4/3/93

TO: HRC; CC: Carol R.
FROM: Melanne
RE: LSC FY'94 Budget

Vince, Peter Edelman & I met with Belle Sawhill and another OMB staffer to determine what decisions had been made regarding LSC's budget that would be released this week. Much to our dismay, we learned that the amount set for FY '94 is the same amount that had been allotted during the dark Reagan & Bush years. The LSC community was looking for some sign, albeit small, that would signal a new day for legal services in the Clinton Administration.

Belle agreed to see what possiblilites there were in the overall justice programs budget to suggest an offset that could be used to enhance LSC's appropriation for the next fiscal year. There is no way that the budget can be changed inasmuch as the budget book is at the printers. However, since the LSC budget is a so-called independent or bypass agency, there's a bit more flexibility. If Leon can be presuaded (not an easy assignment), the Administration could work with Congress and indicate that we would support more (maybe an additional $100 million over the $370 m. requested in the budget.....the current Bush LSC requested over $500 million).

Neal Smith who flew back with us from Iowa is chair of the appropriation's subcommittee with jurisdication over LSC. He is a strong supporter of more funding for legal services. We should be able to work with him and other congressional supporters <u>if we can get agreement that the Administration supports increased funding.</u>

In the meantime, we will need to do some damage control when the budget is released this week. We can expect to be blasted in the POST & the NYT for more of the same treatment for LSC. Peter & I know both editiorial writers well and we can also get NLADA to talk them out of a critical editorial, at least I'm sure they'll try.

We are preparing a longer memo that details some steps the Administration might want to take upon release of the budget this week.

CENTER ON BUDGET AND POLICY PRIORITIES

TO: President Clinton

FROM: Bob Greenstein

DATE: July 29, 1993

You were outstanding at the earned income credit event this morning. I'm writing to follow up on our brief conversation about EITC fraud.

The "40 Percent" Figure

A figure is occasionally cited that the EITC error rate is 40 percent. This was true in the mid-1980s. It is not accurate today. (It should be noted that the 40 percent rate was an error rate, not a fraud rate.) Due to a series of changes made in the EITC since the mid 1980s, the error rate has been reduced substantially since then.

The 40 percent figure comes from an IRS audit of 1985 tax returns. IRS found that the principal reason for the high error rate was a series of arcane IRS rules on household filing status that few families could understand and IRS could not enforce.

When the audit came to light in early 1990, the IRS, Treasury, and the Ways and Means and Finance Committee staffs worked hard to fix this problem. They designed legislation, enacted later in 1990, that repealed the complex rules which were causing the bulk of the errors and replaced them with much simpler rules. In addition, the legislation required families to file a separate tax schedule — called Schedule EIC — to get the earned income credit. In the past, some of the key computations and data needed to determine a family's eligibility for the EITC were found only in taxpayer worksheets that IRS never saw. Now, this information appears in Schedule EIC, which provides the IRS with much more of the information needed to determine EITC eligibility than it had in the past.

Other steps have also been taken to reduce errors. Some have been taken administratively by the IRS. Others are statutory changes. (For example, prior to the Tax Reform Act of 1986, taxpayers didn't have to provide the Social Security numbers of children claimed as dependents. Once they started having to provide SSNs, something like six or seven million children in families at all income levels disappeared from the tax rolls. This, too, helped reduce EITC error rates below the

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Robert Greenstein, Executive Director ★ Loring Henderson, Deputy Director

level found in the 1985 audit, although this had a much smaller effect on EITC error rate than did the changes enacted in 1990.)

IRS' current assessment

IRS is confident these changes have reduced the error rate substantially. In the one Congressional hearing held this year on the EITC, the deputy assistant commissioner of the IRS testified about the impact of just one of these changes — the introduction of Schedule EIC. She stated:

> "We at the IRS strongly believe that the introduction of the Schedule EIC has significantly reduced the number of errors made by taxpayers in computing the credit....Preliminary figures for the 1992 Tax Year indicate that the error rate is down to 3 percent."[1] [Note: This does not mean the total error rate was three percent, since there are other errors beside those made by taxpayers in figuring their credit. Still, the three percent figure is very low, well below the comparable figure for 1990.]

Conclusion

The 40 percent figure is from a 1985 audit. It reflects EITC errors at a time when: 1) taxpayers didn't have to provide Social Security numbers for children; 2) the EITC eligibility rules were unfathomably complex and IRS was unable to enforce them; and 3) there was no Schedule EIC, and IRS did not receive some of the basic information needed to determine EITC eligibility accurately. All of that has since changed.

To be sure, there is room for further improvement. Keeping errors low in the EITC becomes still more important with the pending EITC expansion. The larger a program gets, the more vigilant and effective the anti-fraud and anti-error measures need to be. But the EITC does not have the type of problems it had in 1985.

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[1] Statement of Margaret J. Lullo, Deputy Assistant Commissioner, IRS, before the House Ways and Means Committee, March 3, 1993. Lullo also noted that Schedule EIC "gives IRS information that is not otherwise available from the return, such as nontaxable earned income. We believe this Schedule helps taxpayers and the IRS accurately complete and verify the credit."

CENTER ON BUDGET AND POLICY PRIORITIES

ERROR, FRAUD, AND THE EARNED INCOME TAX CREDIT

The "40 Percent" Figure

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July 29, 1993

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The Washington Post
Washington, D.C.
June 22, 1993

Robert Greenstein

Clinton's Plan: The Facts

There are ample grounds to debate the Clinton economic program, including elements designed to promote work among the poor and ease child poverty. But the debate cannot proceed if basic facts about the Clinton proposals are misunderstood and mischaracterized. Jodie Allen's recent Outlook article ["Rhodes to Ruin: Clinton's Too-Clever Plan," May 30] is a case in point.

The article attacks "the administration's plan to allow families with unusually high housing costs to qualify for food stamps even though their incomes exceed the program's normal limits." But hold up a minute there is no such Clinton proposal.

Under current law, the amount of a household's food stamp benefits depends partly on how high its housing costs are in relation to its income. After all, a family whose housing costs consume 60 percent of its income has less to spend on food than a family in public housing that spends 30 percent of income on housing. But there is a problem. The food stamp benefits provided to elderly and disabled households reflect the full amount by which housing costs consume more than half of their incomes. For poor families with children, in contrast, food stamp benefits reflect these costs only in part. This is a reason some poor families with high housing costs run low on food toward the end of the month.

Since 1990, a bipartisan group—including at various times former representative and now Budget Director Leon Panetta, Rep. Bill Emerson and Sens. Patrick Leahy, Jim Sasser and Pete Domenici—has called for ending this inequity. The group's proposal would take the high housing costs of poor families into account as is already done for the elderly and disabled. The proposal is fashioned so *no* family exceeding the program's income limits would be made eligible for stamps.

Taking Exception

The Clinton budget simply adopts this proposal without change. Allen's article errs in presenting it as some newfangled Clinton idea to let people at higher income levels into the food stamp program, undo past reforms and make the program more susceptible to error. In fact, state food stamp administrators, who are subject to fiscal penalties for high error rates, support the change.

Equally off-base is the article's treatment of the earned income credit for the working poor. The article contends that in 1990 Congress expanded the EITC despite an IRS study showing about a 40 percent error rate. It then criticizes Clinton for proposing to expand the credit further.

The old adage that a little knowledge can be a dangerous thing is sadly relevant here. The IRS audit showing a high error rate was based on 1985 tax returns. It showed the principal reason for the high error rate was a series of arcane IRS rules on household filing status that few low-income families could understand and the IRS could not enforce.

When the audit was unveiled in 1990, the IRS, the Treasury Department and congressional committees responded. They designed legislation that eliminated these complex rules, replacing them with much simpler, more enforceable ones. The legislation, enacted in 1990, also required families to file a separate tax schedule to receive the earned income credit. The IRS has now testified that these reforms have reduced the error rate substantially.

Jodie Allen's article is on target in criticizing one action Congress took in 1990—adding a complicated health insurance component to the earned income credit. The article notes this has generated insurance scams.

I know a little about this, since our center uncovered the scams. We also argued unsuccessfully in 1990 against creation of the health insurance credit.

But her article makes another unfortunate omission here. It fails to note that the Clinton administration it so heavily criticizes has proposed abolishing the insurance credit. It credits a "Ways and Means Committee panel" for recommending this, without noting the panel was adopting a Clinton proposal.

Perhaps the most serious omission is the article's failure to explain what the proposed earned income credit expansion would accomplish—raising millions of families with full-time working parents closer to or above the poverty line, while also blunting the impact of the energy tax on the poor. If achieved, this would be a historic accomplishment.

So let the shoot-out over the Clinton budget continue. But let participants on all sides check their facts before coming out with their guns blazing.

The writer is executive director of the Center on Budget and Policy Priorities.

File

FAX MESSAGE COVER SHEET

CENTER ON BUDGET AND POLICY PRIORITIES
777 North Capitol Street, NE, Suite 705
Washington, DC 20002

Telephone: 202/408-1080
Fax.: 202/408-1056

TO	Melanne Verveer	**DATE**
FROM	Robert Greenstein	7/16/93
ATTN		

Number of Pages Transmitted Including This Cover Sheet Is 05

If there are any problems with the transmission of this document, Please call Carolyn Palmer Miller, 202/408-1080.

Enclosed please find 2 pieces I think you may find of interest.

The first shows that under the Senate bill only 23 percent of poor households would receive an offset to the energy tax. Under the House bill, the figures would be 90 percent.

The second piece shows that if an entitlement control mechanism is enacted that has no inflation adjustment — such as the provision in the House bill — the entitlement target would be exceeded by between $20-30 billion in fiscal year 1996 if the inflation forecast of Wharton Econometrics proves correct.

CENTER ON BUDGET AND POLICY PRIORITIES

CONFERENCE REPORT WILL TAX POOR HOUSEHOLDS DEEPER INTO POVERTY IF NOT CAREFULLY DESIGNED

It seems very likely that the conference report on the reconciliation bill will include an energy tax of some sort. If the conference report is not carefully designed, it will tax millions of poor households somewhat deeper into poverty because they will receive no offset to the higher energy taxes they will pay.

The Administration's budget addressed this issue squarely. To offset the energy tax, it included a three-part offset: an EITC expansion that included coverage of poor workers without children; an increase in food stamp benefits; and an increase in funding for the low-income energy assistance program. Nearly all poor households would have received an offset to their new energy taxes.

The first casualty in the offset package was the low-income energy assistance increase; it has apparently died as a result of the decision made in passing the budget resolution to set total spending for discretionary programs about $55 billion below the levels in the Clinton budget over the next five years. In the Senate reconciliation bill, there were two more casualties — the EITC for childless workers was dropped, and no food stamp benefit improvements were included.

The results of the changes in the Senate bill are dramatic. Census data show that if every working poor family with children in the country received the EITC, the Senate EITC increase would reach just 23 percent of all poor households. *Some 77 percent of the poor households in the United States — more than three of every four — would not receive an offset to cushion them from the higher energy taxes they would pay.*

The House bill stands out in sharp contrast. Its inclusion of the proposed EITC for poor childless workers raises the proportion of poor households receiving an offset to a little over 40 percent. Its inclusion of food stamp benefit improvements further raises this proportion to approximately 90 percent.

Stated another way, in 1991 there were 15.5 million poor households. Under the Senate bill, about 3.8 million would receive the EITC, leaving 11.7 million poor households without an offset. These 11.7 million poor households would effectively be taxed deeper into poverty.

By contrast, under the House bill, about 14 million of the 15.5 million poor households would receive an offset.

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What if Childless Workers are Dropped from the EITC?

What would happen if a food stamp benefit increase is included but childless workers are dropped? A CBO analysis in 1990 found that an offset including an EITC limited to families with children and a food stamp benefit increase would cover about three-fourths of the poor households, but would miss about one-quarter. Close to four million poor households would receive no offset from the energy tax.

Such an outcome would be particularly troubling because poor workers without children have borne larger increases in their federal tax burdens since 1980 than any other group in the U.S. population. CBO data show that among the poorest fifth of non-elderly households without children, the proportion of income paid in federal taxes has risen 38 percent since 1980. These households now pay 15 percent of their meager incomes in federal taxes, double what the poorest fifth of families with children pay and five times what the poorest fifth of elderly households pay. Without an offset to the pending energy tax, the tax burdens of these poor workers without children will be raised still further.

A note on methodology:

This short analysis is based on Census data on the number of poor families with children that have earnings, the number of poor families without children that have earnings, the number of poor single individuals with earnings, the number of poor families and single individuals in total, and a 1990 CBO analysis that contains data on the proportion of poor households that would be reached by an offset that includes increases in EITC benefits for families with children and food stamp benefits.

July 16, 1993

CENTER ON BUDGET AND POLICY PRIORITIES

July 16, 1993

CBO's Low Inflation Estimates Could Force Entitlement Cuts If Entitlement Control Mechanism Does Not Include Inflation Adjustment

The entitlement control mechanism included in the House reconciliation bill would require Presidential and Congressional action if the level of entitlement spending, based on current economic and technical forecasts, was exceeded in the future. Unlike the caps on discretionary spending, there would be no adjustment if the actual or projected rate of inflation exceeded the forecasts prepared by CBO in January 1993. Without this inflation adjustment, there is a strong likelihood that the entitlement targets will be exceeded in each of the next few years due to the low inflation estimates prepared by CBO earlier this year.

The CBO January 1993 forecast projected that the Consumer Price Index would rise 2.7 percent per year for each of the next four years. *This is the lowest inflation forecast CBO has issued since at least the mid-1970s and perhaps the lowest multi-year forecast ever issued.*

CBO itself apparently no longer believes this forecast; it reportedly plans to raise the inflation forecast when it revises its economic forecast this summer. (See the attached article from *Congress Daily*.) Wharton Econometrics currently projects that the Consumer Price Index will rise 3.4 percent in fiscal year 1994, 3.6 percent in fiscal year 1995, 3.9 percent in fiscal year 1996, 3.8 percent in fiscal year 1997, and 3.7 percent in fiscal year 1998.

The amounts by which entitlement spending could exceed projected levels because of overly optimistic inflation projections are substantial. For every percentage point that the inflation rate exceeds CBO's projected 2.7 percent, entitlement spending — excluding deposit insurance — will increase approximately $8 billion in FY 1994 and slightly more each subsequent year. If the inflation rate remains at levels higher than 2.7 percent for more than one year, as now seems likely, entitlement spending will grow by cumulatively larger amounts.

In fact, *if inflation follows the course projected by Wharton Econometrics, the entitlement targets would be exceeded by $20 to $30 billion by fiscal year 1996.*

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Robert Greenstein, Executive Director ★ Loring Henderson, Deputy Director

ROUTE TO

NATIONAL JOURNAL'S
CongressDaily
Pg. 1 of 5 3:00 PM • Tuesday, June 8, 1993

ECONOMY

CBO Projects Slightly Slower Growth, Higher Inflation

In preliminary economic projections it will provide to its advisory board this week, the CBO is forecasting slightly slower growth, slightly lower interest rates, slightly higher inflation and slightly lower unemployment rates than it forecast in January, according to figures obtained today by *CongressDaily*. The new CBO projections, which are subject to revision before being released this summer, call for continued modest economic growth of 2.7 percent this year, 2.8 percent in 1994 and 2.7 percent in 1995. In January, the CBO's publicly released growth forecast called for 2.8 percent this year, 3 percent in 1994 and 2.9 percent in 1995. The new, preliminary CBO numbers also project 3.3 percent inflation this year, 3 percent in 1994 and 3.1 percent in 1995. In January, the CBO projected inflation rates of 3 percent this year and 2.7 percent in both 1994 and 1995.

In January, the CBO projected that the interest rate for three-month Treasury bills would average 3.1 percent this year, 3.7 percent in 1994 and 4.4 percent in 1995. But the new short-term interest rate projections call for lower rates and a slower rate of increase: 3 percent this year, a 3.4 percent rate in 1994 and a 3.8 percent rate in 1995. On unemployment, the CBO in January forecast a jobless rate of 7.1 percent this year, 6.6 percent next year and 6.2 percent in 1995. The new projections have those rates falling a bit: 6.9 percent this year, 6.4 percent in 1994 and 6 percent in 1995.

The CBO numbers also show quarterly calendar year projections not normally released publicly. For 1993, growth in the first quarter was 0.9 percent and is projected to be 3 percent in each of the next two quarters and 2.8 percent in the fourth quarter. The CBO projects growth to remain steady at 2.7 percent in seven of the eight quarters of 1994 and 1995; in the first quarter of 1995, it is projected to be 2.8 percent. Inflation was 3.8 percent in the first quarter this year and the CBO projects it will be 3.4 percent, 2.8 percent and 3 percent for the next three quarters. In 1994, the CBO projects inflation for the four quarters at 3 percent, 2.9 percent, 3.3 percent and 3.1 percent. And in 1995, the CBO says inflation will be 2.9 percent in each of the first two quarters, rising to 3.3 percent and falling to 3.1 percent.

Interest on three-month Treasury bills is projected to stay at 3 or 3.1 percent this year, rising to 3.6 percent by the end of 1994 and rising again in 1995, from 3.7 percent in the first quarter and going up 0.1 percent in each of the next three quarters to 4 percent at year's end. And the jobless rate, which was 7 percent in the first quarter of this year, is projected to fall to 6.8 percent by the fourth quarter this year and continue dropping to 6.2 percent by the fourth quarter of 1994 and to 5.9 percent by the end of 1995.

BUDGET

Cochran Says Clinton Btu-Tax May Be Dead ...

The Clinton administration has reduced the size of its proposed energy tax and may have dropped the whole idea of a Btu tax, according to one Senate GOP leader present at this morning's bipartisan congressional leadership meeting at the White House. President Clinton and his Democratic allies have avoided the phrase "Btu tax" for several days. Clinton said this morning: "I don't want to get into the name game here. I'm interested in the principles of the

CENTER ON BUDGET
AND POLICY PRIORITIES

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ENTITLEMENT CONTROL MECHANISMS AND THE RECONCILIATION CONFERENCE

A critically important issue in the reconciliation conference concerns entitlement control mechanisms. A provision proposed on the Senate floor by Senator Sasser, with the support of the Senate Democratic leadership, is very similar to the entitlement control provision approved by the House. The Sasser provision does, however, contain two very important improvements. It adjusts the entitlement targets if inflation proves higher or lower than forecast. It also provides a one percent margin of error — that is, it triggers action if the entitlement target is exceeded by at least one percent. The House version triggers action if the target is exceeded by one-half of one percent.

The Sasser proposal was supported on the Senate floor by every Senate Democrat present except Richard Shelby. (Patty Murray was sick and did not vote.) This provision is not in the Senate bill because 60 votes were required for its inclusion; it received 54 votes. The Senate proposal is expected to be "on the table" in conference.

It should be. The differences on inflation adjustments and the margin of error may sound technical, but they have profound implications for the White House. They could even affect the President's reelection prospects.

Under the House version, it is very likely that the entitlement target will be breached, perhaps several times over the next three years. When this occurs, Republicans can be expected to seize on the breach of the entitlement targets as evidence the Administration is mismanaging government spending. Furthermore, when the target is breached, the President may find himself in the difficult situation of either having to propose new cuts in popular entitlements, possibly in an election year, or trying to explain why he isn't taking action to offset a breach and thereby inviting sharp attack from both Ross Perot and the Republicans.

Why is a breach of the targets so likely under the House version? Because the House provision locks in the CBO economic assumptions reflected in the budget resolution, including the assumption that inflation will be *only 2.7 percent per year* for each of the next four years. This is one of the lowest, if not the lowest, multi-year inflation forecasts CBO has ever issued. CBO itself apparently no longer believes this forecast; it plans to raise the inflation forecast when it revises its economic forecast this summer. (See attached article from *Congress Daily*.)

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When inflation is higher than forecast, entitlement costs increase, due in no small part to the effects of inflation on cost-of-living adjustments in Social Security and other indexed programs. *But this does not mean the deficit rises.* CBO and OMB analyses have shown that when inflation increases, revenues also rise, with the result that there is little change in the deficit.[1]

For this reason — i.e., that a higher-than-expected inflation rate does not materially affect the deficit — all previous entitlement cap proposals have provided for a full inflation adjustment. The Bush Administration proposal designed by Richard Darman had a full inflation adjustment. So did the Boren entitlement cap proposal and the Nunn-Domenici proposal. So also did the entitlement cap proposal included in the Dole budget plan offered on the Senate floor. Only the House version lacks such an adjustment.

Indeed, the entitlement control proposal originally designed by Rep. John Spratt had an inflation adjustment. It was removed at the behest of Rep. Charles Stenholm. Furthermore, the discretionary caps established in the 1990 budget agreement — and extended in the pending reconciliation bill — have an inflation adjustment. It seems bizarre to deny for entitlements an adjustment made for discretionary programs.

The entitlement control proposal offered by the Senate Democrats on the Senate floor contained language to make precisely the same inflation adjustment in the entitlement targets as is made in the discretionary caps. In some years, this has resulted in the discretionary caps being adjusted downward; in other years, the caps have been adjusted upward. In the next several years, the adjustments would very likely be upward adjustments, because the 2.7 percent per year inflation forecast reflected in the budget resolution is expected to be too low.

It is important for the White House that an inflation adjustment be included in the final entitlement control provision emerging from conference. Otherwise, the President may find himself in an untenable position. Without such an adjustment, higher-than-expected inflation is likely to cause a breach of the targets.[2] Such a breach would be likely in 1996, among other years. If this occurs, the program contributing most to the breach would be Social Security. The President will

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1 See Office of Management and Budget, *Budget Baselines, Historical Data and Alternatives for the Future*, January 1993, pp. 158-161, and Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1994-1998*, January 1993, pp. 110-112.

2 Of course, a breach in the targets could also be caused by other factors. The most likely factor to cause a breach would be greater-than-forecast cost increases in Medicare and Medicaid. CBO and OMB have generally underestimated Medicare and Medicaid cost increases in recent years.

probably not wish to cut Social Security. But if he proposes to cut other entitlement benefits to make up for the amount that Social Security has contributed to the breach, constituencies of the other programs will howl. If the President proposes not to take action to offset the breach, the Republicans and Ross Perot will pounce.

The President doesn't need this. It is especially unjustifiable since higher-than-expected inflation has little impact on the deficit.

A related issue is whether the requirement to act should be triggered if the entitlement target is breached by one percent (as in the Senate leadership proposal) or by one-half percent (as in the House bill). The one-half percent margin of error is too small. It amounts to about $4 billion. The margin of error in the original Gramm-Rudman-Hollings bill was $10 billion, and the Budget Enforcement Act of 1990 raised this to $15 billion.

The President is likely to be placed in a politically difficult situation any time that action is required because of a breach of the target. He may have to propose cuts he does not favor. Or, he may be forced to accept a slowdown, just before the election, in the phase-in of universal access to health care. A one percent margin of error lessens the chances such events will occur.

A one percent margin of error is highly defensible; with it, an overage of as little as one percent triggers action. An overage that equals just a fraction of one percent can be considered *de minimis*. Moreover, if entitlement costs exceed the entitlement target by less than one percent — or less than about $8 billion — the impact on the $6 trillion U.S. economy will be negligible.

Both the inflation adjustment and the one percent margin of error were considered during the House negotiations on this issue conducted just prior to consideration of the reconciliation bill on the House floor. These proposals were opposed by Rep. Stenholm. Rep. Stenholm's principal objection to the House package, however, was that the overall package had a substantial energy tax and, in his view, insufficient spending cuts. If the final package has a smaller energy tax and more entitlement cuts than the House version, as it inevitably will, it ought to be possible to secure these modest and crucial modifications in the entitlement cap proposal. These modifications also will help with the Black Caucus and with liberals such as Henry Waxman, who may be unhappy over the additional Medicare reductions.

July 6, 1993

A14 MONDAY, JULY 12, 1993 THE WA

The Washington Post

AN INDEPENDENT NEWSPAPER

Those Entitlements

A MAJOR ISSUE in conference on the reconciliation bill will be whether to impose a spending cap on otherwise open-ended entitlements. The House legislation would do so; the Senate version would not. Our own sense is that it is a bad idea. In the past it has mainly been a dodge—a way of going on record in favor of spending cuts in the abstract without having to specify which spending; the showy proposals have also been unworkable. If the conferees nonetheless have to include a cap to obtain the votes they need, they should do it carefully.

Entitlements are an artificial target. The label lumps together programs from military retirement to farm price supports whose only common characteristic is that they are exempt from the annual appropriations process. Contrary to their reputation as the kudzu of the budget, most such programs have been well behaved in recent years. The exceptions, and great offenders, have been the giant health care programs, Medicare and Medicaid. They and Social Security, the stately largest entitlement, are the principal reasons that entitlements now consume so alarming a share of the budget.

The likely effect of a cap and no more would be either (1) to put great pressure on other entitlements, including particularly those that aid the poor, in order to compensate for health care costs, and/or (2) to cut the health care programs outside the context of broader health care reform. The latter alternative would not eliminate health care costs, but simply shift them from the federal government to other payers such as the states and the privately insured.

The right way to bring these costs under control is through systemic reform, as the president is gearing up to propose. If Congress is nonetheless determined to impose caps now:

1. They should be adjusted for population (Social Security costs, for example, depend in part on how many people reach retirement age each year) and should float with the economy. That means adjusting them upward if the inflation rate proves higher than anticipated or if the economy is weaker and more people are driven onto the unemployment insurance and food stamps rolls. The very purpose of these countercyclical programs is to increase support in times of need. Surely the entitlement cutters don't want to stop that. The House bill is pretty good on all these factors but inflation.

2. If costs exceed the adjusted caps in any year, it's fair enough to require that Congress step in. The rules should not allow it to look the other way, as it did when Medicaid costs exploded in recent years. But Congress should be free to respond by raising taxes, cutting spending or signing its name to the higher deficit, however it chooses. The rules should force an explicit response, not try to dictate which kind.

3. There are tax as well as spending entitlements; the system should force attention to both. The government helps to pay the medical bills of the elderly and poor through Medicare and Medicaid. It also helps to pay the health insurance premiums of the working population through the tax code. Employer-paid health insurance premiums are excluded from employee income for tax purposes, at a current annual cost to the Treasury of $43 billion. If the goal is to get at the deficit by putting a lid on entitlements, why not also these? Or is that not quite the goal, and do only some entitlements count?

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Talking Points

on Republican Budget Proposals:

"A Broken Contract with American Families and Their Parents"

May 10, 1995

INTRODUCTION

- As you all know, Republicans made a big promise:

  They promised to balance the budget without hurting anyone and without raising taxes -- **while giving a huge tax cut to the wealthy.**

- Guess what? They broke their promise.

  -- In terms of cuts that will hurt people:

  - The strongest evidence of the severe pain they would impose are their deep cuts in Medicare and Medicaid.

  - They would cut discretionary programs -- from education to science and technology -- an average 30 percent across the board. They also have announced proposals to terminate specific programs, such as Americorps, that are important investments in the future.

  - To find the remaining savings, Republicans also plan to make deep cuts in such other entitlements as veterans' and farm programs.

  -- In terms of tax increases.

  - Republicans are proposing to raise taxes on millions of working families.

- Why are they doing all this?

  -- They want to finance a tax cut for the wealthy at the expense of average families.

  - House Republicans have adopted a huge tax cut as part of their budget program.

  - House Speaker Newt Gingrich has called the tax cut "the crown jewel of the Republican contract."

- Senate Republican leaders -- Bob Dole, Trent Lott, and others -- and Sen. Phil Gramm are committed to a tax cut and say they will push for one on the Senate floor.

- We believe that there is a right way, and a wrong way, to do deficit reduction.

-- In 1993, on our own, we did it the right way:

- We reduced the deficit by cutting unnecessary programs, but also invested in programs that will help working families build a more prosperous future.

-- Now, they want to do it the wrong way:

- They want to cut programs for working families and their parents, in order to fund a tax cut for the wealthy.

Medicare and the Budget

- House Speaker Newt Gingrich wants to treat Medicare apart from the budget, but that statement is meaningless and the promise is a lie.

- Late last month, he said,

> "What we want to do is create an environment over the next three or four months where, standing by itself, there is a bill to save Medicare. That bill moves focused on Medicare. It has Medicare-related ideas. **It's not tied up in the budget. It's not tied into getting to balance by 2002."**

- Medicare is a federal program just like any other.

- And Republican plans rely heavily on it to get to balance.

  -- Domenici's Medicare cut is the largest single cut in any one program.

  -- Republicans need to cut Medicare to pay for their tax cut for the wealthy.

  -- And more than half of the savings that Domenici claims comes from cutting Medicare and Medicaid.

Limits to **Medicare/Medicaid Growth Rates**

- Republicans imply that Medicare and Medicaid are growing out of control, but in fact they are growing at the same per-person rate as private health plans.

- Republicans are proposing to force Medicare spending down, but to ignore health reform in general.

- In effect, they are proposing to make Medicare a "second class" health care system -- it would provide low-quality care and restricted access.

  -- These are cuts that will affect <u>your own parents and grandparents,</u> whether they now get Medicare or they eventually need the long-term care provided by Medicaid.

- Specifically, Medicare and Medicaid spending are rising 9-10 percent a year because of increases in the numbers of beneficiaries and the costs of medical services, including improvements in technology and care.

-- While that may seem high, on a per-person basis, Medicare spending is projected to grow at about the same rate as private health insurance costs.

• Thus, limiting the rate of growth of <u>total</u> (not per-person) Medicare and Medicaid spending to 7.1 percent, as Sen. Domenici proposes, is a real cut with real consequences.

-- It could mean limits on the numbers of elderly or low-income individuals served.

-- It could mean limits on the quality and quantity of services that the programs provide.

-- It could mean that the elderly and low-income have to pay more, themselves, for some of the services that they now receive.

-- These "savings" could be passed on to businesses and individuals who buy health insurance and health care services.

• In short, reducing Medicare's rate of growth would hold it below the growth in the private sector -- creating a growing "quality gap" between care for seniors and health services for others.

Medicare/Medicaid cuts

Medicare Cuts:

• If distributed evenly between providers and beneficiaries, the Republican Medicare cuts could force beneficiaries to pay:

-- between $747 and $980 more in out-of-pocket costs in 2002; and

-- between $3,200 and $3,700 more in out-of-pocket costs over 7 years.

• Republican Medicare cuts, in effect, amount to cuts in Social Security:

-- By 2002, the typical Medicare beneficiary would see 40-50 percent of his or her Social Security COLA eaten up by increases in Medicare cost sharing and premiums.

-- About 2 million beneficiaries would have 100 percent or more of the COLAs eaten up by increases in cost sharing and premiums.

Medicaid Cuts:

• Cuts in Medicaid are especially outrageous:

-- Medicaid provides health insurance for the most vulnerable Americans.

• 2/3 of Medicaid costs go to the indigent elderly and disabled, who have no other available resources.

-- Medicaid is also a vital protection for middle-income Americans.

• Working families with a parent who needs long-term care would face nursing home bills of an average of $38,000 a year without Medicaid.

• Working couples who may need long-term care after retirement rely on Medicaid to get such care.

-- If distributed evenly between eliminating eligibility for the elderly and disabled, eliminating eligibility for children, cutting services, and cutting provider payments, Republican cuts in 2002 alone would mean:

- 7 million children would lose coverage;

- 1 million elderly and disabled would lose coverage; and

- Tens of millions of Americans would lose important benefits, such as home care, hospice, and preventive screening services for children.

- Provider payments would be reduced by almost $13 billion.

Managed Care and Savings

- Republicans claim that they can produce significant savings by giving beneficiaries more managed care choices simply are not true.

  -- As CBO reported recently, achieving savings in Medicare without financial coercion would actually reduce managed care enrollment.

  -- So, to get both more beneficiaries in managed care and large savings for Medicare, some form of coercion -- such as making it more expensive for beneficiaries to stay in Medicare fee-for-service -- would be needed.

Impact on Providers

- Large reductions in Medicare payments would have a devastating effect on a significant number of urban safety-net hospitals.

  - For large urban public hospitals, which are heavily used by Medicaid and self-pay patients, Medicare is an important source of adequate payment. According to the 1994 Special Report of the National Association of Public Hospitals, while Medicare in 1991 was the payer for only 11 percent of discharges in these institutions, it accounted for almost 20 percent of net operating revenues.

- Large reductions in Medicare payments could also endanger rural hospitals.

  - Nearly 10 million Medicare beneficiaries (25 percent of the total) live in rural America where there is often only a single hospital in their county. These rural hospitals tend to be small and to serve primarily Medicare patients.

  - Significant reductions in Medicare revenues will cause many of these hospitals, which already are in financial distress, to close or to turn to local taxpayers to increase what are often substantial local subsidies.

The Earned Income Tax Credit (EITC) and the Economic Implications of Republican Budget Plans

EITC:

• While Republicans cut Medicare and Medicaid to finance their tax cut for the wealthy, they also plan a tax increase on low-income, working families.

• Republican tax proposals reveal the sharpest possible distinction between the President's vision for America and that of Republicans.

-- The President wants to provide targeted tax relief for middle-income Americans who may not have shared in the economic recovery.

• He wants to help them raise their children, educate and train themselves and their children, and save for the future.

• Republicans want to cut taxes for the wealthy, and actually increase taxes on the very people who need and deserve it most.

• Republicans plan to raise $13 billion over five years by rolling back part of the President's 1993 expansion of the EITC, which would ensure that working Americans do not have to raise their families in poverty.

-- Most EITC recipients are doing the hardest job in America -- playing by the rules, working at modest wages to support their children.

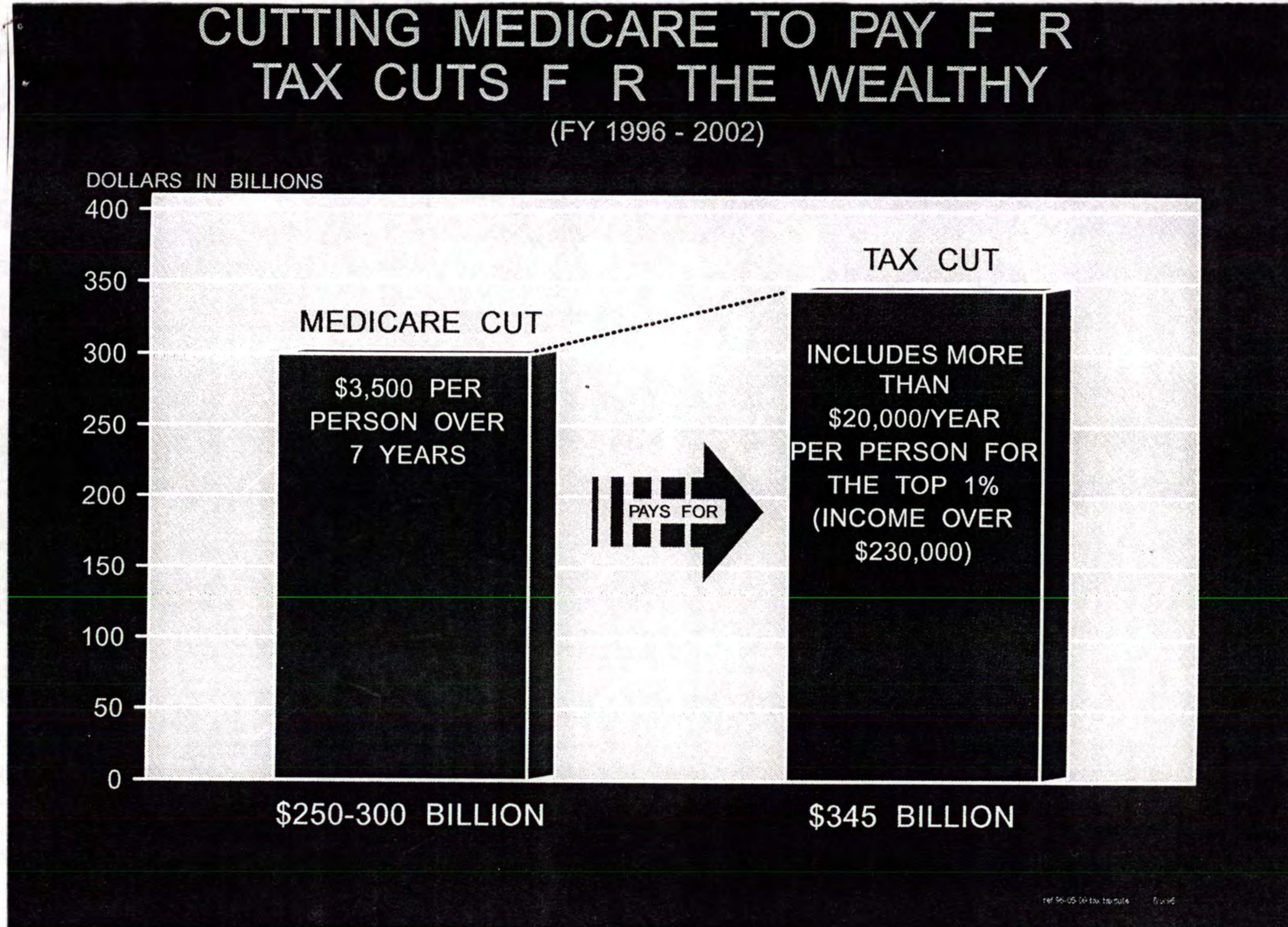
-- The 1993 law was designed to help those who are not benefiting from the current economic expansion.

-- The cut eliminates the EITC entirely to families without children.

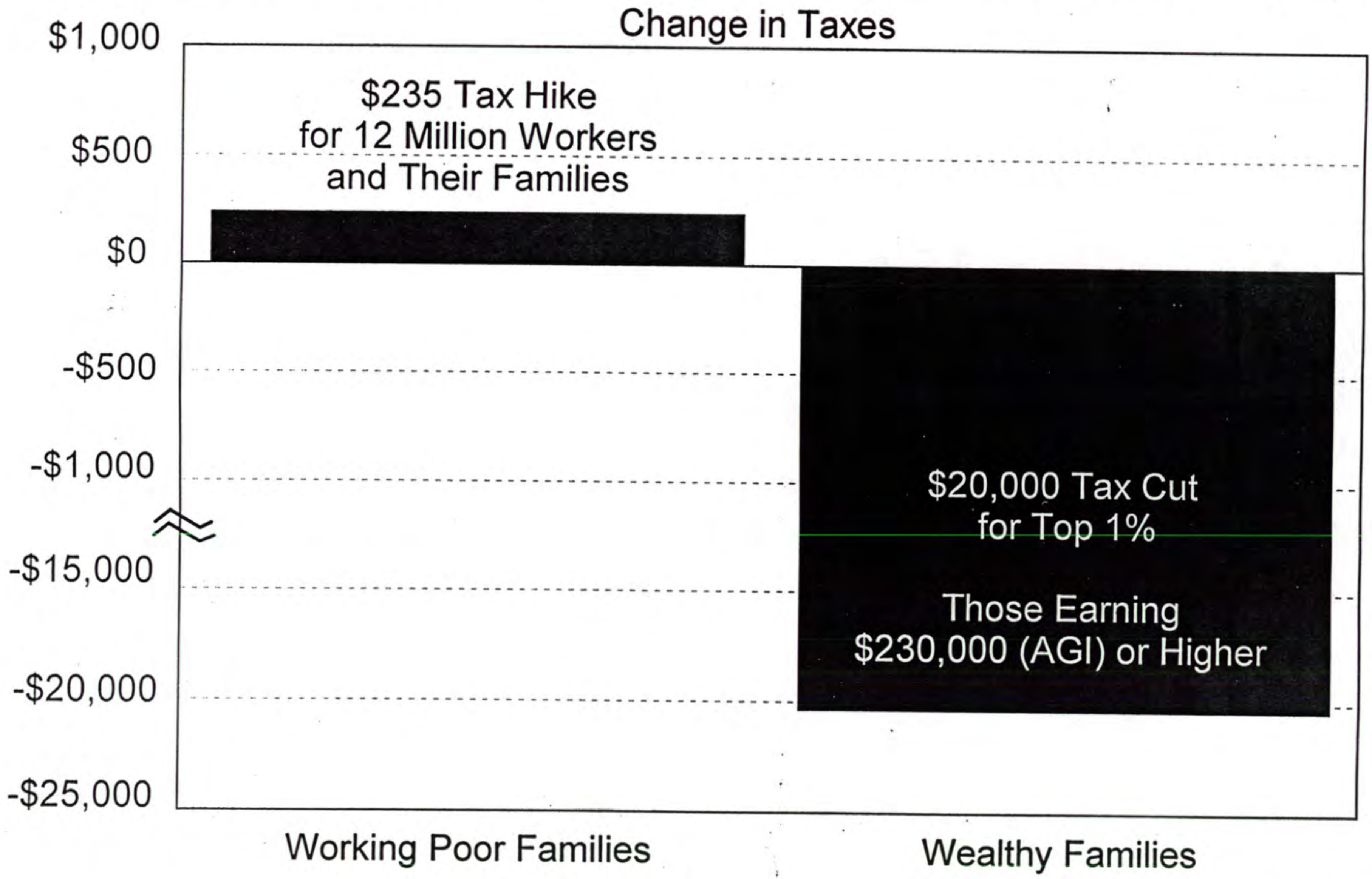
-- Freezing the proposed EITC expansions could cost millions of moderate-income families with children up to $350 a year in added taxes.

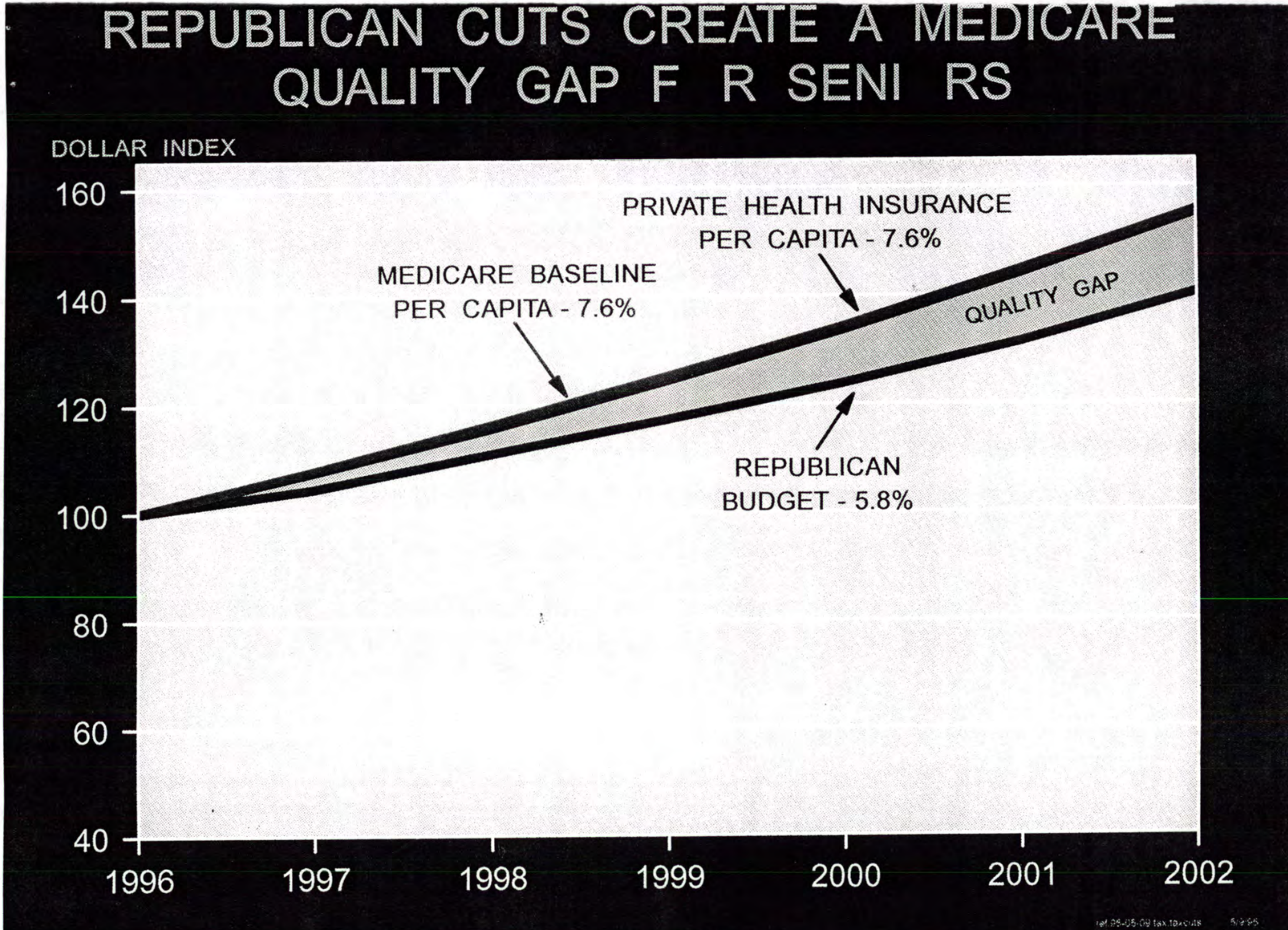
Economic Implications of Republican Budget Plans:

(to be provided by Laura Tyson)


CUTTING MEDICARE TO PAY F R
TAX CUTS F R THE WEALTHY
(FY 1996 - 2002)
DOLLARS IN BILLIONS
400
350
300
250
200
150
100
50
0
MEDICARE CUT
$3,500 PER PERSON OVER 7 YEARS
PAYS FOR
TAX CUT
INCLUDES MORE THAN $20,000/YEAR PER PERSON FOR THE TOP 1% (INCOME OVER $230,000)
$250-300 BILLION
$345 BILLION

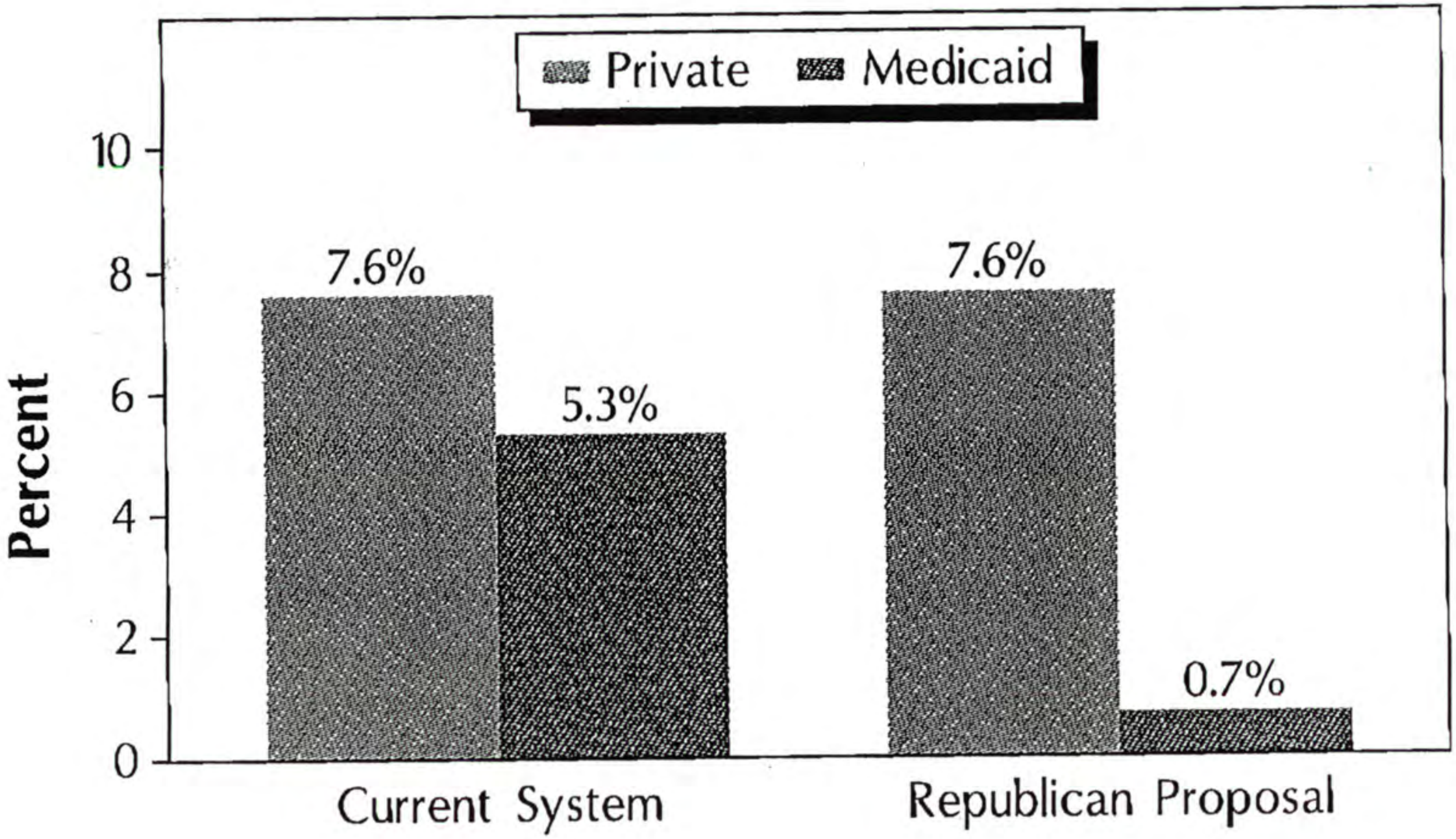
Republicans Cut Taxes for the Wealthy; Raise Taxes on Working Poor Families




REPUBLICAN CUTS CREATE A MEDICARE
QUALITY GAP F R SENI RS
DOLLAR INDEX
160
140
120
100
80
60
40
1996
1997
1998
1999
2000
2001
2002
PRIVATE HEALTH INSURANCE
PER CAPITA - 7.6%
MEDICARE BASELINE
PER CAPITA - 7.6%
QUALITY GAP
REPUBLICAN
BUDGET - 5.8%

Per Capita Growth Rates

Private and Medicaid, 1996-2002



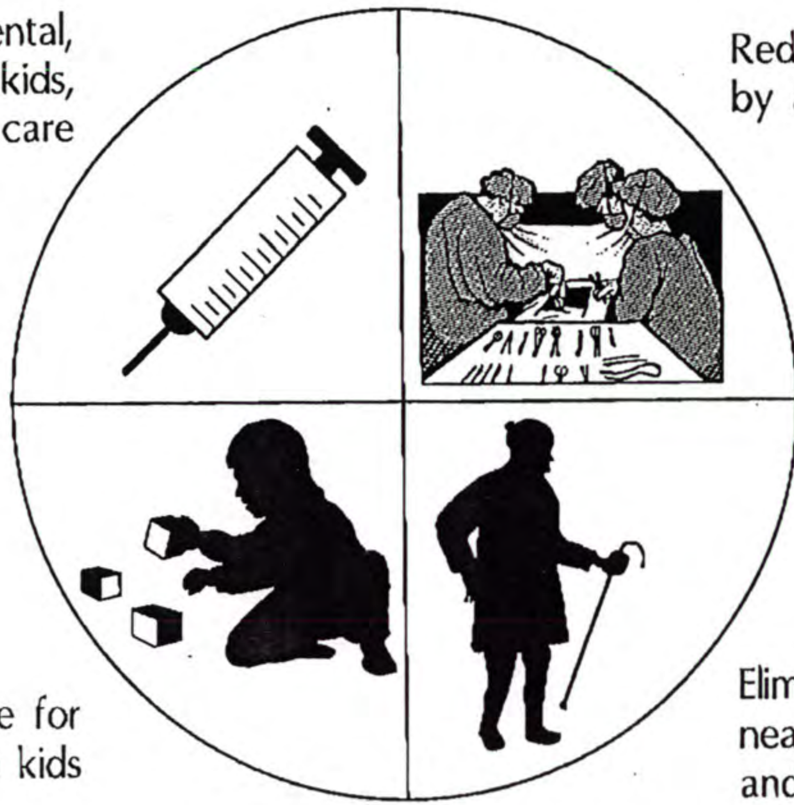
SOURCE: Administration baseline, calendar years

Medicaid Cuts
That States Would Be Forced to Make

2002

Eliminate coverage for dental, screening services for kids, and hospice and home care

Reduce provider payments by almost $13 billion

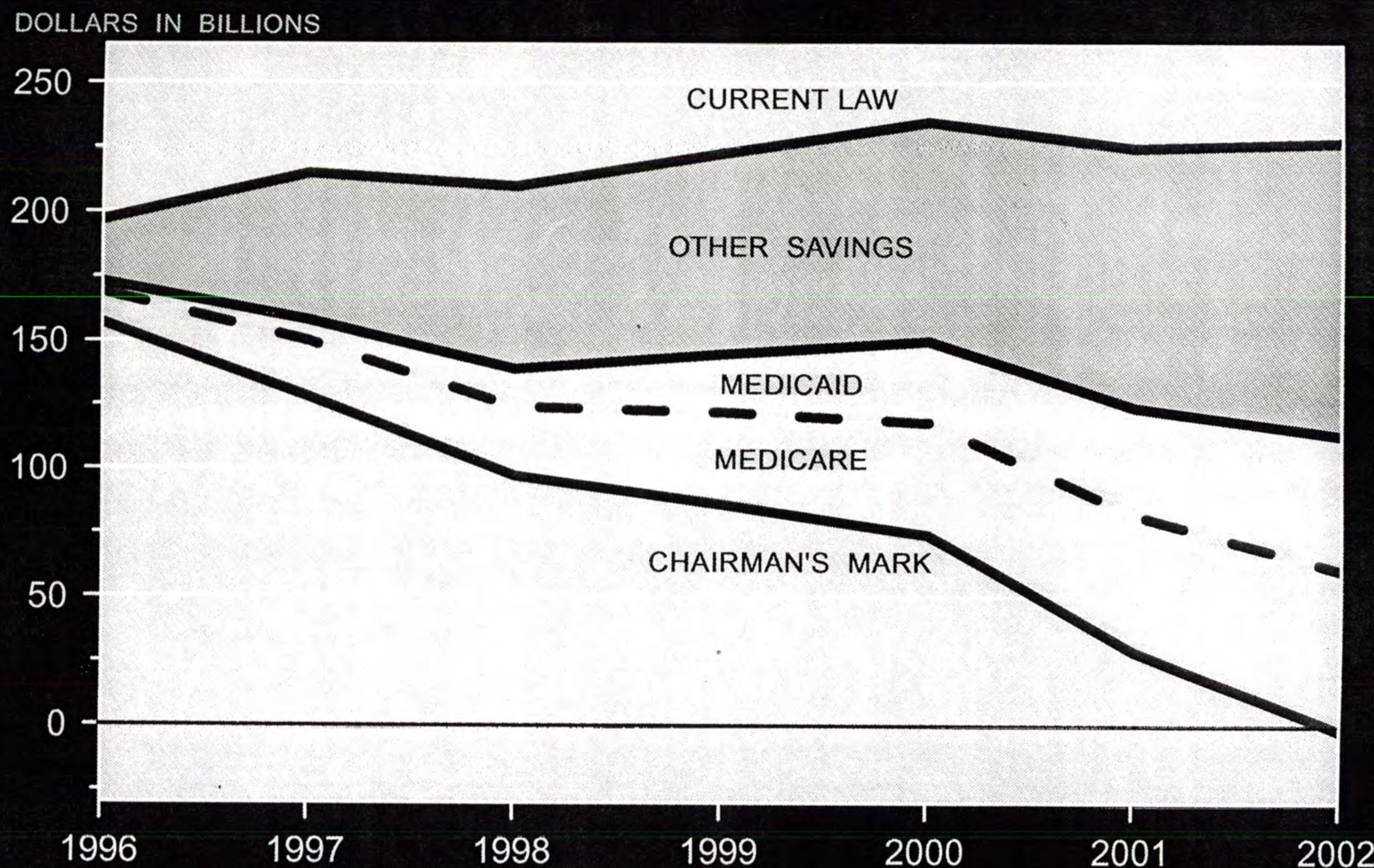


Eliminate coverage for 7 million kids

Eliminate coverage for nearly one million elderly and persons with disabilities

NOTE: Assuming 25% cut in each of these categories.

MOST OF PROGRAMMATIC SAVINGS COME FROM MEDICARE / MEDICAID



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December 12, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Eric Liu

SUBJECT: State of the Union/Budget Ideas

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

EDUCATION

A. Smaller Classes, Smaller Schools

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

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

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

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

B. Turning Around Failing Schools

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

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

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

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

C. Teacher Quality And Performance

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

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

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

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

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

D. Distance Learning, Higher Standards

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

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

CHILD CARE

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

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

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

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

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

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

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

CRIME

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

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

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

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

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

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

WELFARE AND WORK

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

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

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

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

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

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

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

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

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

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

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

PHILANTHROPY, FAITH AND SERVICE

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

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

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

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

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

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

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

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

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

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

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

WORK, FAMILY AND CHILDREN

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

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

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

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

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

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

IMMIGRATION AND CIVIL RIGHTS

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

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

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

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

TOBACCO

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

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

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

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

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

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

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

OTHER POLICY INITIATIVES

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

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

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

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

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

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

budget 2001 file

ISSUES MEETING FOLLOW UP

I. State of the Union and Budget Rollout Priorities

Rollout Events with POTUS
- Teacher Quality Initiative
- Health Insurance Coverage Initiative/CHIP
- Privacy

HRC Solo Events in DC
- Charitable Giving Incentive through Deductions for Non-Itemizers [remember "It Takes a Village" money]

Same-Day Release OR Night-Before Leak and Amplification Events
- Infectious Disease Surveillance Initiative [Westchester]
- Environmental Evaluation of Cancer Causes Initiatives [Long Island]
- Equal Pay Initiative [Buffalo and/or Westchester]
- Child Care Initiative [Buffalo and/or Westchester]
- Youth Initiative [Youth Town Meeting or Hobart-Smith College]
- Food Safety
- Family Planning Budget Increase [for possible 1/11 meeting with groups]
- Small Schools Initiative [1/25 Superintendents Conference]
- Agriculture

Other Amplification
- Hispanic Agenda Budget Increase [T- vetting]
- Children's Hospitals Budget Increase [phone calls to key advocates]

II. Policy and Events to Continue to Follow in DC/Develop Accomplishments

- * Child Care: Meetings with advocates and calls to Members of Congress
- * Adoption and Foster Care: Follow-up. HRC wants meetings with NY kids
- Youth Conference: HRC will do with or without the President [most likely before end of school year]; to include youth as well as experts; focus on many youth issues – positive and negative -- including service, mentoring, violence, etc.
- Prescription for Reading: HRC to do meeting to talk about specific ways to keep initiative alive; invite NY PFR to WH.
- District of Columbia: Keep working to help with Charter Schools, CHIP, Music Museum.
- Hispanic Education: HRC should do events at NY programs from Hispanic Convening
- * Character Education: possibly participate in Amitai Etzioni/Communitarian Network Conference
- Youth Violence
- + Immunizations and Vaccines
- + Domestic Violence
- Child Abuse
- Gulf War Syndrome

Budget events – WH proposals on issues she's worked hard.

Convenings

- Asthma, Epilepsy *
- Microcredit *
- FMLA
- Safe and Early Schools
- Guns
- Drugs
- Tobacco
- Arts Agenda *
- Alternative Schools [AA in Schools]
- Single Parent Scholarship Fund

file 2001 budget

December 3, 1999

MEMORANDUM FOR SYLVIA MATTHEWS

FROM: MELANNE VERVEER
NICOLE RABNER

SUBJECT: FY 2001 BUDGET PRIORITIES FOR OFL

Per our recent meeting, below please find the FY 2001 budget priorities for the First Lady's Office in the areas of (1) domestic policy; (2) international policy; and (3) culture. We did not include those items that will be considered as larger Presidential initiatives for the State of the Union, Thank you for letting us contribute to this deliberation process.

I. DOMESTIC POLICY

Child Care: Maintain strong Administration commitment to child care, focusing on securing $818 million of additional subsidy dollars to support child care for low-income families (shifting our request to the discretionary side). Additionally, we should maintain our commitment to child care quality through the proposed Early Learning Fund, greater tax relief for parents through the CDCTC and for businesses through our proposed business tax credit, 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 $150 - $200 million for FY 01).

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 to $100 million).

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 ($100 million for FY 01).

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.

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.

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.

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.

Widow Benefit: Lower poverty among elderly women by expanding the widow benefit for Social Security to 75 percent of the couples' benefit and providing a credit for up to five years spent raising children.

Philanthropy: We support consideration of 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

Support legis'n to strengthen and increasing funding for microentrp dev. thru USAID

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

UNICEF: Promote budget increase.

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).

National Endowment for the Humanities: Re-propose unsuccessful FY 2000 budget request of $150 million (NEH was funded at $116 million in the final FY 2000 budget).

~~**Institute of Museum and Library Services**. Maintain budget increase request for (to come). **MELANNE?**~~

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.)

Music Museum. Re-propose $3 million fund to support the creation of a National Music Museum in Washington, DC.

Melanne —
This came for us from Sylvia — I've marked up your copy ~~comments~~ w/ our priorities.
Nicole

Budgetary Resources for Selected Programs
(In millions of dollars)

12/10/99 4:53 PM

RMO	Program	FY 2000 Enacted	FY 2001 Passback	Notes
General Government & Finance				
	Fair Housing	44	48	
	Community Empowerment Fund	275	0	Passback was zero because the bulk of FY 2000 funding was for Members pet project earmarks.
	DOJ: Crime Data Sharing	130	125	Justice program that is part of livability.
	HUD Revitalization -Regional Connections	0	25	
	HUD Revitalization - Abandoned Buildings	0	0	
	HUD Revitalization - Community Development Corporations	n/a	n/a	RMO needs clarification on this item.
	HUD Revitalization - CDBGs	4,800	4,800	
	HUD Vouchers	387	575	100,000 new vouchers total: 32,000 Welfare to Work; 50,000 Fair Share; and 18,000 Homeless.
	COPS: Police Officers	913	1,275	$1,275 is the total for COPS. Amounts for police hiring grants are still being developed
	COPS: Community Prosecution	10	200	Passback for COPS = $1,275, which, in 2000, included $200 million for Community Prosecutors
	Drug Testing for Probationers, Parolees and Releases	0	75	
	Zero Tolerance For Drugs (Includes Drug Testing)	103	190	
	Computer Crimes Training	2	n/a	RMO needs clarification on this item.
	Computer Crimes & Intell. Prop.	4	n/a	RMO needs clarification on this item.
	FBI Instant Check System (Brady Background Checks)	68	70	Proposed to be funded through a fee.
	US Attorneys/Firearms Prosecs.	0	41	amount for firearms prosecution not specified
	Civil Rights (Including ADA enforcement and hate crimes)	82	95	
	Civil Division/Tobacco Litigation	0	15	Either in DOJ of HHS, to be determined.
	Anti-Trust(PackerConcentr.-Ag)	110	134	
	SCAAP	585	500	
	DOJ/DOI: Tribal Law Enforcement Project	233	293	DOJ: $136; DOI: $157.
	SBA	877	834	
	ATP	143	166	
	TIIAP (renamed TOP)	16	20	
	E-Commerce (SBA & DOC)	7	27	
	Digital Divide (EDA)	0	0	
	Salmon Recovery (NOAA Fund & ESA)	126	215	
	NOAA: Globe	3	3	
	Empowerment Zones	70	150 mandate.	$70 includes $55 urban and $15 rural; Passback includes $150 urban only.
	EEOC	282	312	

Budgetary Resources for Selected Programs
(In millions of dollars)

12/10/99 4:53 PM

RMO	Program	FY 2000 Enacted	FY 2001 Passback	Notes
	Commerce: Public Broadcasting Digital Conversion	27	110	
	Corporation for Public Broadcasting: Digital Conversion	10	20	
	Public Safety Wireless Network	3	4	Part of $55 in funding from analog fee.
	Crime Mapping Technology	0	10	
	Public Safety Information Partnership	n/a	n/a	RMO cannot identify this item.
	INS Speedier Border Crossings	0	10	
	FAA	10,044	10,658	
	GPS - Civil	0	88	To be requested in DOD budget.
	Explosion Detection Equipment	100	100	
	Total TEA-21 Reallocations	15	806	
	Highway Research	0	164	Included above in TEA-21 Reallocations.
	Job Access	0	50	Included above in TEA-21 Reallocations.
	TCSPP	0	25	Included above in TEA-21 Reallocations.
	NDGPS	5	19	Included above in TEA-21 Reallocations.
	Positive Train Control	10	10	Included above in TEA-21 Reallocations.
	Trade Corridor/Border Crossing	0	140	Included above in TEA-21 Reallocations.
	FHWA Emergency Relief	0	398	Included above in TEA-21 Reallocations.
	Flight 2000 (has been renamed as Safe Flight 21)	16	20	
	Transportation (Proposal for flexible funding of alternative transportation initiatives)	n/a	n/a	RMO cannot identify this item.
	ATF Firearms Enforcement	64	98	
	Counter-Terrorism Initiative	0	25	
	Customer Satisfaction Survey (GSA & Treasury)	n/a	n/a	RMO cannot identify this item.
	Training Technology Innovation Fund (GSA)	0	0	The RMO assumes this item refers to the Innovation Fund Federal Technology Service program which has zero funding for both FY 2000 and FY 2001 Passback.
	Federal Information Gateway	0.1	0.6	Innovation fund in Federal Technology Service.
	International Trade Data System	5	5	Funded through Customs user fee.
	Customs Automated Commercial Environment	0	137	Funded through Customs user fee.
	Legal Services	305	340	
	Naturalization/Citizenship Services	124	0	No appropriation. Establish backing reduction
	New Markets Initiative	37	37	HUD portion only, does not include $64 for SBA.
	USDA: Farm Labor Housing Loan Program (Loans)	25	30	Figures shown are direct loan levels.
	USDA: Farm Labor Housing Grant Program	13	15	

Budgetary Resources for Selected Programs
(In millions of dollars)

12/10/99 4:53 PM

RMO	Program	FY 2000 Enacted	FY 2001 Passback	Notes
	PRIME Act -- technological assistance for micro-entrepreneurs	0	7	
	INS Restructuring/Late Amnesty	0	0	
	ONDCP: US Olympic Committee anti-doping Efforts	3	0	In ONDCP's appeal letter it requests 6.3 m for anti-doping efforts.
Natural Resources, Energy and Science				
	Community/Federal Information Partnership	2	32	$30 million increase under the Lands Legacy Initiative.
	Brownfields	90	91	
	Indian Housing	620	630	
	Globe: Multi-agency, Multi-Committee Total	11	11	Includes NOAA, NASA, EPA, NSF.
	NASA Space Station	2,319	2,111	
	NASA Aviation Safety	127	134	
	NASA: Triana	35	2	Development complete in FY 2000; launch in FY 2001.
	NASA: USGCRP	1,193	1,152	
	USGCRP: Multi-agency, Multi-Committee Total	1,715	1,697	
	EPA: Clean Water	630	706	
	EPA: Climate Change	103	227	
	NSF Digital Library	13	17	
	Digitization, Total (Including NSF Library)	13	22	Includes NSF, Smithsonian, and Park Service.
	Smithsonian	438	458	FY 2000 enacted includes 0.38% rescission.
	Lands Legacy:	652	962	
	Federal	446	441	
	State	40	150	
	CFIP	2	32	
	Other Livability	n/a	n/a	RMO cannot identify this item.
	Climate Change (CCTI): Energy Conservation	577	819	
	Climate Change (CCTI0: Multi-agency/Multi-Committee Total	1,099	1,348	Includes DOE, USDA, EPA, HUD, and DOC.
	Clean Water Action Program	1,800	2,065	Discretionary total includes EPA, USDA, DOI, NOAA, and Corps of Engineers.
	Clean Air Partnership Fund (CAPF)	0	100	
	Endangered Species Act	153	190	Includes DOI and NOAA.
	PNGV: DOE Conservation	134	143	
	PNGV: Multi-agency, Multi-Committee Total	227	259	Includes DOE, NSF, EPA, DOC, and DOT.
	DOE: 21st Cent. Truck Initiative	n/a	n/a	Numbers still under development.
	21st C. Truck Init: Multi-agency, Multi-Committee Total	n/a	n/a	Numbers still under development.

Budgetary Resources for Selected Programs
(In millions of dollars)

12/10/99 4:53 PM

RMO	Program	FY 2000 Enacted	FY 2001 Passback	Notes
	Bureau of Indian Affairs	1,873	1,949	
	Interior: GDIN	0	0	
	GDIN, total	0	7	DOI: $0; NOAA: $2; FEMA $5.
	Information Technology (IT): Includes Next Generation Internet and IT2	1,731	2,109	
	Solar and Renewables	315	365	
	Spallation Neutron Source	118	281	
	Army Corps: Chickamauga Lock	3	2	
	Paducah and Portsmouth	110	155	Includes non-allocated funds for all three GDPs.
	Reform Freedom to Farm	n/a	n/a	Mandatory, no Passback yet.
	WIC	4,005	4,100	
	USDA: Food Safety	135	162	
	Food Safety: Multi-agency, Multi-Committee Total	354	400	
	International Forests	4	5	
	Coops	n/a	n/a	RMO cannot identify this item.
	Carbon Cycle Initiative	n/a	n/a	Included in the Climate Change (CCTI0: Multi-agency/Multi-Committee Total
	ARS/CREES Integrated Science for Economic Challenges	1	n/a	RMO cannot identify this item.
	Market Concentration	117	n/a	RMO cannot identify this item.
	Business and Industry Loan Guarantees (Loan Level)	850	1,000	
	Expand Trade	140	n/a	RMO cannot identify this item.
	APHIS	441	497	
	Farmland Protection Program	0.25	20	
	Crop Insurance	n/a	n/a	Mandatory, no Passback yet.
	Farm Bill Reform	n/a	n/a	Mandatory, no Passback yet.
	Food Aid	1,400	n/a	Mandatory, no Passback yet.
	Ethanol	75	n/a	RMO cannot identify this item.
	Loan Rates	n/a	n/a	Mandatory, no Passback yet.
	Partnership for Change (Colonias)	5	n/a	RMO cannot identify this item.
	Research Fund for America (not including NIH)	22,133	22,900	
	Water Quality State Revolving Funds (EPA)	2,170	1,625	Cumulative SRF: $1,350; Drinking Water SRF: $825.
	Northwest Rural Economic Development (USDA, DOI, DOC)	n/a	n/a	OMB does not track this anymore. NW "Jobs in the Woods" numbers are contained below in NW Forrest Plan.
	Everglades	286	327	
	Cal-Fed	60	60	
	Great Lakes (EPA)	17	17	
	NW Forest Plan Implementation (USFS, BLM)	78	89	BLM: $47; USFS: $42.

Budgetary Resources for Selected Programs
(In millions of dollars)

12/10/99 4:53 PM

RMO	Program	FY 2000 Enacted	FY 2001 Passback	Notes
	Hispanic Education Partnership Grants (USDA)	3	4	
	NASA: Minority University Research and Education	54	46	FY 2000 enacted includes $8 in Congressional earmarks.
	HBCU Historic Preservation	11	8	
	NSF: HBCU-UP	10	8	FY 2000 enacted includes $2 in Congressional earmarks.
	NSF: Engineering Research Centers	60	57	
	NSF: Major Research Instrumentation Facilities	95	109	
	Ag: 1890s Payments	31	31	
	Ag: Smith-Lever 1890s Extension	27	27	
	Ag: 1890s Facilities Grants	12	12	
	Ag: 1890s Capacity Building Grants	9	10	

Health & Personnel

RMO	Program	FY 2000 Enacted	FY 2001 Passback	Notes
	Veterans Medical Care Programs	19,387	20,360	Does not include $600 for medical care collections.
	Other Veterans Programs	1,551	n/a	Passback is under development.
	Automation of Veterans Benefits	10	n/a	Passback is under development. Included in "Other Veterans Programs."
	FDA: Food Safety Initiative	188	203	
	FDA: Internet Drugs	0	1	
*	HRSA: Health Professions, Pediatric GME	40	40	we should push funding ↑ to $140
	HRSA: Health Professions, Health Careers Opportunities	28	28	
	HRSA: Health Professions, Centers for Excellence	26	26	
	HRSA: National Health Service Corp	117	117	
	HRSA: Ryan White	1,595	1,645	
	HRSA: Health Care Access for the Uninsured	25	50	
*	HRSA: Family Planning	239	254	$15 mil ↑ is good but not as much as last yr
	Program Management	125	125	
	Indian Health Service Total BA	2,398	2,497	
	CDC: Domestic HIV/AIDS Prevention	695	695	
	CDC: Global HIV	35	44	
	CDC: Environmental Health Lab	18	18	
*	CDC: Asthma	11	11	
	CDC: Infectious Diseases	176	197	
	CDC: Buildings and Facilities	60	80	

Budgetary Resources for Selected Programs
(In millions of dollars)

12/10/99 4:53 PM

RMO	Program	FY 2000 Enacted	FY 2001 Passback	Notes
	CDC: Race and Health Demonstration Grants	30	35	
	National Institutes of Health Total BA	17,913	17,913	
*	SAMHSA: Mental Health Total	634	714	
	SAMHSA: Substance Abuse Total	1,962	1,992	
	Agency for Healthcare Research and Quality PL	200	220	
	HCFA Program Management Total PL	2,135	2,222	
	HCFA Nursing Home Initiative (included immediately above)	34	36	
	HHS Office of the Secretary BA	230	232	
	HHS Office for Civil Rights	22	23	
	HHS Office of the Inspector General BA	32	33	
	Bioterrorism (comparable, FY 2000 net of earmarks)	247	255	
National Security & International Affairs				
	UN Arrears	351	95	
*	USAID	527	508	Operating Expenses.
	GEF	36	176	
	MDB's	1,115	1,203	
	Debt Relief	123	200	
	R&D (6.1 and 6.2 accounts)	4,597	n/a	R&D levels are still under discussion with DOD.
	Global Positioning Satellite Modernization Initiative	294	601	Includes $88 for civil signals previously funded in DOT. The Passback level may change significantly pending decision on how to accelerate capabilities.
	Climate Change -GEF	150	150	Includes AID estimates for biodiversity (no tropical forest breakout) and Treasury debt relief for tropical rainforest countries.
	Tropical Forests	94	106	
*	UNFPA	25	25	need ↑
*	UNICEF	110	110	need ↑
	Puerto Rico: research & experimentation tax credit extension to territories	n/a	n/a	RMO cannot identify this item.
	Section 30A for businesses in Puerto Rico	n/a	n/a	RMO cannot identify this item.
	Puerto Rico: Rum Tax	n/a	n/a	RMO cannot identify this item.
	Puerto Rico: Empowerment Zone Eligibility	n/a	n/a	RMO cannot identify this item.

Budgetary Resources for Selected Programs
(In millions of dollars)

12/10/99 4:53 PM

RMO	Program	FY 2000 Enacted	FY 2001 Passback	Notes
	Development Assistance to Latin America (includes child survival	309	316	Includes child survival.
	North American Development Bank (NAD Bank)	n/a	n/a	No request, no Passback.
Education, Income Maintenance and Labor				
	Education (Constructing schools as community centers)	0	0	
	Technology Literacy Challenge Fund (TLCF)	425	525	
	Ed. Tech.Total (Includes TLCF)	769	802	
	Class Size Reduction	1,300	1,500	
*	After School	454	525	need ↑
*	Hispanic Education Action Plan	9,908	10,136	Includes Title I Grants to LEA's, HIS's, Bilingual Ed, Adult Ed, and other programs.
	Hispanic Serving Institutions	42	42	
	Bilingual Education	248	252	
	Migrant Education	22	22	
	State Agency Migrant Program	355	355	
	Adult Education	470	495	Increase is for ESL/Civics.
	TRIO	645	645	
	Teaching to High Standards	1,206	503	Consolidation of Eisenhower Professional Development, Goals 2000, and Title VI.
*	GEAR UP	200	240	
	Office of Drop-Out Prevention & Program Completions	0	0	Congressional Hispanic Caucus proposal has not been enacted.
	Parent Training & Information Centers	0	0	
	Expansion of Qualified Zone Academy Bonds (Tax Credit)	0	n/a	Passback only included discretionary funding, not credits.
	Migrant and Seasonal Head Start	23	25	
	Outreach/education on employee rights	n/a	n/a	RMO cannot identify this item.
	Wage & hour enforcement officers	142	153	
	School Construction	n/a	n/a	Tax credits were not included in Passback.
	Pell Grants	7,700	8,180	
	Strengthening HBCUs	149	149	
	Strengthening HBGIs	31	31	
	Supplemental Education Opportunity Grants (SEOG)	631	631	FY 2001 enacted includes $10 in emergency funds.
	Work Study	934	1,011	
	LEAP Program	40	40	
	Perkins Loans Capital Contributions	100	100	
	Graduate Assistance in Areas of National Needs	51	51	$20 for JAVITS scholarships.

Budgetary Resources for Selected Programs
(In millions of dollars)

12/10/99 4:53 PM

RMO	Program	FY 2000 Enacted	FY 2001 Passback	Notes
	Teacher Quality Enhancement Grants	98	98	
	National Research & Development Centers	33	n/a	RMO cannot identify this item.
	Access America for Students	n/a	n/a	No specific appropriation.
	School Modernization (Spending)	n/a	n/a	Tax credits were not included in Passback.
	Special Education to States	4,900	4,900	
	Universal Pre-School	0	0	
	Troops to Teachers	0	10	
	American Indian Teacher Corps	10	10	Portion of $72 Indian Ed account.
	Learning Anytime/Anywhere	24	15	Straight-line net of earmarks.
	Title I, Grants to LEAs	7,941	8,141	
	Title I Accountability (non-add)	134	204	Included in total immediately above.
	High School Reform	45	125	FY 2000 was for Small Schools.
	Recognition and Rewards	0	0	
	Charter Schools	145	145	
	Early Childhood Professional Development	0	20	supp ↑
	School Leadership (Principals)	0	0	
	Community Technology Centers	33	33	Included in Ed Tech Total Above.
	Software Development	0	0	
	AgNET	0	10	
	International Labor	70	77	
	Create Office of Disability Policy in DOL	0	n/a	Decision pending.
	Work Incentive Assistance Grants For the Disabled	20	20	
	Welfare to Work Grants	0	0	
	OSHA	382	409	
	NLRB	206	210	
	Head Start	5,267	5,901	
	Child Care (Discretionary)	1,183	1,183	$818 not rep.
	Child Support (Mandatory) Let welfare families keep more of their child support money	n/a	n/a	Mandatory has not had Passback.
	Employment and Training Administration/ Training and Employment Services	5,466	5,502	
	Food Stamps (Mandatory Side) - Raise Vehicle Asset Limit, Immigrants	n/a	n/a	Mandatory has not had Passback.
	Benefit Restorations for Immigrants	0	n/a	Benefit restorations for immigrants are mandatory spending and therefore were not included in Passback. This issue cuts across Food Stamps, SSI and Medicaid.

Budgetary Resources for Selected Programs
(In millions of dollars)

12/10/99 4:53 PM

RMO	Program	FY 2000 Enacted	FY 2001 Passback	Notes
	UI -- Paid Leave	0	0	Proposed regulation will permit States to create experimental programs for parental leave in UI system.
	WH Conference on Youth			
	NEA	98	150	NEA will not appeal.
	NEH	116	150	NEH will not appeal.
	DOI: Save America's Treasures	30	0	FY 2000 is the last year of this 2-year initiative.
	Social Security Administrative Expenses	6,756	7,083	The 2000 enacted amount reflects total budgetary resources of \$6,656 in new BA and a redirection of \$100 from unobligated automation funds appropriated in prior years.

pxe

December 12, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING
CHRIS JENNINGS

CC: JOHN PODESTA

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

Strengthening and Modernizing Medicare

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

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

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

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

Improving Access to Affordable Health Insurance Coverage

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

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

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

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

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

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

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

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

Finishing the Job of Targeting and Enrolling Uninsured Children

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

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

Long-Term Care

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

Discretionary Initiatives

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

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

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

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

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

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

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

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

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

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

2001 Budget

FY 2001 BUDGET ROLLOUT STRATEGY

20m

ROLL-OUT EVENTS WITH POTUS

privacy

- Teacher Quality Initiative
- Health Insurance Coverage Initiative
- Digital Divide Initiative

ROLL-OUT EVENTS SOLO IN DC OR NY

- Children's Health Insurance Program (CHIP) Outreach Initiative (or combined with POTUS health insurance coverage event)
- Charitable Giving Incentive through Deductions for Non-Itemizers – D.C.) done
- Infectious Disease Surveillance Initiative NY – P.S.
- Environmental Evaluation of Cancer Causes Initiative P.S. Press release A.M.
- Equal Pay Initiative Buffalo.
- Youth Initiative (combine with service or community-center event – NY) P.S.
- Child Care Initiative

done

→ Food Safety

OTHER AMPLIFICATION STRATEGY (E.G. LEAK, CALL, COORDINATED EVENT)

- Hispanic Agenda Budget Increases (coordinate with VP's office to have an event in NY)
- Family Planning Budget Increase (if possible, announce budget mark at 1/11 meeting) P.S.
- Children's Hospitals Budget Increase (phone calls to key leaders or small meeting – DC)
- Small Schools Initiative (amplification)

- Ag.
- Nursing Home Quality
- mental health