically complex cases and 3 rehabilitation RUGs. The bill also creates special payments to facilities that treat a high proportion of AIDS patients for 2000-2001 and excludes certain services (certain ambulance services, prostheses, chemotherapy) from consolidated billing and the PPS system.

Increases payment rates. This bill increases payments across-the-board by 4 percent for 2001 and 2002. It also gives nursing homes the option to elect to be paid at the full Federal rate for SNF PPS.

Imposes two-year moratorium on payment caps. The BBA limited yearly payments for physical / speech therapy and occupational therapy to $1,500 each per beneficiary. This limit is too low, causing a large number of therapy users to have payments exceed the caps and have to pay for services out-of-pocket. This bill puts a two-year moratorium on the caps, steps up medical review to prevent fraud, and revises a BBA-mandated study to develop an alternative, more rational system for therapy services payment.

Administrative actions. Apart from this bill, the Administration will increase payment for high acuity patients and exclude certain types of services furnished in hospital outpatient departments from SNF PPS.

HOME HEALTH ($1.3 billion)

Delays 15 percent to one year after the implementation of the home health prospective payment system (PPS). In addition to creating a new PPS for home health, the BBA also required a 15 percent reduction in payment limits. This bill delays implementation of the 15 percent reduction until after the first year of implementation of PPS.

Provides immediate adjustments. The bill raises the per beneficiary limit by 2 percent for agencies subject to the per beneficiary limit with limits below the national average in 2000; pays $10 per beneficiary in 2000 to agencies to help cover the cost associated with OASIS data collection and reporting requirements; eases and clarifies the surety bond provision; and excludes durable medical equipment from home health consolidated billing.
Administrative actions. This bill complements the Administration's actions to delay tracking and pro-rating payments; provide for extended interim payment system repayment schedules; postpone and change surety bond requirements; among others.

BENEFICIARY IMPROVEMENTS ($0.3 billion)

Limits beneficiary hospital outpatient coinsurance. The BBA included a provision to reduce the Medicare beneficiary coinsurance for hospital outpatient department services from its current approximately 50 percent of costs to 20 percent over a number of years. This policy would provide an additional protection by limiting the amount of coinsurance that a beneficiary pays for outpatient care to the Part A deductible ($776 in 2000).

Increases coverage of immunosuppressive drugs. Currently, Medicare pays for the prescription drugs that help prevent rejection of transplants for 36 months. This proposal would, for the next 5 years, extend coverage of these drugs for another 8 months for beneficiaries whose coverage would otherwise expire.

MANAGED CARE ($4.8 billion).

Alters the plan for risk adjustment for managed care plans. The BBA requires that payments to managed care plans be risk adjusted, to prevent adverse selection and to encourage plans to enroll sicker beneficiaries. Rather than implement this immediately, the Administration developed a 5-year phase-in plan which is supported by virtually all independent experts. This proposal alters the phase-in by reducing the amount of risk adjustment scheduled for 2001 and 2002.

Increases rates. Although the General Accounting Office and other independent experts believe that managed care plans continue to be overpaid -- even after the BBA -- this proposal raises the annual rate increase for 2002 from the fee-for-service growth rate minus 0.5 to the fee-for-service growth rate minus 0.3. It also provides an entry bonus for plans entering counties not previously served and for plans that had previously announced that they were withdrawing from counties.

Changes provider participation rules and quality standards. The bill includes a number of provisions to accommodate health plans, including: giving plans more time to submit adjusted community rates; providing greater flexibility in benefits and reducing the user fees paid for the Medicare education campaign; reducing quality standards for preferred provider organizations; and expanding deeming provisions.

Changes demonstrations. This bill delays the competitive pricing demonstration project and extends the social health maintenance organization demonstration and several others.

Interaction with fee-for-service policies. Medicare+Choice rates are linked to growth in fee-for-service spending. Since the policies in the bill increase fee-for-service spending, they increase managed care payments.

Administrative actions. The Administration has and will continue to take administrative actions to improve beneficiary protections and access to information, ease provider participation rules and extend the frail elderly demonstration.

Other providers ($0.8 billion)

Fixes the fluctuation in physician payments (sustainable growth rate). This change stabilizes physician payments and is budget-neutral over 5 years.

Increases payments for Pap smears. Sets the minimum payment rate at $14.60 beginning in 2000.

Increases payments for renal dialysis. Medicare's payments for dialysis have not increased since 1991. Consistent with a recommendation from the Medicare Payment Advisory Commission, this bill increases the composite payment rate by 1.2 percent in 2000 and another 1.2 percent in 2001.

Increases updates for hospice, durable medical equipment, and oxygen. Payment rate increases to hospices would be temporarily increased by 0.5 for 2001 and 0.75 for 2002 and DME and oxygen suppliers by 0.3 for 2001 and 0.6 for 2002.

Delays authority to adopt competitive purchasing practice. The bill delays the Secretary's inherent reasonableness authority until a GAO report is issued and she issues a final rule.

Provides hospital / area-specific adjustments. The bill includes several changes to local demonstration, hospital designations, etc.

Medicaid & Children's Health Insurance Program ($0.8 billion)

Extends the phase-out of cost-based reimbursement for community health centers. The BBA phased out the Medicaid requirement to pay federally-qualified health centers and rural health clinics based on cost. The 2000 phase-out -- where payments are based on 95 percent of costs -- would be extended for 2001 and 2002 under this bill. In 2003, payments are based on 90 percent and in 2004 on 85 percent of costs. A study would determine how these clinics should be paid in subsequent years.

Extends the availability of the $500 million fund for children's health outreach. The welfare reform law put aside a $500 million fund for states to use for the costs of simplifying their eligibility systems and conducting outreach. To date, only about 10 percent of this fund has been spent, and for nearly 30 states, the funding sunsets this year. This bill eliminates the sunset and extends the availability of this fund until it is expended.

Changes Medicaid disproportionate share hospital (DSH) payments and rules. The BBA included a number of significant changes in the Medicaid DSH program, changing states' allotments. The base year data used to set the DSH allotments in the BBA were flawed for some states. This bill adjusts the allotments for DC, Minnesota, New Mexico and Wyoming. It also makes the DSH transition rule permanent and does not allow states to use enhanced Federal matching payments under the State Children's Health Insurance Program (SCHIP) for DSH.

Stabilizes SCHIP allocation formula; adjusts allotment for territories. Under the BBA, states receive an allotment of the total Federal funding based on their proportion of low-income uninsured children. This formula would result in large, annual fluctuations in state allotments. This bill alters the formula, and puts floors and ceilings on the allotment changes to make funding for states more predictable. It also increases the available funding for territories.

Improves data collection and evaluation of SCHIP. One of the centerpieces of the BBA was the creation of this new program to provide health insurance to children in families with incomes too high for Medicaid but too low to afford private insurance. However, the BBA did not provide funding for monitoring and evaluating the implementation and outcomes of SCHIP. This bill adds funding for data collection and evaluation of this program.

THE WALL STREET JOURNAL
THURSDAY, NOVEMBER 18, 1999

A National Dialogue to Build On Adoption Progress

Politics & People

By Albert R. Hunt

It was an eclectic White House gathering: Liberal Democratic lawmakers Ben Cardin, Maxine Waters and Sandy Levin, moderate Republicans Dave Camp and Nancy Johnson and conservative stalwart, House Whip Tom DeLay.

"This," President Clinton observed at the fall gathering, "may be the only issue all six of these people agree on." Mr. DeLay nodded. The "this," of course, is adoption; the ceremony was to celebrate states that have done good jobs of moving children out of foster care into adoption.

In a decade marked by bitter divisions, adoption is one of the few issues that's enjoyed political consensus. The major presidential contenders are all pointing to their past support of adoption and promising to do more in the future. Sen. John McCain has made much of the fact that he has an adopted daughter.

Support on Capital Hill has also been remarkably widespread. Bill Clinton is the most pro-adoption president in history, having advocated and pushed through major changes.

These include the family leave legislation that gave the parents of adopted children the same mandated time-off rights as for those who give birth; legislation outlawing racial or ethnic discrimination in adoption that puts pressure on social workers who have tried to prevent interracial adoption of African-American children; and a \$5,000 tax credit—\$6,000 for children with special needs—that has made adoption more affordable for middle-and working-class families.

Meanwhile, legislation designed to streamline the cumbersome foster care system and provide incentives to states that show the most progress appears to be working. Last year 36,000 kids moved out of foster care into adoption, up almost 30% in just two years. President Clinton has set a goal of moving 56,000 kids from the public child welfare system into adopted homes by 2002.

All of this is heartening. Yet problems and controversies persist, too many myths remain and adoption still is much harder than it should be. A national dialogue on these issues would be healthy. (In the interest of full disclosure, this is a non-objective column. My wife and I are the parents of a ten-year-old daughter, Lauren, whom we adopted from Korea more than a decade ago. She, along with our two biological sons, has enriched our lives immeasurably.)

Somewhere between 2% to 4% of the population is adopted. But inexplicably, the federal government no longer collects reliable data on overall adoptions. "The government can tell you how many hogs were slaughtered last year but not how many kids were adopted," complains E. Wayne Carp, a Pacific Lutheran University historian who specializes in adoption.

It's estimated there will be about 133,000 adoptions this year. About 40% of these will be stepparent or relative adoptions, another 12% international adoptions and about 30% from foster care. Yet there are still half a million kids in foster care, disproportionately African American or Hispanic, and the average length of time children spend in foster care is almost three years. Both domestically and internationally, kids with special needs—usually major disabilities—have to wait even longer. Older kids with disabilities have a particularly tough time of it.

Despite the increased awareness of the problems of adoption and interracial adoption law, Harvard law school professor Elizabeth Bartholet and others persuasively argue that social workers continue to impede such transactions, often trying to keep dysfunctional families intact. Kids should not be kept in environments plagued by sexual assaults, drugs and other abuses.

Too often adoption gets caught up in the abortion fight. "An adoptee doesn't want to be viewed as an alternative to abortion," says Susan Soon-Keum Cox, a top official at the Holt International Adoption Agency in Eugene, Oregon. She herself was adopted from Korea right after the Korean War. "It is unfortunate when it becomes all muddied up in religious and moral arguments instead of the simple principle that every child needs a loving family."

Small Strides

	1990	1998 Est.
Number of adoptions	118,138	133,000
International adoptions	7,093	15,774
Number of kids in foster care	400,000	520,000
Number of kids adopted from foster care	13,362	36,000
Average age of kids adopted out of foster care	4.6 yrs.	6.4 yrs.

Sources: Evan B. Donaldson Adoption Institute; National Council on Adoption

Adoption also has become ensnared in major debates over openness. It used to be common not to tell kids they were adopted until they were adults, sometimes never. Adoption was a stigma. Now there's even a growing movement towards "open adoptions," in which birth parents, adoptive parents and adoptees all grow up together. That may work for some but for many other members of this triad, it poses more problems than opportunities.

More vexing is the controversy over open records. Should adoptees have an automatic right to contact their birth parents or vice versa? If we celebrate adoption as a positive option then it's difficult to argue against openness. But Bill Pierce of the National Council For Adoption warns that many mothers put babies up for adoption expecting confidentiality. If that trust is violated it could discourage some young women from trying adoption. There are horror stories about breaches of confidentiality, many of them the result of the aggressive tactics of some search groups. Yet it is understandable that adult adoptees should want to know about their birth parents.

What may be a sensible middle ground is something like the Tennessee law mandating open records to allow an adult adoptee to learn the identity of birth parents, but giving those birth parents the right to veto any contact with them.

Finally, while we don't hide adoption in the closet, myths still abound, notes Madelyn Freundlich, Executive Director of the Evan B. Donaldson Adoption Institute, a non-profit organization that seeks to improve the quality of adoption information and promote understanding. Some of the recent publicized cases, she says, have created the misimpression that birth parents could face legal action if they attempt to contact their children later in life. In reality, this affects less than 1% of adoptions.

Another myth which continues to give pause to some potential adoptive parents is that parental attitudes toward adopted kids are different, more strained. Of this, I know the answer. I have been in the Georgetown Hospital delivery room for two sons, both wondrous moments. Our three-and-a-half month old daughter arrived in an airplane at Newark airport. The MacNeil-Lehrer NewsHour, where my wife was working, sent a camera crew to capture the moment. We watch that tape regularly; no delivery room has ever been more magical.

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Finally, while we don't hide adoption in the closet, myths still abound, notes Madelyn Freundlich, Executive Director of the Evan B. Donaldson Adoption Institute, a non-profit organization that seeks to improve the quality of adoption information and promote understanding. Some of the recent publicized cases, she says, have created the misimpression that birth parents could face legal action if they attempt to contact their children later in life. In reality, this affects less than 1% of adoptions.

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THE WHITE HOUSE
Office of the Press Secretary
(Istanbul, Turkey)

Embargoed For Release
Until 10:06 A.M. EST
Saturday, November 20, 1999

RADIO ADDRESS BY THE PRESIDENT TO THE NATION

THE PRESIDENT: Good morning. I'm speaking to you from Istanbul, Turkey, where we just wrapped up a successful summit meeting of the Organization of Security and Cooperation in Europe, one that focused on the global challenges of the new century.
At the same time, our administration has also wrapped up our work with Congress on the first budget of the new century.

Today, I want to talk to you about what we achieved and highlight a little-known accomplishment that will make a big difference to people with disabilities who want to be part of our nation's growing economy.

This week's budget agreement is truly a victory for the American people, a victory for children because it invests in world-class education that keeps us on the path to hiring 100,000 quality teachers to reduce class size. It doubles funds for after-school and summer school programs, and it provides help for communities to turn around failing schools or shut them down. It's a victory for families and neighborhoods, because it commits the resources necessary to begin hiring another 50,000 community police officers to keep our crime rate, already at a 25-year low, coming down.

It's a victory for future generations, because it protects the environment and preserves more natural areas, and it's a victory for American leadership in the world, because finally, it pays our U.N. dues and maintains our commitments around the globe to peace in the Middle East, to reducing the nuclear threat and chemical weapons threats, to helping relieve the debt of the world's poorest nations.

In short, we have delivered a 21st century budget that prepares for the future and lives up to our values. It also continues to pay down our national debt, because we walked away from that big $792-billion tax cut that the Congress passed and I vetoed. So we got the best of all worlds.

Perhaps nothing better symbolizes just what we were fighting for than the historic progress made in the budget to open new doors of opportunity for Americans with disabilities.

Now, we're enjoying one of the strongest economies in generations. Yet, even today, 75 percent of Americans with severe disabilities who are ready, willing and able to work aren't working. One of the biggest reasons is they fear they'll lose their health insurance when they get a job. And there's a good reason for this fear.

Under current law, many people with disabilities are eligible for Medicaid or Medicare coverage. But they can't go to work and keep that coverage. Yet, when they do go to work, they can't get private insurance because of their disability. So there is a tremendous disincentive to work.

Let me just give you one example. I met a man in New Hampshire not long ago who is paralyzed as a result of an accident. He wanted to take a job that paid $28,000 a year, but he would have lost his Medicaid health coverage, which would have led to medical expenses of $40,000 a year.

Now, the taxpayers would actually be better off. We're going to pay the medical expenses one way or the other, but if he went to work, he'd become a taxpaying citizen. And, more important, he would have the dignity of work. No citizen should have to choose between going to work and paying medical bills.

I'm very proud this week that Congress, on a bipartisan basis, finally agreed on the historic Work Incentives Improvement Act. It's bipartisan legislation to allow people with disabilities to keep their health care on the job. They can earn a salary, pay taxes and be role models by proving what people can do if given a chance to live up to their God-given potential.

This will make a real difference, also, for people with potentially severe disabilities -- those who are facing the early onset of diseases like AIDS, muscular dystrophy, Parkinson's or diabetes. Right now, they may be able to work, but their conditions aren't deemed severe enough to qualify for Medicaid. Yet, because they have them, they still can't get private health insurance. In other words, they can't get any health care until they're too sick to work.

In the final hours of negotiations, we were able to further strengthen this legislation by getting $250 million for a demonstration program to allow these Americans to buy into Medicaid, stay on the job and stay healthier longer. I encourage all the states to take advantage of these new health care options.

Taken together, this initiative is the most significant advancement for people with disabilities since the passage of the Americans With Disabilities Act almost a decade ago. It is part of our administration's seven-year commitment to tearing down barriers to work and rewarding responsibility, along with reforming welfare, increasing the minimum wage, increasing child care assistance, and doubling the Earned Income Tax Credit.

The Work Incentives Improvement Act is another milestone on the path to opening work and rewarding responsibility for Americans. Now, I hope we'll stay on that course and take on America's still-unfinished agenda: common-sense gun safety legislation, a real patients' bill of rights, meaningful hate crimes legislation, saving Social Security, reforming Medicare, adding prescription drug coverage, raising the minimum wage.

To Congress I say: We've done a good job for the American people by working together. Let's keep working together, build on our progress and get the right things done for the American people. thanks for listening.

END

THE WHITE HOUSE

WASHINGTON

October 22, 1999

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: NICOLE RABNER
ANN O'LEARY
RUBY SHAMIR

CC: MELANNE VERVEER
SHIRLEY SAGAWA
PATTI SOLIS DOYLE
MARSHA BERRY

SUBJECT: ISSUES UPDATE

The purpose of this memo is to provide you with brief updates on a variety of issues.

Health Care: Medicare Provider Give-Back Update. The administrative actions the President took this week to relieve some of the excessive payment reductions to health care providers as a result of the BBA of 1997 were well received. The Medicare outpatient department (OPD) issue that has been outstanding for months continues to be unresolved, but the DPC continues to work with OMB, HHS, DOJ, and the Congress to reach an acceptable conclusion to this issue. The primary committees of jurisdiction in the House and Senate marked up their legislative give-back proposals this week. Although they both dedicate about $1 billion in 2000 and at least $15 billion over 10 years, both bills remain unfinanced and neither one dedicates surplus dollars to the Medicare trust fund to finance the provisions. Because of this, they decrease the projected life of the trust fund by at least one year, to 2014. Both bills take a "give a little for everyone" approach to this issue, with the primary difference between the Senate and House bills being that the Senate is more generous to teaching hospitals. Notably, both the Finance Committee and the Ways and Means Committee rejected the Medicare modernization amendments offered by Senator Graham, that we advocated. Interestingly, those who voted against these amendments said it was due to the timing, not the substance, and indicated that they would be open to considering these provisions in the context of broader reform next year. Finally, Chairman Roth pledged that he would move to hold hearings on broader reform next year, but made no commitment on a markup schedule.

Agriculture and VA/HUD Appropriations. This week, the President signed into law the Agriculture appropriations bill and the VA/HUD appropriations bill:

- **Food and Nutrition:** The Agriculture appropriation bill included a $227 million increase over FY 99 in funding for food and nutrition programs, including WIC, Food Stamps, and the National School Lunch program. However, the bill failed to fully fund the President's request for WIC, thereby failing to ensure that we can achieve the full participation level.

- **National Service:** The VA/HUD appropriations bill funded AmeriCorps at $438.5 million, which is roughly level funding with FY99. While it will help to fund nearly 50,000 AmeriCorps members, it does not help the President reach his goal of 100,000 AmeriCorps members serving annually.

Labor-HHS-Education Appropriations. The Labor-HHS-ED appropriations bill continues to be negotiated among conferees. The following information is from the latest report out from the conferees:

HHS Appropriations:

- **Child Care Subsidies:** The Senate adopted the Dodd-Jeffords floor amendment to increase the discretionary title of CCDBG by $818 million forward funded for FY 01. (Administration request was for $7.5 billion over five years in new mandatory CCDBG funds.) The draft conference report strips increase for FY 01 forward funding.

- **Foster Care:** House and Senate Labor-H marks provide for $35 million increase in the Independent Living program (Administration request), but do not include other items of our proposal: (a) $5 million increase in Transitional Living program, (b) $50 million over five years in other supports, and (c) Medicaid coverage for these young people. The Independent Living Act of 1999, which awaits Senate consideration, provides all of these items.

- **Asthma:** As you know, the Administration's $68 million children's asthma proposal is split in two parts: $18 million additional funds are designated through EPA for asthma education, outreach, research and an expansion of EPA's outdoor pollution air monitoring network; and $50 million in demonstration grants to states to test innovative asthma disease management techniques for children enrolled in Medicaid to help these children receive adequate care and keep their asthma in check. The EPA portion of the proposal was included in the VA-HUD Appropriations bill that the President signed last Wednesday. Senator Durbin has introduced a proposal to direct $50 million to CDC for asthma research which was attached to the Labor-H bill. Currently, the Labor-H draft conference report mark is at $10 million for FY01 for Senator Durbin's proposal. The Administration's Medicaid disease management proposal has not been introduced by anyone at this point in the Appropriations process.

- **GMEs:** Currently, the Administration's $40 million proposal to support graduate medical education at free-standing children's hospitals is funded in Labor-H at $20 million, however, there is no authorizing language in the bill for it. OMB is working to ensure that authorizing language is enacted.

- **Family Planning:** The draft Labor-H conference report provides a $7.5 million increase to $222 million in Title X family planning – the Administration request was for a $25 million increase to $240 million.

Education Appropriations

- **After-School:** House and Senate Labor-H underfund the Administration request for $600 million (a $400 increase from FY 99) for the 21st Century Community Learning Center program. The draft Conference report mark is at $300 million (the House allocated $300 million and the Senate allocated $400).

- **Class-Size Reduction:** House and Senate Labor-H appropriators have not kept their commitment to the Administration's class-size proposal. The House chose to provide zero funding for class-size reduction and, instead roll the funds with Goals 2000 and Title VI into the unauthorized Teacher Empowerment Act passed by the House over the summer with a veto threat from the President. The Senate appropriated 1.2 million for class-size reduction (flat-funded at FY99 level and $200 million below President's request), but appropriators have not agreed on authorizing language. The Senate is expected to allow the class-size funds to be used for a wide-range of activities on teacher quality and class-size reduction across the board instead of dedicating the funds to reducing class-size in the early grades.

- **Charter Schools:** House and Senate Labor-H provide funds above the Administration's request of $130 million ($30 million above FY99). The House allocated $130 million and the Senate allocated $150 million. The draft conference report shows Charter schools at $145 million ($45 million above FY99).

Education: Title I of ESEA, H.R. 2. On Thursday, October 21, 1999, the House passed H.R. 2, Title I of ESEA, with bipartisan support. The bill continues the commitment to standards-based reform and strong accountability. The House was also able to reject several voucher amendments with a strong bipartisan majority. The bill does need to be improved in several areas – it is not as targeted to poor students as current law, it does not incorporate the Administration's proposal to improve the quality of Title I teachers and paraprofessionals, and the provisions for LEP students are weak.

Education: DC College Access. On Wednesday, October 20, 1999, the Senate passed HR 974, the DC College Access bill. The bill included the Thompson amendment backed by the Administration that would allow DC students to retroactively benefit from 1998 and would allow the Mayor to means test for income. The bill will now go to the House where it is expected to pass by voice vote.

Financial Modernization. Attached is a background on the agreement reached on the Community Reinvestment Act (CRA).

Bankrutpcy. Senator Lott reportedly approached Senator Daschle to reach a time agreement on the Bankruptcy bill. Senator Lott offered that one non-relevant amendment be considered (*e.g.* minimum wage), and Senator Daschle countered by asking for five. Because appropriations negotiations are ongoing (and therefore Senators are around with open floor time), there is still a possibility that bankruptcy is considered before recess.

Partial Birth Abortion. The Partial Birth Abortion Act of 1999, sponsored by Senator Santorum (R-PA), passed the Senate on Thursday, 63-34, with Senators Mack, Gregg, and Chafee not voting (of those three, only Chafee is with us). While uncomfortably close, the vote is still veto-sustaining. This bill, like the two previous bills the President has vetoed, fails to address the Administration's primary concern that the prohibition on this type of abortion procedure not apply when the attending physician considers the procedure necessary to preserve the health of the woman. (The bill only would allow this type of abortion in cases where it is needed to save the life of the woman.) Senator Durbin's alternative, which is a ban on all post-viability abortions with life and health exceptions, failed, 61-38. The Senate also voted on a Harkin-sponsored Senate of the Senate supporting the Supreme Court's decision in Roe v. Wade – it narrowly passed, 51-47.

Child Care. On Tuesday, in an event on Capitol Hill with Senators Dodd and Jeffords, Secretary Shalala released a new report, Access to Child Care for Low-Income Working Families, which shows that only 10 percent of children eligible for federal child care assistance are receiving support. The report compiled state-by-state data of the number of children eligible for federal funds and found that the percentage of children helped ranged from a low of 4% in Mississippi to a high of 24% in West Virginia. Overall, the report estimates that 14.7 million children in low income families were eligible to receive a subsidy under federal income limits, but only 1.5 million children in 1998 received assistance. The Administration's child care initiative would invest $7.5 billion over five years to provide child care subsidies to 1.15 million additional children. Senators Dodd and Jeffords won a Senate floor amendment to the Senate Labor-HHS-Education appropriations bill to add $818 million for child care subsidies, forward funded for FY 2001; the provision, which the Administration has supported, is so far stripped in conference. Senator Dodd sent the attached letter to the President urging him to press for the additional dollars.

POTUS Message Schedule

Saturday, Oct. 23	Taped Radio Address on extending the solvency of Social Security
Monday, Oct. 25	Prescription Drug Event Travel to New York
Tuesday, Oct. 26	DOWN

Wednesday, Oct. 27	Congressional Gold Medal Ceremony for President Ford
Thursday, Oct. 28	Blue Ribbon Schools Event Meeting with President of Nigeria
Friday, Oct. 29	Departure Statement, topic TBD
Saturday, Oct. 30	Radio Address, topic TBD
Monday, Nov. 1	Oslo, Norway
Tuesday, Nov. 2	Oslo, Norway
Wednesday, Nov. 3	DOWN (tentative)
Thursday, Nov. 4	New Markets Travel
Friday, Nov. 5	New Markets Travel
Saturday, Nov. 6	Radio Address, topic TBD

THE WHITE HOUSE

WASHINGTON

October 19, 1999

The Honorable William V. Roth, Jr.
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

It was a pleasure to meet with you and Senator Moynihan earlier this month to discuss our mutual commitment to strengthening and modernizing Medicare. It continues to be my hope that the Congress will take action this year to, at minimum, make a down-payment on needed reforms of the program. I look forward to working with you toward that end.

In 1997, the Medicare trustees projected that Medicare would become insolvent in 2001. Working together across party lines, the Congress passed and I enacted important reforms that contributed towards extending the life of the Medicare trust fund to 2015. As with any major legislation, the Balanced Budget Act (BBA) included some policies that are flawed or have had unintended consequences that are posing immediate problems to some providers and beneficiaries. In addition, the program faces the long-term demographic and health care challenges that will inevitably result as the baby-boom generation ages into Medicare. As we worked together in 1997 to address the immediate threat to Medicare, we must work together now to address its short-term and long-term challenges.

Preparing and strengthening Medicare for the next century is and will continue to be a top priority for my Administration. For this reason, I proposed a plan that makes the program more competitive and efficient, modernizes its benefits to include the provision of a long-overdue prescription drug benefit, and dedicates a portion of the surplus to help secure program solvency for at least another 10 years. However, I also share your belief that we need to take prompt action -- whether in the context of broader or more limited reforms -- to moderate the excessive provider payment reductions in the BBA of 1997. I believe that legislative modifications in this regard should be paid for and should not undermine the solvency of the Medicare trust fund.

You have requested a summary of the administrative actions that I plan to take to moderate the impact of the BBA. In the letter that you sent to me last Thursday, you also asked about four specific issues related to payment for hospital outpatient departments, managed care, skilled nursing facilities, and disproportionate share hospitals.

Attached is a summary of the over 25 administrative actions that my Administration is currently implementing or will take to address Medicare provider payment issues. The Department of Health and Human Services is taking virtually all the administrative actions possible under the law that have a policy justification, which will accrue to the benefit of hospitals, nursing homes, home health agencies, and other providers.

We are finishing our review of our administrative authority to address the 5.7 percent reduction in hospital outpatient department payments. We believe that the Congressional intent was to not impose an additional reduction in aggregate payments for hospitals and I favor a policy that achieves this goal. The enactment of clarifying language on this subject would be useful in making clear Congressional intent with regard to this issue. I have attached a letter from Office of Management and Budget Director Jack Lew, which was sent at the request of Congressman Bill Thomas, detailing how such language would be scored by OMB.

With regards to managed care, we share your commitment to expanding choice and achieving stability in the Medicare+Choice marketplace. The BBA required that payments to managed care plans be risk adjusted. To ease the transition to this system, we proposed a 5-year, gradual phase-in of the risk adjustment system. This phase-in forgoes approximately $4.5 billion in payment reductions that would have occurred if risk adjustment were fully implemented immediately. The Medicare Payment Advisory Commission and other experts support my Administration's risk adjustment plan. Consistent with this position, most policy experts believe that a further slowdown of its implementation is unwarranted. However, we remain committed to making any and all changes that improve its methodology. Moreover, as you know, any administrative and legislative changes that increase payment rates to providers in the fee-for-service program will also increase payments to managed care plans.

On the issue of skilled nursing facilities, we agree that nursing home payments for the sickest Medicare beneficiaries are not adequate. I intend to take all actions possible to address this. Administratively, we can and will use the results of a study that is about to be completed to adjust payments as soon as possible. While we believe that these adjustments must be budget neutral, we are continuing to review whether we have additional administrative authority in this area.

Finally, it appears that there has been confusion about the current policy for disproportionate share hospital (DSH) payments. Hospitals across a considerable number of states have misconstrued how to calculate DSH payments. The Department of Health and Human Services (HHS) has since concluded that this resulted from unclear guidance. Thus, as reported last Friday, HHS will not recoup past overpayments and will issue new, clearer guidance as soon as possible.

We believe that our administrative actions can complement legislative modifications to refine BBA payment policies. These legislative modifications should be targeted to address unintended consequences of the BBA that can expect to adversely affect beneficiary access to quality care.

I hope and expect that our work together will lay the foundation for much broader and needed reforms to address the demographic and health care challenges confronting the program. We look forward to working with you, as well as the House Ways and Means and Commerce Committees, as we jointly strive to moderate the impact of BBA on the nation's health care provider community.

Sincerely,

Bill Clinton

ADMINISTRATIVE ACTIONS BY THE CLINTON ADMINISTRATION TO MODERATE IMPACT OF THE BALANCED BUDGET ACT OF 1997 ON MEDICARE PROVIDERS

ISSUE		STATUS
	HOSPITALS: GENERAL	
✓	Capping hospital transfer policy at 10 DRGs for 2 years, through '02	Now being implemented
✓	Stop administrative recoupment of DSH payments based on unclear guidance	Now being implemented
	HOSPITALS: OUTPATIENT	
**	Eliminate the 5.7 percent payment reduction resulting from drafting problem in the Balanced Budget Act	Under review
✓	Delay implementation of the volume control mechanism for 2 years, which would reduce payment reductions	Planned for regulation early next year*
✓	Moderate payment reductions for rural, cancer and other hospitals experiencing large changes, in budget-neutral manner, in transition to prospective payment system (PPS)	Planned for regulation early next year*
✓	Delay implementation of prospective payment system for cancer hospitals until additional data are collected	Planned for regulation early next year*
✓	Make technical refinements to the Ambulatory Payment Classification (APC) system	Planned for regulation early next year*
✓	Allow for temporary cost-based APCs for certain new technologies	Planned for regulation early next year*
✓	Create additional APCs for certain high-cost drugs (e.g., chemotherapy drugs)	Planned for regulation early next year*
✓	Create separate APCs to pay for blood and blood products	Planned for regulation early next year*
✓	Pay, at least temporarily, for corneal tissue at acquisition costs rather than as part of the payment for overall corneal transplant surgery	Planned for regulation early next year*
✓	Eliminate use of diagnostic codes in payments for medical visits and reassess in the future	Planned for regulation early next year*
	SKILLED NURSING FACILITIES	
✓	Increase payment for high acuity patients	Will be implemented
✓	Exclude certain types of services furnished in hospital outpatient departments from SNF PPS: CT scans, MRIs, cardiac catheterizations, emergency services, major ambulatory surgical procedures, and radiation therapy	Now being implemented
	HOME HEALTH	
✓	Delay tracking patients and pro-rating payments	Now being implemented
✓	Provide for extended interim payment system repayment schedules for agencies	Now being implemented
✓	Postpone the requirement for surety bonds until October 1, 2000	Now being implemented
✓	Change surety bond requirement to $50,000, not 15 percent of annual agency Medicare revenues	Now being implemented

ISSUE		STATUS
✓	Eliminate the sequential billing rule	Will be implemented
✓	Phase in reporting of services in 15-minute increments	Will be implemented
	PHYSICIANS	
**	Improve annual updates in payments for physicians' services to correct for erroneous projections through administrative actions	Under review
	RURAL PROVIDERS	
✓	Change the average wage threshold percentages so more rural hospitals can reclassify	Will be implemented
✓	Use same wage index for inpatient and outpatient PPS	Planned for regulation early next year*
✓	Provide stop-loss protection in the transition to the outpatient PPS	Planned for regulation early next year*
**	Modify Health Professional Shortage Area designations	Under review
	AMBULATORY SURGICAL CENTERS	
X	Postpone implementation based on 1999 survey	
	MANAGED CARE	
✓	Phase-in risk adjustment over a 5-year period	Now being implemented
✓	Extending EverCare frail elderly demonstration through 12/31/01 and exempt from risk adjustment during this extension	Now being implemented
X	Phase-in risk adjustment over a 7-year period	
✓	Improve beneficiary protections and access to information	Now being implemented
✓	Ease provider participation rules	Now being implemented

"X" indicates that this policy is not advisable, as described in the attachment.

*Federal law requires that the Administration cannot commit to changes in a proposed rule before the final publication.

**Under review.

Financial Modernization Keeps CRA Strong
CRA Applies to Newly Authorized Activities

While final details remain to be agreed upon, the draft legislation assures that CRA remains vital and relevant in the new financial landscape. The legislation preserves the current CRA review and comment process when a bank acquires or merges with another bank, and expands CRA to cover banks or bank holding companies commencing new activities, or acquiring or merging with non-bank companies.

- **For the first time, CRA will apply to banks and their holding companies in the context of expansion into newly authorized activities, such as securities, insurance underwriting and merchant banking.** For the first time, having and maintaining satisfactory CRA performance is an essential condition for a bank or its holding company expanding into non-banking activities. Each time the holding company or bank commences such an activity, or acquires a company in these new areas, all of its insured depositories must meet this test. Until now, regulators have permitted banks to make very large acquisitions of securities firms and to engage in other non-bank activities without any statutory CRA performance requirements at all. Under this draft bill, no bank or bank holding company with an unsatisfactory CRA record can become involved in these new activities.

- **The bill deletes the Senate bill's CRA exemption for small rural banks.** The small bank provisions of the Senate bill would have exempted from CRA a full 38 percent of all banks, many of which are the only significant credit sources in rural communities. The new draft bill deletes this loophole. Although many small rural banks serve their communities well, their record is not uniform -- small banks receive a disproportionately high number of less-than-satisfactory CRA ratings.

- **The bill deletes the Senate's "CRA safe harbor" that would block community comments on most banks' CRA applications.** A bank's CRA performance can change over time for a variety of reasons, including mergers or changes in management. The Senate bill created a presumption that a bank was compliant with CRA even if its last satisfactory rating was based on a 'stale' evaluation. This unwarranted safe harbor has been dropped.

- **The bill deletes Senate's unfair burden of proof requirements on the public.** Instead of allowing regulators to consider all CRA comments fairly, the Senate bill would have blocked regulators' consideration of public comments unless they met a substantial legal hurdle. This is an unfair burden for community groups, which often provide information based on first-hand experience that is valuable to regulators making CRA evaluations. The final bill deletes this unfair provision.

- **For small banks, the bill targets CRA regulatory resources on banks with the poorest CRA records, creating an incentive for better community reinvestment performance.** Regulators will examine banks with less than satisfactory CRA ratings much more frequently than banks with satisfactory or outstanding ratings. These provisions complement streamlined CRA exam procedures for small banks put in place in 1995, which focus on five performance measures and impose no additional CRA reporting burdens on these banks.

- **The bill provides for "sunshine" on CRA agreements**, while narrowing the overbroad provisions of the Senate bill. The bill provides regulators with discretion to implement the provision consistent with its purposes, in order to avoid undue burdens. In order to ensure that community reinvestment funds are used for the community, the bill also provides for penalties if an individual diverts funds for personal financial gain

CHRISTOPHER J. DODD
CONNECTICUT

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October 21, 1999

The Honorable William Jefferson Clinton
President of the United States
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

Since the beginning of your term as President, it has been an honor to work closely with you and the First Lady on issues affecting our most vulnerable citizens -- children. As we complete action on the FY 2000 funding bills, I believe we have been presented with one of the best opportunities yet to secure additional and much needed resources for children. I hope you will make this issue one of your top priorities as you and your Administration proceed with final budget negotiations.

Four times this year -- in the context of the budget resolution, the tax bill and the Labor/Health and Human Services appropriations bill -- the Senate has voted in favor of significantly increasing funding for the Child Care and Development Block Grant (CCDBG). Beyond the overwhelming Democratic support, more than a dozen Republicans joined with us to repeatedly demonstrate their commitment to child care. In addition to the momentum generated by these strong bipartisan votes, the path for increased funding for CCDBG is further eased by the fact that this program is already forward funded. Consequently, no offset would be required to double funding for the program to $2 billion, the level in the Senate appropriations bill and in your own child care proposal.

Mr. President, we have before us a promising, but finite, window in which to achieve a significant victory for working families. I urge you to continue your efforts on behalf of America's children by insisting that this year's appropriations agreement contain a substantial increase in funding for child care.

Sincerely,

CHRISTOPHER J. DODD
United States Senator

OCT. 22. 1999 4:28PM SUBCMTE CHILDREN MIN NO. 437 P. 1

Quality Day Care, Early, Is Tied to Achievements as an Adult

By JODI WILGOREN

WASHINGTON, Oct. 21 — Good early childhood education has a powerful influence on poor children that lasts into young adulthood, affecting things like reading and mathematics skills and even the timing of child-bearing, researchers announced today, citing the first study ever to track participants from infancy to age 21.

Those who received high-quality day care consistently outperformed their peers who did not on both cognitive and academic tests, and also were more likely to attend college or hold high-skill jobs, the researchers found. The program also helped participants' parents, with teen-age mothers far more likely to have completed high school after their babies received the intervention.

"The so-called efficacy question, whether you can affect development in the preschool years, is resoundingly answered in the affirmative," Craig T. Ramey, director of the study, said at a news conference at the Department of Education. "It has become crystal clear that if you wait until age 3 or 4 you are going to be dealing with a series of delays and deficits that will put you in remedial programs."

The study of children on the lower rungs of society, called the Abecedarian Project, involved 111 African-American families in Chapel Hill, N.C., whose infants were medically healthy but, demographically, at risk for failure in school and beyond. Half the children were randomly assigned to full-time day care from infancy to age 5, while the others received only nutritional supplements and some social work. They attended comparable public schools from kindergarten on.

With low adult-child ratios and a stable, professional staff, the educational program consisted of a series of 200 simple games focused on language development, starting with visual stimulus for tiny infants and leading to scavenger hunts and mazes for older toddlers.

Although the newest findings will not be published until the spring, nearly 300 peer-reviewed articles based on the study, which began in 1972, have already appeared in a variety of academic journals.

The project has been praised by Hillary Rodham Clinton and other advocates of early childhood education, but criticized by other authorities who have attacked its research methods.

Pediatricians and psychologists hope to use the barrage of new data to persuade Congress and the states to broaden access to care for poor families, particularly those on welfare, and to improve conditions and curriculum in the current cadre of day-care centers. The announcement comes amid increased attention to the issue, with a group of experts scheduled to meet here next week to applaud France's universal preschool program.

"Most child care in America is borderline lousy and, at best, safe but not developmentally stimulating," said Michael H. Levine, who oversees early childhood development projects for the Carnegie Corporation in New York. "Whether or not there's a Government solution to providing high-quality care for all working families or not, there certainly needs to be a more balanced responsibility for responding to this research."

Abecedarian — the word, echoing the ABC's, means novice learner — found that children in the intensive educational program were more successful than their peers by virtually every measure:

¶Thirty-five percent of those in the day care program attended a four-year college before their 21st birthday, compared with 14 percent of the comparison group.

¶At age 21, twice as many of the day care graduates (40 percent) were still in school; 65 percent of those who received the intervention either had a good job or were in college, compared with 40 percent of the others.

¶Fewer of the participants in the child care program had children of their own by age 21; those who did became parents, on average, past their 19th birthday, while the parents in the other group were about 17.

¶By age 15, twice as many of the children in the control group had been placed in special education classes as their peers who received the educational day care. Only 30 percent of the day care children had to repeat a grade in school, compared with 56 percent of the others.

¶While test scores were below average for both groups and dropped over time, those in the child care program kept an edge of about 5 percentage points through age 21. The gap in I.Q., however, fell from about 17 points at age 3 to just 5 points by age 21.

¶The study did not find significant differences in criminal activity between the two groups, researchers said.

"This is the most intensely studied group of children on earth," said Dr. Ramey, who is now a professor of psychology, pediatrics and neurobiology at the University of Alabama at Birmingham. He and his colleagues at the University of North Carolina are vigorous advocates of early childhood education. They hope to continue tracking the participants to age 28 or 29. The research has been financed by the Department of Education and the State of North Carolina, among others.

The Abecedarian results echo results of several similar studies that indicate educational day care improves both academic achievement and social behaviors. It is the first program that began with infants — aged 6 weeks to 4 months — and followed them to adulthood, and shows more significant gaps at age 21 than a similar project, based in Michigan, that began with developmentally disadvantaged children aged 3 or 4.

"What's really important is that it's not just any child care, that it is high-quality early care and intervention," said Augusta S. Kappner, president of Bank Street College of Education in New York, who recently toured France with a group of 15 educators to study that country's program of universal free preschool. "What is high quality? Usually you're talking about the really important factors, such as the qualifications of the staff, the constancy of the staff, the quality of the curriculum, group size, parent participation."

The Abecedarian Project, based at the Frank Porter Graham Child Development Center in Chapel Hill, had a staff with qualifications akin to teachers in public schools, and virtually no turnover. Ratios ranged from 1 adult to 3 children to 1 to 7, depending on the children's ages.

On its Internet site, the Graham center says that "an important goal of the project was to break the so-called 'poverty cycle' by better preparing children for success in school — and eventually life."

The learning games, like waving a scarf over an infant until he grabs it, or leading a toddler to identify like items among several pieces of silverware, are integrated into a high-stimulus day of art projects and playground visits.

"Many of the learning games happen during mealtimes," said Joseph Sparling, co-author of the curriculum, which was published in two books. "They happen during diapering; they happen when you're going outdoors. You could hardly distinguish them from good adult-child interaction."

Abecedarian cost the equivalent of $11,000 per child per year in today's dollars, but researchers said similar results could probably be achieved for less, since there were extra expenses associated with being a demonstration project.

"The argument that we can't afford this is absolutely bogus," Dr. Ramey said. "We get what we pay for. We're the richest country on the face of the earth; we're the richest we've ever been. We're not No. 1 in the world in education, in health care, in social services."

The New York Ti

FRIDAY, OCTOBER 22, 1

THE WHITE HOUSE

WASHINGTON

October 8, 1999

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: NICOLE RABNER
ANN O'LEARY
RUBY SHAMIR

CC: MELANNE VERVEER
SHIRLEY SAGAWA
PATTI SOLIS DOYLE
MARSHA BERRY

SUBJECT: ISSUES UPDATE

The purpose of this memo is to provide you with brief updates on a variety of issues.

Appropriations. The Labor-HHS-ED bill passed the Senate (73-25) on Thursday, October 7th and is expected to be considered on the floor of the House on Wednesday, October 13th. The Statement of Administration Policy (SAP) sent to the Hill on September 29th highlighted the Administration's concerns that the Senate bill does not provide funding for class-size reduction. The SAP also points out that the Senate bill undermines other education priorities by not providing the requested funding level for GEAR-UP, afterschool, or the Hispanic education agenda. It also cuts funding for the Centers for Disease Control and the Mental Health Block grant. It provides no funding for the National Family Caregiver Support Program. It does, however, provide for the President's requested funding for Head Start and, through a series of aggressive efforts by Senators Dodd and Jeffords, increases funding for the Child Care Development Block Grant from $1.18 billion to $2 billion. The House version, as you know, contains many more drastic cuts in Labor-H. At this point, the House leadership has delayed the vote on the bill knowing that they do not have the support of the moderates.

Bankruptcy. Over this past week, there have been a number of conflicting signs on the fate of bankruptcy reform, though most in the Administration and on the Hill predict that the Senate will not take it up before recess. On Thursday, Senate Minority Leader Daschle reportedly rejected an offer to move forward with bankruptcy reform legislation by limiting the number of allowable amendments. The offer, which was made by Judiciary Administrative Oversight and the Courts Subcommittee Chairman Charles Grassley, R-Iowa, would permit the Democrats to offer a limited number of amendments, which could include a minimum wage increase, but not proposals that have already been considered on the floor this year. "I don't think we can accept that offer," Daschle told reporters. "The time for regular order is upon us." Daschle said he would be willing to accept time limits on amendments, but not restrictions on what amendments could be offered. He said his stance was "nothing against bankruptcy" legislation, but that the legislation is "dead" unless GOP leaders change their position.

Education: Hispanic Action Plan. On September 21st, Raul Yzaguirre, President of the National Council of La Raza, sent a letter to the President stating his concerns about the Hispanic Education Action Plan (HEAP). While La Raza is pleased with the Administration's push for additional funding of $494 million for programs that support HEAP, he is concerned about the lack of implementation and targeting of programs to the benefit of Hispanic students. This concern largely arose from the FY 1998 annual report issued by the President's Commission on Educational Excellence for Hispanic Americans claiming that most Agencies are not adequately monitoring or addressing Hispanic participation in educational and employment programs. Maria Echaveste is convening a series of meetings and action steps to address La Raza's legitimate concerns. The Department of Education is also working on finalizing the plans for more effectively implementing HEAP. The plans focus on more targeting and better services for Hispanic students under Title I, targeting GEAR-UP funds to Hispanic students (rests on the appropriations fights for more funding), and working with the Mott Foundation to better target Hispanic students under the 21st Century after-school program.

Education: House Mark-up of Title I. On Tuesday, October 5th, the House Committee on Education and the Workforce, began marking up Title I of ESEA. The Title I bill being used as a base for the mark-up was drafted by a bipartisan working group. The Administration expressed concern in a number of areas. The bill does not encourage one state-wide accountability system to hold schools accountable for improving student achievement tied to high standards; it provides no funding to help low-performing schools turn around; and it dilutes targeted funding to high-poverty areas. The Committee has not yet finished marking up the bill, but to date they have defeated a voucher amendment, passed an amendment supporting the Administration's public school choice demonstration program, and passed an amendment that would continue to hold the poverty threshold for Title I schoolwide schools at 50 percent. The Committee is expected to complete its work on Wednesday, October 13th and the bill is expected to go to the Floor shortly thereafter.

Education: Straight As. The House Committee on Education and the Work-Force is expected to take up the Majority's "Straight As" bill which would allow States to block grant their Federal ESEA dollars for five years. If, after five years, the States did not show improvement in student achievement, they would have to revert to the categorical programs. The Administration has opposed this block grant and the Secretary has sent a letter to Congress stating that he would recommend the President veto the bill if it came to his desk.

Education: Single Sex Education. As part of the Senate's consideration of the Labor-HHS-ED appropriations bill, Senator Kay Bailey-Hutchinson was expected to bring up her single sex education amendment. The amendment would permit ESEA Title VI funds to be spent on "educational reform projects that provide same gender schools or classrooms, as long as comparable educational opportunities are offered for students of both sexes." She was not able to bring up the amendment, but the proposed amendment led to a number of the women's groups contacting the White House (American Association of University Women, the Women's Legal Defense Fund, and the Women's Law Center) to urge the Administration to take a public position on single sex education which is expected to come up next in the context of ESEA reauthorization. The women's group have opposed the amendment in the past on two grounds: (1) concern that we do not have the research to support single-sex education in elementary and secondary education (2) concern that "comparability" will not be monitored or implemented effectively. Last year when the amendment was proposed, the Administration did not take a position. Instead, we argued on procedural grounds that it should be considered as part of the reauthorization of ESEA and that it was already permissible under Title IX. Furthermore, the Department of Education's Office of Civil Rights was in the process of developing regulations on single sex classrooms and schools that would provide for some flexibility in allowing for such classrooms and schools. The Department of Justice has, throughout the debate, raised constitutionality concerns, but OCR is working with DOJ on the draft regulations. The regulations are expected to be shared with the White House next week.

Note: The impetus to put out regulations on single sex education stem from a complaint by the New York chapters of the National Organization for Women and the American Civil Liberties Union filed with the U.S. Department of Education's Office of Civil Rights. The complaint asserts that the Young Women's Leadership Academy, a public school in Harlem, violates equal-protection guarantees of the Constitution. OCR has not yet ruled on this case and plans to do so in the context of releasing the Title IX regulations.

Health Care: Medicare. Late last week, Senator Daschle introduced a significant BBA provider give-back bill which attracted over 30 cosponsors. As you know, the Administration had expressed a preference to considering such proposals in the context of the broader reforms which would explicitly dedicate a portion of the surplus to Medicare, thereby not only protecting providers in the short-term, but also preventing excessive cuts to Medicare in the future. This past Tuesday, the President met with Chairman Roth and Senator Moynihan. In the meeting, Chairman Roth and Senator Moynihan urged that administrative and legislative action be taken this fall to moderate the impact of Medicare provider payment reductions included in the Balanced Budget Act of 1997 (BBA). The President indicated his openness to such initiatives, but in the context of providing additional statutory authority to modernize the purchasing practices of the Medicare fee-for-service program, as included in the Administration's plan and the Breaux-Thomas recommendations (this would be both a down-payment on broader reforms and a way to off-set the significant dollars needed to offer provider give-backs).

The President indicated that Administration representatives will work with the Finance Committee, as well as the House Ways and Means and House Commerce Committees, on a package of provisions that moderate the impact of the BBA and modernize the fee-for-service program. The President also agreed to provide an expeditious response regarding the administrative actions the Department of Health and Human Services can take independent of the legislative process so that the Committees can construct their legislative packages to reflect these changes. Early next week, the Administration will release a letter outlining some of the administrative, non-legislative steps we plan to take to moderate BBA.

Health Care: Patients Bill of Rights. As you know, the House of Representatives last night passed H.R. 2723, the Norwood-Dingell Bipartisan Consensus Managed Care Improvement Act of 1999 275-151 -- which the Administration strongly supports -- with the backing of over 60 Republicans. It is more comprehensive than the Patients Bill of Rights legislation that passed the Senate in July which leaves over 100 million Americans unprotected, covers less than 10 percent of HMOs, does not provide access to specialists, and limits the ability of patients to sue managed care providers. The Senate bill passed 53-47 without one Democratic vote. As the legislation moves to conference, the House Rules Committee plans to attach an insurance "access" bill passed by the House earlier in the week which would provide $43 million for health related tax breaks and expand Medical Savings accounts. These provisions were included in the Republican tax bill that the President vetoed. While the Administration does not oppose accelerating the self-employed tax deduction and other such provisions, we have raised concerns about proposals such as multiple employer welfare associations (MEWAs) and medical savings accounts (MSAs) that can segment the healthy from the unhealthy and further destabilize the insurance market. And while the President has not explicitly said he will veto a Patients Bill of Rights with these attached provisions, he has indicated that he will not support any legislation that is not paid for.

Health Care: Children's Health Insurance Program (CHIP). On Tuesday of next week, the President will address the American Academy of Pediatrics conference. In his address, he will announce that he is issuing an executive order to instruct the Secretaries of Education, Health and Human Services, and Agriculture to report to him within six months on steps to promote education and enrollment of uninsured children in schools. In addition, he will highlight the Administration's outreach to States and communities to promote CHIP.

Census Poverty/Health Insurance Release. As you know, the Census Bureau released 1998 poverty and income data on September 30, and health insurance data on October 4. The overall poverty data demonstrated some positive trends, including an increase in income for all five quintiles of the income distribution, income increases in all regions of the U.S., and increases in median household and family incomes. The poverty rate dropped to 12.7 percent -- its lowest level since 1979 -- and child poverty and extreme child poverty have declined as well. In August the Children's Defense Fund released a report noting an increase in extreme child poverty (50 percent of the poverty line) between 1996 and 1997 (the CDF uses an expanded definition of poverty which includes means tested benefits and tax deductions). CDF plans to release a new report with the 1998 data which will show a decline in poverty for children in female headed households under 50% of poverty, and a drop in child poverty in all families under 50 percent of poverty. Attached is a memo written for Secretary Shalala with some more detailed analysis of the data; OMB, CEA and HHS continue to examine the data.

The Census report on health insurance coverage rates in the U.S. for 1998 was less promising. Census reported that an estimated 44.3 million people in the U.S., or 16.3 percent of the population, were uninsured in 1998 – up about one million since 1997. The poor were the least likely to be insured with 11.2 million poor people, or 32.3 percent, lacking health insurance.

People between age 18 and 24 were the least likely age group to be insured, whereas only 1.1 percent of the elderly lacked health insurance (because of Medicare). Seventy percent of those insured were covered by their employers, however, part-time workers were much more likely to be uninsured than full-time workers, and among the poor, workers were less likely to be insured than non-workers -- almost half of poor, full-time workers were uninsured.

The 1998 uninsured rate of children has remained relatively stable since 1997 with 11.1 million children, or 15.4 percent, uninsured. Among poor children, 3.4 million (25.2 percent) were uninsured in 1998 and poor children comprised of 30.6 percent of all uninsured children. Children under the age of 12 were more likely to be insured than children between the ages of 12 and 17. Hispanic children were the most likely of all ethnic and racial groups to be uninsured (30 percent). Approximately one-fifth of insured children were covered by Medicaid. Attached is Q&A on the uninsured data which, in part, explains that low CHIP enrollment rates can be attributed to the fact that in 1998, only four states had been enrolling children throughout the year.

POTUS Message Schedule

Saturday, Oct. 9	Live Radio Address, Chicago, IL Topic: Kennedy-Jeffords/Federal Plan on Hiring People w/Disabilities
	Address Hispanic Leadership Conference, Chicago, IL
Monday, Oct. 11	DOWN
Tuesday, Oct. 12	Address to American Academy of Pediatrics OR Press Conference
Wednesday, Oct. 13	Roadless/Environmental Event, Virginia
Thursday, Oct. 14	Possible Press Conference (if not on Thursday)
Friday, Oct. 15	Meeting with Bondevik of Norway
Saturday, Oct. 16	Radio Address, Topic TBD *(taped on Friday, Oct. 15)*
	Drop-by NIAF Annual Gala
	High School Reunion Reception, White House
Monday, Oct. 18	New Markets Event, Hartford, CT (this is VERY tentative)
Tuesday, Oct. 19	Address Voices Against Violence Conference, Capitol Hill

Wednesday, Oct. 20	AmeriCorps Anniversary Event, White House
Thursday, Oct. 21	NAPO Top Cops Event, The White House
Friday, Oct. 22	WH Conference on Philanthropy, White House
Saturday, Oct. 23	Live Radio Address, Topic TBD
Monday, Oct. 25	Medical Privacy Event (tentative)
Tuesday, Oct. 26	No Message Opportunity
Wednesday, Oct. 27	Congressional Gold Medal Ceremony for President Ford
Thursday, Oct. 28	Official Working Visit w/President of Nigeria
Friday, Oct. 29	Departure Statement, Topic TBD
Saturday, Oct. 30	Radio Address, Topic TBD (taped on Friday, Oct. 29)