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001. letter	J. Brian Atwood to the President re: nonselection (2 pages)	11/06/1998	b(6)

COLLECTION:

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First Lady's Office
Melanne Verveer
OA/Box Number: 20023

FOLDER TITLE:

Budget '99 [1]

2013-0534-S

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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

DRAFT

The President's Family Agenda

Over the last 30 years, pressures on the family have increased. In a world dominated by more dual-earner couples and single parent families, high pressure days and longer work weeks, parents find they have less and less time to spend with their children. At the very least, this time squeeze is a source of anxiety for parents; at its worst, it places more children at risk. As part of the State of the Union Address, the President will unveil a bold agenda that puts families first by helping struggling parents balance their competing responsibilities at work and at home. From support for quality child care, so that Americans can fulfill their obligations as workers and parents, to expanding after-school programs, so that parents can breathe easier as the work clock strikes 3, to support for long-term care, to help parents care for their parents -- this agenda will help parents as they cope with their most important of all duties, the care of their family.

Child Care: The President's child care initiative responds to the struggles our nation's working parents face in finding care for their children they can afford, trust and rely on. The new initiative makes child care more affordable for working families by investing \$7.5 billion over five years to double the number of children receiving child care subsidies to more than two million by the year 2004. The initiative also invests \$4.5 billion over five years to increase tax credits for child care for three million families, and provides a new tax credit for businesses that offer child care services to their employees at a cost of \$500 million over five years. In addition, it will help ensure that children enter school ready to learn by investing \$3 billion over five years to promote early learning.

Support for Stay-at-Home Families: To support families in all the choices they make for the care of their children, the President will provide a tax credit to parents who choose to stay at home to care for a young child. The proposal expands Child and Dependent Care Tax Credit by assuming child care expenses for these families and allowing them to receive a credit of up to half of these expenses. The President's budget will include \$1.2 billion over five years for this initiative.

After-School Programs: Each day, parents worry whether their children will make it home safely, what they'll do to keep away from trouble in the hours after school. This fear affects more families than ever as roughly three out of four mothers of children ages six to seventeen work outside the home. To respond to this problem, the President will expand the 21st Century Community Learning Centers Program to reach up to 750,000 children a year, by investing an additional \$400 million for FY 2000, for a total of \$600 million.

Long-Term Care: More and more Americans are becoming part of the sandwich generation, as they struggle to care for their parents as well as their children. Over 52 million Americans --one in three --voluntarily provide unpaid informal long term care each year to one or more ill or disabled family members or friends. In addition, 38 percent of informal caregiving is provided by adult children for their parents. Most informal caregivers are women, as they are nearly 30 percent more likely to be informal caregivers. The President's long term care package has five components to address the needs of aging and disabled Americans, including: 1) a multibillion dollar long term

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care tax credit, which would for the first time give people with activity limitations or their caregivers a tax credit of \$1,000 to help pay for formal or informal long-term care; 2) the creation of a new national Family Caregiving Support Program to support Americans who care for chronically ill or disabled family member or friends; 3) new funding for a nursing home initiative, which would strengthen nursing home enforcement tools and increase Federal oversight of nursing home quality and safety standards; 4) the initiative to educate Medicare beneficiaries about long-term care options; and 5) the provision of long-term care insurance to Federal employees.

Ending Discrimination Against Parents: The President will send legislation to Congress that prohibits discrimination on the basis of parental status in employment, both in hiring and advancement. This legislation would cover parents of children and those seeking legal custody of children. Those who choose to have a family and to engage in this most important of all responsibilities -- parenting -- should not be punished for doing so by their employers.

Expanding the Family Medical Leave Act to 10 Million More Americans: The FMLA, the first bill the President ever signed, has allowed 18 million Americans job protected leave for the birth of a child or to care for a sick relative. This year, the President will put forward legislation which will lower the threshold so that employers with 25 or more employees are covered under the Act, which will cover ten million more American workers. Today, only companies with 50 or more employees are covered.

A Conference on the Work-Family Balance: The rules that govern today's workplace are grounded in assumptions about the family that date from the 1930s, when most families had only one parent work outside the home. As our families have changed over the last century, so should the rules mediating the work-family balance. As we approach the millennium, this conference will provide the President and First Lady with the opportunity to examine the relationship between the workplace and family life. The conference will also highlight new workplace models -- support for part-time work, paid leave, paternity leave -- that both accommodate the family and help the bottom line.

December 17, 1998

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: Jennifer Klein
Nicole Rabner
Neera Tanden

CC: Melanne Vermeer
Shirley Sagawa

RE: Update on Budget

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

Children and Families

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

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

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

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

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

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

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

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

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

Crime

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

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

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

Microenterprise finance package - Summary overview

Below is a summary of the components, domestic and international, of an overall microenterprise finance package:

Domestic

Support for the PRIME Act

- PRIME authorizes CDFI Fund to establish a microenterprise **technical assistance and capacity building grant program** that would award grants on a competitive basis to eligible enterprise development organizations and programs.
 - Broad support from microenterprise community for Kennedy/Domenici sponsored bill
 - Seeking \$105 million over four years (\$15mm, \$25mm, \$30mm, \$35mm)
 - Likely set-aside within CDFI funding (CDFI FY2000 request for \$100mm)

Support for full funding for the SBA Microloan Program

- Full funding for the program in FY 2000 would enable the SBA to fully fund existing microlending intermediaries and expand the program to areas that are not currently served by intermediaries. **Particular emphasis in this proposal on full funding for the technical assistance portion of SBA program.**
 - SBA request for \$5 million for direct loans (leverages \$60 million in lending); \$1 million for loan guarantees (leverages \$16 million); **\$62 million for technical assistance** (current authorization \$40 million - last year's allocation \$16 million)

Support for full funding for the Assets for Independence Act

- Assets for Independence Demonstration Program authorized in 1998 established Individual Development Accounts (IDAs) - special savings accounts for low income individuals that provide for federal matching funds and that are limited to first home purchase, post secondary education or **small business capitalization**.
 - This year's budget request for \$25 million (last year \$10 million)

Emphasis on inter-governmental coordination

- In July 1998, and pursuant to a Presidential order, the Interagency Workgroup

on Microenterprise Development was formally launched under the chairmanship of the CDFI Fund and the SBA.

- You should know that the Presidential order was issued in 1996. POTUS' message should provide impetus for quick action by the Working Group

International

Increased support for USAID microenterprise efforts

- During the Clinton Administration, USAID has stepped in as the world's lead donor in microenterprise finance, primarily through its Microenterprise Initiative. USAID, moreover, is widely praised for its leadership in technical assistance and sharing of best practices in building microfinance intermediaries around the world. POTUS should highlight those efforts
- USAID funding for microenterprise programs has averaged around \$135 million per year over the past three years.
- Financial crisis and Hurricane Mitch justify increase in funding to \$160 million - to be funded by **incremental \$20 million to overall USAID budget** and/or as part of emergency supplemental package(s) now being debated for Mitch and financial crisis

Work with the MDBs to define a more active and constructive role

- While MDBs (e.g. World Bank, IDB) have publicly committed to assisting the development of microenterprise finance, they have yet to emerge as meaningful participants in that arena.
- Administration should instruct Treasury to begin work with MDBs to develop more meaningful role for those institutions in microenterprise finance, both funding and technical assistance

Include microfinance development as part of social safety net and financial system reform efforts

- Now as many developing countries have been dealt severe setbacks by the world financial crisis, microfinance development more than ever should be among the tools the US and others employ in providing a social safety net to the poorest. Moreover, as the world focuses on financial sector reform, the role of microfinance in allowing for a more broad-based and robust financial sector should be considered and incorporated into reform initiatives.
- Administration should instruct Secretaries of Treasury and State (and USAID) to create process for systematically evaluating appropriate role for microenterprise finance in social safety net and financial sector reforms and for overseeing programming and implementation of recommendations

Coordinated strategy for supporting microfinance internationally

- Just as the CDFI Fund has been charged with coordinating USG microfinance efforts domestically, a similar effort should be undertaken between the White House, USAID, the State Department, Treasury and others (e.g., OPIC) to ensure a coordinated, comprehensive and strategic understanding of and approach to support of microfinance as a tool of US foreign policy.



12/18/98
11:54:32 AM

Record Type: Record

To: Katharine Button/WHO/EOP

cc:

Subject: for Melanne's tax meeting

The attached memo details our CDCTC policy proposal.

Throughout the process, the Treasury Department has argued that adopting a policy that benefits stay-at-home families is ill-advised because the tax code, as a general matter, benefits such families (though no one in America knows or believes this). Indeed, it was because of Treasury's vehemence that we made no such proposal last year, which, as you know, subjected our entire child care initiative to immediate criticism that it was directed against those who stay at home. Thus, the advocates feel strongly that a stay-at-home piece is necessary, but they are adamant that it not come out of the DCTC proposal we put forward last year.

As noted in the attached memo, the cost of the additional piece for those who stay at home is \$1.6 billion, but we have argued that it is really only \$.8 billion in new dollars because the proposal we put forward last year is \$.3 billion lower in cost (Treasury has said that their economic assumptions simply make this cheaper, though they are revising those assumptions still), and we have been willing to get rid of our business tax credit, that cost \$.5 billion (however, people don't want to anger Kohl).

Call with any questions:



dctcstay.bu

Expansion of the DCTC to Provide Benefits to Stay-at-Home Parents

Policy: We propose to extend the benefits of our Child and Dependent Care Tax Credit (CDCTC) (as we proposed to change it last year) to stay-at-home parents with young children, by assuming minimum child-care expenses of \$600 per year.

The CDCTC is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. The CDCTC proposal we advanced last year would increase the credit from its current rate of 30% to 50% for those with incomes under \$30,000, and gradually phase it down to 20% at \$59,000 of income. This proposal, which only provides a credit to families with actual child care expenses, costs \$4.5 billion over five years, under current economic assumptions. (This is actually \$.3 billion less than Treasury's estimate last year, which was \$4.8 billion.)

This year, we propose to build on the CDCTC proposal we put forward by allowing all families, including those where one parent does not work, with a child under the age of two to have assumed expenses of \$600 per year per child. Under this proposal, the maximum allowable expenses for those with actual child care costs would increase from \$2,400 to \$3,000 for one child and \$4,800 to \$6,000 for two children. The maximum benefit for a stay-at-home family with one child under one would be \$300.

Our new CDCTC proposal, which provides a credit for some stay-at-home families, would affect 4.5 million taxpayers, and provide an average tax cut of \$280. The CDCTC policy we proposed last year affected 2.8 million taxpayers, with an average tax cut of \$323. The reduction in the average tax cut is due to the relatively small amount stay-at-home families would receive.

Cost: The cost of this proposal and our CDCTC proposal is \$6.1 billion. However, it only requires \$.8 billion in new dollars because Treasury now estimates that the CDCTC proposal we put forward last year is \$.3 billion less than they had previously estimated, and we are replacing the business tax credit, which is \$.5 billion, with this proposal.

Unresolved Issues and Concerns: The child care and women's community is supportive of advancing a proposal that benefits families in which one parent stays at home, but oppose doing so at the expense of the CDCTC proposal we put forward last year. Therefore, they strongly urge that any benefits targeted towards stay-at-home families must be on top of last year's proposal.

Status: We have worked closely with the Treasury Department to develop this proposal. While they have raised concerns regarding the merits of proposals to help parents who stay at home, they are generally supportive of the structure of this

proposal.

Draft

December 16, 1998

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: Jennifer Klein
Nicole Rabner
Neera Tanden

CC: Melanne Verveer
Shirley Sagawa

RE: Update on Budget

We thought you might like an update on your domestic priorities in the budget process. The first meeting with the President has not yet seen these numbers, and there is likely to be additional discussions on these proposals before they reach him.

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program) that must be targeted to quality, rather than to serving more children.

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

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

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- **Prevention.** There are a number of prevention programs that have been flat-funded. The Department of Justice's main source of prevention funding is its At-Risk Youth Initiative, which funds a variety of prevention programs, including home visitation, mentoring, and anti-truancy initiatives -- this initiative will be flat-funded at \$95 million. In addition, Safe and Drug Free Schools will receive the same amount it received last year. Currently, the program mostly funds anti-drug curricula, but as part of the reauthorization of the Education and Secondary Education Act, we hope to target the funds toward research-based efforts that better address prevention, drug use, and other delinquencies.
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Microcredit???

No \$ to pay \$1300 tax bill

Corp can't w. phd - Can't
use the \$ for
other than ed'n.

Teachers not taxed
precedent set



U. S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

The Administrator

December 3, 1998

*100% Development
assistance*

NOTE FOR THE FIRST LADY

FROM: J. Brian Atwood *JB*

SUBJECT: USAID FY' 2000 Budget Planning

I want to alert you to the very serious budgetary challenge facing the Agency in its fiscal year 2000 budget planning (FY 2000). OMB has given USAID a preliminary budget level for FY 2000 that essentially straightlines the Agency at current levels, providing no additional funds to respond to the Agency's enlarged mandate.

At OMB's passback levels, if we maintain funding for the successful child survival and disease programs which we and the Congress agree are high priorities, we will be forced to cut funding for programs in agriculture, microenterprise, environmental protection and promotion of democracy. Moreover, the OMB level would make it virtually impossible to meet the President's pledge to seek a return to the "historic" level of funding for Africa.

OMB also has proposed straight-lining our current operating budget, which would sharply reduce staff levels below the level necessary to ensure that USAID can continue to manage its programs properly and maintain accountability for achieving results. The Agency has made strenuous efforts to re-engineer and streamline its operations. In the course of that effort we have sustained sharp reductions in overall operation budgets and staff, including a reduction-in-force two years ago. Our overall staff has declined by 27 percent since 1993.

For the first time during this Administration OMB is recommending a cut in Title II of the P.L. 480 Food Aid Programs and is terminating funding for Title III. These programs serve the poor in the poorest countries. Given the abundance of current U.S. agricultural production, we need to maintain this program to benefit those in need as well as our U.S. farmers.

In order to maintain the quality and breadth of our programs, USAID requires:

- an additional \$37 million in operating expenses;
- restoration of PL480 Title II and Title III to request levels of, respectively, \$859 million (the passback recommended \$787 million) and \$134.5 million (the passback zeroed out Title III).
- provision of an additional \$267 million in Development Assistance funding to bring the FY 2000 budget to the request level.

I fully support the President's objectives of maintaining a balanced budget while securing adequate budgetary resources to assure the viability of Social Security; I strongly believe, however, that the levels of resources needed to make the difference between continuation and termination of these vital USAID development programs are modest when compared to their value to U.S. foreign policy.

I realize that I am preaching to the choir. You have been our real champion and no one in the Administration is better acquainted with what USAID does and with the goodwill we generate. We need your help once again. Many thanks.

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

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

**See attached one-pager for discussion.

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

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

Head Start Expansion

Policy and Cost. The purpose of our Head Start expansion policy is to reach the President's goal of serving 1 million children with Head Start services by the year 2002. The 1999 reauthorization of Head Start made that goal more expensive to accomplish because it increased significantly the percentage of expansion dollars (new money in the program) that must be targeted to quality, rather than to serving more children. Before the reauthorization, twenty-five percent of expansion dollars were targeted to quality; under current law, the quality percentage rises sharply but phases down over time -- 50 percent in FY 2000, 47.5 percent in FY 2001, and 35 percent in FY 2002. Another factor making it difficult to meet our goal is the gradual expansion of Early Head Start, which carries a more expensive per-child cost. OMB and HHS also disagree about the per-child cost of Head Start services.

Our FY99 budget (before the reauthorization) assumed the creation of 44,000 new slots in FY00, for a total enrollment of 910,000. OMB advises that adding 44,000 slots in FY00 under current law requires a funding level of \$5.266 billion. Due to lower than projected participation rates in 1997 and 1998, however, adding 44,000 new slots brings the program to only 881,000 and would require \$5.8 billion over the five-year guidance levels to achieve our goal. Reaching 910,000 slots in FY00, as assumed in the FY99 budget, would require over 70,000 new slots in FY00, costing \$6.6 billion over the five year guidance level to reach our goal.

OMB estimates that its FY00 Head Start guidance level -- \$4,997 billion -- will allow the program to add about 20,000 in FY00, for a total enrollment of 857,000. Under this scenario, reaching the 1 million by 2002 would require adding 71,000 new slots in each of FYS 2001 and 2002, which, OMB calculates, would cost roughly \$5.3 billion over the five year guidance levels. HHS' amended request (after the reauthorization) and appeal for Head Start for FY00 is \$5,395 billion, with which they propose to create 54,000 new slots for a total of 892,000 slots in 2000.

Objections and Status. OMB anticipates that the discussion of the FY00 and out-year Head Start funding levels will take place during Shalala's meeting with Lew. The options to be considered will be (1) commit to the goal and invest the dollars necessary to reach it; (2) commit to reaching 1 million children but over a longer time, *e.g.* by 2004; (3) walk away from our goal. The DPC should affirm that we must determine and commit to a path to reach the 1 million participation goal, perhaps over a longer period.

CHILD CARE AND DEVELOPMENT BLOCK GRANT

Policy and Cost. We propose to expand the Child Care and Development Block Grant (CCDBG) at a **cost of \$10.5 billion over 5 years**, and to maintain the structure that we proposed last year to devote \$7.5 billion to expand subsidies and \$3 billion to support early childhood education and child care quality. This will maintain last year's level of commitment to new mandatory dollars for child care subsidies and quality.

We will more affirmatively package the overall investment as an increase in the block grant, with a portion reserved for community-based child care improvements. With the additional \$7.5 billion over five years for child care subsidies (assuming the 80/20 match advanced last year), one million more children will be served, for a total of 2.25 million children in 2004. The \$3 billion will go to communities to support early childhood education, home visiting and parent education, and child care quality improvements for infants and toddlers.

Unresolved Issues and Objections. Our goal is to maintain our commitment to the significant child care initiative that the President put forward last year, while repackaging the proposal as a commitment to increasing the block grant for both subsidies and quality child care, rather than as a new separate program for early learning.

It is clear that our proposal will be judged by the advocacy community primarily on the funding level, so that it is important not to lower our commitment below \$10.5 in mandatory funds.

We believe that we need to maintain a strong commitment to child care quality and early childhood education. Many advocates, as well as some Member of Congress such as Senators Kerrey and Kennedy, have similarly argued that we should not retreat from the early learning fund. As you know, we had floated the idea of collapsing the early learning fund and building on the existing set-aside in CCDBG for infants and toddlers. While the advocates are somewhat open to altering our proposal given the difficulty of obtaining authorization for a new program, most see using the set-aside as an endgame and view our best starting position as a commitment to last year's proposal. In addition, given that the infant and toddler set-aside is currently only \$50 million, it would be difficult to imagine raising it to \$600 million per year and would therefore most likely endanger the funding level for early learning. Finally, some advocates strongly support targeting any new quality dollars to communities, rather than to states, a goal that will be difficult to meet if we build on the existing set-aside. Therefore, we propose to maintain our commitment to the balance between subsidies and quality advanced last year, because, regardless of its prospects for passage, it is considered the best starting point to congressional negotiations and addresses the growing need to target dollars to the community level.

Status. HHS and NEC continue to support maintaining the Early Learning Fund. We have not had extensive discussions yet with OMB.

Expansion of the DCTC to Provide Benefits to Stay-at-Home Parents

Policy: We propose to extend the benefits of our Child and Dependent Care Tax Credit (CDCTC) (as we proposed to change it last year) to stay-at-home parents with young children, by assuming minimum child-care expenses of \$600 per year.

The CDCTC is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. The CDCTC proposal we advanced last year would increase the credit from its current rate of 30% to 50% for those with incomes under \$30,000, and gradually phase it down to 20% at \$59,000 of income. This proposal, which only provides a credit to families with actual child care expenses, costs \$4.5 billion over five years, under current economic assumptions. (This is actually \$.3 billion less than Treasury's estimate last year, which was \$4.8 billion.)

This year, we propose to build on the CDCTC proposal we put forward by allowing all families, including those where one parent does not work, with a child under the age of two to have assumed expenses of \$600 per year per child. Under this proposal, the maximum allowable expenses for those with actual child care costs would increase from \$2,400 to \$3,000 for one child and \$4,800 to \$6,000 for two children. The maximum benefit for a stay-at-home family with one child under one would be \$300.

Cost: The cost of this proposal and our CDCTC proposal is \$6.1 billion. However, it only requires \$.8 billion in new dollars because Treasury now estimates that the CDCTC proposal we put forward last year is \$.3 billion less than they had previously estimated, and we are replacing the business tax credit, which is \$.5 billion, with this proposal.

Unresolved Issues and Concerns: The child care and women's community is supportive of advancing a proposal that benefits families in which one parent stays at home, but oppose doing so at the expense of the CDCTC proposal we put forward last year. Therefore, they strongly urge that any benefits targeted towards stay-at-home families must be on top of last year's proposal.

Status: We have worked closely with the Treasury Department to develop this proposal. While they have raised concerns regarding the merits of proposals to help parents who stay at home, they are generally supportive of this proposal.

Reform and Automation of Abuse and Neglect Courts

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

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

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

CHILD WELFARE: CHILDREN AGING OUT OF FOSTER CARE

Policy and Cost. We recommend advancing several proposals to assist young people who “age out” of the foster care system, *i.e.* who enter the foster care due to abuse and neglect, are unable to return to their birth families, and do not find permanency with an adoptive family. Federal financial support to them ends just at the time they are making the critical transition to adulthood. First, we propose to significantly increase the Independent Living program, the main federal program that assists this population. Working essentially as a block grant to states and administered by HHS, the program provides services to support these young people as they earn a high school diploma; receive vocational training and education; and learn daily living skills such as budgeting, career planning, and securing housing and employment. The Independent Living program has not been increased since 1992; increasing this mandatory program by 50 percent, as we propose, will cost \$175 million over five years.

Second, we propose to increase the Transitional Living program, a discretionary program administered by HHS which provides funds to local community-based organizations for residential care, life skills training, and other support services to homeless adolescents, ages 16-21. Unlike the Independent Living program, this program is able to fund housing. We propose to increase the program by \$5 million in FY 2000, up from \$15 million in FY 1999.

Third, we propose to ensure Medicaid coverage for this population up to age 24 (see DPC Health Team memo), for an estimated cost of \$50 million over four years. Finally, we propose to extend IV-E eligibility for federal maintenance payments beyond age 18 for certain purposes, for a cost of approximately \$50 million over five years.

Objections. HHS and OMB have been extremely receptive to advancing a multi-faceted proposal in this area. The child welfare advocacy community is also highly supportive.

Cost Overview and Status.

- (1) Independent Living program (Mandatory) -- \$175 million over five years to increase the program by 50 percent. HHS requested this increase and OMB included it in its passback.
- (2) Transitional Living Program (Discretionary) -- \$5 million increase over FY 1999 for a total of \$20 million. HHS did not include this in its request, but OMB included it in its passback.
- (3) Medicaid coverage (Mandatory) -- \$50 million over five years. HHS did not include this in its request; OMB included in its passback.
- (4) IV-E Eligibility Extension (Mandatory) -- \$50 million over four years. HHS did not request; OMB planning to include in a later passback.

FMLA and Paid Leave Research and Evaluation Fund

Policy. The purpose of creating an FMLA/Paid Leave Research and Evaluation Fund is to strengthen the foundation for innovation in the States toward providing paid parental leave benefits for lower-income American workers. Today, a few states are providing these benefits and several states are exploring strategies to do so. However, many unanswered questions remain. This fund would serve to (1) explore how best to structure paid leave delivery systems; (2) evaluate current state systems; and (3) support state efforts to design or explore paid leave systems, *e.g.* through a state paid leave commission. In addition, this fund would provide needed resources to update the data in the 1995 national FMLA Commission leave study, to answer important questions such as how many Americans have benefited from the FMLA since its enactment.

Cost. The cost of this FMLA and Paid Leave Research and Evaluation Fund is \$10 million for FY 2000; it would be administered by the Department of Labor.

Objections and Status. The DPC has engaged in discussions primarily with the Department of Labor to explore a number of paid leave policy options -- including a federal system of providing benefits, a demonstration fund, and research and evaluation efforts -- and has determined with DOL input that a research fund is a necessary foundation for either of the other more ambitious options. While OMB has been involved in broader discussions of paid leave, we have not discussed the research fund with them.

ABORTION SAFETY

1. Description of Policy. This proposal would provide additional security for abortion clinics in the wake of escalating violence against clinics and providers. As you know, this builds on the Justice Department's National Task Force announced on November 9 that creates a central location for information related to clinic violence and that provides training to federal, state and local law enforcement personnel. While the Task Force is already providing valuable support to communities affected by clinic violence, a key missing piece is funds for security at clinics. Under this proposal, Justice would give grants to conduct security assessments, purchase hardware, and provide additional U.S. Marshall support for clinics at risk.

2. Cost. \$4.5 million in FY 2000.

3. Status and Unresolved Issues. DPC has developed this proposal with DOJ. It has been vetted by and has the strong support of outside groups, including Planned Parenthood, the Feminist Majority, and the National Abortion Federation. OMB has seen this proposal, but has not signed off on it.

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

(Italics indicate discretionary funding)

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

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

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

Items recommended by OMB / not on our list:

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

Study: U.S. Mothers Face Stingy Maternity Benefits

U.N. Agency Finds Disparity With Other Nations

By Kirstin Downey Grimsley
Washington Post Staff Writer

The maternity and nursing benefits given to working mothers in the United States are the least generous in the industrialized world, according to a report released yesterday by the International Labour Organization (ILO), a United Nations agency.

The report, which reviewed maternity leave and health benefits mandated by law in 152 countries, found that about 80 percent of countries offer paid maternity leave to women workers; about a third of the countries permit the leaves to last for more than 14 weeks. Hungary, for example, gives 24 weeks of paid maternity leave, while Italy gives five months, Canada gives 17 weeks, and Spain and Romania each allows 16 weeks.

Special breaks for nursing mothers also are established in law in more than 80 countries, according to the U.N. report, with about half of those nations requiring additional breaks beyond the normal rest periods. In Haiti, for example, women can choose between two 30-minute breaks for nursing each day or 15 minutes every three hours. In the Netherlands, mothers get two 45-minute nursing breaks daily.

In the United States, the only law mandating maternity leave is the Family and Medical Leave Act, passed in 1993, which permits workers to take as much as 12 weeks unpaid leave for a variety of medical conditions, including childbirth. Many American women, however, work for companies that voluntarily offer their workers some paid maternity leave.

A handful of American states, including Rhode Island, Hawaii, New Jersey, California and New York, also provide partial-pay maternity benefits to workers through temporary disability insurance plans.

"It's a patchwork of different kinds" of leave in the United States, said F.J. Dy-Hammer, chief of the ILO's work-conditions department, who oversaw the study from her office in Geneva. "My colleagues and I say that in the United States, it's a do-it-yourself maternity plan."

The ILO mentioned only two other industrialized countries, Australia and New Zealand, as offering minimal mandated maternity leaves. In Australia, mothers are permitted by law to take a leave of up to one year, unpaid, while New Zealand women can take as many as 14 weeks unpaid.

The report said the issue of maternity leave is increasing in impor-

tance as the number of working women grows, particularly those in their child-bearing years. In about 30 percent of the world's households, women now are the primary source of income. The U.N. projects that within 10 years, 80 percent of all women in industrialized nations will work outside the home during their child-bearing years.

The disparity between maternity benefits here and elsewhere is a reflection of American laissez-faire political attitudes, said Alfred J. Kahn, a Columbia University professor who studies comparative social policies.

"We have a very strong industrial lobby and weak labor unions, and it has only been recently that the country has absorbed the fact that most

See MATERNITY, A11, Col. 1

MATERNITY, From A10

women are working," Kahn said. "Only now are we coming to terms with it."

Kahn said breast-feeding breaks have never entered the public discussion in the United States, despite growing research on the many health benefits it provides to infants. "People just assume that if you go to work, you use formula," he said.

Kristin Hogarth, a spokeswoman for the National Federation of Independent Business, said the federal government should not mandate maternity leave policies. She said most small companies do it voluntarily because they "treat their employees as family."

"We feel like the government

shouldn't be telling small business owners how to run their businesses," Hogarth said. "It's between business owners and employees to craft the benefits that suit their needs."

Hogarth added that many of the countries with costly benefits, such as paid maternity leaves, consequently suffer economic problems. "Some have very high unemployment rates and they are not creating new jobs," she said.

Dy-Hammer said she believes a key issue is that Americans strive to develop laws that are gender-neutral, like the Family and Medical Leave Act, which offers 12 weeks a year equally to men or women, but which fails to take into account real biological differences between men and women.

"As far as I know, it's only women who give birth and need rest and recuperation after child-bearing," she said.

According to the U.N. report, in most of the world, workers are compensated during their maternity leaves by the countries' social security, health insurance, or disability insurance programs. In about a third of the countries, employers pick up part or all of the tab. In countries that offer only unpaid maternity leaves, it becomes more of a benefit for middle- and upper-income women because they usually have enough savings to tide them over; poorer families don't.

In some countries, women are limited to a certain number of maternity leaves. In Nepal, for example, according to the report, women may take just two maternity leaves in a lifetime, while in Barbados, Grenada, Egypt and Jamaica the limit is three leaves.

But programs that exist in policy may not exist in practice in some countries, Dy-Hammer said. In some African countries, for example, laws have been passed to mandate benefits, but the government agencies that would administer the programs have ceased to exist. And some countries permit employers to make rules so restrictive that women simply can't qualify for them or receive only partial pay.

"What is said in the law doesn't really mean it happens in reality," Dy-Hammer said.

The Washington Post

MONDAY, FEBRUARY 16, 1998

In Remembrance of the USS Maine

Observance Marks Anniversary of Sinking

By Steve Vogel
Washington Post Staff Writer

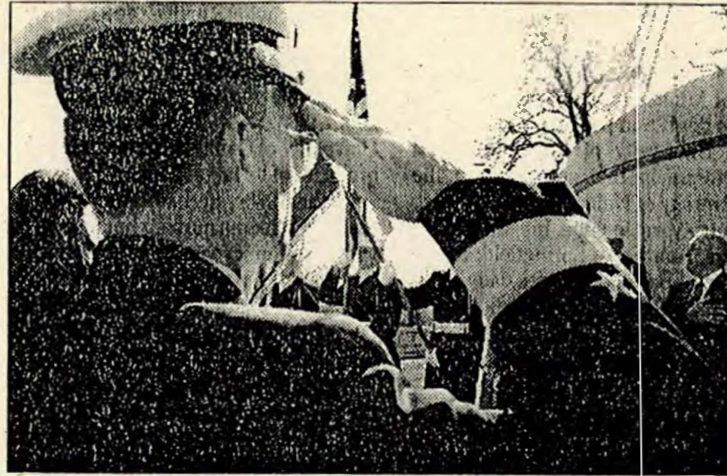
"Remember the Maine," the rallying cry that led the United States into a war with Spain, was intoned once again yesterday as more than a hundred gathered to mark the 100th anniversary of the ship's sinking in Havana harbor.

This time, the words were a mournful cry in memory of the 266 American sailors and Marines who perished in the explosion and sinking.

Yesterday, beneath a bright blue sky, Secretary of the Navy John H. Dalton and descendants of the ship's crew members walked to a hilltop in Arlington National Cemetery where the mast of the sunken ship is the centerpiece of the USS Maine Memorial. The name of each victim is etched on the stone of the memorial. The graves of 228 Maine crew members are nearby.

"We are gathered at a location which few Americans even know exists," retired Rear Adm. Morton E. Toole said. "But in its day, this was as sacred as the Vietnam Memorial wall is today."

The USS Maine, bristling with heavy guns that made it one of the premier battleships in the Navy, was dispatched to Cuba in January 1898, ostensibly on a goodwill visit. But it was also to protect Americans on the island in the wake of increased friction between the United States and Spain. Cuba, then part of the Spanish



The crowd comes to attention at the presentation of the colors at a service in Arlington National Cemetery marking the 100th anniversary of the ship's sinking.

empire, had been the scene of some insurgency by Cuban rebels.

On Feb. 15, 1898, at 9:41 p.m., as the 319-foot-long Maine lay moored in the harbor, Havana was illuminated by a burst of bright light. The Maine was shattered by a prolonged explosion that sent debris into the air and filled the sky with black smoke. Less than one-fourth of the 350 crew members on board survived the explosion; the rest were blown apart, crushed, drowned or suffocated.

Public opinion fixed blame for the explosion on Spain, and "Remember the Maine" soon became the cry of American newspapers, particularly William Randolph Hearst's New York Journal. The United States declared war on Spain in April 1898. American victories in Cuba and the Philippines marked the emergence of the United States as a world power.

But there were always doubts that

the sinking of the Maine was anything but an accident. An inquiry ordered by Adm. Hyman Rickover and conducted by historians and engineers in the mid-1970s concluded that a mine or torpedo could not have been responsible for the blast. The likely cause was a coal bunker fire that ignited the ship's magazine. Some still insist that the Maine was a victim of sabotage.

Speakers at yesterday's ceremonies said the debate is no longer relevant. "It makes no difference whether the explosion was caused internally by coal or externally by a mine," Toole said. "The fact is 266 Americans died."

Wreaths were placed on three of the graves surrounding the USS Maine Memorial. One was laid on the grave of Sgt. James T. Brown, the senior Marine killed on the battleship; the second on the grave of Chief Yeoman James M. League, an Annapolis native; and the third on a joint grave that holds



Kelly Jaeger retrieves his hat after taking a photo of relatives of Sgt. James T. Brown, who died on the USS Maine.

the remains of four unknown victims. Thirty-two descendants of League's, most of whom still live in Maryland, were among those who attended the ceremony. "We usually have a reunion every year, but this is the first time we've all assembled to come to the memorial," said Patsy Mills, 67, who retired as secretary of the Somerset County Board and is one of League's great-granddaughters.

"My grandmother always talked

about him, how he was a warrant officer and they found him in his bunk," Mills said. "When we were little, my parents always brought us to this monument, to see all the names."

Margaret Daly, 81, a granddaughter of Brown's who lives in New York City, dabbed her eyes with a tissue after helping lay a wreath on her grandfather's grave. "A lot of people don't even know what it's all about," Daly said.

Staff writer Lena H. Sun contributed to this report.

FOR MORE INFORMATION

To read firsthand accounts, documents and theories about the destruction of the USS Maine, click on the above symbol on the front page of The Post's Web site at www.washingtonpost.com

The Washington Post

MONDAY, FEBRUARY 16, 1998

Stay-at-Home Moms

CONGRESSIONAL Republicans haven't decided how to respond to the increased child care subsidies that are the largest initiative in the president's budget. Some would just say no to what they regard as a further expansion of government; some, instead of subsidizing child care, would use the money for a generalized tax cut. Others, however, see the cost of child care as a pervasive social problem from which, for political as well as substantive reasons, the party can ill afford to turn away. They are drafting an alternative to the president's plan, one feature of which, it seems pretty clear, will be what they would call neutrality as to the form of care. In addition to helping working parents buy child care, they want to help parents of preschool children who make the choice to remain at home.

A group of Senate Republicans led by John Chafee has drafted one such proposal. The subsidy for stay-at-home moms, as it is called, would be financed in part by imposing an income cap on the current dependent-care tax credit. A phase-out of that credit above certain income levels is overdue and a good idea no matter how the money is used. The stay-at-home benefit has helped Mr. Chafee attract the support of party conservatives who might otherwise have opposed the bill; Sen. Jesse Helms is among the cosponsors. Meanwhile, Sen. Christopher Dodd has drafted a Democratic bill that also includes a small stay-at-home provision, and administration officials have suggested that they too could support such a step if the benefit is financed.

The political appeal of a stay-at-home benefit is obvious. Partly it is symbolic; a vote in favor translates into an expression of support for the traditional family and traditional values—and offers a way of sending additional money home to a blameless constituency besides. Whatever the research on the subject may suggest, a lot of people, including many who are not traditionalists, also believe that, all else being equal, most very young children especially are better off in a parent's care.

But a stay-at-home benefit presents problems as well, and not even the enthusiasts in Congress have thought it through completely. Part of the predicate is that the government shouldn't choose among lifestyles by favoring paid-for child care over parental care. But tax economists will tell you that the wages a working mother uses to pay the cost of child care, for example, are also subject to

tax. A mother who stays home and forfeits the earnings but also escapes the cost ends up with the child care without the tax. Even after the child care credit, for which many families don't qualify, it isn't clear which kind of household comes out ahead. The income tax is meanwhile criticized for favoring one-earner over two-earner families—that's part of the basis for complaints about the "marriage penalty"—and the Social Security benefit structure tends to favor one-earner families, those with stay-at-home moms, as well.

Many strong congressional supporters of stay-at-home moms also have a consistency problem. In the last Congress, they were vigorous supporters of a welfare bill the point of which was that welfare moms should go to work. You can argue that welfare is a different matter, which it is—and no one can be in favor of chronic dependency. But how does the society—or Congress—then draw the line between the mothers deserving of help to stay home and those it wants to push into the work force? Surely the rule isn't that lower-income mothers should work while those with somewhat higher incomes are subsidized in order not to.

In fact, the relating of subsidies to need is a problem with all these proposals. Part of the reason is that all rely to some degree on the tax code as a delivery mechanism, and families toward the lower end of the income scale already owe no income tax. They can't be given a cut; the only way to extend them a benefit is to give them a "refundable" credit, meaning the Treasury ends up sending them a check. But Republicans oppose this as a form of welfare, and the president didn't include it in his proposal either (though he did include another device for getting grants to the poor).

The risk is that, in the name of child care, the parties will end up creating, each for its own political purposes, a mushy, mainly middle-class benefit that, if stay-at-home moms are included, will be indistinguishable from a generalized tax cut for families with small children—an extension of last year's children's credit. Such a bill would be far better politics than policy. The child care problem in this country isn't helping moms stay home. It's helping low- and lower-middle-income moms who mostly have no choice but to work find for their children the decent care that families at higher income levels can already afford. That's the test by which these bills should be judged.

To the Amazon

FROM BEING South America's most bitter enemies, Peru and Ecuador are moving to resolve a half-century of conflict that has cost them and their region dearly in blood and treasure and access to a brighter future. They are now set on completing a peace treaty that will erase the traces of a wasting 19th century quarrel, steady their relations with each other and boost the cause of hemispheric integration. Tomorrow in the capitals of the four treaty guarantors—Brazil, Argentina, Chile and the United States—the drive down the home stretch begins.

The matter lying between Ecuador and Peru is often called a border dispute, but this scarcely describes its sources of ultranationalism and political obsession. Somehow Ecuador came to include the Amazon River as a key element in its national identity. The trouble is, Ecuador was never in contact with or control of territory on the fabled waterway. A treaty of 1942 with Peru offered Ecuador free access to the Amazon Basin but was never put into effect. The issue has smoldered since; Americans will recall the brief but nasty remote-jungle war of 1995.

Its silver lining was the combatants' recognition that the price and peril of their continuing encounters were rising to dangerous levels and blurring their focus on their more important obligations. They were helped along the way to this conclusion by the four countries that had accepted still-live guarantor responsibilities in the 1942 treaty and that were now pleased to put multilateral hemispheric diplomacy to work.

The result being sought is a treaty that would demarcate a relatively small disputed area in a settled boundary line of more than 1,024 miles. It would bestow on Ecuador not sovereignty over this area but navigation rights and full access leading to border integration. The treaty also would create a foundation for contemporary cooperation between the two countries.

The conflict between Ecuador and Peru is a 19th century weight on a continent heading into the 21st century. The treaty under preparation would resolve this conflict the modern way—by applying law. It would mark a triumph of maturity over hysteria.

A Bill to Debase Maryland

TWO MARYLAND politicians with exceptional power in Annapolis are doing the bidding of America's big-time gambling interests. They're pressing hard for a truly bad bill to pepper the state with slot machine operations—and whatever else the industry's heavy-rollers might set up all around the state after that. To make this maneuver all the more insulting to the public, the chief bill-pushers, Del. Howard P. Rawlings of Baltimore City and House Speaker Casper Taylor, are touting the measure as the savior of public education ("Slots for Schools"), horse racing and almost anything else on anybody's wish list. They would have you believe that this would be a way to stop casinos, when the eventual effect would be the opposite.

First—and perhaps worst—this proposal is not just a bill; it proposes a *constitutional amendment* to allow slot machine operations (not to be confused with casinos—yet) at various sites around the state. That's no teeny experiment—it would mean 11,250 machines for starters. Three of these gambling centers would be at racetracks, two at "resort destinations" (translation: in Speaker Taylor's Cumberland and in Cambridge, where a longtime friend of Maryland President Mike Miller

has been pushing all-out for a full-fledged casino) and the rest at off-track betting establishments.

As another bone to any lawmakers who might be too ambivalent or weak-kneed to exercise their authority to keep casino gambling out of Maryland, the Rawlings bill calls for a referendum that, if it succeeded, would lock the works into the constitution—where it would be difficult to undo if the state turned into Las Vegas East or worse.

The hope of sponsors is that the public will drool at the prospect of big gambling money to use for schools and racing. After all, the supporters say, the state already leans on lottery revenues to finance projects. True, but lotteries and even horse racing do not have the histories of corruption that tend to come with big casino operations. If this is the way to finance public education, why not open up all sorts of activities in the name of public education? You could have "Bordellos for Schools," "Cock Fights for the Kids" or "Jello Wrestling for School Lunches."

There are other ways to improve the financial climate for racing and to dedicate money to public education. Maryland should not bet its future on risk-laden hopes for a jackpot economy.

The Washington Post

MONDAY, FEBRUARY 16, 1998

THE WHITE HOUSE
WASHINGTON

November 11, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Gene Sperling
Elena Kagan
Sally Katzen

SUBJECT: State of the Union/Budget Ideas

This memorandum provides a brief description of new ideas we are considering for the State of the Union. Some work has been done on fleshing them out, but many need additional work and further vetting through the interagency process. Most of these ideas involve increased spending, and you will have to make choices among them and/or scale them back as you consider the FY 2000 budget. Although our offices have worked together on many, if not most, of the ideas in this memo, we have noted, where possible, which of our offices has the lead role with respect to each proposal. Options relating to Social Security are not included in this memo.

EDUCATION AND TRAINING (DPC/NEC as specified)

1. Ending Social Promotion. Last year's budget proposal included \$200 million for Education Opportunity Zones in districts that agreed to remove bad teachers, turn around failing schools, and end social promotions. The proposal required authorization, which Congress will never give us. For next year, we recommend a simpler approach that uses existing authority and focuses entirely on ending social promotion. We would like to expand our after-school program from \$200 million to \$700 million and target this money to districts that end social promotion. These school districts could use the money (as Chicago does) to provide extra help after school and mandatory summer school for students who need it. (Cost: \$300 million above FY99 budget.) (DPC)

2. Teacher Quality and Recruitment. Now that we're on track to begin hiring 100,000 new teachers to reduce class size, we have an even greater responsibility to help communities attract talented new teachers to the profession. We envision a five-part strategy on teacher quality and recruitment: (1) a \$100 million increase in the teacher recruitment scholarships we enacted this year in the Higher Education Act, which would put us on course to attract 60,000 new teachers at high-need schools over the next five years; (2) a \$60 million initiative -- modeled after the successful Troops-to-Teachers program -- that would help states expand alternative certification routes and attract talented people from other professions, such as military personnel and employees in firms being downsized; (3) a nationwide crackdown on teacher education schools, including new regulations authorized by the Higher Education Act to require report cards for education schools; (4) a \$50 million increase in the Eisenhower program to send secondary school teachers who teach

outside their field back to college to take additional courses in the subjects they're teaching, coupled with a new requirement that new secondary teachers pass competency tests in a subject before they can teach it; and (5) a high-profile effort to help states make the most of the 15 percent set-aside for teacher quality in the recently passed class size legislation. (Cost: about \$210 million above FY99 budget). We are also exploring a politically interesting counter to private school choice: vouchers for private school teachers -- i.e., an incentive program to encourage private school teachers to teach in public schools. (DPC)

3. Work-Site Schools. One of the most promising new education ideas sprouting up around the country is the creation of public schools at work sites, designed primarily to serve employees' children. School districts provide the teachers and curriculum; companies provide facilities and upkeep. These schools-at-work serve a host of objectives at once, by (1) providing new facilities at no cost to the district; (2) increasing parental involvement in the schools and parental satisfaction in the workplace; (3) reducing employee turnover and absenteeism; and (4) increasing school diversity, because work sites are more diverse than residential neighborhoods. We propose a \$100 million increase in an existing discretionary program to provide grants to 100 communities to launch work-site schools. We also could seek a stand-alone bill (like the charter school law) to advance this idea. In addition, we are working with Treasury to develop a tax credit for businesses that start on-site schools, similar to the Kohl business tax credit for on-site child care that is already in our budget. (Cost: \$100 million for start-up grants. No estimate yet for tax credit, but it will be very small.) (DPC/NEC)

4. Public School Choice. As support grows for private school vouchers, we must continue our efforts to expand choices within the public schools. Charter schools are one answer, and we recommend a \$20 million increase, to \$120 million, to keep us on track to 3,000 charter schools by 2002. Work-site schools are another. We also recommend increased funding for (1) an existing grant program that helps urban and suburban school districts reduce racial isolation by forming interdistrict magnet programs; and (2) magnet schools on university campuses, especially in urban areas. (Cost: \$25 million for interdistrict magnet programs; \$15 million for 10 university-based schools.) (DPC)

5. School Leadership Academies. Research has shown that an effective principal is the single most important indicator of school success, yet little has been done at the national or state level to improve the management skills of principals. We propose a small initiative to create school leadership academies that would provide training in management, teacher evaluation, school discipline, and other areas to elementary school principals in high-poverty districts. (Cost: \$50 million) (DPC)

6. Class size. To stay on course to reach 100,000 new teachers in seven years, we will ask for \$1.3 billion in the FY2000 budget. We are planning an ambitious rollout of the class size initiative over the next year, as we award first-year funding, issue guidance to local districts on how the program works, and so on. We also will press Congress to restore the local matching requirement and strengthen the provisions to require competency testing of new teachers. (DPC)

7. Adult Literacy. According to the National Adult Literacy Survey, 44 million adults struggle with a job application, cannot read to their children, or are left on the welfare rolls because they lack basic skills. We are considering: (1) Workplace: a new tax credit and/or Federal grants to encourage employers to provide adult basic education classes at the worksite, and setting aside funds for work-based literacy projects within Welfare-to-Work competitive grants (see welfare section of this memo); (2) Community: expanding the infrastructure and funding for adult basic education through the Adult Education program, encouraging the development of programs focused on easing the transition to the U.S. for new immigrants (through ESL and civics classes), subsidizing the provision of child care on college campuses and other adult education sites, and launching a national information campaign to make people aware of the problem of functional illiteracy and of available services; and (3) Home: using the new *Learning Anytime Anywhere Partnerships* to create software for adult basic education using \$200 computers (e.g., WebTV, game players) and subsidizing public housing projects that create computer literacy programs. (NEC)

8. National Campaign to Open Doors of College. Notwithstanding enormous strides we have made in reducing the financial barriers to college, too many families assume college is more expensive than it really is and are not aware of the aid that is available (Even among low-income youth with high test scores, one-fourth say they have not been able to get much information about financial aid for college). We are planning: (1) launching a major national public information campaign about college costs and financial aid (e.g. naming a national chairman such as Bill Cosby, having a national college visit day, etc.), (2) building on the authority in the new GEAR UP program, providing *every* middle school (e.g. 7th grade counselor) with the ability to give students a "21st Century Scholar Certificate," indicating the financial aid that they are eligible for, and (3) seeking to provide *every* high-poverty middle school with a college partner. This does not require any new investment, just some focus and creativity. (NEC)

9. Improving the College Success Rate. Getting people in the doors of college is not enough to close the racial and income opportunity gaps. For example, only 21% of African-American and 18% of Hispanic students who begin college complete a bachelor's degree within 5 years compared to 30% of White students. We are considering a package of policies, including: (1) a super-Pell grant for the lowest income families and/or to encourage a full-time focus on school in the first year of college (this would be expensive); (2) expanding successful mentoring and other support services in colleges (including those aimed at graduate school preparation); (3) promoting college course-taking while in high school; (4) improving matriculation between two-year and four-year colleges; (5) encouraging partnerships between predominately minority-serving and predominately majority-serving institutions of higher education (particularly to promote graduate study); and (6) establishing a bridge fellowship program for graduate study in science and technology fields for minorities and women. (NEC)

10. School Modernization. The current assumption is that we will repeat this year's proposal for tax credits to build and renovate schools covering the interest on nearly \$22 billion in bonds. We are, however, critically comparing our current proposal against other possible mechanisms to ensure

we have the most effective approach. (NEC)

11. Further Expanding Junior ROTC. In response to the Los Angeles riots, Colin Powell proposed and Congress approved in 1992 an expansion of the high school-based JROTC. Since then, 1,000 units have been added primarily in urban areas, bringing the total to nearly 2,600 units with 400,000 participants. The budget increased over that period from \$76 million to \$166 million. There is a waiting list of more than 450 schools that would like to have a JROTC unit. Because DOD does not plan any further expansion, these 450 schools on the waiting list will not likely be added. We could propose adding another 900 units over the next few years, to reach the authorized maximum of 3,500. Cost: about \$235 million. (NEC)

12. Training American Workers for Current and Future Skills Gaps. We should challenge the private sector to make specific commitments to train more American workers, which they pledged to do during the debate on H1-B visas. They could provide more college scholarships for women and minorities, partner with community colleges to develop cutting-edge curricula, and encourage their employees to serve as telementors for middle school students to get them excited about math and science. In addition, we are working on: (1) a program to foster partnerships ("Regional Skills Alliances") between industry and training providers to train both employed and unemployed workers; (2) competitive grants to encourage companies to develop programs in which they subsidize the training of individuals who they then commit to hire; (3) extensions and/or expansions of some of the current training tax provisions (such as the lifelong learning tax credit and Section 127); and (4) a major informational/media campaign by the Departments of Education and Labor to inform all Americans about available training opportunities, financial aid, and job search assistance to allow them to develop the skills required for employment opportunities around the country. (NEC)

13. Making Job Training Universal. We are considering an initiative to make job training more universal. The first component of this initiative would be to seek a significant increase in dislocated worker funding -- about \$190 million -- so that we are on path to provide training to every dislocated worker who wants or needs it within five years. The second component would be to ensure that every unemployed person is eligible for core labor market services, e.g., job search assistance. The final component would be to take the steps necessary to ensure that every worker, regardless of where they live, would be able to have access to a One-Stop Career Center (where they can learn about job training, employment service activities, unemployment insurance, vocational rehabilitation, adult education, and other assistance.) (NEC)

14. Community Computing Centers. We have roughly 650 computing community centers, which empower low-income Americans in the Information Age by teaching them to type a cover letter and a resume, search for job vacancies on the Internet, or even start an Internet-related business. These efforts should be expanded. (NEC)

School safety -- see CRIME section

SERVICE (DPC)

1. AmeriCorps Seniors. In the wake of John Glenn's return to space, we have an opportunity to give other senior citizens a mission. We propose adding \$25 million to the current AmeriCorps program to create a senior corps of 10,000 volunteers to serve as tutors and mentors and in afterschool programs. We would build on a successful demonstration program that recruits seniors to serve 15-20 hours per week over a fixed period of time in schools and other community centers. In exchange, seniors would be eligible for small incentives, including awards to participate in senior learning programs. By inspiring responsibility among seniors, this initiative would provide an ideal complement to Social Security reform. John Glenn has expressed some interest in playing a role in AmeriCorps now that he's retired. We could invite him back to the State of the Union and place him in charge of a national effort to inspire seniors to serve. (Cost: \$25 million)

2. Expand AmeriCorps. We propose expanding the AmeriCorps program from its current level of 50,000 members per year to approximately 70,000 per year, with the goal of reaching 100,000 per year by the end of this Administration. These additional members could be targeted to serve primarily in after-school and summer school programs. (Cost: \$75 million)

3. Expand Service Component of Work-Study Program. Nearly 1 million students now receive federal work-study funding. Despite our efforts, colleges and universities are required to use only 7 percent of their work-study money for students employed in community service. The higher education lobby would object, but we could propose a substantial increase in that requirement -- e.g., phasing it up to 25 percent over the next 3 years.

HEALTH CARE AND DISABILITIES (DPC/NEC as specified below)

1. Long-Term Care Initiative. This package could include: (1) a tax credit of up to \$1,000 for people with three or more limitations in activities of daily living (ADL) or their caregivers, at a cost of about \$6 billion over 5 years; (2) a plan for OPM to offer federal employees a choice of high-quality private long-term care insurance policies at lower-than-market prices; (3) a family caregiver support program, costing about \$500 to \$750 million over five years, that would provide grants to states for "one-stop shops" to assist families who care for severely impaired elderly relatives through counseling, training, and respite services; and (4) a nursing home quality initiative, costing about \$500 to \$750 million over five years, that would include new enforcement provisions (e.g., increased penalties), new funds for surveys of repeat offenders and improved surveyor training, and perhaps a new commission to oversee HCFA's nursing home enforcement efforts and to investigate other kinds of facilities where health care is offered (e.g., assisted living facilities). (DPC/NEC)

2. Health Insurance Coverage Expansions. We could propose again, in new and improved forms: (1) an initiative to encourage small businesses to form purchasing cooperatives for health insurance, costing about \$50 to 100 million over 5 years; (2) proposals to improve outreach for children's health insurance; and (3) a proposal, more limited than last year's, to provide a Medicare buy-in for

certain people ages 55 to 65, benefiting about 30,000 people and costing \$500 million over 5 years. (DPC/NEC)

3. Biomedical Research. We should again propose an increased investment in biomedical research -- perhaps (depending on how we treat tobacco money in the budget) between \$500 million and \$1 billion. (DPC)

4. Antibiotics (Super Bug) Initiative. Resistance to antibiotics is becoming a public health crisis, causing prolonged illnesses and even death. A new initiative, costing about \$25 million each year, could address this problem through: (1) a major outreach and education campaign involving hospitals, health professionals, and managed care organizations; and (2) new research and surveillance efforts to understand where and why antibiotic resistance occurs and to develop effective responses. (DPC)

5. Bioterrorism Initiative. This initiative, costing \$100-300 million each year, would: (1) train epidemic intelligence officers who can coordinate with state health departments to identify and respond to attacks; (2) develop a mass casualty emergency response system that includes primary care, emergency transportation, and decontamination abilities; (3) create and maintain a stockpile of pharmaceuticals; and (4) improve research to develop new vaccines and antibiotics to be used in the event of attack. (DPC)

6. Prescription drug coverage for Medicare beneficiaries. We are considering a variety of proposals to address the lack of coverage for prescription drugs in Medicare, including a means-tested Medicaid option, an approach that would apply only in managed care, a traditional benefit for all beneficiaries, and an unsubsidized purchasing mechanism that uses Medicare's size as leverage for drug discounts for beneficiaries. If desirable, a proposal could be included in the budget or coordinated with the March release of the Medicare Commission's recommendations. The cost varies significantly depending on the proposal, ranging from \$1 to 20 billion a year. A proposal of this kind probably would depend on tobacco funding (see tobacco section below). (DPC/NEC)

7. Protecting beneficiaries from HMO withdrawals from Medicare. This year, a number of HMOs pulled out of Medicare with only a few months notice, leaving 50,000 beneficiaries with no plan options in their areas. You announced that the Administration would develop legislation to prevent this behavior in the future, and we are currently reviewing the best approaches. (DPC)

8. Redesigning and increasing enrollment in Medicare's premium assistance program. Over 3 million low-income Medicare beneficiaries are eligible but do not receive Medicaid coverage of their Medicare premiums and cost sharing. Many more may not get enough assistance through a new provision that is supposed to help higher income beneficiaries. We are developing a range of proposals, costing up to \$500 million over five years, to use Social Security Offices to educate beneficiaries about this program, reduce administrative complexity for states, and give them incentives to engage in more aggressive outreach efforts. (DPC/NEC)

9. Disease Initiatives. We are working on several initiatives designed to combat particular diseases. These initiatives, which you could choose to do individually or in combination, are: (1) an asthma initiative, which will curb recent steep increases in asthma cases especially among young children, by disseminating new treatment guidelines to state and local public health programs and encouraging them to work with schools, child care organizations, businesses, and other community organizations; (2) a mental illness initiative that will accompany a Surgeon General's report on this subject (and perhaps a White House Conference recommended by Mrs. Gore) and will include public-private partnerships to improve access to prevention and treatment, reforms in federal health programs to improve delivery of mental health services, and funding increases in the mental health block grant; and (3) a heart disease initiative, which could include: a new partnership with aging networks to evaluate and improve nutrition; efforts to measure successful prevention approaches and replicate them nationwide; and the creation of a network of educators, churches, and community-based organizations to launch a nationwide awareness campaign. In each of these initiatives, the public health efforts described above would supplement NIH funding of research projects. The estimated cost of these initiatives is \$50 million for asthma, \$100 million for mental illness, and \$20 million for heart disease. (DPC)

10. Food Safety. We are working on a food safety initiative that will highlight safety standards and enforcement. Included in this initiative are: (1) a repackaged and somewhat modified legislative proposal giving the FDA and USDA additional enforcement powers (e.g., mandatory recalls and civil penalties); (2) additional food-specific regulations and/or guidelines (e.g., for certain fruits and vegetables); and (3) more extensive adoption of our model codes for restaurants and food service workers. In addition, we will focus on improving coordination with state and local agencies that regulate food safety in order to develop a wholly integrated national inspection system. (DPC)

11. Disability -- Health. A health-related disabilities package could include: (1) the Jeffords-Kennedy Work Incentives Improvement Act, which enables people with disabilities to go back to work by giving them an option to buy into Medicaid and Medicare, at a cost of about \$1.2 billion over 5 years; (2) a proposal, costing \$50 million over five years, to promote the deinstitutionalization of Medicaid beneficiaries by developing viable community-based care alternatives for people residing in nursing homes after a "date certain"; and (3) a proposal to make Medigap supplemental insurance more accessible to people with disabilities.

12. Disability -- Getting People to Work. A work-related disabilities package could include: a tax credit of \$1,000 to \$5,000 for working people with disabilities to assist them in paying for the costs associated with employment, at a cost of about \$1 to 2 billion over 5 years; a new competitive grant program, developed by your disabilities task force, to increase the employment rate of adults with disabilities; and efforts to ensure that new technologies are designed so as to be accessible to people with disabilities (see technology section). (DPC/NEC)

TOBACCO (DPC)

1. State Menu. Our best vehicle for enacting tobacco legislation next year will be a legislative waiver of federal Medicaid claims to the states' expected \$200 billion settlement with the tobacco companies. We will seek bipartisan agreement on a menu of uses for the federal share of state money, with tobacco control and child care as our top priorities. We will try to use this measure as a vehicle for other key elements of our tobacco policy, such as FDA jurisdiction and warning labels.

2. Price Increase. One of the most difficult budget decisions will be whether to assume a tobacco tax increase in our budget request, and if so, what to do with the money. There are strong arguments on each side of the question whether to include a tobacco tax increase in our budget. If we *do* assume tobacco revenue, the candidates for it include: (1) assistance to tobacco farmers (about \$1 billion a year); (2) the long-term care tax credit (about \$1 billion a year); (3) other tax cuts, such as a child care / stay-at-home tax credit and/or a reduction in the marriage penalty; (4) NIH research; (5) public health programs; and (6) the Medicare trust fund and/or a new prescription drug benefit for Medicare beneficiaries.

3. Medicare Suit Against Tobacco Companies. Our best leverage over the tobacco industry is the prospect of a federal suit to recoup Medicare costs associated with smoking. We could call on Congress to enact Senator Graham's legislation to authorize such a lawsuit (which would make the Justice Department more likely to bring it). At the same time, we could ask for funds for DOJ and HCFA to prepare a lawsuit against the tobacco industry. We could go further and pledge that any proceeds from such a lawsuit would be used either to extend the life of the Medicare Trust Fund or to provide a new prescription drug benefit to Medicare beneficiaries. (Cost: to be determined, but probably small).

FAMILIES AND CHILDREN (DPC/NEC as specified)

1. Expansion of the Child Care and Development Block Grant (old policy). We propose to expand the Child Care and Development Block Grant as we did in the FY 1999 Budget. The block grant is the primary federal child care subsidy program, helping low-income working families to pay for child care. Currently, between one and two million children are served by the program, leaving roughly nine million children who are eligible but unserved. This proposal would cost at least \$7.5 billion over five years. (DPC)

2. Tax Relief for Parents, Including Parents who Stay at Home. We are considering replacing our last year's proposal to expand the Child and Dependent Care Tax Credit with a new proposal to benefit all parents, including those who stay home. This change will address the criticism that our child care initiative did little for stay-at-home parents. We are reviewing proposals to (1) double the child tax credit to \$1,000 per child for all children under the age of four, at a cost of about \$12 billion over five years; (2) increase the standard deduction for each child under the age of three by \$1,000, at a cost of about \$3 billion over five years; or (3) expand the Child and Dependent Care Tax Credit as we did last year *and* extend its benefits to parents with children below age three by assuming

minimum child care expenses of \$150 each month, at a total cost of about \$21 billion over five years. Each of these proposals can be dialed up or down by adjusting either the age threshold or the dollar amount. (DPC/NEC)

3. Tax Credit for Businesses Providing Child Care. We could again propose to provide a tax credit to businesses that provide child care services for their employees. The credit, which covers 25% of qualified costs but may not exceed \$150,000 per year, costs \$500 million over 5 years. To further build on this concept, we also propose to provide tax credits to businesses that provide on-site schools (see education section). (DPC/NEC)

4. Parent Paid Leave Plan. Many workers cannot afford to take unpaid leave following the birth or adoption of a child, even though they have access to an unpaid leave policy through FMLA or voluntary employer benefit plans. To address this problem, we are considering a proposal to provide eligible parents who already have access to unpaid leave with partial wage replacement for a set period of time. The cost of the program, which would be administered through the Unemployment Insurance System, varies according to the selected eligibility criteria. If we choose, for example, to give \$200 per week for four weeks to new parents with median income (about \$37,000) or below, the cost will be about \$875 million for FY 2000 (including start-up and administrative expenses). (DPC)

5. FMLA Expansion to Businesses with 25 Workers (old but unarticulated policy). Under current law, workers are eligible for FMLA coverage only if they work at a business with *50 or more* employees and if they have worked at least twelve months and 1,250 hours for the employer. In your last State of the Union, you called for covering more workers under the FMLA, but did not fully articulate how you would do so. We could now advance a specific proposal to lower the FMLA threshold to 25 or more workers, which would expand coverage for up to ten million more American workers. (DPC/NEC)

6. Parent Education and Support Fund. We are considering proposals to create a competitive grant program administered by HHS to fund parent education and support programs, including home visitation programs and "second chance maternity homes" to support teen mothers and teach parenting skills. This fund could cost about \$500 million over five years. (DPC)

7. Adoption Registry. We are working on plans to create an Internet-based adoption registry of foster care children waiting to be adopted, so that prospective adoptive parents can learn about these waiting children. Funding this registry would require a very small increase in HHS's Adoption Opportunities Grant Program. (DPC)

CRIME (DPC)

1. Crime Bill II. The 1994 Crime Act will expire at the end of the FY 2000 budget cycle, guaranteeing that the next Congress will consider major crime legislation. We recommend that you get a jump on this debate by using your State of the Union and FY 2000 budget to challenge

Congress to pass a new crime bill that builds on the core elements of the successful 1994 Act -- more police, smarter punishment, and more prevention. Most of the money required is already built into future budgets; continuation of the COPS program, however, will require new funds totaling about \$1 billion. We believe that a new Crime Act should include the following elements:

- **Community-Oriented Policing and Prosecution Services (COPPS).** Your pledge to help fund 100,000 more police is likely to be fulfilled before the end of next summer. A new COPPS initiative (note the extra "P" for "Prosecution"), costing about \$1.4 billion in the first year, could include funds to: (1) hire, redeploy, and retain an estimated 7,500 more police each year; (2) provide modern technology and equipment and support training in modern policing techniques, with a special emphasis on "hot spots" technology; (3) hire, train, and equip prosecutors to join local police in fighting crime on a more community-based, proactive basis; and (4) support partnerships between law enforcement and community-based groups to prevent crime in their areas.
- **A new focus on probation supervision and coerced abstinence.** The punishment title of the crime bill now focuses largely on prison construction; we recommend shifting the focus to a new "Certainty of Punishment" initiative that will support the expanded use of probation supervision and of drug testing and treatment.
- **Gun initiatives.** A new crime bill should include your longstanding firearms priorities -- juvenile Brady, Brady II, federal CAP legislation and child safety locks. It also could include new proposals to: (1) close the loophole that exempts many firearms sales at gun shows and flea markets from Brady background checks; (2) expand the Youth Crime Gun Interdiction Initiative (YCGII) -- to trace all crime guns and investigate gun traffickers -- to an additional 20-40 cities; and (3) assemble gun strike forces -- teams of federal prosecutors and ATF agents, acting with local law enforcement -- to target cities with high levels of gun violence and crack down on gun traffickers.
- **Values-based crime prevention initiative.** In addition to other crime bill prevention programs, we could invest in promoting values-based crime and violence prevention efforts, such as those of Rev. Eugene Rivers. Funds from this program would go to comprehensive prevention programs run by faith-based and other institutions seeking to instill and reinforce common sense values in troubled youth.

2. Safe, Disciplined, and Drug-Free Schools. At the White House Conference on School Safety, you announced that you would overhaul and strengthen the Safe and Drug-Free Schools Program. Under this proposed reform, funds will be appropriately targeted to schools with serious drug and crime problems, and schools will have to adopt rigorous, comprehensive school safety plans that include: tough but fair discipline policies, such as zero tolerance for guns and drugs; safe passage to and from schools; effective drug and violence policies and programs; annual school safety and drug use report cards; links to after school programs; efforts to involve parents; and crisis management plans. We also could include in this package (1) funds for states that adopt a policy

of drug testing first-time applicants for drivers' licenses and (2) funds for school districts that adopt a policy of drug testing middle and high school students with parental consent. We believe that these reforms will require up to \$450 million in new funding in FY 2000.

3. Parity for Substance Abuse Treatment. Appropriate substance abuse treatment remains unavailable to nearly half of the people who need it. To help fill this treatment gap, we could propose legislation to encourage parity between substance abuse treatment and other medical benefits. Similar to the Mental Health Parity Act signed into law in 1996, a current draft of this legislation would prohibit health care plans that provide a substance abuse benefit from setting annual or lifetime dollar limits on this benefit at a lower level than those for other medical and surgical benefits. At the same time, we would have to ensure that federal health programs provide parity between substance abuse treatment and other medical benefits; we are still exploring the cost of any necessary reforms to these programs.

4. Binge Drinking. We are working on a number of proposals regarding alcohol abuse, including (1) promoting a voluntary code for alcohol advertisements directed toward minors; (2) banning alcohol billboards near schools; (3) discouraging alcohol advertising on youth-oriented web sites; (4) and funding educational efforts about the dangers of alcohol consumption.

PENSIONS (NEC)

1. Expanded Private Pension Plan Coverage: Last year, you announced several initiatives to expand pension plan coverage which were not enacted, but which we continue to believe are important and have substantial support on the Hill. We should again call for legislation that: authorizes a simplified plan for small businesses that combines the best features of a defined benefit and defined contribution plan (SMART), costing \$313 million over five years; provides a three-year tax credit to encourage small businesses to set up retirement programs, costing \$508 million over five years; and authorizes payroll deductions for IRAs. We are exploring ways to expand coverage for moderate and lower-income workers. Consideration is also being given to ways of enabling multiple small businesses to pool together for pension plan administration.

2. Women's Retirement Security: To underscore the importance of pensions for women's retirement security, you would call for legislation enacting the two initiatives you announced in late October -- namely, that time taken under FMLA should count toward retirement plan vesting requirements and mandating that employer plans offer an option that pays less while the retired employee is living but pays a survivor benefit equal to at least 75 percent of the benefit the couple received while both were alive.

3. Pension Portability: You could renew your call for reducing vesting requirements from five years to three years for employer matching contributions to 401(k) and other plans to reflect an increasingly mobile workforce, and more workers moving in and out of the workforce over a lifetime. We are also exploring various options that would increase pension portability and facilitate the movement of retirement savings between plans, where this can be done without encouraging "leakage" or loss of

worker protections -- e.g., providing that federal employees can roll over retirement savings from private sector qualified plans into the federal Thrift Savings Plan.

4. Expand Pension Right to Know Provisions: You could call for a pension right to know package that provides for both workers and their spouses general information relating to retirement needs and their benefits under employer retirement plans. In addition, an employee's spouse should have the same rights to get information as the employee, before waiving the statutorily provided survivor protection. You should call for a Pension Right to Know package that provides information for both workers and their spouses. We are also working on an employee education program that would provide employees with the tools they need to work with their employers to provide pension plans, and are thinking about how to encourage courses in high schools on the importance of savings and other general investment education (which can be combined with the Consumer Literacy and Education campaign described below). Consideration is also being given to a savings stamp book program in the schools (sell savings stamps in very small amounts; when the book is full, turn it in for a U.S. savings bond) to help educate the young about how to reach savings goals.

5. Increase Retirement Security: To promote security, we are continuing to work on the pension audit bill, changes to the multi employer (collectively bargained) plan rules, and expansion of PBGC's missing participant program.

COMMUNITY EMPOWERMENT (DPC/NEC for all)

1. CDFI Tax Credit. We are looking at a proposal to extend tax incentives to encourage investment in CDFIs, which would leverage additional private investment in distressed areas and stimulate the economic revitalization of those areas. Under the proposal, \$100 million in non-refundable tax credits would be made available to the CDFI Fund to allocate among equity investors in qualified CDFIs using a competitive process.

2. Microcredit Initiative. We are working to identify means to increase support for microenterprise finance, both domestically and internationally. We are examining whether to build on Senators Kennedy's and Domenici's PRIME legislation which would provide technical assistance to microenterprise. We are also looking at increased funding for CDFI initiatives specifically targeted to microenterprise. On the international side, we are looking at whether we can increase microenterprise funding through USAID or MDBs, especially to countries hardest hit by the financial crisis.

3. Clean Water, Parks, and Communities Bonds. We are examining three proposals to encourage "green" infrastructure projects. The first model uses the same financing mechanism as your school construction proposal for a menu of projects: protecting and improving water quality; cleanup of contaminated sediments; waterfront reclamation and revitalization; stormwater runoff control; purchasing of green spaces to prevent sprawl; park enhancements and revitalization, and brownfields cleanup. The second model, which provides a smaller incentive than the first model, would create new tax-exempt bond authority for these state and local areas to invest in clean water,

parks, and communities. The advantage of this model is that it builds on the current system of bond finance. The final model would allocate tax credits (like the Low-Income Housing Tax Credit) to states and local areas to provide to the developers of these green infrastructure projects.

6. Low-Income Housing and Homeownership Tax Credits. We recommend that you again propose a 40-percent expansion of the Low-Income Housing Tax Credit, which would help develop an additional 150,000-180,000 affordable housing units over the next five years, at a cost of \$1.6 billion over five years. In addition, we are examining two kinds of tax credits to promote homeownership among lower-income families. The first proposal would use the model of the Low-Income Housing Tax Credit to create a Low-Income Homeownership Tax Credit. Under this proposal, low-income families would receive a low- or zero-interest second mortgage, which would reduce their upfront costs (*e.g.*, downpayment and closing costs) and investors would receive tax credits in return. The second proposal is a \$5,000 tax credit for first-time homebuyers in Empowerment Zones or Enterprise Communities. Finally, you can call on Congress to accelerate the increase in the volume cap on private activity bonds, which would help states and localities provide below-market mortgages to first-time homebuyers with relatively low incomes.

7. Housing for the Elderly Initiative. This proposal is designed to improve housing for elderly people and thereby provide an alternative to nursing home care. In addition to providing capital to improve and modify such housing to meet the needs of elderly residents, the initiative would provide housing vouchers for low income elderly who live in housing developed through the Low-Income Housing Tax Credit. Because the tax credit helps subsidize rent, this proposal would allow us to leverage our resources and provide more vouchers to the poor elderly.

8. Re-Develop 10,000 Abandoned Buildings. Abandoned buildings are a symbol of urban blight, and an action plan to turn this around will be a powerful signal of change. We are examining different proposals to help re-develop 10,000 abandoned buildings, combining several existing programs or providing grants or tax incentives to spur private-sector redevelopment of these sites.

9. Homelessness. We are working on a three-part proposal that would: (1) assist the approximately 250,000 homeless veterans by increasing residential alternatives, community-based contracted care, job preparation activities, stand down activities (community-sponsored events that conduct one-stop service delivery programs for homeless veterans), the distribution of clothing, and long-term housing; (2) allow VA to sell surplus property with 10 percent of proceeds going to homeless veterans; and (3) start a demonstration project targeted to the chronically homeless to test the most promising models for moving the chronically homeless to self-sufficiency using a combination of permanent housing and links to mainstream services. Cost: \$105 million -- \$60 million for VA and \$45 million for HUD demonstration project.

RURAL/AGRICULTURE (NEC/DPC as specified)

1. Strengthening the Safety Net. To help farmers suffering from the depressed export markets and natural disasters, we are considering various reforms of the crop insurance program and closing gaps

in the emergency loan program. We are paying special attention to programs that will help small family farms. (NEC)

2. Bringing the knowledge of land grant colleges to every rural American: The USDA spends \$1.6 billion on agricultural research, much of it at America's land grant colleges and universities. The government could provide grants to ensure that this information is available on the Internet and is well-organized --so that all rural Americans can easily access information on topics such as crops, livestock, rural development, natural resource conservation, and food safety. (NEC)

3. Emergency Medical Services in Rural Areas. The presence of viable emergency systems is critical for residents in rural areas, because of the high rates of injury associated with jobs in these areas and the long distances to health providers. This proposal, costing about \$50 million, would provide funds to States and local communities to improve access to 911 services or alternative emergency systems. It also would fund programs to help rural communities train local citizens in CPR and first responder techniques and to recruit and retain emergency personnel. (DPC)

4. Rural Transportation. Transportation is crucial to the efforts of residents and businesses in rural America to improve the livability of their communities and expand their economic activities. We are developing a rural transportation initiative that will help those who live and work in rural areas by improving the ability of farms and businesses to obtain materials and move their products to markets, and by making it easier for small communities to attract additional commercial jet air service. (NEC/DPC)

TECHNOLOGY (NEC)

1. Curbscuts on the Information Highway. We are looking at several options that would make information technology usable by people with disabilities in a manner that improves their lives: (1) investing in R&D (e.g., text-to-speech, automatic captioning, speech recognition); (2) giving disabilities groups a seat at the table as the standards for new technologies are developed; (3) making the government a model "user" of accessible technology; and (4) explore opportunities for greater deployment. In addition, the tax credit for work-related impairment expenses for people with disabilities could be used to expand the market for assistive technology.

2. A Digital Library for Science, Math and Engineering. We need to get every young student and undergraduate excited about math, science and engineering. We are exploring creating a "digital library," which would contain lectures from Nobel Prize laureates, have an ability to track and replicate cutting-edge scientific experiments, and make it easier for students and teachers to locate the best instructional material on the Internet.

3. Information Technology Research Initiative. Increasing our investment in information technology research, which is currently about \$1 billion of the federal research budget, could lead to the following breakthroughs: supercomputers that can more rapidly perform important functions, such as designing life-saving drugs and predicting severe weather systems; wireless networks that

can bring telemedicine and distance learning to rural America; a device of the size of a paper that could monitor the vital signs of a senior citizen, send a "911" message in the event of a medical emergency, and provide an exact location using global positioning technology; new software tools that can help us cope with "information overload" by discovering patterns in huge quantities of data; and intelligent spacecraft that can explore the Solar System. Options have been developed at roughly \$100, \$200 and \$400 million in FY2000; and \$1, \$2 and \$3 billion over 5 years.

4. 21st Century Research Fund. One initiative that you announced in last year's budget that we think is important to continue is the 21st Century Research Fund -- which provided across-the-board support for civilian R&D at agencies such as NIH, NSF, and Energy. For FY99, Congress provided a 10 percent increase for basic research, so this is an area where bipartisan cooperation is possible. Currently, the FY2000 budget reflects only a 2% increase in civilian research.

WELFARE REFORM, CHILD SUPPORT ENFORCEMENT, AND CHILD WELFARE (DPC)

1. Reauthorize the Welfare-to-Work Program. Congress authorized the Welfare-to-Work Program for only two years; if we wish to continue our current investment in the hardest-to-employ, we will have to propose a reauthorization of about \$1.5 billion annually. Within this funding level, we propose several set-asides, totaling \$500 million, for the following specific purposes: (1) work-based English-language literacy projects for immigrants and others; (2) work-based substance abuse testing and treatment programs; (3) employment services for welfare recipients with disabilities; and (4) a work-based program to promote responsible fatherhood, including efforts to increase low-income fathers' employment and earnings and ensure that they provide financial and other support to their children. At the same time, we should (1) seek an additional 50,000 welfare-to-work housing vouchers, and (2) call on Congress to make permanent the Welfare-to-Work Tax Credit and the Work Opportunity Tax Credit, both of which now expire on June 30, 1999.

2. Child Support. One initiative, costing just a few million dollars each year, would increase the prosecution of egregious child support violators by establishing multi-agency teams, working with state and local law enforcement, to identify, analyze, and investigate cases for prosecution. A pilot project of this kind is already under way in five states; this proposal would put these units in place all across the nation within the next several years. A second initiative would seek legislation to exclude doctors and other health care providers who are delinquent in child support from the Medicare program or from programs offering health professional loans.

3. Children "Aging Out" of Foster Care. Each year, nearly 20,000 18-year-olds "age out" of the public child welfare system. Federal financial support for these young people ends just at the time they are making the critical transition to adulthood. Areas for increased investment for these young adults include: (1) expanding the independent living program, which provides services to foster care children in this age group; (2) expanding the transitional living program, a competitive grant program that funds community-based organizations that provide services to this population, including housing support; and (3) giving states the option of using Federal Medicaid dollars to provide health care coverage for this population. (Cost: roughly \$150 million each year)

CIVIL RIGHTS AND WOMEN'S RIGHTS (DPC)

1. Equal Pay. We are working on a program to be run by the EEOC and DOL to increase outreach to businesses and employees about equal pay requirements, provide technical assistance to businesses seeking to comply, improve training for EEOC employees, and expand enforcement capabilities. In addition, the program will fund research on the nature and extent of wage discrimination, as well as a new Women in Non-Traditional Occupations Initiative designed to improve access of women into occupations such as construction and high technology. Cost: about \$20 million for EEOC and \$10 million for DOL.

2. Abortion Violence. We are working on a comprehensive initiative to address violence against providers of reproductive health services. This initiative may include: (1) a National Task Force established by the Department of Justice that will conduct investigations of abortion violence, collect and collate information related to clinic violence, and provide training to federal, state, and local law enforcement personnel on how to address this problem; (2) special security measures, including stepped-up U.S. Marshal support, at clinics identified to be at risk of violence; and (3) federal guarantees of loans taken out by clinics that must rebuild after they have been attacked. Cost: Unknown at this time.

TRANSPORTATION (NEC/DPC as specified)

1. Reauthorization of the FAA, with Focus on Modernization and Competition. A blue-ribbon bi-partisan panel concluded last year that the air transportation system faces "gridlock" within a decade without sweeping changes. We are considering various policy options to incorporate into the FAA reauthorization that you will propose in 1999 (it is a must pass this year) that will: (1) improve the efficiency and capacity of the nation's aviation system, and (2) enhance competition and service to rural areas. Some of the components of this initiative would include: centralizing the air traffic control services (ATS) in a performance-based organization (recommended by the bi-partisan panel); financing ATS for commercial aviation through cost-based user fees (supported by the major airlines); increasing Passenger Facility Charges (PFCs) to finance airport expansion nationwide (supported by state and local governments); modifying federal rules on how airports can use PFCs and other funds to encourage new airline entrants; and enhancing service to underserved areas.

We are also looking at ways to further competition in international aviation. The Administration has extended the benefits of competition by negotiating dozens of bilateral open-skies agreements. We could press our trading partners for World Wide Open Skies and explore lifting other restrictions on foreign aviation investment and operation on a reciprocal basis. (NEC)

2. Auto Safety. We are making headway on auto safety. Last year, the number and rate of auto fatalities declined. However, we still have a long way to go -- more than 40,000 Americans die in auto accidents each year, at a direct cost of \$150 billion. The keys are seatbelts (more) and alcohol (less). We are working on a comprehensive initiative that would include: (1) meeting the President's goal of 85 percent seatbelt compliance by the year 2000, which would save 4,000 lives and nearly

\$7 billion; (2) promoting education initiatives like the Buckle-Up America campaign; (3) enforcing the TEA-21 requirement that states lower the legal blood alcohol content level from .10 to .08; and (4) pushing a new Administration initiative on children's safety that will target auto accidents, among other problems, by promoting the use of child safety seats, booster seats (for children ages 4-8), and bicycle helmets. (NEC/DPC)

3. Transportation Needs of the Aged. With the number of Americans over 65 expected to grow by half by 2020, we should begin addressing the need to ensure their continued mobility, independence and safety in their later years. We are only beginning to look at this issue with DOT, which plans to hold six town meetings soon with senior citizens, medical experts, transportation safety specialists, and others to discuss the problems and challenges and identify best practices. The U.S. will host an international conference on this topic next year, in connection with the United Nation's Year of Older Persons. This may be combined with the long-term care and the housing for the elderly initiatives. (NEC)

4. "Smart Growth" and Sustainable Development. One of the biggest challenges facing America's communities is that "sprawl" development is threatening the long-term economic vitality and quality of life in America's urban, suburban and rural areas. Although land use decisions should remain the domain of state and local government, the federal government can be an effective partner. First, we will continue investing in sustainable transportation. TEA-21 authorizes a record \$41 billion over the next six years for transit; increases tax-free transit benefits; and expands communities' ability to transfer funds from highway construction to transit, bicycle and pedestrian programs, telecommuting and other forms of transportation that reduce congestion and pollution. Second, we will provide incentives to make it easier for communities to pursue smart growth policies, by exploring ways cities can capture the air quality benefits of sustainable development and by supporting a private sector initiative that would encourage mortgage lenders to consider the savings from "location efficiency" in making mortgage determinations for homebuyers. (NEC)

ENERGY (NEC)

1. Electricity Restructuring. You could call on Congress to enact legislation, to make the electricity industry more competitive and to provide more choices for industrial, commercial and residential customers. The Administration's Comprehensive Electricity Competition Act will save consumers \$20 billion a year. Retail competition will not only improve efficiency, but also reduce the two-thirds waste of energy currently associated with fossil-fuel generation of electricity, thereby cutting greenhouse gas emissions. Prominent Republicans have included electricity restructuring on their list of priorities for 1999.

2. Distributed Generation ("Micropower"). To increase the consumer savings and environmental benefits from electricity competition, the Administration will pursue legislation to eliminate obstacles to the use of small, clean efficient generation technologies (e.g., fuel cells and photovoltaics) that can be installed at or near the electricity user's site. Moving from large, central-station generation of electricity to distributed generation by small, clean sources is analogous to the

move from mainframe computers to personal computers.

FINANCIAL SERVICES (NEC/DPC as specified)

1. Consumer Financial Literacy and Education. We are currently developing a set of proposals to promote consumer financial awareness and enhance consumer credit literacy, ranging from a public awareness campaign to establishing an educational clearinghouse to disseminate quality curricula to high school students. We are also working on a study to identify what the biggest problems are with how Americans use consumer credit, and what basic banking services and steps they can take to help themselves (this may be very important if bankruptcy reform is a live item next year). Part of our focus is on reaching out to low-income households, building on (and expanding) two existing government programs -- Treasury's Electronic Funds Transfer program that was a first step in helping the "unbanked" enter into electronic commerce and a USDA extension program that is providing some (limited) services to rural low-income families. This proposal would cost \$5-10 million. (NEC)

2. Consumer Financial Bill of Rights. In order to respond to the outrage consumers feel about ATM surcharges, without supporting economically questionable regulation of ATM fees, we are considering a proposal either for the government or for financial institutions voluntarily to make publicly available a list of basic banking services and fees on an individual or geographic basis to be published periodically over the Internet. The services profiled would include, but would not be limited to, charges for access to ATMs. We are also considering the adequacy of current credit card disclosure requirements (again, relevant to bankruptcy reform) and other areas where information about financial service arrangements would be helpful to consumers. This would cost \$3-5 million. (NEC/DPC)

BUDGET ISSUES

Legal Services Corporation:

- Recommended funding level is \$340 million, a \$40 million increase over enacted, but a \$10 million decrease from the request and guidance. \$340 million is the same level as the FY 1999 President's Budget.
- The Division is not aware of any funding level commitment.
- A funding level of \$340 million in 2000 would allow grantees to assist 1.6 million poor people (at \$350 million the number of folks assisted increases by about 3 percent.)
- In addition to basic field grants, the recommendation includes \$17 million for client self-help programs and \$23 million for a domestic violence initiative. Both of these increases were requested last year.

National Endowment for the Arts - National Endowment for the Humanities

- Recommended funding level for both NEA and NEH is \$136 million each, the guidance level. FY 1999 funding for the NEA is \$98 million and for the NEH is \$111 million. Both agencies requested \$200 million.
- Since 1997, the President's Budgets have requested \$136 million for both organizations in order increase their funding. Authorization for both agencies expired September 30, 1993.
- The NEA funding level would support continued efforts in ArtsReach to provide grants to underserved States and communities. Funding at the agency request level would support the new Challenge America proposal that will partner with the States and focus on families and communities. The recommended funding level shows the Administration's strong support for the Arts.
- The NEH funding level would support the establishment of four regional humanities centers. Funding at the agency request level would increase summer seminars and institutes, develop humanities materials for use in K-12 education, support significant preservation efforts, and increase outreach through public programming.

Millennium

- Recommendation includes \$30 million for the "Save America's Treasures" initiative, the same level as FY 1999 enacted, but \$20 million below the FY 1999 Budget level and the FY 2000 level requested by Interior.

- In the FY 1999 President's Budget, \$25 million was for Federal agency preservation projects of National scope and significance with the remaining \$25 million for grants to States and Tribes. In the FY 1999 appropriations bill, Congress provided funding only for Federal projects, not for State grants. The FY 2000 recommendation would fund only Federal projects.
- Justification for the lower funding level is that this is a new and untested program, for which selection criteria and priorities still have to be determined. In addition, Congress opposed funding State grants.
- The Initiative was originally designed as a two-year program.

UNFPA

- No funding is recommended for FY 2000 for the UN population fund. (State requested \$25 million). No funds were appropriated in FY 99 for UNFPA; in the past couple of years, between \$20-25 million had been provided.
- For the past two years, the UNFPA has been wrapped up in the Mexico City/family planning debate. Chris Smith (R-NY) has tried to have reinstated legislatively the Reagan/Bush prohibition on US government contributions for international programs that fund abortions or in the case of UNFPA, prohibit funding for this organization because it operates in China, which has a national policy of coercive abortion and allows one child/family.
- As part of the compromise on the Mexico City language in the FY 99 Omnibus Bill, State Department was willing to live with no UNFPA funding, because State's highest priority was funding for AID bilateral family planning programs.

UNESCO

- No funding is included for the State Dept request to rejoin UNESCO. The U.S. assessment would be about \$70 million annually.
- The US Government (Britain and Singapore) withdrew from UNESCO fifteen years ago because of policy disagreements and problems with the leadership. There is new leadership and certain reforms; the importance of UNESCO's work to U.S. interests is still a question.
- The usual process for determining whether the U.S. will join (or rejoin) an international organization is a policy review that includes a meeting of the NSC deputies and principals. This process has not occurred. A decision to rejoin is premature.

- Over the past couple of years, negotiations with the Congress regarding funding for the UN and other international organizations focussed on identifying U.S. interests served, the need for reform and paring back activities, and (especially for appropriators) reducing annual assessed costs. Adding \$70 million to the Contributions to International Organizations account for an organization that many in Congress do not feel adds substantially to advancing U.S. foreign policy interests would probably not be well received by the appropriations committees.
- State is unlikely to seriously appeal the denial of funding for UNESCO.
- The mission of UNESCO is as follows. It is pretty vague and encompassing.

“The purpose of the Organization is to contribute to peace and security by promoting collaboration among the nations through education, science, and culture in order to further universal respect for justice, for the rule of law and for the human rights and fundamental freedoms which are affirmed for the peoples of the world, without distinction of race, sex, language or religion, by the Charter of the United Nations.

THE WHITE HOUSE
WASHINGTON

> Child Care Block Grant 7.55
DATE TX Credit for both
(DC TC for original name) 6.15 → 7.45

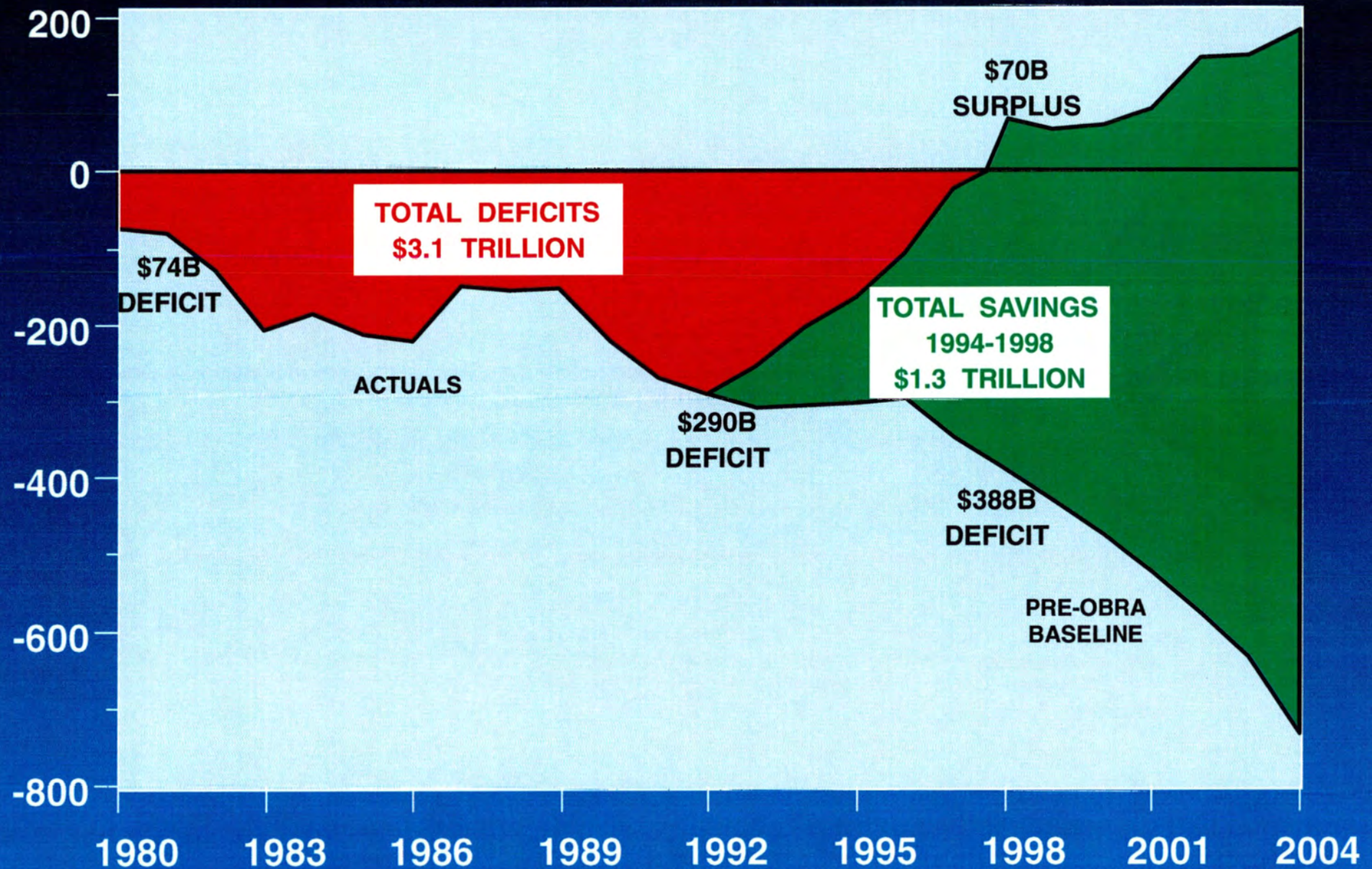
> Home Visiting (Parent Educator Support)

> after school  -

> aging and adoption

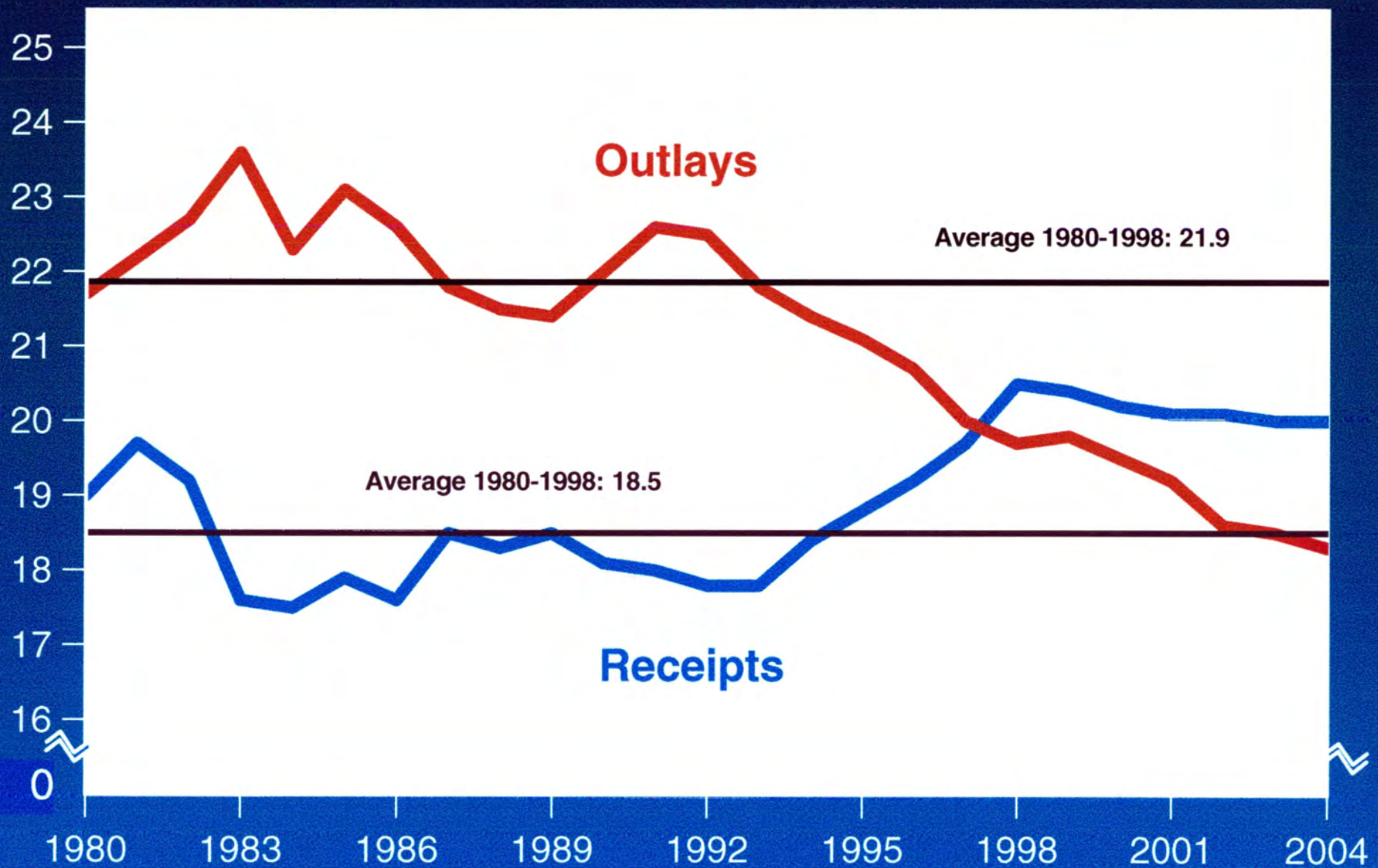
A BALANCED BUDGET AFTER DECADES OF DEFICITS

Surplus (+)/Deficits (-) in Billions



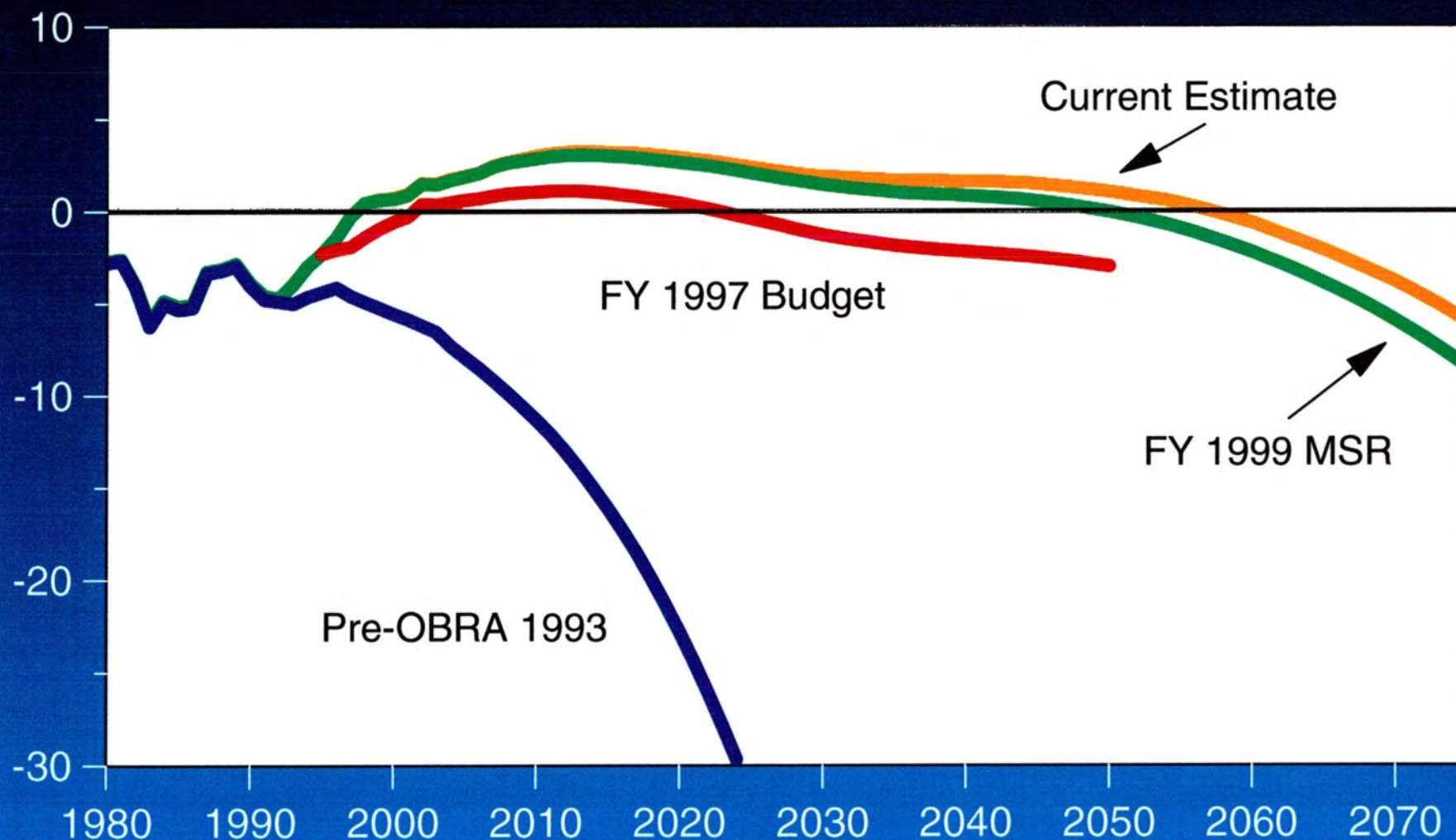
THE ERA OF BIG GOVERNMENT IS OVER

Percent of GDP



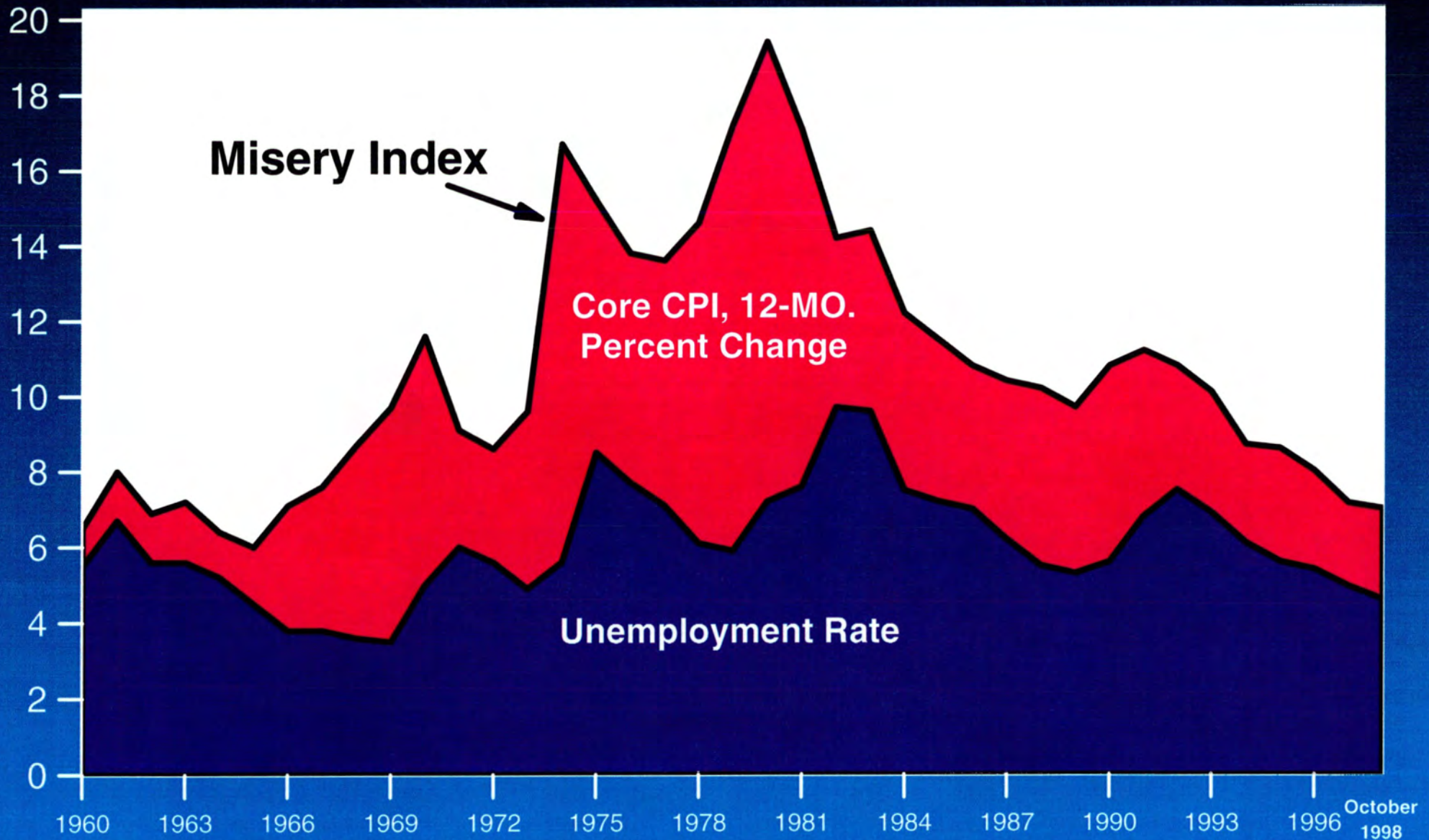
IMPROVED OUTLOOK: UNIQUE OPPORTUNITY TO SAVE SOCIAL SECURITY

Surplus/Deficit (-) As A Percent of GDP



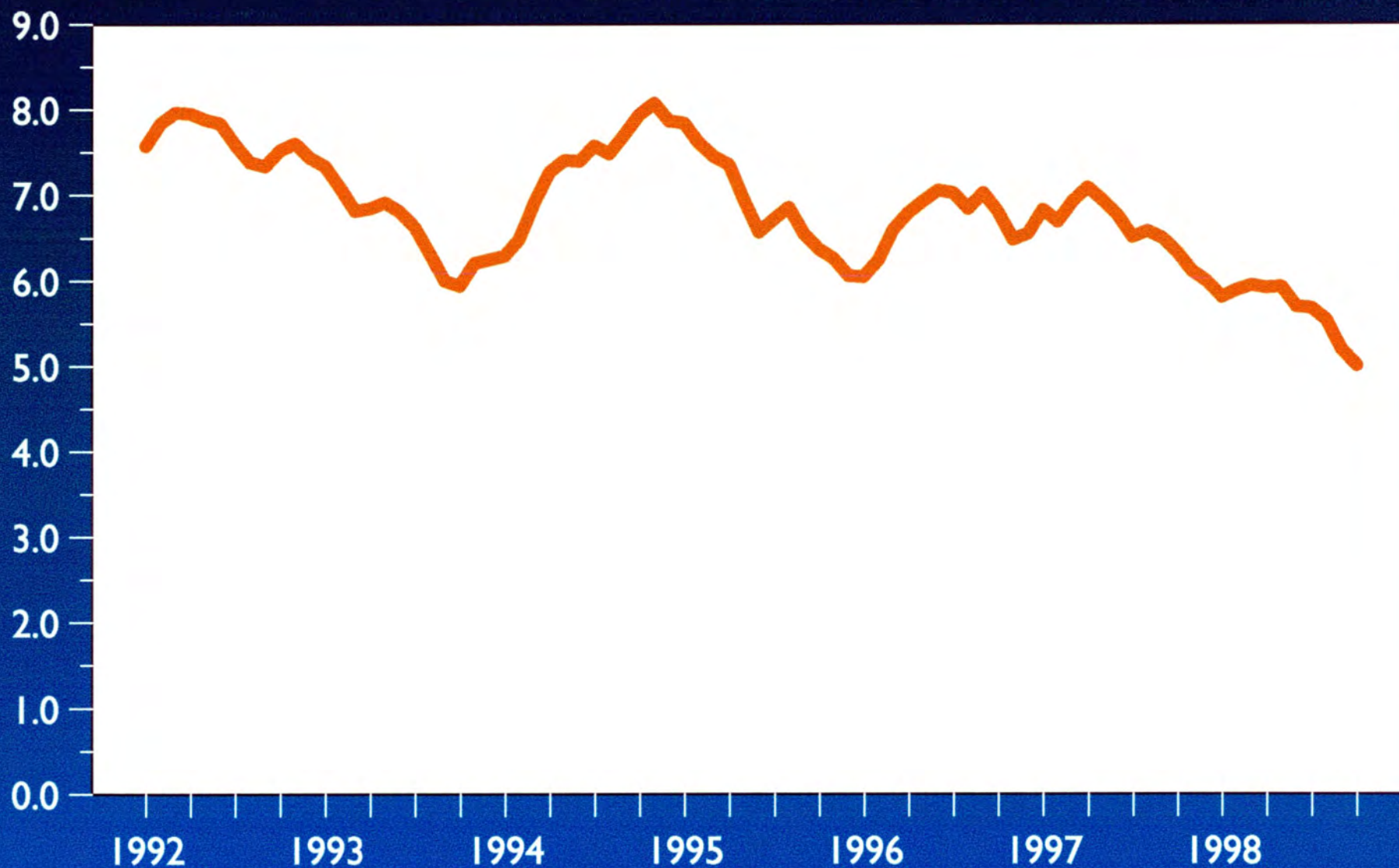
THE MISERY INDEX IS AT ITS LOWEST SINCE THE 1960s

Percent



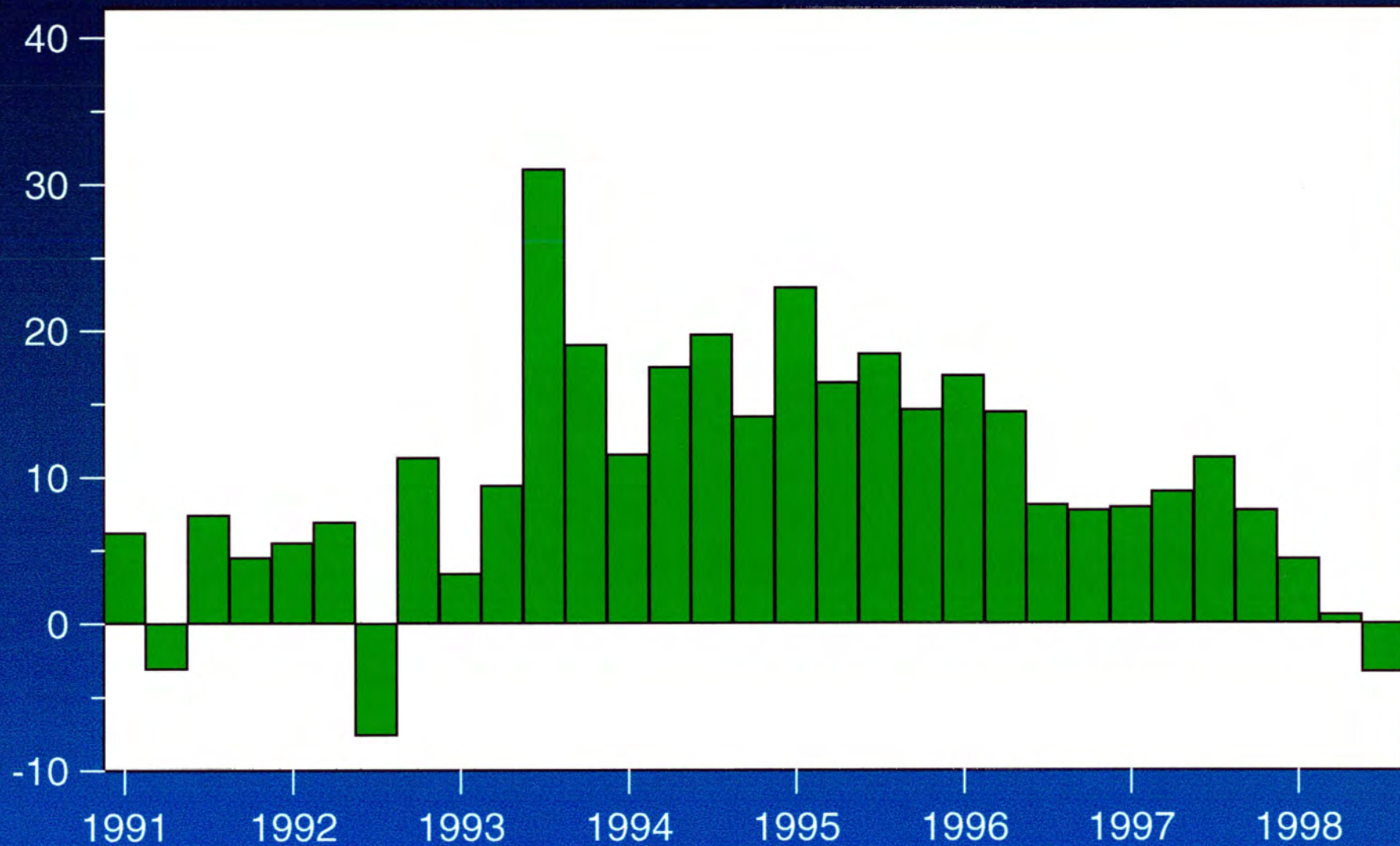
TREASURY BOND RATES ARE AT 30-YEAR LOWS

Percent

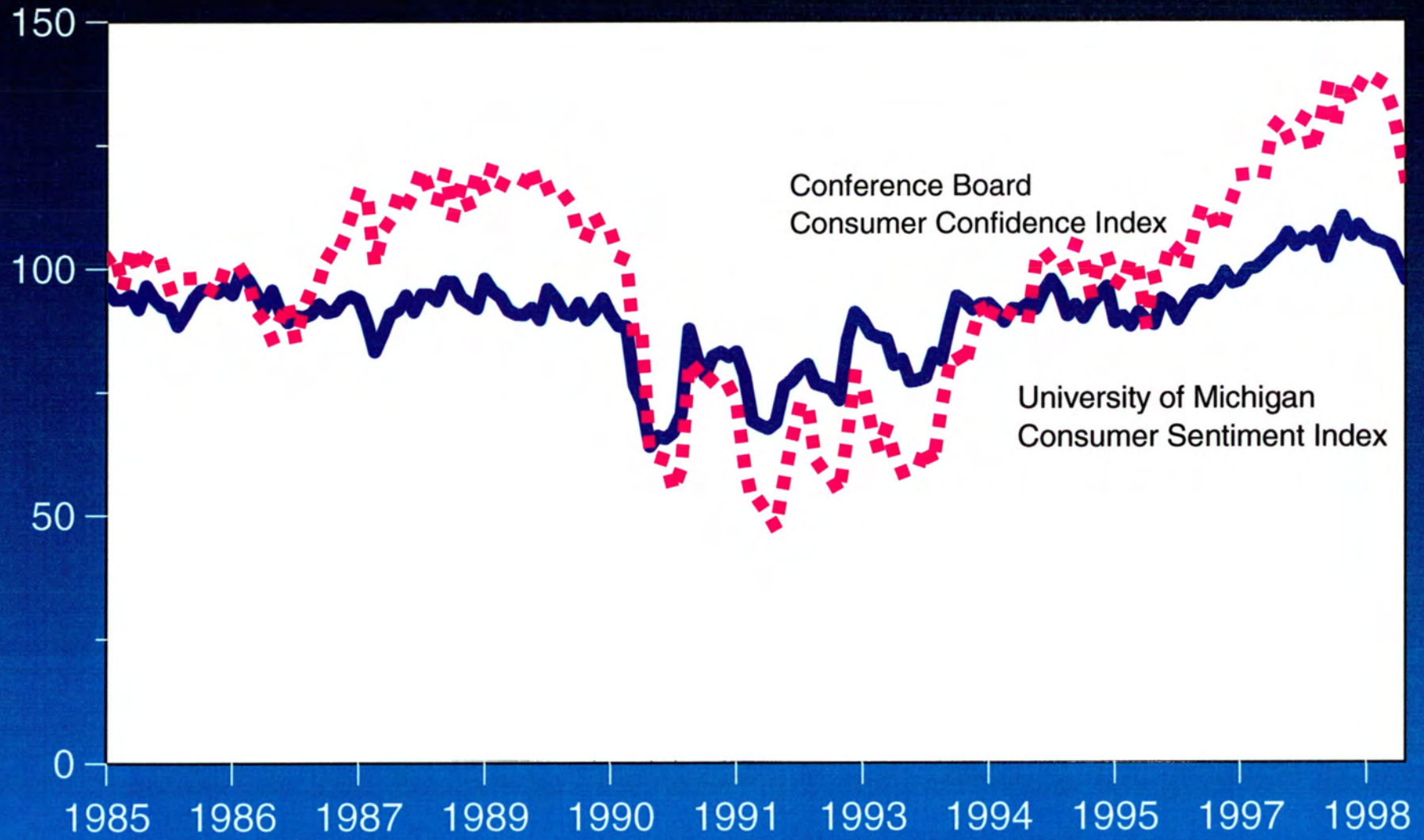


AFTER EXTRAORDINARY GROWTH, CORPORATE PROFITS ARE SLOWING

(Percent Change From One Year Earlier)

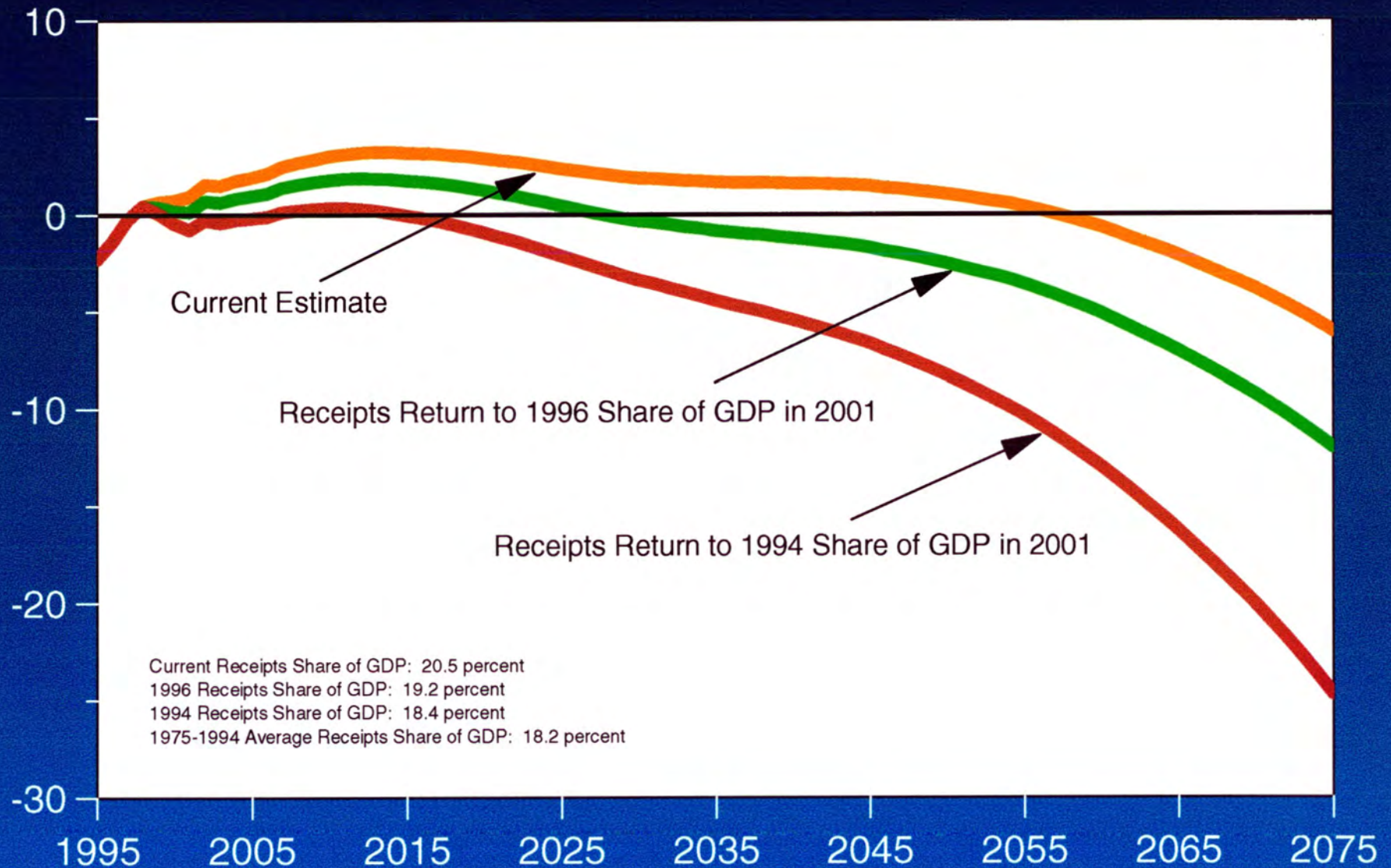


CONSUMER CONFIDENCE IS BEGINNING TO SLIP

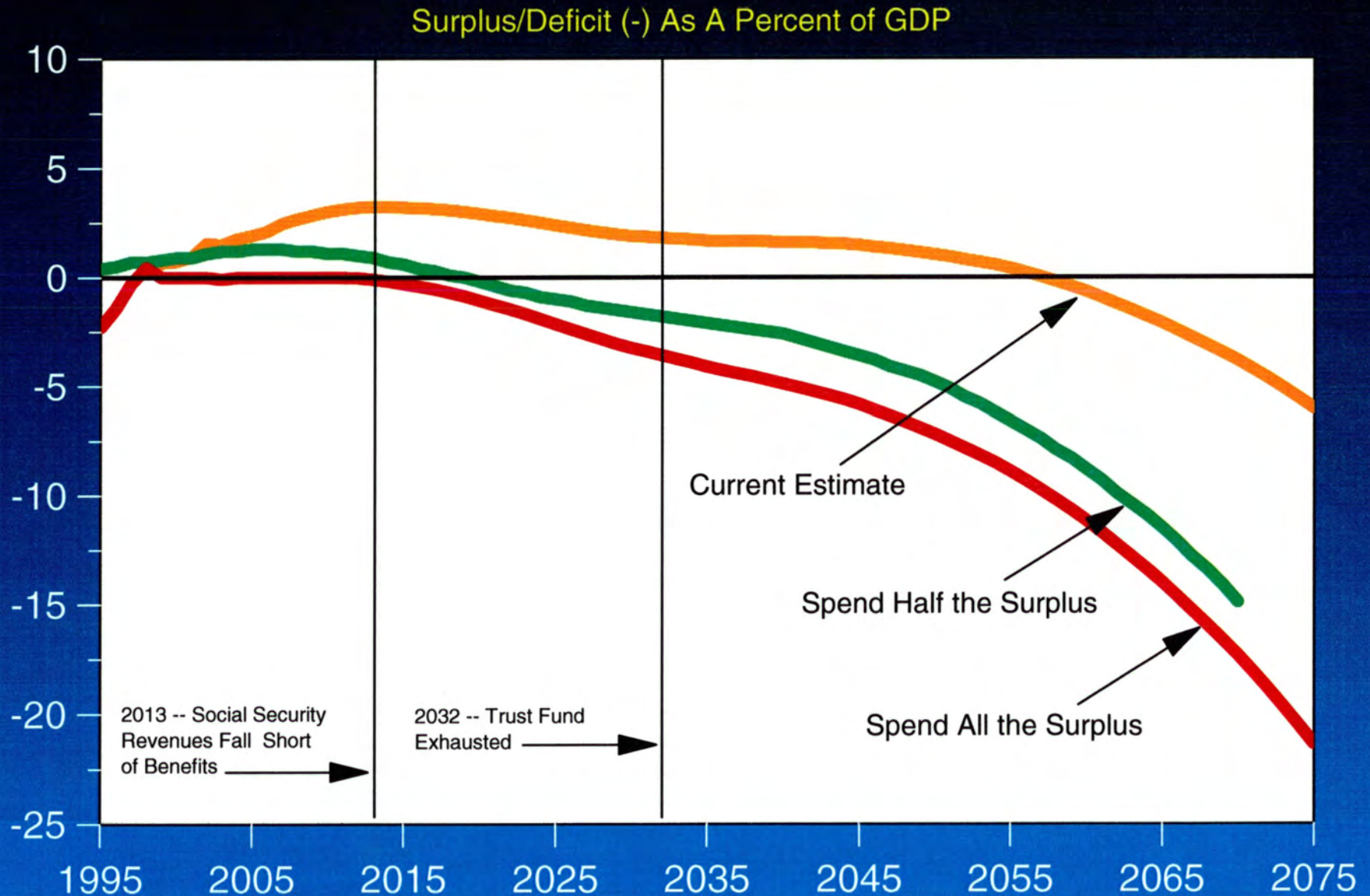


REVERSE REVENUE "SURPRISE" WOULD ENDANGER SURPLUS

Surplus/Deficit(-) As A Percent of GDP



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



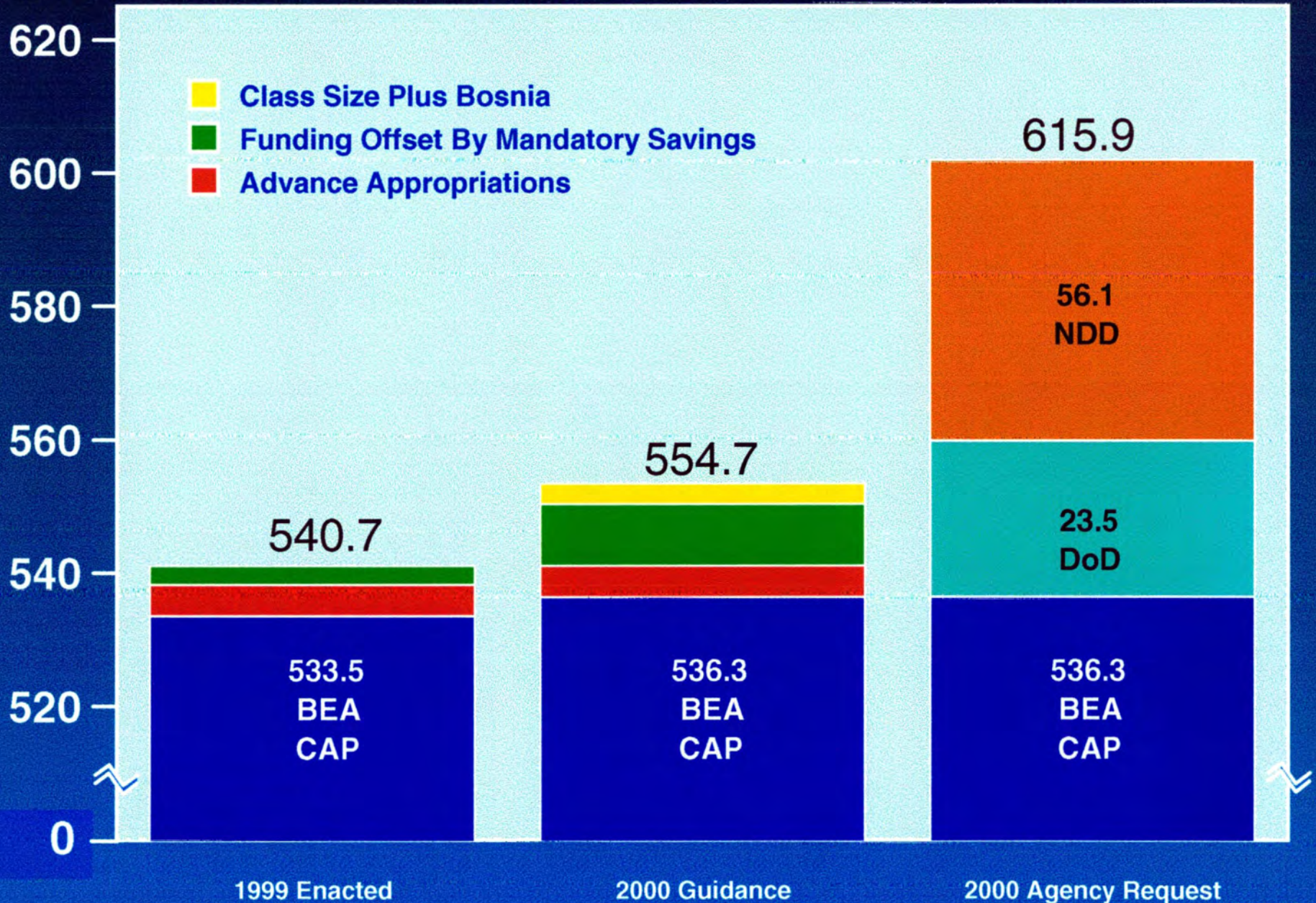
SURPLUS/DEFICIT (-) ESTIMATES

(In Billions of Dollars)

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

FY 2000 Discretionary Overview

DOLLARS IN BILLIONS



Additional Requirements and Initiatives

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

2000 Budget Goals

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

Talking points for White House meeting on resources

- 1) Promises - lie
- 2) dec. commit - boasting
- 3) state dept - plotting
conduct

Promises - fulfill

Mr. President, I consider this to be one of the most important meetings I will have as Secretary of State.

I would not be serving you well if I did not tell you that we need substantially more resources. I have brought some charts to illustrate this. Their order roughly parallels my presentation.

As you know, there are trouble spots and key decision points almost everywhere around the globe. In almost every case, we are looked to for leadership that it is in our own interests to provide. But because our resources have not kept pace with our responsibilities, we are often there with too little, too late; or with just words, not deeds.

The American people expect the Executive, above all, to take care of business in two main areas.

The first is to manage the economy, including key programs such as Social Security. Here, your record is perhaps the best in history.

The second is to provide for national security. That is what I feel the need to discuss with you this morning.

American strength today results directly from our predecessors' bold decisions and timely investments, beginning with Lend Lease and the Marshall Plan.

I'm not proposing anything that expensive, but we have to do better if we're going to seize the initiative in key regions around the world.

Accordingly, I propose a dramatic decision on your part to reverse the hemorrhaging of our national commitment to international affairs.

I have requested an increase in our budget from \$20 billion to \$25 billion. This would still amount to only about one percent of the Federal budget. But it can make a huge difference in the security and prosperity of the American people. And it will go far to determine our generation's place in the history of the post Cold War world.

I think the time is right for this step.

When you take together the embassy bombings, the financial crisis, and concerns about the spread of nuclear and biological weapons and poison gas, even Members of Congress with isolationist tendencies are seeing that the world remains dangerous and uncertain. There is strong bipartisan support for military readiness. We need to build the same kind of support for diplomatic readiness, which provides the first line of defense.

I think we can do that. I know that the new Speaker, Bob Livingston, understands this need. So do Republican Senators such as Chuck Hagel, Dick Lugar, John Warner, Judd Gregg and even Mitch McConnell.

They know that diplomacy, backed by resources, can make a huge difference. I'm asking for your help in ensuring that we have those resources.

Just yesterday, I sent my appeal on the year 2000 budget back to Jack. I warned him that I found it lacking. Today, I would like to outline why.

Diplomacy and resources can make a huge difference in helping Asian economies to rebound and thereby restore our own export growth. At the APEC meeting last month, the Vice-President said that we would do more to aid recovery, but now OMB is saying "no" to our request for \$450 million in supplemental and year 2000 funds.

Diplomacy and resources can make a big difference in controlling the threat posed by loose nukes and the prospect of nuclear expertise being put up for sale to the highest bidder. We asked for \$136 million in new funds for nuclear threat reduction, but were turned down.

We have a huge stake in preventing renewed violence in Kosovo, but when we asked for a supplemental of \$116 million and \$93 million in 2000 to help implement the peace agreement, we were allocated a total of only \$68 million.

Our Administration has placed a high priority on responding to the global threats that American families worry about every day. And yet OMB is providing only 2/3rds of what we need to fight crime and drugs. And is leaving us \$200 million short in global debt relief, including \$75 million tied to the environment.

More generally, we are engaged around the world in trying to safeguard our security by keeping potential crises from escalating in tinderboxes such as Bosnia, the Middle East, the Korean Peninsula and Central Africa.

We are, of course, already active in each of these areas, but we are spread too thin and have no flexibility. Consider our Economic Support Funds account.

This is virtually the only pot of money we have to make a big short-term impact on priority problems, and it is being drained dry. As a result, whenever an emergency need arises, and they arise all the time, we have to divert funds from another critical need.

For example, unless we get help, we may have to fund Kosovo by taking money from Bosnia; or help Central America by taking money from Haiti. These are crazy, self-defeating choices. All told, we have asked for \$435 million more than OMB has accepted to help meet critical security needs.

Consider also that the First Lady just made a remarkable trip to Nicaragua and Honduras. You plan to go in February. It is a tribute to our nation that such visits trigger huge expectations, not all of which we can meet.

But consider that the State Department has requested \$434 million in supplemental and year 2000 funds to help the region recover from Hurricane Mitch. The OMB passback level is zero. We must do better. If we do not, we may face an unprecedented new surge in illegal immigration.

We also face a crisis in the areas of diplomatic readiness and security.

As the Africa bombings demonstrated so tragically, American diplomats are targets. We need to do all we can to provide safety and security for our people and for their families. The recent supplemental was welcome, but it will only allow us to make minimal improvements at most locations.

Nothing is more painful to me than the prospect of having once again to say "no" to an Ambassador's request for more secure facilities, only to have that Ambassador call me later from amidst the rubble of her Embassy, reporting the number of Americans dead. And yet, due to lack of resources, I face that prospect still, each and every day.

To make a dent in this problem, we requested an additional \$1.8 billion for embassy security and counter-terrorism. The OMB passback rejects that request in its entirety.

Meanwhile, we are still adjusting to the need in the aftermath of the Cold War of running 62 new posts, many in the former Soviet Union. In this decade, our embassies have increased more than ten percent; our consular workload has gone up more than twenty percent; the number of full time employees has dropped almost fifteen percent; and we have experienced a seventeen percent drop in purchasing power.

As a result, we have been forced to cut corner after corner, year after year. Our embassies are increasingly shabby. We are sometimes forced to send officers overseas without language training. Our diplomats often lack money to travel within their assigned countries. We have prolonged vacancies in critical jobs. And we are way behind on the information revolution.

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001. letter	J. Brian Atwood to the President re: nonselection (2 pages)	11/06/1998	b(6)

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FOLDER TITLE:

Budget '99 [1]

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- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

STATE OF THE UNION MEMORANDA TO THE PRESIDENT

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THE WHITE HOUSE
WASHINGTON

'98 NOV 11 PM 10:15

November 11, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Gene Sperling
Elena Kagan
Sally Katzen

SUBJECT: State of the Union/Budget Ideas

This memorandum provides a brief description of new ideas we are considering for the State of the Union. Some work has been done on fleshing them out, but many need additional work and further vetting through the interagency process. Most of these ideas involve increased spending, and you will have to make choices among them and/or scale them back as you consider the FY 2000 budget. Although our offices have worked together on many, if not most, of the ideas in this memo, we have noted, where possible, which of our offices has the lead role with respect to each proposal. Options relating to Social Security are not included in this memo.

EDUCATION AND TRAINING (DPC/NEC as specified)

1. Ending Social Promotion. Last year's budget proposal included \$200 million for Education Opportunity Zones in districts that agreed to remove bad teachers, turn around failing schools, and end social promotions. The proposal required authorization, which Congress will never give us. For next year, we recommend a simpler approach that uses existing authority and focuses entirely on ending social promotion. We would like to expand our after-school program from \$200 million to \$700 million and target this money to districts that end social promotion. These school districts could use the money (as Chicago does) to provide extra help after school and mandatory summer school for students who need it. (Cost: \$300 million above FY99 budget.) (DPC)

2. Teacher Quality and Recruitment. Now that we're on track to begin hiring 100,000 new teachers to reduce class size, we have an even greater responsibility to help communities attract talented new teachers to the profession. We envision a five-part strategy on teacher quality and recruitment: (1) a \$100 million increase in the teacher recruitment scholarships we enacted this year in the Higher Education Act, which would put us on course to attract 60,000 new teachers at high-need schools over the next five years; (2) a \$60 million initiative -- modeled after the successful Troops-to-Teachers program -- that would help states expand alternative certification routes and attract talented people from other professions, such as military personnel and employees in firms being downsized; (3) a nationwide crackdown on teacher education schools, including new regulations authorized by the Higher Education Act to require report cards for education schools; (4) a \$50 million increase in the Eisenhower program to send secondary school teachers who teach

outside their field back to college to take additional courses in the subjects they're teaching, coupled with a new requirement that new secondary teachers pass competency tests in a subject before they can teach it; and (5) a high-profile effort to help states make the most of the 15 percent set-aside for teacher quality in the recently passed class size legislation. (Cost: about \$210 million above FY99 budget). We are also exploring a politically interesting counter to private school choice: vouchers for private school teachers -- i.e., an incentive program to encourage private school teachers to teach in public schools. (DPC)

3. Work-Site Schools. One of the most promising new education ideas sprouting up around the country is the creation of public schools at work sites, designed primarily to serve employees' children. School districts provide the teachers and curriculum; companies provide facilities and upkeep. These schools-at-work serve a host of objectives at once, by (1) providing new facilities at no cost to the district; (2) increasing parental involvement in the schools and parental satisfaction in the workplace; (3) reducing employee turnover and absenteeism; and (4) increasing school diversity, because work sites are more diverse than residential neighborhoods. We propose a \$100 million increase in an existing discretionary program to provide grants to 100 communities to launch work-site schools. We also could seek a stand-alone bill (like the charter school law) to advance this idea. In addition, we are working with Treasury to develop a tax credit for businesses that start on-site schools, similar to the Kohl business tax credit for on-site child care that is already in our budget. (Cost: \$100 million for start-up grants. No estimate yet for tax credit, but it will be very small.) (DPC/NEC)

4. Public School Choice. As support grows for private school vouchers, we must continue our efforts to expand choices within the public schools. Charter schools are one answer, and we recommend a \$20 million increase, to \$120 million, to keep us on track to 3,000 charter schools by 2002. Work-site schools are another. We also recommend increased funding for (1) an existing grant program that helps urban and suburban school districts reduce racial isolation by forming interdistrict magnet programs; and (2) magnet schools on university campuses, especially in urban areas. (Cost: \$25 million for interdistrict magnet programs; \$15 million for 10 university-based schools.) (DPC)

5. School Leadership Academies. Research has shown that an effective principal is the single most important indicator of school success, yet little has been done at the national or state level to improve the management skills of principals. We propose a small initiative to create school leadership academies that would provide training in management, teacher evaluation, school discipline, and other areas to elementary school principals in high-poverty districts. (Cost: \$50 million) (DPC)

6. Class size. To stay on course to reach 100,000 new teachers in seven years, we will ask for \$1.3 billion in the FY2000 budget. We are planning an ambitious rollout of the class size initiative over the next year, as we award first-year funding, issue guidance to local districts on how the program works, and so on. We also will press Congress to restore the local matching requirement and strengthen the provisions to require competency testing of new teachers. (DPC)

7. Adult Literacy. According to the National Adult Literacy Survey, 44 million adults struggle with a job application, cannot read to their children, or are left on the welfare rolls because they lack basic skills. We are considering: (1) Workplace: a new tax credit and/or Federal grants to encourage employers to provide adult basic education classes at the worksite, and setting aside funds for work-based literacy projects within Welfare-to-Work competitive grants (see welfare section of this memo); (2) Community: expanding the infrastructure and funding for adult basic education through the Adult Education program, encouraging the development of programs focused on easing the transition to the U.S. for new immigrants (through ESL and civics classes), subsidizing the provision of child care on college campuses and other adult education sites, and launching a national information campaign to make people aware of the problem of functional illiteracy and of available services; and (3) Home: using the new *Learning Anytime Anywhere Partnerships* to create software for adult basic education using \$200 computers (e.g., WebTV, game players) and subsidizing public housing projects that create computer literacy programs. (NEC)

8. National Campaign to Open Doors of College. Notwithstanding enormous strides we have made in reducing the financial barriers to college, too many families assume college is more expensive than it really is and are not aware of the aid that is available (Even among low-income youth with high test scores, one-fourth say they have not been able to get much information about financial aid for college). We are planning: (1) launching a major national public information campaign about college costs and financial aid (e.g. naming a national chairman such as Bill Cosby, having a national college visit day, etc.), (2) building on the authority in the new GEAR UP program, providing *every* middle school (e.g. 7th grade counselor) with the ability to give students a "21st Century Scholar Certificate," indicating the financial aid that they are eligible for, and (3) seeking to provide *every* high-poverty middle school with a college partner. This does not require any new investment, just some focus and creativity. (NEC)

9. Improving the College Success Rate. Getting people in the doors of college is not enough to close the racial and income opportunity gaps. For example, only 21% of African-American and 18% of Hispanic students who begin college complete a bachelor's degree within 5 years compared to 30% of White students. We are considering a package of policies, including: (1) a super-Pell grant for the lowest income families and/or to encourage a full-time focus on school in the first year of college (this would be expensive); (2) expanding successful mentoring and other support services in colleges (including those aimed at graduate school preparation); (3) promoting college course-taking while in high school; (4) improving matriculation between two-year and four-year colleges; (5) encouraging partnerships between predominately minority-serving and predominately majority-serving institutions of higher education (particularly to promote graduate study); and (6) establishing a bridge fellowship program for graduate study in science and technology fields for minorities and women. (NEC)

10. School Modernization. The current assumption is that we will repeat this year's proposal for tax credits to build and renovate schools covering the interest on nearly \$22 billion in bonds. We are, however, critically comparing our current proposal against other possible mechanisms to ensure

we have the most effective approach. (NEC)

11. Further Expanding Junior ROTC. In response to the Los Angeles riots, Colin Powell proposed and Congress approved in 1992 an expansion of the high school-based JROTC. Since then, 1,000 units have been added primarily in urban areas, bringing the total to nearly 2,600 units with 400,000 participants. The budget increased over that period from \$76 million to \$166 million. There is a waiting list of more than 450 schools that would like to have a JROTC unit. Because DOD does not plan any further expansion, these 450 schools on the waiting list will not likely be added. We could propose adding another 900 units over the next few years, to reach the authorized maximum of 3,500. Cost: about \$235 million. (NEC)

12. Training American Workers for Current and Future Skills Gaps. We should challenge the private sector to make specific commitments to train more American workers, which they pledged to do during the debate on H1-B visas. They could provide more college scholarships for women and minorities, partner with community colleges to develop cutting-edge curricula, and encourage their employees to serve as telementors for middle school students to get them excited about math and science. In addition, we are working on: (1) a program to foster partnerships ("Regional Skills Alliances") between industry and training providers to train both employed and unemployed workers; (2) competitive grants to encourage companies to develop programs in which they subsidize the training of individuals who they then commit to hire; (3) extensions and/or expansions of some of the current training tax provisions (such as the lifelong learning tax credit and Section 127); and (4) a major informational/media campaign by the Departments of Education and Labor to inform all Americans about available training opportunities, financial aid, and job search assistance to allow them to develop the skills required for employment opportunities around the country. (NEC)

13. Making Job Training Universal. We are considering an initiative to make job training more universal. The first component of this initiative would be to seek a significant increase in dislocated worker funding -- about \$190 million -- so that we are on path to provide training to every dislocated worker who wants or needs it within five years. The second component would be to ensure that every unemployed person is eligible for core labor market services, e.g., job search assistance. The final component would be to take the steps necessary to ensure that every worker, regardless of where they live, would be able to have access to a One-Stop Career Center (where they can learn about job training, employment service activities, unemployment insurance, vocational rehabilitation, adult education, and other assistance.) (NEC)

14. Community Computing Centers. We have roughly 650 computing community centers, which empower low-income Americans in the Information Age by teaching them to type a cover letter and a resume, search for job vacancies on the Internet, or even start an Internet-related business. These efforts should be expanded. (NEC)

School safety -- see CRIME section

SERVICE (DPC)

1. AmeriCorps Seniors. In the wake of John Glenn's return to space, we have an opportunity to give other senior citizens a mission. We propose adding \$25 million to the current AmeriCorps program to create a senior corps of 10,000 volunteers to serve as tutors and mentors and in afterschool programs. We would build on a successful demonstration program that recruits seniors to serve 15-20 hours per week over a fixed period of time in schools and other community centers. In exchange, seniors would be eligible for small incentives, including awards to participate in senior learning programs. By inspiring responsibility among seniors, this initiative would provide an ideal complement to Social Security reform. John Glenn has expressed some interest in playing a role in AmeriCorps now that he's retired. We could invite him back to the State of the Union and place him in charge of a national effort to inspire seniors to serve. (Cost: \$25 million)

2. Expand AmeriCorps. We propose expanding the AmeriCorps program from its current level of 50,000 members per year to approximately 70,000 per year, with the goal of reaching 100,000 per year by the end of this Administration. These additional members could be targeted to serve primarily in after-school and summer school programs. (Cost: \$75 million)

3. Expand Service Component of Work-Study Program. Nearly 1 million students now receive federal work-study funding. Despite our efforts, colleges and universities are required to use only 7 percent of their work-study money for students employed in community service. The higher education lobby would object, but we could propose a substantial increase in that requirement -- e.g., phasing it up to 25 percent over the next 3 years.

HEALTH CARE AND DISABILITIES (DPC/NEC as specified below)

1. Long-Term Care Initiative. This package could include: (1) a tax credit of up to \$1,000 for people with three or more limitations in activities of daily living (ADL) or their caregivers, at a cost of about \$6 billion over 5 years; (2) a plan for OPM to offer federal employees a choice of high-quality private long-term care insurance policies at lower-than-market prices; (3) a family caregiver support program, costing about \$500 to \$750 million over five years, that would provide grants to states for "one-stop shops" to assist families who care for severely impaired elderly relatives through counseling, training, and respite services; and (4) a nursing home quality initiative, costing about \$500 to \$750 million over five years, that would include new enforcement provisions (e.g., increased penalties), new funds for surveys of repeat offenders and improved surveyor training, and perhaps a new commission to oversee HCFA's nursing home enforcement efforts and to investigate other kinds of facilities where health care is offered (e.g., assisted living facilities). (DPC/NEC)

2. Health Insurance Coverage Expansions. We could propose again, in new and improved forms: (1) an initiative to encourage small businesses to form purchasing cooperatives for health insurance, costing about \$50 to 100 million over 5 years; (2) proposals to improve outreach for children's health insurance; and (3) a proposal, more limited than last year's, to provide a Medicare buy-in for

certain people ages 55 to 65, benefiting about 30,000 people and costing \$500 million over 5 years. (DPC/NEC)

3. Biomedical Research. We should again propose an increased investment in biomedical research -- perhaps (depending on how we treat tobacco money in the budget) between \$500 million and \$1 billion. (DPC)

4. Antibiotics (Super Bug) Initiative. Resistance to antibiotics is becoming a public health crisis, causing prolonged illnesses and even death. A new initiative, costing about \$25 million each year, could address this problem through: (1) a major outreach and education campaign involving hospitals, health professionals, and managed care organizations; and (2) new research and surveillance efforts to understand where and why antibiotic resistance occurs and to develop effective responses. (DPC)

5. Bioterrorism Initiative. This initiative, costing \$100-300 million each year, would: (1) train epidemic intelligence officers who can coordinate with state health departments to identify and respond to attacks; (2) develop a mass casualty emergency response system that includes primary care, emergency transportation, and decontamination abilities; (3) create and maintain a stockpile of pharmaceuticals; and (4) improve research to develop new vaccines and antibiotics to be used in the event of attack. (DPC)

6. Prescription drug coverage for Medicare beneficiaries. We are considering a variety of proposals to address the lack of coverage for prescription drugs in Medicare, including a means-tested Medicaid option, an approach that would apply only in managed care, a traditional benefit for all beneficiaries, and an unsubsidized purchasing mechanism that uses Medicare's size as leverage for drug discounts for beneficiaries. If desirable, a proposal could be included in the budget or coordinated with the March release of the Medicare Commission's recommendations. The cost varies significantly depending on the proposal, ranging from \$1 to 20 billion a year. A proposal of this kind probably would depend on tobacco funding (see tobacco section below). (DPC/NEC)

7. Protecting beneficiaries from HMO withdrawals from Medicare. This year, a number of HMOs pulled out of Medicare with only a few months notice, leaving 50,000 beneficiaries with no plan options in their areas. You announced that the Administration would develop legislation to prevent this behavior in the future, and we are currently reviewing the best approaches. (DPC)

8. Redesigning and increasing enrollment in Medicare's premium assistance program. Over 3 million low-income Medicare beneficiaries are eligible but do not receive Medicaid coverage of their Medicare premiums and cost sharing. Many more may not get enough assistance through a new provision that is supposed to help higher income beneficiaries. We are developing a range of proposals, costing up to \$500 million over five years, to use Social Security Offices to educate beneficiaries about this program, reduce administrative complexity for states, and give them incentives to engage in more aggressive outreach efforts. (DPC/NEC)

9. Disease Initiatives. We are working on several initiatives designed to combat particular diseases. These initiatives, which you could choose to do individually or in combination, are: (1) an asthma initiative, which will curb recent steep increases in asthma cases especially among young children, by disseminating new treatment guidelines to state and local public health programs and encouraging them to work with schools, child care organizations, businesses, and other community organizations; (2) a mental illness initiative that will accompany a Surgeon General's report on this subject (and perhaps a White House Conference recommended by Mrs. Gore) and will include public-private partnerships to improve access to prevention and treatment, reforms in federal health programs to improve delivery of mental health services, and funding increases in the mental health block grant; and (3) a heart disease initiative, which could include: a new partnership with aging networks to evaluate and improve nutrition; efforts to measure successful prevention approaches and replicate them nationwide; and the creation of a network of educators, churches, and community-based organizations to launch a nationwide awareness campaign. In each of these initiatives, the public health efforts described above would supplement NIH funding of research projects. The estimated cost of these initiatives is \$50 million for asthma, \$100 million for mental illness, and \$20 million for heart disease. (DPC)

10. Food Safety. We are working on a food safety initiative that will highlight safety standards and enforcement. Included in this initiative are: (1) a repackaged and somewhat modified legislative proposal giving the FDA and USDA additional enforcement powers (e.g., mandatory recalls and civil penalties); (2) additional food-specific regulations and/or guidelines (e.g., for certain fruits and vegetables); and (3) more extensive adoption of our model codes for restaurants and food service workers. In addition, we will focus on improving coordination with state and local agencies that regulate food safety in order to develop a wholly integrated national inspection system. (DPC)

11. Disability -- Health. A health-related disabilities package could include: (1) the Jeffords-Kennedy Work Incentives Improvement Act, which enables people with disabilities to go back to work by giving them an option to buy into Medicaid and Medicare, at a cost of about \$1.2 billion over 5 years; (2) a proposal, costing \$50 million over five years, to promote the deinstitutionalization of Medicaid beneficiaries by developing viable community-based care alternatives for people residing in nursing homes after a "date certain"; and (3) a proposal to make Medigap supplemental insurance more accessible to people with disabilities.

12. Disability -- Getting People to Work. A work-related disabilities package could include: a tax credit of \$1,000 to \$5,000 for working people with disabilities to assist them in paying for the costs associated with employment, at a cost of about \$1 to 2 billion over 5 years; a new competitive grant program, developed by your disabilities task force, to increase the employment rate of adults with disabilities; and efforts to ensure that new technologies are designed so as to be accessible to people with disabilities (see technology section). (DPC/NEC)

TOBACCO (DPC)

1. State Menu. Our best vehicle for enacting tobacco legislation next year will be a legislative waiver of federal Medicaid claims to the states' expected \$200 billion settlement with the tobacco companies. We will seek bipartisan agreement on a menu of uses for the federal share of state money, with tobacco control and child care as our top priorities. We will try to use this measure as a vehicle for other key elements of our tobacco policy, such as FDA jurisdiction and warning labels.

2. Price Increase. One of the most difficult budget decisions will be whether to assume a tobacco tax increase in our budget request, and if so, what to do with the money. There are strong arguments on each side of the question whether to include a tobacco tax increase in our budget. If we *do* assume tobacco revenue, the candidates for it include: (1) assistance to tobacco farmers (about \$1 billion a year); (2) the long-term care tax credit (about \$1 billion a year); (3) other tax cuts, such as a child care / stay-at-home tax credit and/or a reduction in the marriage penalty; (4) NIH research; (5) public health programs; and (6) the Medicare trust fund and/or a new prescription drug benefit for Medicare beneficiaries.

3. Medicare Suit Against Tobacco Companies. Our best leverage over the tobacco industry is the prospect of a federal suit to recoup Medicare costs associated with smoking. We could call on Congress to enact Senator Graham's legislation to authorize such a lawsuit (which would make the Justice Department more likely to bring it). At the same time, we could ask for funds for DOJ and HCFA to prepare a lawsuit against the tobacco industry. We could go further and pledge that any proceeds from such a lawsuit would be used either to extend the life of the Medicare Trust Fund or to provide a new prescription drug benefit to Medicare beneficiaries. (Cost: to be determined, but probably small).

FAMILIES AND CHILDREN (DPC/NEC as specified)

1. Expansion of the Child Care and Development Block Grant (old policy). We propose to expand the Child Care and Development Block Grant as we did in the FY 1999 Budget. The block grant is the primary federal child care subsidy program, helping low-income working families to pay for child care. Currently, between one and two million children are served by the program, leaving roughly nine million children who are eligible but unserved. This proposal would cost at least \$7.5 billion over five years. (DPC)

2. Tax Relief for Parents, Including Parents who Stay at Home. We are considering replacing our last year's proposal to expand the Child and Dependent Care Tax Credit with a new proposal to benefit all parents, including those who stay home. This change will address the criticism that our child care initiative did little for stay-at-home parents. We are reviewing proposals to (1) double the child tax credit to \$1,000 per child for all children under the age of four, at a cost of about \$12 billion over five years; (2) increase the standard deduction for each child under the age of three by \$1,000, at a cost of about \$3 billion over five years; or (3) expand the Child and Dependent Care Tax Credit as we did last year *and* extend its benefits to parents with children below age three by assuming

minimum child care expenses of \$150 each month, at a total cost of about \$21 billion over five years. Each of these proposals can be dialed up or down by adjusting either the age threshold or the dollar amount. (DPC/NEC)

3. Tax Credit for Businesses Providing Child Care. We could again propose to provide a tax credit to businesses that provide child care services for their employees. The credit, which covers 25% of qualified costs but may not exceed \$150,000 per year, costs \$500 million over 5 years. To further build on this concept, we also propose to provide tax credits to businesses that provide on-site schools (see education section). (DPC/NEC)

4. Parent Paid Leave Plan. Many workers cannot afford to take unpaid leave following the birth or adoption of a child, even though they have access to an unpaid leave policy through FMLA or voluntary employer benefit plans. To address this problem, we are considering a proposal to provide eligible parents who already have access to unpaid leave with partial wage replacement for a set period of time. The cost of the program, which would be administered through the Unemployment Insurance System, varies according to the selected eligibility criteria. If we choose, for example, to give \$200 per week for four weeks to new parents with median income (about \$37,000) or below, the cost will be about \$875 million for FY 2000 (including start-up and administrative expenses). (DPC)

5. FMLA Expansion to Businesses with 25 Workers (old but unarticulated policy). Under current law, workers are eligible for FMLA coverage only if they work at a business with 50 or more employees and if they have worked at least twelve months and 1,250 hours for the employer. In your last State of the Union, you called for covering more workers under the FMLA, but did not fully articulate how you would do so. We could now advance a specific proposal to lower the FMLA threshold to 25 or more workers, which would expand coverage for up to ten million more American workers. (DPC/NEC)

6. Parent Education and Support Fund. We are considering proposals to create a competitive grant program administered by HHS to fund parent education and support programs, including home visitation programs and "second chance maternity homes" to support teen mothers and teach parenting skills. This fund could cost about \$500 million over five years. (DPC)

7. Adoption Registry. We are working on plans to create an Internet-based adoption registry of foster care children waiting to be adopted, so that prospective adoptive parents can learn about these waiting children. Funding this registry would require a very small increase in HHS's Adoption Opportunities Grant Program. (DPC)

CRIME (DPC)

1. Crime Bill II. The 1994 Crime Act will expire at the end of the FY 2000 budget cycle, guaranteeing that the next Congress will consider major crime legislation. We recommend that you get a jump on this debate by using your State of the Union and FY 2000 budget to challenge

Congress to pass a new crime bill that builds on the core elements of the successful 1994 Act -- more police, smarter punishment, and more prevention. Most of the money required is already built into future budgets; continuation of the COPS program, however, will require new funds totaling about \$1 billion. We believe that a new Crime Act should include the following elements:

- **Community-Oriented Policing and Prosecution Services (COPPS).** Your pledge to help fund 100,000 more police is likely to be fulfilled before the end of next summer. A new COPPS initiative (note the extra "P" for "Prosecution"), costing about \$1.4 billion in the first year, could include funds to: (1) hire, redeploy, and retain an estimated 7,500 more police each year; (2) provide modern technology and equipment and support training in modern policing techniques, with a special emphasis on "hot spots" technology; (3) hire, train, and equip prosecutors to join local police in fighting crime on a more community-based, proactive basis; and (4) support partnerships between law enforcement and community-based groups to prevent crime in their areas.
- **A new focus on probation supervision and coerced abstinence.** The punishment title of the crime bill now focuses largely on prison construction; we recommend shifting the focus to a new "Certainty of Punishment" initiative that will support the expanded use of probation supervision and of drug testing and treatment.
- **Gun initiatives.** A new crime bill should include your longstanding firearms priorities -- juvenile Brady, Brady II, federal CAP legislation and child safety locks. It also could include new proposals to: (1) close the loophole that exempts many firearms sales at gun shows and flea markets from Brady background checks; (2) expand the Youth Crime Gun Interdiction Initiative (YCGII) -- to trace all crime guns and investigate gun traffickers -- to an additional 20-40 cities; and (3) assemble gun strike forces -- teams of federal prosecutors and ATF agents, acting with local law enforcement -- to target cities with high levels of gun violence and crack down on gun traffickers.
- **Values-based crime prevention initiative.** In addition to other crime bill prevention programs, we could invest in promoting values-based crime and violence prevention efforts, such as those of Rev. Eugene Rivers. Funds from this program would go to comprehensive prevention programs run by faith-based and other institutions seeking to instill and reinforce common sense values in troubled youth.

2. Safe, Disciplined, and Drug-Free Schools. At the White House Conference on School Safety, you announced that you would overhaul and strengthen the Safe and Drug-Free Schools Program. Under this proposed reform, funds will be appropriately targeted to schools with serious drug and crime problems, and schools will have to adopt rigorous, comprehensive school safety plans that include: tough but fair discipline policies, such as zero tolerance for guns and drugs; safe passage to and from schools; effective drug and violence policies and programs; annual school safety and drug use report cards; links to after school programs; efforts to involve parents; and crisis management plans. We also could include in this package (1) funds for states that adopt a policy

of drug testing first-time applicants for drivers' licenses and (2) funds for school districts that adopt a policy of drug testing middle and high school students with parental consent. We believe that these reforms will require up to \$450 million in new funding in FY 2000.

3. Parity for Substance Abuse Treatment. Appropriate substance abuse treatment remains unavailable to nearly half of the people who need it. To help fill this treatment gap, we could propose legislation to encourage parity between substance abuse treatment and other medical benefits. Similar to the Mental Health Parity Act signed into law in 1996, a current draft of this legislation would prohibit health care plans that provide a substance abuse benefit from setting annual or lifetime dollar limits on this benefit at a lower level than those for other medical and surgical benefits. At the same time, we would have to ensure that federal health programs provide parity between substance abuse treatment and other medical benefits; we are still exploring the cost of any necessary reforms to these programs.

4. Binge Drinking. We are working on a number of proposals regarding alcohol abuse, including (1) promoting a voluntary code for alcohol advertisements directed toward minors; (2) banning alcohol billboards near schools; (3) discouraging alcohol advertising on youth-oriented web sites; (4) and funding educational efforts about the dangers of alcohol consumption.

PENSIONS (NEC)

1. Expanded Private Pension Plan Coverage: Last year, you announced several initiatives to expand pension plan coverage which were not enacted, but which we continue to believe are important and have substantial support on the Hill. We should again call for legislation that: authorizes a simplified plan for small businesses that combines the best features of a defined benefit and defined contribution plan (SMART), costing \$313 million over five years; provides a three-year tax credit to encourage small businesses to set up retirement programs, costing \$508 million over five years; and authorizes payroll deductions for IRAs. We are exploring ways to expand coverage for moderate and lower-income workers. Consideration is also being given to ways of enabling multiple small businesses to pool together for pension plan administration.

2. Women's Retirement Security: To underscore the importance of pensions for women's retirement security, you would call for legislation enacting the two initiatives you announced in late October -- namely, that time taken under FMLA should count toward retirement plan vesting requirements and mandating that employer plans offer an option that pays less while the retired employee is living but pays a survivor benefit equal to at least 75 percent of the benefit the couple received while both were alive.

3. Pension Portability: You could renew your call for reducing vesting requirements from five years to three years for employer matching contributions to 401(k) and other plans to reflect an increasingly mobile workforce, and more workers moving in and out of the workforce over a lifetime. We are also exploring various options that would increase pension portability and facilitate the movement of retirement savings between plans, where this can be done without encouraging "leakage" or loss of

worker protections -- e.g., providing that federal employees can roll over retirement savings from private sector qualified plans into the federal Thrift Savings Plan.

4. Expand Pension Right to Know Provisions: You could call for a pension right to know package that provides for both workers and their spouses general information relating to retirement needs and their benefits under employer retirement plans. In addition, an employee's spouse should have the same rights to get information as the employee, before waiving the statutorily provided survivor protection. You should call for a Pension Right to Know package that provides information for both workers and their spouses. We are also working on an employee education program that would provide employees with the tools they need to work with their employers to provide pension plans, and are thinking about how to encourage courses in high schools on the importance of savings and other general investment education (which can be combined with the Consumer Literacy and Education campaign described below). Consideration is also being given to a savings stamp book program in the schools (sell savings stamps in very small amounts; when the book is full, turn it in for a U.S. savings bond) to help educate the young about how to reach savings goals.

5. Increase Retirement Security: To promote security, we are continuing to work on the pension audit bill, changes to the multi employer (collectively bargained) plan rules, and expansion of PBGC's missing participant program.

COMMUNITY EMPOWERMENT (DPC/NEC for all)

1. CDFI Tax Credit. We are looking at a proposal to extend tax incentives to encourage investment in CDFIs, which would leverage additional private investment in distressed areas and stimulate the economic revitalization of those areas. Under the proposal, \$100 million in non-refundable tax credits would be made available to the CDFI Fund to allocate among equity investors in qualified CDFIs using a competitive process.

2. Microcredit Initiative. We are working to identify means to increase support for microenterprise finance, both domestically and internationally. We are examining whether to build on Senators Kennedy's and Domenici's PRIME legislation which would provide technical assistance to microenterprise. We are also looking at increased funding for CDFI initiatives specifically targeted to microenterprise. On the international side, we are looking at whether we can increase microenterprise funding through USAID or MDBs, especially to countries hardest hit by the financial crisis.

3. Clean Water, Parks, and Communities Bonds. We are examining three proposals to encourage "green" infrastructure projects. The first model uses the same financing mechanism as your school construction proposal for a menu of projects: protecting and improving water quality; cleanup of contaminated sediments; waterfront reclamation and revitalization; stormwater runoff control; purchasing of green spaces to prevent sprawl; park enhancements and revitalization, and brownfields cleanup. The second model, which provides a smaller incentive than the first model, would create new tax-exempt bond authority for these state and local areas to invest in clean water,

parks, and communities. The advantage of this model is that it builds on the current system of bond finance. The final model would allocate tax credits (like the Low-Income Housing Tax Credit) to states and local areas to provide to the developers of these green infrastructure projects.

6. Low-Income Housing and Homeownership Tax Credits. We recommend that you again propose a 40-percent expansion of the Low-Income Housing Tax Credit, which would help develop an additional 150,000-180,000 affordable housing units over the next five years, at a cost of \$1.6 billion over five years. In addition, we are examining two kinds of tax credits to promote homeownership among lower-income families. The first proposal would use the model of the Low-Income Housing Tax Credit to create a Low-Income Homeownership Tax Credit. Under this proposal, low-income families would receive a low- or zero-interest second mortgage, which would reduce their upfront costs (e.g., downpayment and closing costs) and investors would receive tax credits in return. The second proposal is a \$5,000 tax credit for first-time homebuyers in Empowerment Zones or Enterprise Communities. Finally, you can call on Congress to accelerate the increase in the volume cap on private activity bonds, which would help states and localities provide below-market mortgages to first-time homebuyers with relatively low incomes.

7. Housing for the Elderly Initiative. This proposal is designed to improve housing for elderly people and thereby provide an alternative to nursing home care. In addition to providing capital to improve and modify such housing to meet the needs of elderly residents, the initiative would provide housing vouchers for low income elderly who live in housing developed through the Low-Income Housing Tax Credit. Because the tax credit helps subsidize rent, this proposal would allow us to leverage our resources and provide more vouchers to the poor elderly.

8. Re-Develop 10,000 Abandoned Buildings. Abandoned buildings are a symbol of urban blight, and an action plan to turn this around will be a powerful signal of change. We are examining different proposals to help re-develop 10,000 abandoned buildings, combining several existing programs or providing grants or tax incentives to spur private-sector redevelopment of these sites.

9. Homelessness. We are working on a three-part proposal that would: (1) assist the approximately 250,000 homeless veterans by increasing residential alternatives, community-based contracted care, job preparation activities, stand down activities (community-sponsored events that conduct one-stop service delivery programs for homeless veterans), the distribution of clothing, and long-term housing; (2) allow VA to sell surplus property with 10 percent of proceeds going to homeless veterans; and (3) start a demonstration project targeted to the chronically homeless to test the most promising models for moving the chronically homeless to self-sufficiency using a combination of permanent housing and links to mainstream services. Cost: \$105 million -- \$60 million for VA and \$45 million for HUD demonstration project.

RURAL/AGRICULTURE (NEC/DPC as specified)

1. Strengthening the Safety Net. To help farmers suffering from the depressed export markets and natural disasters, we are considering various reforms of the crop insurance program and closing gaps

in the emergency loan program. We are paying special attention to programs that will help small family farms. (NEC)

2. Bringing the knowledge of land grant colleges to every rural American: The USDA spends \$1.6 billion on agricultural research, much of it at America's land grant colleges and universities. The government could provide grants to ensure that this information is available on the Internet and is well-organized --so that all rural Americans can easily access information on topics such as crops, livestock, rural development, natural resource conservation, and food safety. (NEC)

3. Emergency Medical Services in Rural Areas. The presence of viable emergency systems is critical for residents in rural areas, because of the high rates of injury associated with jobs in these areas and the long distances to health providers. This proposal, costing about \$50 million, would provide funds to States and local communities to improve access to 911 services or alternative emergency systems. It also would fund programs to help rural communities train local citizens in CPR and first responder techniques and to recruit and retain emergency personnel. (DPC)

4. Rural Transportation. Transportation is crucial to the efforts of residents and businesses in rural America to improve the livability of their communities and expand their economic activities. We are developing a rural transportation initiative that will help those who live and work in rural areas by improving the ability of farms and businesses to obtain materials and move their products to markets, and by making it easier for small communities to attract additional commercial jet air service. (NEC/DPC)

TECHNOLOGY (NEC)

1. Curbscuts on the Information Highway. We are looking at several options that would make information technology usable by people with disabilities in a manner that improves their lives: (1) investing in R&D (e.g., text-to-speech, automatic captioning, speech recognition); (2) giving disabilities groups a seat at the table as the standards for new technologies are developed; (3) making the government a model "user" of accessible technology; and (4) explore opportunities for greater deployment. In addition, the tax credit for work-related impairment expenses for people with disabilities could be used to expand the market for assistive technology.

2. A Digital Library for Science, Math and Engineering. We need to get every young student and undergraduate excited about math, science and engineering. We are exploring creating a "digital library," which would contain lectures from Nobel Prize laureates, have an ability to track and replicate cutting-edge scientific experiments, and make it easier for students and teachers to locate the best instructional material on the Internet.

3. Information Technology Research Initiative. Increasing our investment in information technology research, which is currently about \$1 billion of the federal research budget, could lead to the following breakthroughs: supercomputers that can more rapidly perform important functions, such as designing life-saving drugs and predicting severe weather systems; wireless networks that

can bring telemedicine and distance learning to rural America; a device of the size of a paper that could monitor the vital signs of a senior citizen, send a "911" message in the event of a medical emergency, and provide an exact location using global positioning technology; new software tools that can help us cope with "information overload" by discovering patterns in huge quantities of data; and intelligent spacecraft that can explore the Solar System. Options have been developed at roughly \$100, \$200 and \$400 million in FY2000; and \$1, \$2 and \$3 billion over 5 years.

4. 21st Century Research Fund. One initiative that you announced in last year's budget that we think is important to continue is the 21st Century Research Fund -- which provided across-the-board support for civilian R&D at agencies such as NIH, NSF, and Energy. For FY99, Congress provided a 10 percent increase for basic research, so this is an area where bipartisan cooperation is possible. Currently, the FY2000 budget reflects only a 2% increase in civilian research.

WELFARE REFORM, CHILD SUPPORT ENFORCEMENT, AND CHILD WELFARE (DPC)

1. Reauthorize the Welfare-to-Work Program. Congress authorized the Welfare-to-Work Program for only two years; if we wish to continue our current investment in the hardest-to-employ, we will have to propose a reauthorization of about \$1.5 billion annually. Within this funding level, we propose several set-asides, totaling \$500 million, for the following specific purposes: (1) work-based English-language literacy projects for immigrants and others; (2) work-based substance abuse testing and treatment programs; (3) employment services for welfare recipients with disabilities; and (4) a work-based program to promote responsible fatherhood, including efforts to increase low-income fathers' employment and earnings and ensure that they provide financial and other support to their children. At the same time, we should (1) seek an additional 50,000 welfare-to-work housing vouchers, and (2) call on Congress to make permanent the Welfare-to-Work Tax Credit and the Work Opportunity Tax Credit, both of which now expire on June 30, 1999.

2. Child Support. One initiative, costing just a few million dollars each year, would increase the prosecution of egregious child support violators by establishing multi-agency teams, working with state and local law enforcement, to identify, analyze, and investigate cases for prosecution. A pilot project of this kind is already under way in five states; this proposal would put these units in place all across the nation within the next several years. A second initiative would seek legislation to exclude doctors and other health care providers who are delinquent in child support from the Medicare program or from programs offering health professional loans.

3. Children "Aging Out" of Foster Care. Each year, nearly 20,000 18-year-olds "age out" of the public child welfare system. Federal financial support for these young people ends just at the time they are making the critical transition to adulthood. Areas for increased investment for these young adults include: (1) expanding the independent living program, which provides services to foster care children in this age group; (2) expanding the transitional living program, a competitive grant program that funds community-based organizations that provide services to this population, including housing support; and (3) giving states the option of using Federal Medicaid dollars to provide health care coverage for this population. (Cost: roughly \$150 million each year)

CIVIL RIGHTS AND WOMEN'S RIGHTS (DPC)

1. Equal Pay. We are working on a program to be run by the EEOC and DOL to increase outreach to businesses and employees about equal pay requirements, provide technical assistance to businesses seeking to comply, improve training for EEOC employees, and expand enforcement capabilities. In addition, the program will fund research on the nature and extent of wage discrimination, as well as a new Women in Non-Traditional Occupations Initiative designed to improve access of women into occupations such as construction and high technology. Cost: about \$20 million for EEOC and \$10 million for DOL.

2. Abortion Violence. We are working on a comprehensive initiative to address violence against providers of reproductive health services. This initiative may include: (1) a National Task Force established by the Department of Justice that will conduct investigations of abortion violence, collect and collate information related to clinic violence, and provide training to federal, state, and local law enforcement personnel on how to address this problem; (2) special security measures, including stepped-up U.S. Marshal support, at clinics identified to be at risk of violence; and (3) federal guarantees of loans taken out by clinics that must rebuild after they have been attacked. Cost: Unknown at this time.

TRANSPORTATION (NEC/DPC as specified)

1. Reauthorization of the FAA, with Focus on Modernization and Competition. A blue-ribbon bi-partisan panel concluded last year that the air transportation system faces "gridlock" within a decade without sweeping changes. We are considering various policy options to incorporate into the FAA reauthorization that you will propose in 1999 (it is a must pass this year) that will: (1) improve the efficiency and capacity of the nation's aviation system, and (2) enhance competition and service to rural areas. Some of the components of this initiative would include: centralizing the air traffic control services (ATS) in a performance-based organization (recommended by the bi-partisan panel); financing ATS for commercial aviation through cost-based user fees (supported by the major airlines); increasing Passenger Facility Charges (PFCs) to finance airport expansion nationwide (supported by state and local governments); modifying federal rules on how airports can use PFCs and other funds to encourage new airline entrants; and enhancing service to underserved areas.

We are also looking at ways to further competition in international aviation. The Administration has extended the benefits of competition by negotiating dozens of bilateral open-skies agreements. We could press our trading partners for World Wide Open Skies and explore lifting other restrictions on foreign aviation investment and operation on a reciprocal basis. (NEC)

2. Auto Safety. We are making headway on auto safety. Last year, the number and rate of auto fatalities declined. However, we still have a long way to go -- more than 40,000 Americans die in auto accidents each year, at a direct cost of \$150 billion. The keys are seatbelts (more) and alcohol (less). We are working on a comprehensive initiative that would include: (1) meeting the President's goal of 85 percent seatbelt compliance by the year 2000, which would save 4,000 lives and nearly

\$7 billion; (2) promoting education initiatives like the Buckle-Up America campaign; (3) enforcing the TEA-21 requirement that states lower the legal blood alcohol content level from .10 to .08; and (4) pushing a new Administration initiative on children's safety that will target auto accidents, among other problems, by promoting the use of child safety seats, booster seats (for children ages 4-8), and bicycle helmets. (NEC/DPC)

3. Transportation Needs of the Aged. With the number of Americans over 65 expected to grow by half by 2020, we should begin addressing the need to ensure their continued mobility, independence and safety in their later years. We are only beginning to look at this issue with DOT, which plans to hold six town meetings soon with senior citizens, medical experts, transportation safety specialists, and others to discuss the problems and challenges and identify best practices. The U.S. will host an international conference on this topic next year, in connection with the United Nation's Year of Older Persons. This may be combined with the long-term care and the housing for the elderly initiatives. (NEC)

4. "Smart Growth" and Sustainable Development. One of the biggest challenges facing America's communities is that "sprawl" development is threatening the long-term economic vitality and quality of life in America's urban, suburban and rural areas. Although land use decisions should remain the domain of state and local government, the federal government can be an effective partner. First, we will continue investing in sustainable transportation. TEA-21 authorizes a record \$41 billion over the next six years for transit; increases tax-free transit benefits; and expands communities' ability to transfer funds from highway construction to transit, bicycle and pedestrian programs, telecommuting and other forms of transportation that reduce congestion and pollution. Second, we will provide incentives to make it easier for communities to pursue smart growth policies, by exploring ways cities can capture the air quality benefits of sustainable development and by supporting a private sector initiative that would encourage mortgage lenders to consider the savings from "location efficiency" in making mortgage determinations for homebuyers. (NEC)

ENERGY (NEC)

1. Electricity Restructuring. You could call on Congress to enact legislation, to make the electricity industry more competitive and to provide more choices for industrial, commercial and residential customers. The Administration's Comprehensive Electricity Competition Act will save consumers \$20 billion a year. Retail competition will not only improve efficiency, but also reduce the two-thirds waste of energy currently associated with fossil-fuel generation of electricity, thereby cutting greenhouse gas emissions. Prominent Republicans have included electricity restructuring on their list of priorities for 1999.

2. Distributed Generation ("Micropower"). To increase the consumer savings and environmental benefits from electricity competition, the Administration will pursue legislation to eliminate obstacles to the use of small, clean efficient generation technologies (e.g., fuel cells and photovoltaics) that can be installed at or near the electricity user's site. Moving from large, central-station generation of electricity to distributed generation by small, clean sources is analogous to the

move from mainframe computers to personal computers.

FINANCIAL SERVICES (NEC/DPC as specified)

1. Consumer Financial Literacy and Education. We are currently developing a set of proposals to promote consumer financial awareness and enhance consumer credit literacy, ranging from a public awareness campaign to establishing an educational clearinghouse to disseminate quality curricula to high school students. We are also working on a study to identify what the biggest problems are with how Americans use consumer credit, and what basic banking services and steps they can take to help themselves (this may be very important if bankruptcy reform is a live item next year). Part of our focus is on reaching out to low-income households, building on (and expanding) two existing government programs -- Treasury's Electronic Funds Transfer program that was a first step in helping the "unbanked" enter into electronic commerce and a USDA extension program that is providing some (limited) services to rural low-income families. This proposal would cost \$5-10 million. (NEC)

2. Consumer Financial Bill of Rights. In order to respond to the outrage consumers feel about ATM surcharges, without supporting economically questionable regulation of ATM fees, we are considering a proposal either for the government or for financial institutions voluntarily to make publicly available a list of basic banking services and fees on an individual or geographic basis to be published periodically over the Internet. The services profiled would include, but would not be limited to, charges for access to ATMs. We are also considering the adequacy of current credit card disclosure requirements (again, relevant to bankruptcy reform) and other areas where information about financial service arrangements would be helpful to consumers. This would cost \$3-5 million. (NEC/DPC)

11-25-98

THE WHITE HOUSE
WASHINGTON

November 23, 1998

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA
DOUG SOSNIK

FROM: MICHAEL WALDMAN

SUBJECT: STATE OF THE UNION -- CONTEXT & PURPOSES

This memorandum reflects initial discussions among Paul Begala, Maria Echaveste, Mark Penn, and myself.

The 1999 State of the Union comes at a signal time for you and your administration. In raw political terms, you enter your seventh year in office stronger than any comparable President this century -- stronger than Roosevelt, stronger than Eisenhower, stronger than Reagan. Your support in the country is strong. The Democrats' election success not only represents the first such gain by a President's party since 1822; it also narrows the party divide in the House. The public has endorsed your 'third way,' New Democrat policies -- an endorsement seen not only in the Democrats' election success (on a platform of saving Social Security, fiscal responsibility, HMO reform, and education), but also in the success of moderate Republican Governors and in the success of reformed center-left parties in the UK, Italy, Germany, and Brazil. And the press and pundits are now willing to admit that you were the pioneer of this approach.

At the same time, this address marks the last opportunity before Election Year 2000 to command the public's attention as only a strong State of the Union can. (The Year 2000 State of the Union will be held two weeks before the New Hampshire primaries.) And with less than a year to go before the new millennium, there is added urgency to your call to strengthen the nation for the 21st Century.

This speech should be viewed as having four principal goals.

First, it should demonstrate that you continue to have a vigorous agenda, one that can define the political playing field. You did this very successfully in last year's speech, and in the blizzard of policy announcements that led up to it. We believe you should announce an array of small- to medium-sized policies in January, as part of the roll-up to the State of the Union.

Second, more than recent State of the Union addresses, it should explicitly focus on the economy -- spelling out what we must do to advance our prosperity. A key element will be Social Security (Should we put forward a plan? Convene negotiations) and the surplus. The address should also include significant discussion of how to steer the economy through international economic turbulence; this would be an opportunity to spell out your vision for an international economy with a human face that you have talked about at the WTO and Council on Foreign Relations. And it should press forward on education and health care as part of an economic strategy.

Third, it should reach out to centrist Republicans to build a governing majority (on terms that you define). Thus, you should press for action on those items (such as the Patients' Bill of Rights, campaign finance reform, and other matters) that have notably bipartisan support.

Finally, the speech is an opportunity to address specific constituencies and shore up areas of political weakness. There should be a renewed focus on crime; specific attention to rural issues and the elderly; a full discussion of military readiness. In addition, we would appreciate your guidance on what you want to say about race.

* * *

We will forward to you some possible thematic approaches for discussion tomorrow.

POSSIBLE THEMATIC ELEMENTS **FOR 1999 STATE OF THE UNION**

As before, the central theme should be: strengthening the nation for the 21st Century. With only 346 days until the coming of the new millennium, this year must be a time of focused action. We must step up to our long term challenges, advance our prosperity with our new economic strategy for a new economy, press forward our progress on social issues, and find ways to bind our nation together in the new century.

The American renaissance. Seven years ago, on our bestseller lists and on the shopfloor, we asked, "America: What went wrong?" In your first Inaugural Address, you declared, "There's nothing wrong with America that cannot be cured by what is right with America." For seven years, the American people rose to the challenge of this new time. And now, we enter the new century at a new peak of power and prosperity. Our economy is the strongest in a generation and keeps the world moving forward; crime and welfare are at their lowest levels in thirty years. A shimmering new economy, built on technology and science, information and innovation, has risen, creating massive new affluence. We can count our blessings as we ask: America: What went right?

Renewing progressive government --the third way. We have fashioned a new, progressive government in tune with our time. We turned not to the failed policies of mindless big government or heartless laissez faire. We did not seek to stop economic change and choke off the benefits it can bring; instead, we welcome it, and seek to give individuals and families the tools to thrive. This approach has been called "the Third Way," and it is now the American way. Our people intuitively understand that this is the best, indeed the only, way to master the new challenges of the 21st Century.

The moment of opportunity for the vital center. We have forged a new consensus, a new common public philosophy that binds together Democrats and Republicans of goodwill. This is a rare moment for action. The people have spoken, indeed have spoken with unmistakable clarity: they want us to put politics aside and act, together, on their needs and their concerns. You will reach out to Congress to make this a time of progress and not partisanship. This should include a specific reference to the new congressional leadership.

Building a new American economy --and continuing our economic strength. Our comprehensive economic strategy, enacted in 1993, has turned this country around and widened the circle of opportunity. Today America's economy is the strongest in our memory, and indeed, is the dynamo that propels the world economy. But change is constant, and the current financial turmoil reminds us that we must act to advance that prosperity. We must hold fast to our fiscal discipline, and give our families confidence that Social Security will be strong in the 21st Century.

Using this moment of prosperity to meet long-term challenges. The nation is at a moment of unparalleled strength. We can and must use this national strength to build for the future --to grapple today with the longest term challenges of tomorrow. America is aging; we must address Social Security now, or we will pay more later. Climate change and other environmental threats will condemn our grandchildren to disease and diminished quality of life, unless we begin to address it now. We can make extraordinary strides in conquering disease in the future if we invest in basic scientific research today. And so on.

Expanding the winners' circle. For most Americans these are indeed the best of times -- but there are still some for whom it is the worst. We must use this moment of unparalleled opportunity to bring the poor into the middle class mainstream -- to expand the winners' circle so the American dream can be lived by people who just a few years ago were written off. In this new economy, we don't have a single person to waste. That is why we must do more to help working families -- raising the minimum wage, protecting the EITC. We must do more to prevent crime and keep our communities safe. And we must do more to help those Americans who are struggling the hardest --we can't forget those who are left behind.



98 NOV 11 PM 10:14

November 11, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GEORGE T. FRAMPTON, JR. *GTF*

SUBJECT: PROPOSED 1999 STATE OF THE UNION INITIATIVES

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

A LANDS LEGACY

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

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

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

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

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

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

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

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

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

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

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

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

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

Cost: TBD, depending on scope.

CLEAN AIR FUND

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

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

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

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

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

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

A NEW PARTNERSHIP FOR LAKES AND COASTS

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

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

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

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

Cost: \$680 million.

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

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

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

ENVIRONMENT-TO-WORK INITIATIVE

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

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

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

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

PRESERVING AND EXPLORING OUR OCEAN FRONTIER

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

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

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

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

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

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

DECLARING WAR ON ASTHMA

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

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

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

Cost: \$55 million.

THE WHITE HOUSE

WASHINGTON

98 NOV 11 10:15

November 10, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE *neal*

SUBJECT: 1999 State of the Union Address

This memorandum makes recommendations for themes to include in your next State of the Union Address to underscore your vision for the 21st century. The emphasis is on cementing your leadership in science and technology, a theme that should generate substantial bipartisan support.

Background

You have been consistent and eloquent about your commitment to investing in America's future. Every year of your presidency you have increased the S&T budget. The Research Fund for America -- an unprecedented proposal for support of S&T in your FY 1999 budget request -- fared extremely well in Congress. You have helped to persuade the American people that continued American leadership in the world and a better quality of life for all Americans depend on our enduring commitment to research and to technology. You have secured a broad consensus that we have a responsibility to develop technology for public needs.

The following are suggested themes for your consideration.

1. Information Technology Research Initiative

Why: Information technologies have the potential to do for the creation and management of knowledge what the invention of electricity did for the production and distribution of power. Electricity not only was a good substitute for candles and steam engines, it empowered every American family and every American business by making energy affordable and accessible. New information technologies can provide *every* American with an extraordinary set of tools -- whatever their age and health and wherever they live. They can allow families to stay in touch, enable small businesses to participate in international alliances, and make it possible for employees to keep up with job opportunities and get the training they need. These technologies have the power to strengthen our military forces and make them more adaptable to a complex range of threats, improve health services, provide unprecedented opportunities for persons with disabilities, expand learning opportunities for people of all ages, strengthen crime-fighting, protect the environment, and create more accessible and efficient government.

In the years ahead, information technologies will continue to be a driving engine of economic growth and job creation. Their contribution is already astonishing. Between 1995 and 1997, firms associated with these technologies contributed one third of US economic growth; in 1996 the industry employed over 7 million people in the US. These technologies have greatly strengthened our competitive position in international markets because our uniquely flexible industries have been quick to recognize and seize the opportunities these technologies offer.

Computing and information technology research is also essential to avoiding major vulnerabilities that our information-rich economy is beginning to encounter. We are increasingly dependent on powerful information tools to manage air and highway traffic, financial networks, medical information systems, and many other parts of the critical infrastructure that support our economy. New tools are required to design information systems that will remain reliable and secure.

Information technology (IT) has made research in all scientific fields more productive, while accelerating the pace of scientific discovery. Predicting climate change, or sequencing the human genome, for example, would not be conceivable without powerful computational tools. New information tools are essential if we are to convert our knowledge of the human genome into an understanding of how the genes actually work, and to develop practical tools for combating disease and disability.

In your June 1998 MIT commencement speech, you highlighted the importance of information technology to America's future by indicating your intention to call for "significant increases in computing and communications research" in your FY 2000 budget. Your IT Advisory Committee, in its recent interim report, assessed the current Federal effort in information technology research and has made a number of solid recommendations as to how additional funding could be most effectively used.

What: Major new research programs in DARPA and NSF targeted on advanced software design, making information systems easy to use, and managing the high-speed, flexible communication systems emerging to link billions of computing devices embedded in everything from cell phones to TV sets. Long-term, high risk research on advanced computation and communication (cryogenic devices, DNA and quantum computing). In these agencies, as well as NIH, DOC, DOE, and NASA, funding the procurement of high-speed computers for medical, environmental, and other scientific research, and funding to help these communities make full use of these new tools.

Cost: \$200-300M in FY 2000; \$3B over five years.

2. Millennium Research Fund

Why: Such a Fund would reaffirm your commitment to lead America into the 21st century with investments that improve the quality of life and keep the economy growing. Half of our economic productivity in the last half-century is attributable to technological innovation and the science that supported it. The knowledge-based society of the next century only increases the importance of research, innovation, and human capital as our principal strengths. This fund would build on the success of the Research Fund for America, expanding its scope to include all civilian and university-based research. It would also trump the non-specific Congressional proposals to "double" research funding with a detailed plan for strategic growth in S&T budgets.

What: A commitment to substantial, sustained support for a balanced portfolio of civilian and university-based research, including DOD 6.1 and 6.2., to ensure continued US leadership across the scientific frontiers. In addition to information technology, special emphasis is given to research on vital national needs, including:

- Biomedical -- Win the war on cancer and declare war on asthma, mental illness, and heart disease.
- Physical Science, Engineering, and Technology -- Develop new materials, chemicals, electronics, and manufacturing technologies essential to providing American industries a competitive edge.
- Global Change -- Ensure that regional economies, relying on agriculture or tourism, prosper even in the face of climate change, and save the planet for future generations.
- Climate Change Technology -- Promote energy efficiency, the use of renewables, and reduce greenhouse gas emissions.
- Learning and Teaching -- Understand human learning by conducting basic research and large-scale "clinical" trials of education practices, including education technology.
- Critical Infrastructure Protection -- Protect our infrastructure, from information systems to power systems, against terrorist threats, natural disasters, and human error.
- Aviation Safety and Security -- Reduce aviation fatal accident rate by a factor of five within 10 years.
- Emerging Infectious Disease -- Reduce the threat of bioterrorism and the vulnerabilities to reemerging diseases, such as tuberculosis.
- Ecosystem Sciences -- Eradicate the algal blooms and other water problems that threaten fisheries and other U.S. coastal businesses.
- Plant Genome -- Breed pest- and drought-resistant plants that ensure America continues to feed the world.
- Transportation -- Foster breakthrough automotive technologies, achieve threefold improvement in fuel efficiency by 2004.
- Food Safety -- Eliminate deaths and illnesses from food poisoning.

Cost: Doubling the Federal investment in these research areas over ten years would require approximately \$3B in FY 2000 (7% increase); and \$20B over five years.

THE WHITE HOUSE
WASHINGTON

98 NOV 11 PM 10:15

November 6, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN 

SUBJECT: State of the Union -- Climate Change Ideas

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

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

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

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

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

November 11, 1998

MEMORANDUM FOR THE PRESIDENT

Through: Maria Echaveste
Deputy Chief of Staff

From: Christopher Edley, Jr.
Professor of Law

Re: Race and the State of the Union: A "Vision" Option and a "Program" Option

My premise is that I will deliver a virtually complete draft of your race book in December, but the final product will not be released until after the SOTU.

Vision Option: Building on some of the rhetoric from SOTU'98 and SOTU'97, summarize the vision of One America with racial and ethnic justice that will be the centerpiece of your race book. In these paragraphs you would veer sharply away from the familiar laundry lists of the Policymaker-in-Chief to instead demonstrate and exploit your unclouded title to the bully pulpit.

In brief: The America you envision for the 21st century must have *opportunity* so broad and deep that there is no visible legacy of slavery or conquest or colonialism. It must have *communities* so open and inclusive that each of us celebrates the richness of our diversity, as that diversity fuels not our fears, but our strength. And, in that America, our *hearts* will be healed of the prejudices and stereotypes that too often divide us today; our vigilance will prevent the wounds from ever reopening. We can chart our progress towards this vision as we close the disparities in educational achievement and in victimization by violent crime; as we slowly reverse the trends towards racial and ethnic separateness in our communities and schools; and as we finally win the battles to combat the oppressions of discrimination and stereotype.

Since you will have discussed education, welfare-to-work and other opportunity measures, you can briefly note that these are elements of how we can achieve the vision. You can praise the work of religious leaders, higher education leaders and others in advancing this vision, and announce the follow-on entity to continue the race initiative.

Program Option: After noting that you will soon release your report on the race initiative, you would highlight two or three substantive "mountain tops" in your policy workplan for the nation. (The book will contain more mountain tops and abbreviated mention of foothills.) Possibilities:

(1) *Educational achievement:* Your vision requires that the nation undertake a more focused, dramatic and sustained effort to tackle the intolerable achievement disparities between poor and rich, between minority and non-minority. The era of excuses is over -- for everyone.

Recommendation: Provide large-scale grant-in-aid support to states and/or metropolitan areas that commit to develop comprehensive, peer-reviewed plans for removing resource inequities, enhancing accountability, and eliminating disparities in student achievement. (This builds on the Comprehensive School Reform Demonstration Program, but is far more substantial in scale, less prescriptive, focused on systems rather than individual school sites, and with accountability for results). The undertaking parallels your announced goal of narrowing health disparities. Instead of a formula program like Title I, this substantial "honey pot" would not attract participation from all jurisdictions initially, which is fine.

(2) *Jobs:* We must break the back of the endemic hyper-unemployment of young adults in our most distressed poor communities, eventually eliminating the racial and regional disparities in joblessness. *Recommendation:* Challenge states and metro area jurisdictions to raise the employment rate of young adults in distressed neighborhoods through regional strategies. Provide substantial new resources and greatly enhanced flexibility with categorical federal and state programs, for interested jurisdictions willing to accept *accountability* for creatively tackling the especially difficult problems of young adult unemployment. Flexibly link programs in education, training, job search, transportation, employer networking, day care, housing assistance, drug treatment, and many more. But results must matter.

(3) *Economic Development:* We can do more to harness the power of financial institutions and markets to create opportunity in distressed communities here at home, just as we try to do abroad. *Recommendation:* The Federal Home Loan Bank Board system in years past helped make home ownership a reality for many. In the new century, the FHLBB should have a new mission: working side-by-side with CDFIs to fuel economic revitalization in our most distressed communities through affordable financing of a range of job-creating projects.

(4) *Combating Discrimination and Hate :* The fight against ordinary discrimination is not finished. Last year's budget included an increase for some civil rights law enforcement agencies, to help those standing in line waiting for justice. Now, we must sustain that investment and extend it to other enforcers of our basic rights – the civil rights division in the Department of Justice, the Office for Civil Rights in the Department of Education, etc. As we do so, we can re-engineer those efforts to emphasize voluntary compliance, technical assistance, education and dispute resolution. And complementing this law enforcement effort is the business of healing communities threatened by racial and ethnic division. The Community Relations Service has been an often unsung hero, with a few dozen public servants bringing wisdom and hope to community after community, after church burnings and riots – and *before* disturbances flare up. The nation needs to invest in this resource to create One America.

In these policy examples, I am urging you to address underlying structural problems, eschewing band-aids and incrementalism. Whether or not you use them in the State of the Union, I hope you will consider them for FY 2000 and the future.

Recommendation: For the SOTU, as much as I like the policy ideas, I recommend the bully pulpit option.

*Diane D. Blair
1011 Tanglebriar
Fayetteville, Arkansas 72701*

December 20, 1998

To: Melanne Verveer
From: Diane Blair
Re: Public Broadcasting

I promised to keep in touch with you on this subject dear to both our hearts.

It is my impression that OMB is working hard on coming up with a package for the President's Budget that works both for OMB and public broadcasting; and we are very grateful for their cooperative approach.

While the numbers we are now hearing fall short of the stations' budgetary needs (in view of the colossal expense of converting to digital), where OMB is now is at least a decent place for us to be in the beginning of 1999.

Having the President's, Vice President's, First Lady's and OMB's support last year made the critical difference, and we will need that support more than ever.

I feel better knowing we are "in" your portfolio, and that we will continue to have your abiding attention.

Always the best,

Diane



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

December 21, 1998

The Administrator

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Our appeal to you on the OMB passback is for an additional \$100 million in the development assistance (DA) account, a restoration of our \$25 million Title III PL-480 account -- zeroed out in the OMB passback -- and \$50 million in additional Title II PL-480 resources to bring us back to the FY-99 appropriated level. We believe we have reached agreement with OMB to restore our request for operating expenses to the \$500 million level.

OMB has indicated informally that they are prepared to give us \$40 million in DA over the passback. This would mean that we would be requesting \$32 million less than you requested for DA last year, assuming that we would ask for the same amount Congress appropriated last year for the child survival account (\$545 million). The request for DA would be at \$1234 billion, compared to \$1266 billion for FY-99.

This reduction in our request level would squeeze our environment and economic growth budgets in particular. We are already having a hard time in FY-99 meeting your UN speech commitment to spend \$1 billion on climate change programs in the developing world. Also, we would have no additional resources available to respond to the Asia Financial Crisis. The additional \$100 million would enable us to do both.

OMB is also proposing to eliminate our Title III program at a time when food security issues are paramount. We requested \$134.5 million this year as part of the USG response to the World Food Summit commitment to reduce the number of those living in a malnourished state by one half by the year 2015. Title III resources go to two regions you care deeply about, the Horn of Africa and Haiti. At a minimum, we would ask that you restore this program to last year's enacted level, \$25 million.

1300 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20523

-2-

Finally, OMB has suggested we reduce the Title II Food for Peace program by \$50 million because, they assert, we can find \$50 million in unexpended prior year balances. This is one of the most politically sensitive accounts we administer. The large PVOs, such as Catholic Relief Services and CARE, watch this account closely. To find the balances OMB believes exist we would have to unilaterally reduce agreements with these PVOs, seriously disrupting their operations. If in fact we have a slight bulge this year in our pipeline (we estimate it is closer to \$30 million), we cannot sustain this over time. We therefore ask that you restore the Title II program to last year's enacted level, \$737 million.

I wanted to make this appeal to you in person, but was unable to do so. I hope you will have an opportunity to review this request before final decisions are made on the FY-2000 budget. Thank you for your consideration.

Sincerely,



J. Brian Atwood

cc: Vice President Gore
The First Lady
Jack Lew
John Podesta
Madeleine Albright
Sandy Berger

A NATION TRANSFORMED

Clinton-Gore Administration Accomplishments: 1993 - 1999

Over the last six years, President Clinton and Vice President Gore have led America in preparing for the 21st Century. The President and Vice President have put our economic house in order while providing tax relief for middle income families, expanding critical investments in the future and continuing American leadership in the world. The accomplishments of the Clinton-Gore Administration are giving Americans the tools to realize their potential, providing opportunity while demanding responsibility and building One America in which all are challenged to serve.

Economy: the Strongest Economy in a Generation

Closing The Book on A Generation of Deficits -- in 1992, the deficit was \$290 billion, a record dollar high. This year, the Administration expects the budget surplus to be at least \$76 billion, the largest budget surplus in history.

Nearly 18 Million New Jobs -- more than 90% of the new jobs have been created in the private sector, the highest percentage in 50 years.

Fastest Real-Wage Growth In More Than Two Decades -- after adjusting for inflation, wages have increased 2.5% in the past 12 months -- the fastest real wage growth in more than two decades.

Lowest Unemployment in Nearly Thirty Years -- down from 7.5% in 1992 to 4.3% today -- staying below 5% for 18 months in a row.

Highest Homeownership Rate in History -- there are more than 7 million new homeowners since the President took office.

Families and Communities: Strengthening America's Working Families

\$500 Per-Child Tax Credit -- 26 million families with 40 million children will receive the \$500 per-child tax credit.

Tax Cuts for Working Families -- 15 million working families receive additional tax relief through the President's expansion of the Earned Income Tax Credit.

Largest Four-Year Drop in Child Poverty Since 1960s -- Under President Clinton, the child poverty rate has declined from 22.7% to 19.9% -- the biggest four-year drop in nearly 30.

Increased the Minimum Wage from \$4.25 to \$5.15 per hour -- increasing wages for 10 million workers.

Protecting Families -- Family and Medical Leave allows workers to take up to 12 weeks of unpaid leave to care for family members without fear of losing their jobs. Millions of workers have already benefited from FMLA since its enactment.

Signed Landmark Adoption and Safe Families Act -- this law will help thousands of children waiting in foster care move more quickly into safe and permanent homes.

Putting Families First -- put in place first-ever plan to protect our children from tobacco. Required the installation of V-chips in all new televisions. Encouraged schools to adopt school uniform policies to deter school violence and promote discipline. Produced guidelines on religious expression in public schools.

Building One America -- established the President's Initiative on Race to lead the nation towards becoming One America in the 21st Century. In FY99 budget, won first real increase in the Equal Employment Opportunity Commission in several years.

Education: Largest Investment in Education in 30 Years

Making 13th & 14th Grades as Universal As High School -- making the first two years of college universally available with \$1,500 HOPE Scholarship credits.

Expanding College Opportunity with Tuition Tax Credits, Education IRAs, Work Study and Increased Pell Grants -- 20% tax credit helps offset tuition costs for college or lifetime learning. The expanded IRA allows penalty and tax-free withdrawals for education. This year, nearly one million students will be able to work their way through college because of the President's expansion of the Work Study Program. And in 1999, nearly four million students will receive a Pell Grant of up to \$3,125, the largest maximum award ever.

Making College More Affordable -- cut student fees and interest rates on all loans, expanded repayment options including income contingent repayment, and improved service through the Direct Loan Program.

Paying for College Through Community Service -- AmeriCorps has allowed more than 100,000 young people to serve their communities while earning money for college or skills training.

More High-Quality Teachers With Smaller Class Sizes -- won a down payment on the President's new initiative to hire an additional 100,000 well-prepared teachers, helping school districts reduce class size in the early grades.

Teaching Every Child to Read by the 3rd Grade -- more than 1000 colleges have committed Work Study students to tutor children in reading, and thousands of AmeriCorps members and senior volunteers are organizing volunteer reading campaigns. Won \$260 million for a new child literacy initiative, consistent with the President's America Reads proposal.

Providing Safe After-School Opportunities for A Quarter of A Million Children Each Year -- expanded the 21st Century Community Learning Centers program to provide safe and educational after-school opportunities for up to 250,000 school-age children in rural and urban communities each year.

Preparing for the 21st Century by Expanding Access to Education Technology -- created the Technology Literacy Challenge Fund to help connect every school to the Internet by 2000, increase the number of multimedia computers in the classroom and provide technology training for teachers. Secured low-cost connections to the Internet for schools, libraries, rural health clinics and hospitals.

Establishing the GEAR-UP Mentoring Program for Middle School Children -- created a new mentoring initiative to help up to 100,000 low income middle school children prepare for college.

Expanding Choice and Accountability in Public School -- supported increase of public charter schools, from one charter school in the nation in 1993 to more than 1,000 charter schools in 1998, on track toward 3,000 quality charter schools early next century.

Providing Early Education to 835,000 Children with Head Start -- now reaching more kids than at any time since its creation in 1965 and more than 200,000 additional children than in 1992.

Crime and Drugs: Lowest Crime Rates in 25 Years

Violent Crime at Lowest Level since 1973 -- violent crime fell 7% in 1997 and 21% since 1993. The murder rate is down more than 25% since 1993, its lowest point in 30 years.

Putting 100,000 New Police on the Street -- in 1999, ahead of schedule and under budget, the Administration will meet its commitment of 100,000 police officers for our communities.

Over 250,000 Felons, Fugitives and Stalkers Denied Handguns -- since the President signed the Brady Bill into law. And the historic 1994 Crime Bill banned 19 of the deadliest assault weapons and their copies, keeping assault weapons off our streets.

Developed Comprehensive Anti-Drug Strategy Including an Unprecedented \$2 Billion Anti-Drug Youth Media Campaign -- appointed four-star General Barry McCaffrey as the nation's Drug Czar.

Fighting Hate Crimes -- enacted the Hate Crimes Sentencing Enhancement Act in 1994. Announced sponsorship of the Hate Crimes Prevention Act during the historic White House Conference on Hate Crimes in 1997.

Health Care: Increasing Access for Millions of Americans

Protected Medicare -- protected, modernized and extended the Medicare trust fund for at least a decade while offering new options for patient choice and preventive care.

Enacted Single Largest Investment in Health Care for Children since 1965 -- the \$24 billion Children's Health Insurance Program (CHIP) will provide health care coverage for up to five million children.

Passed Meaningful Health Insurance Reform -- signed the Kassebaum/Kennedy Health Care Bill which limits exclusions for pre-existing conditions, makes coverage portable and helps individuals who lose jobs maintain coverage.

Raised Immunization Rates to All Time High -- 90% of toddlers in 1996 received the most critical doses of each of the routinely recommended vaccines -- surpassing the President's 1993 goal.

Ensuring Safe Food for America's Families -- issued new standards to reduce and prevent contamination of meat, poultry, and seafood; signed the Food Quality Protection Act with special safeguards for kids; issued new regulations that improve the safety of fruit and vegetable juices; and created a President's Council on Food Safety to develop a comprehensive food safety strategic plan for federal agencies.

Welfare Reform and Community Empowerment: Largest Drop in the Welfare Rolls in History

5.7 Million People Are Off Welfare Today Compared to 1992 -- a more than 40% decrease from 1992 and the largest decline in the welfare rolls in history. Signed the landmark welfare reform law to require work, impose time limits and dramatically expand child care spending. Between 1996 and 1998, the number of people who were on welfare in one year and working in the next year increased 28% to 1.5 million people.

80% Increase in Child Support Collections -- signed into law the toughest child support crackdown in history.

Moving from Welfare to Work -- the Balanced Budget included \$3 billion to move long-term welfare recipients into jobs and a tax credit for employers.

Helping People Get to Work -- the President's Access to Jobs initiative and reverse commute grants will help communities design innovative transportation solutions so that families who need to work can get to work.

Helping Families Move from Welfare to Work with New Housing Vouchers -- 50,000 new housing vouchers will help families get or keep a job.

Expanded Investment in Urban and Rural Areas -- by creating 31 Empowerment Zones and more than 100 Enterprise Communities that have created new jobs, new opportunities and stronger communities.

Environment: Protecting Natural Treasures and Public Health

Toughest New Air Quality Standards in a Generation -- approved new clean air standards for smog and soot that will prevent up to 15,000 premature deaths a year and improve the lives of millions of Americans who suffer from respiratory illnesses.

Accelerating Toxic Cleanups and Brownfields Redevelopment -- cleaned up nearly three times as many Superfund sites in six years as the previous administrations did in twelve. Leveraged nearly \$1 billion in private sector investment for brownfields redevelopment.

Keeping Our Drinking Water Safe -- proposed and signed legislation to strengthen the Safe Drinking Water Act to ensure that our families have healthy, clean tap water. Required America's 55,000 water utilities to provide regular reports to their customers on the quality of their drinking water.

Reducing the Threat of Global Warming -- negotiated an international treaty to reduce greenhouse gas emissions in an environmentally strong and economically sound way. Secured \$1 billion in FY99 for research incentives to reduce greenhouse gas emissions through energy efficiency and clean energy technologies.

Protecting Our Natural Treasures -- protected or enhanced nearly 150 million acres of public and private lands, from the red rock canyons of Utah to the Florida Everglades. Reached agreements to protect Yellowstone from mining and save the ancient redwoods of California's Headwaters Forest.

Science and Technology: Leading America into the Next Millennium

Historic Investments in Biomedical Research -- the FY99 budget contained the largest-ever dollar increase in funds for the National Institutes of Health (NIH), including a 14% increase in NIH research funding. This expansion will enable scientists to pursue a wide range of cutting edge research from cancer to AIDS to genetic discoveries.

Supporting University Research, Training the Next Generation of Scientists and Engineers -- the FY99 budget contained a 7% increase in the National Science Foundation research budget to support science and engineering research across all fields and disciplines.

Strengthening the Economy and National Security with Information Technology -- provided \$1 Billion investment to help ensure that America leads the world in information technologies that predict tornados, design life-saving drugs, and make air travel safer and more efficient, and maintain our nuclear weapons stockpile without nuclear testing.

Ensuring U.S. Leadership in Space Science and Exploration-- increased investments in space science that supported space exploration as well as new discoveries about the creation of the universe.

Foreign Policy: World's Strongest Force for Peace, Freedom and Prosperity

Promoting Peace and Strengthening Democracy

- **Restored momentum to the Middle East peace process**, brokering the Wye River Memorandum and visiting Israel and Gaza
- **Brokered peace agreement in Northern Ireland**, ending decades of bloodshed
- **Negotiated cease-fire in Kosovo**, preventing humanitarian catastrophe and new war in Europe
- **Building a self-sustaining peace in Bosnia** through implementation of the Dayton Peace accords
- **Restored democracy in Haiti**, ending military dictatorship and stopping refugee flows
- **Helped settle Peru-Ecuador border dispute and end civil war in Guatemala**
- **Pressing for human rights, religious freedom, and an elimination of child labor** worldwide

Combating New Threats

- **Protecting Americans from Weapons of Mass Destruction** by reducing Russian nuclear arsenals, **ratifying the Chemical Weapons Convention**, and **signing the Comprehensive Test Ban Treaty**
- **Combating terrorism** by developing a national counterterrorism strategy and striking terrorist targets in Afghanistan and Sudan. **Addressing threats to our infrastructure** like cyberterrorism and biological and chemical weapons
- **Containing Saddam Hussein** through diplomacy, economic sanctions and military force
- **Preventing North Korea from developing nuclear weapons** through deterrence, diplomacy and non-proliferation
- **Improving military readiness** through increased defense spending

Strengthening Alliances and Building Partnerships

- **Built a stronger and larger NATO** to ensure a more stable, democratic Europe and a fully-integrated Russia
- **Deepening security alliances with Japan and South Korea**
- **Built more constructive relationship with China** through engagement and frank dialogue on human rights, security and trade
- **Expanding trade relations and strengthening democracy in Asia and Latin America**
- **Building partnerships with Africa** during historic Presidential trip

Expanding Prosperity

- **Opening markets abroad** through NAFTA, GATT and more than 250 other free trade agreements
- **Addressing global economic crisis** by leading international relief efforts and stimulating worldwide growth
- **Sponsored creation of the World Trade Organization** to reduce tariffs and settle trade disputes

THE CLINTON ECONOMIC RECORD

	BEFORE	AFTER 2 1/2 YEARS
DEFICIT	Highest dollar level in history — \$290 billion deficit in FY92	Deficit cut nearly in half to \$160 billion — down \$1 trillion over seven years
OVERALL JOB GROWTH	Previous Administration: worst record since the Great Depression	Over 7 million new jobs — better record than any Republican Administration since the 1920's
UNEMPLOYMENT RATE	Over 7% (January 1993)	5.6% (August 1995)
JOBS IN HIGH-WAGE INDUSTRIES	268,000 lost during previous 4 years	More in 1994 than in previous 5 years combined
CONSTRUCTION JOBS	665,000 lost during previous 4 years	711,000 created
MANUFACTURING JOBS	2.2 million lost during previous 12 years	266,000 created
NEW BUSINESS INCORPORATIONS (Average Annual Rate)	Over 10% slower than during Clinton Administration	Highest since the Second World War (729,600)
FEDERAL EMPLOYMENT	Larger federal bureaucracy in January 1993 than four years earlier	Smallest since Kennedy was President — on course to reduce federal workforce by 272,800
GDP GROWTH (Average Annual Rate)	1.4% from 1989-1992	3.5% — over twice as fast as previous Administration
PRODUCTIVITY GROWTH (Average Annual Rate)	1.1% during previous Administration	1.8% — highest since Nixon was President
INFLATION (Average Annual Rate)	Over 4% during previous Administration	Lowest since Kennedy was President (2.7%)
MISERY INDEX (Combined Measure of Unemployment and Inflation)	In double-digits during entire previous Administration	Lowest in 25 years
BUSINESS INVESTMENT (Producer's Durable Equipment Average Annual Growth Rate)	2.1% from 1989-1992	Nearly 9 times higher than previous Administration (18.3%) — reaching a postwar high relative to GDP
MORTGAGE RATES (Average Fixed Mortgage Rate)	From 1989-1992: 9.5% From 1981-1988: 12.9%	Since January 1993: 7.9%

January 10, 1999

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: Shirley Sagawa, Neera Tanden

CC: Melanne Verveer, Jen Klein, Nicole Rabner

SUBJECT: Reauthorization of Elementary and Secondary Education Act and Briefings

*Melanne,
I had further
discussions w/
Shirley + we
decided to see 2
mtgs - 1st a briefing
that is
more internal
2nd going to POTUS
mtg
Neera*

Attached is a memo to the President that lays out the DPC and Education Department's recommendations for changes to ESEA. It also identifies areas requiring further development. The DPC and the Department have been working together on a reauthorization proposal with the dual goals of transmitting legislation in early March and enabling the President to announce the more significant proposals in his State of the Union Address.

We have approached these discussions with the understanding that the debate around reauthorization of ESEA will be the primary education debate before the next election cycle. Because conservatives are likely to use ESEA to promote their voucher agenda, we have promoted a greater emphasis on public school choice as a part of a reform strategy that also allows the Administration to more directly engage in the choice debate to come. We have advocated investment in the infrastructure required to make a public school choice plan effective, such as transportation costs and the provision of information to parents. In addition, we have been particularly engaged in the policy development process for an early learning initiative that focuses on the preschool curriculum, as well as reform of the Safe and Drug Free Schools program so that it will be able to fund effective prevention programs.

As the memo describes, the Department and the DPC are recommending some quite radical steps, including conditioning Title I funding on school performance. A meeting is scheduled for Tuesday or Thursday with the President to review major features of ESEA (Secretary Riley cannot make the meeting until Thursday); Chris Edley may join the DPC and the Department at the meeting to discuss his proposals focused on urban schools. We recommend that you take part in this meeting. In addition, we suggest a meeting beforehand, so Bruce Reed, Mike Cohen and we may brief you on these recommendations and describe the thinking behind them.

_____ OK to schedule staff meeting?

_____ OK to put the President's meeting on your schedule?

THE WHITE HOUSE
WASHINGTON

December 23, 1998

90-15022-1048

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Mike Cohen

SUBJECT: ESEA Reauthorization Proposal

We have been working with the First Lady's office, OMB, the Vice President's office and the Education Department to develop the strongest possible proposal to reauthorize the Elementary and Secondary Education Act, with the objective of transmitting it to Congress by March 1. While there is still much to be done to shape and finalize this proposal, we have made progress in addressing some of the most significant issues. (Although Secretary Riley has not reviewed our suggestions in detail, Deputy Secretary Smith has been very closely involved in the process.) This memo looks at how the 1994 reforms are working, where they are falling short, and what improvements we are considering. We are planning to meet with you in early January.

I. Progress Report on the 1994 Reauthorization and Goals 2000

Our reauthorization proposal will build on the framework for federal aid to elementary and secondary education established in Goals 2000 and the Improving America's Schools Act, the 1994 reauthorization of ESEA. In principle, both of these Acts overhauled federal elementary and secondary education programs by:

- *Insisting that every state set challenging academic standards that all students are expected to reach.* Goals 2000 required states to set academic standards for all students and develop assessments aligned to those standards. Title 1 of ESEA built on this requirement by mandating that states use these standards for disadvantaged students, thus ending the practice of setting lower expectations for low-income students.
- *Providing schools, school districts, and states with the flexibility to determine how best to educate students to meet high standards.* Goals 2000 provided states and districts with tremendous flexibility in how funds could be used, and for the first time allowed the Secretary of Education to waive federal requirements if they impeded state or local reform efforts. ESEA reduced regulations, paperwork, and reporting requirements; launched your initiative to establish 3,000 charter schools; and permitted high-poverty schools (with 50% or more students eligible for Title 1) to combine funds from separate streams and use them to improve the whole school.
- *Holding schools accountable for the results they achieve, rather than for compliance with*

rules and regulations. Title 1 now requires states to set annual goals for each school and district relating to the number of students who must reach academic standards; to report progress annually for each school (disaggregating data by demographic subgroups); and to intervene in schools that fail to make adequate progress.

These reforms have sparked considerable state and local education reform activity. There is, however, still much more to be done to achieve significant improvement in elementary and secondary education, especially in high-poverty schools. The key lessons from the implementation of Goals 2000, ESEA, and related state and local reforms include:

- *Standards-based education reform works.* A recent Rand study of education reform in North Carolina and Texas -- the two states with the best track record of improving achievement generally and closing achievement gaps between minority and white students -- shows that a sustained, statewide approach of raising academic standards, providing schools with the flexibility and tools they need, targeting resources for extra help to low-performing students and schools, and holding schools accountable for results produces results, particularly for disadvantaged students. Other studies also have shown that states and school districts -- including urban school districts like Philadelphia, Boston, San Francisco, and Chicago -- that have adopted similar approaches have shown significant gains in reading and math. This data indicate that our overall strategy is sound. If we maintain the recent direction of federal education policy while intensifying our efforts, we can improve elementary and secondary education across the nation.
- *States have adopted policies effecting standards-based education reform, but these policies do not go far enough.* Forty-eight states have set new, more challenging academic standards, and most states are working to develop or adopt new assessments aligned with these standards. Fewer states, however, have adopted accountability systems along with the standards. Only 25 states provide for intervention in low-performing schools, as required by Title 1. In addition, only 17 states provide extra help, such as summer school or tutoring, for students who do not meet the standards, and only five states require students to demonstrate they have met the standards as a condition for promotion.
- *Implementation of state policies providing for standards, assessments, and accountability leaves room for improvement.* Title 1 includes a series of deadlines for implementing state policies on standards, assessments, and accountability. Although not all of the implementation deadlines have been reached, it is already clear that many states are not on track to meet them. In addition, some states are failing to implement these policies as envisioned. For example, some states have evaded the full extent of their responsibility to set goals for "adequate yearly progress" for students and schools. And although half the states have policies that provide for some kind of intervention in low-performing schools, many have shown themselves unable or unwilling to take the actions necessary to turn around these schools so they provide an acceptable education.

- *Improvements in the quality of teachers and teaching are urgently needed.* Governor Hunt's National Commission on Teaching and America's Future has underscored the difficulty of recruiting and retaining talented and well-prepared teachers, especially in schools with the most disadvantaged students. About 50,000 teachers each year enter the profession with emergency or substandard licenses. Nearly one quarter of secondary school teachers lack even a minor in their main teaching field, and in schools with the highest minority enrollment, students have less than a 50% chance of having a math or science teacher with a license and degree in the field. On average, 22% of new teachers leave the field within three years, and in urban areas 30-50% leave within five years. Paraprofessionals are widely and increasingly used to provide instruction to low-achieving students in Title 1 schools, with as many as 20% of Title 1 instructional aides providing instruction without a teacher's supervision. By one estimate, instructional aides account for roughly half (67,000) of the entire Title 1 instructional workforce, and Title 1 aides are being hired at twice the rate of Title 1 certified teachers.

The Eisenhower professional development program, the main federal program to improve teacher quality (Goals 2000 and Title 1 also provide some funds for this purpose), has failed to improve the situation in any significant way. Recent evaluation data suggest that in many districts, the Eisenhower program funds activities of limited effectiveness. And even where the activities are effective, the program often fails to fund them at an adequate level. The Higher Education Act you signed last year includes a new program to provide scholarships to highly qualified individuals who commit to teaching in high-poverty schools, but the current appropriation is sufficient for only about 1,400 of these scholarships.

II. Major Changes to ESEA

Our budget contains a number of initiatives to expand educational opportunity in the elementary and secondary grades: school modernization, class size reduction, after-school funding connected to social promotions policy, and an increase in Title 1 funding for the specific purpose of intervening in low-performing schools. Our ESEA reauthorization can build on these initiatives by insisting on what the studies suggest we most need: accountability -- for students, teachers, and low-performing schools. With this Congress, we may not be able to enact every ESEA reform we want, but we can put forward a bold vision of the future of school reform.

We recommend a new set of accountability requirements as a condition for any state or district to receive any ESEA funds (not just Title 1). States and school districts would be required to produce annual school report cards, end social promotions, intervene in the lowest performing schools, and end the use of unqualified teachers. Taken together, these new requirements represent a fundamental change in federal aid to elementary and secondary education. For the first time, the federal government would link investment in state and local education systems with their commitment to take the steps necessary to enable all students,

teachers, and schools to meet high standards. In effect, we are saying that, from now on, the best way for the federal government to help students is to insist that states and local school districts live up to their responsibilities, rather than simply attempting to compensate for their failure to do so.

Along with the investments in your budget, this approach is intended to help close the opportunity gap by lifting achievement in low-performing schools and making sure that disadvantaged students are not left behind. We hope the approach would be compelling enough to unite Congressional Democrats, the education community and the public, as well as to counter an expected Republican push for vouchers and block grants.

A. Annual School Report Cards. Our proposal would require annual report cards, easily understood by and widely distributed to parents and the public, for each school, school district, and state. The report cards would include information on student achievement, teacher quality, school safety, and class size. Where appropriate, the data collected and published -- especially on student achievement -- would be broken down by demographic subgroups, to allow a greater focus on the gaps between minority and majority, low-income and more advantaged students.

B. Ending Social Promotions. Our proposal would require states and districts participating in ESEA to adopt policies that (1) require students to meet academic performance standards at key transition points in elementary and middle school and for high school graduation; (2) use objective measures -- *i.e.*, tests valid for these purposes -- to make an initial determination if a student has met the standards; and (3) permit other, non-objective factors, including teacher judgment, to enter into a final determination as to whether the student has met the standards. States and school districts would have to show how they will help students meet promotion standards by (1) strengthening learning opportunities in the classroom with steps such as clear grade-by-grade standards, small classes with well prepared teachers, high quality professional development, and the use of proven instructional practices; (2) identifying students who need help at the earliest possible moment; (3) providing extended learning time, including after-school and summer school, for students who need extra help; and (4) providing an effective remedial plan for students who do not meet the standards on time, so that they do not repeat the same unsuccessful experiences. The proposal would phase in this requirement over five years; design the requirement to fit state governance systems (allowing "local control" states to delegate responsibilities to the local school district); and base the requirement on state or local rather than national standards. The Secretary would review and approve each state's plan, with continued funding conditional on adequate annual progress in implementing the plan.

To reinforce this requirement and encourage local school systems to address it even before the enactment of ESEA, your FY2000 budget contains a \$400 million increase in funding for the 21st Century Learning Center program, half of which will be reserved for after-school and summer school programs in school districts implementing policies to end social promotions.

C. Accountability for Teachers. Our proposal would require states and local school districts participating in ESEA to phase out the use of unqualified teachers over five years. In particular, states and school districts would have to end the use of (1) teachers with emergency rather than full certification; (2) secondary school teachers teaching "out of field" -- i.e., teaching subjects for which they lack an academic major or minor; and (3) instructional aides serving as lead instructors. Ending these practices is particularly important for high-poverty schools, where the practices are most prevalent. States also would have to adopt teacher competency tests for new teachers, including tests of subject-matter expertise for secondary school teachers. States and school districts would be able to use funds from a number of ESEA programs, including Title 1, bilingual education, and a new grant program focused in part on teacher quality, to help meet these requirements.

In addition, we are working with the Education Department to fashion a requirement for states and school districts to deal with low-performing teachers. We are exploring a number of approaches, including (1) requiring periodic recertification of teachers, and (2) requiring school districts to adopt procedures to identify low-performing teachers, provide them with needed help, and remove them fairly and quickly if they do not improve. We will work closely with the NEA and AFT over the coming weeks to try and fashion a provision that will meet our objectives while addressing their concerns.

D. Accountability Fund for Title 1 Schools. We recommend significantly strengthening accountability requirements in Title 1 so as to require and adequately fund immediate and significant state and local intervention in the lowest performing schools. Because the schools of greatest concern are invariably Title 1 schools and because Title 1 already contains certain accountability provisions, we believe we should incorporate these provisions into Title 1, rather than imposing a broader ESEA requirement.

Our proposal would retain current provisions for states to adopt performance standards and assessments by 2001. In addition, it would strengthen the current provisions in Title 1 relating to low-performing schools by: (1) requiring the immediate public identification of and intervention in the lowest performing schools in each state -- i.e., schools with very low levels of achievement that have made little or no improvement over the previous three years; (2) setting aside 2.5% of Title 1 funds to support aggressive intervention in these schools, including an external assessment of each school's needs and the implementation of needed improvements (such as addressing school safety and security needs, providing better teacher training, acquiring up-to-date textbooks, technology, and curriculum materials, and extending learning time to help students catch up academically); and (3) requiring states to provide recognition or rewards to Title 1 schools showing the greatest improvements.

To increase the appeal of this approach, your FY2000 budget contains a significant increase in Title 1 funding, of which \$200 million is specifically dedicated to this initiative.

III. Other Changes in ESEA

A. Charter Schools and Public School Choice. Earlier this fall you signed the Charter Schools Expansion Act of 1998, which strengthened incentives for states to (1) increase the number of high-quality charter schools, (2) strengthen accountability for charter schools, (3) maximize flexibility for charter schools, and (4) provide charter schools with their proper share of federal program funds. We believe, along with most in Congress, that no further changes relating to charter schools are needed in the ESEA reauthorization process.

We do recommend, however, proposing new authority in ESEA to enable the Education Department to support other, new approaches to expanding public school choice. At present, the Department has authority only to support specific approaches to choice, such as intra-district magnet schools in the context of desegregation efforts, and (as of last year) high schools on community college campuses. We will propose a new competitive grants program that will give the Education Department the ability to support a much wider range of choice approaches, including district-wide public school choice systems, interdistrict magnet schools and other interdistrict approaches, work-site schools, schools-within-schools, and post-secondary enrollment options.

As a first step in this direction, your FY2000 budget proposal will contain funds and necessary authorizing language for three specific choice initiatives: \$10 million in grants to school districts to establish work-site schools; \$10 million to support interdistrict magnet schools; and (as already authorized) \$10 million to establish high schools on community college campuses.

B. Bilingual Education. We recommend changes to the Title VII Bilingual Education program and to Title 1 (which serves more than 1.1 million LEP students) consistent with statements you and Secretary Riley made in opposing California's Unz Initiative. These statements called for (1) expanding the flexibility given to local communities to select the programs they believe will best educate LEP students; (2) making sure teachers are well trained to teach LEP students; and (3) strengthening accountability for programs serving LEP students by including a goal that all LEP students reach English proficiency within three years.

To expand local flexibility and parental choice, we would remove the Title VII provision in current law that limits expenditures on English-language (rather than bilingual) programs to 25% of the funds available. We also would require parental approval for participation in any program funded under Title VII. To improve teacher quality, we would phase in a requirement that schools receiving Title 1 funds provide LEP students with appropriately trained teachers. We also would strengthen the teacher training provisions in Title VII by giving funding priority to school districts and institutions of higher education that have implemented proven programs to hire, train, and support new ESL and bilingual teachers.

In Title 1, we would require that LEP students be included in the assessment and accountability requirements for each school. Assessments would be in their language of instruction and, after three years of schooling in the United States, in English. We would require

schools to disaggregate data, so that they would report -- and be accountable for -- both the academic achievement and the English language proficiency of LEP students. We also would require schools receiving Title 1 funds to provide alternative instructional strategies for LEP students who do not make adequate progress in English proficiency after three years. Finally, we would cut off Title VII funding to a program after three years if it could not show that students made significant gains in both English and academic subjects.

C. Safe and Drug Free Schools Program. As you announced at the White House Conference on School Safety, we would significantly overhaul the Safe and Drug Free Schools Program to improve its effectiveness at promoting drug-free, safe, and disciplined learning environments. Our proposal would accomplish this by (1) requiring states to allocate funds to local school districts on a competitive basis, with funds going to the districts with the greatest need and highest quality proposals; (2) requiring local school districts receiving program funds to develop and implement a rigorous, comprehensive approach to drug and violence prevention based on proven practices; (3) requiring every school district receiving funds to have a full-time program coordinator; and (4) requiring all schools to issue report cards that include data on crime, disorder, and substance abuse.

D. Class Size Reduction. We would include authorization for our Class Size Reduction initiative in our ESEA package, since the provisions in last year's Omnibus Appropriations Act provide funding and authority for only one year. Although we do not expect Congress to enact the ESEA reauthorization this year, we believe that transmitting authorization legislation will strengthen our ability to fight for additional funds for class size reduction in the FY2000 appropriations bill. Unlike the provision enacted last year, our original proposal required local school districts to provide matching funds (an average of 20%, with a sliding scale based on poverty levels). We intend to include the matching requirement in our ESEA authorizing proposal, so that we can reach our goal of providing 100,000 teachers within 7 years. In all other respects, our proposal would reflect the agreement reached with Republicans last year, which itself was fully consistent with our original proposal.

E. School Modernization. We also intend to include our school modernization proposal, with only minor changes from the one introduced last year, in our ESEA package.

F. Ed-Flex. Our proposal to expand Ed-Flex (which gives states the authority to waive many statutory and regulatory requirements in ESEA) to all 50 states died last year, caught between Democrats who opposed granting greater flexibility and conservative Republicans who insisted on a more sweeping block grant proposal. Governors of both parties aggressively promoted Ed-Flex until the very end of the session, and Governor Carper has indicated that the NGA will take up the cause again next year. Although we believe we should continue to support some version of Ed-Flex, we will need to think carefully about the scope of the proposal. We think it would be a mistake to allow states to waive the full set of accountability provisions described above or the requirement for using class size funds to reduce class size to 18 in the early grades.

Microenterprise Package

This year the Administration reaffirms its ongoing commitment to leadership in the microenterprise field. Long a passionate interest of both the President and First Lady, microenterprise has proven a powerful tool for empowering forgotten members of society and providing them the skills and credit to markedly improve their lives. Our domestic package dramatically increases our overall level of commitment to microenterprise finance, increasing by over 250% the budget commitments to microenterprise programs. Of particular emphasis this year is a much-strengthened commitment for technical assistance - thus far the neglected piece of microenterprise in this country, but one of critical importance in fully delivering on the microenterprise promise. Internationally, our focus is on continuing to "get it right" through USAID, on the unique challenges presented by global economic crisis and the ravages of Hurricane Mitch, and on exploring new ways of leveraging multi-lateral institutions in support of microfinance.

Domestic Highlights

- The total dollars in the budget committed to domestic microlending will be more than 250% of 1999 levels, going from \$20 million to \$53 million
- Critical commitment to training (PRIME + SBA) is almost 3 times 1999 commitments, going from \$16 million to \$47 million
- Doubling the level of SBA direct lending from \$30 million (\$3 million credit subsidy) in loans to \$60 million (\$5 million credit subsidy)
- Includes a new initiative (PRIME) directed at very low income clients
- Provides 100% increase in funding for IDAs, providing new sources of capital for economically-disadvantaged entrepreneurs

Background

The domestic piece is **heavily focused on technical assistance**. This may not be sexy, but this is the real work for microenterprise in this country. It is increasingly obvious to microenterprise community that simply providing credit to the poor is not enough, and that money cannot begin to leverage the economic and social returns for which it was intended absent simultaneous and coordinated provision of technical assistance. Assistance can be in the form of training programs and ongoing services for the entrepreneurs themselves, and in capacity building (e.g. "Training the trainers, sharing best practices) for the intermediaries that run microenterprise programs.

- **PRIME legislation - \$15 million** in FY2000 (\$105 million over 4 years) - training and capacity building - real focus on **very low income** clients. Strong support from microenterprise community and on Capitol Hill. Part of CDFI funding.
- **\$32 million for SBA technical assistance** for its microlending program. Again, training and capacity building, but with more of a focus on business development (as per SBA's charter) than on poverty alleviation.. SBA training is explicitly linked to borrowing, whereas PRIME is not. Last year's SBA allocation for TA was \$16 million. **This year's allocation is a 100% increase in**

funding over last year's.

- Domestic package includes **additional funding** (\$6m total) for direct and guaranteed lending through **SBA's program**, which can leverage over \$75 million in new loans. The direct portion of this program (\$60 million in loans) is twice the 1999 \$30 million level. Funding for SBA's microloan guarantee program will increase by 33%.
- **Increased funding for IDAs** -which can be applied for small business capitalization - from \$10 to \$20 million

International

Microfinance has been proven to be an effective tool for empowering the poorest of the poor and contributing substantially to the rise in the standard of living for millions. The U.S., through under USAID leadership, has been at the forefront in building and sustaining the practices and institutions that have made microenterprise finance work so well. This year, the ravages of the financial crisis and natural disasters (e.g. Mitch), have hit the poor disproportionately. Microfinance can be among the important tools to address these crises, and the U.S. can again be at the forefront in making that happen. In that context, we propose the following program for USG support for microfinance:

Increased support for USAID microenterprise efforts

- During the Clinton Administration, USAID has stepped in as the world's lead donor in microenterprise finance, primarily through its Microenterprise Initiative. In response to the financial and natural crises that have afflicted so many this year, USAID has proposed several programs to assist microfinance intermediaries in rebuilding and expanding capacity, and in providing some additional liquidity to programs in need
 - Financial crisis and Hurricane Mitch justify increase in funding to well over \$150 million - to be funded by **and additional \$7 million to overall USAID budget** as part of the 2000 budget, and an additional \$15-\$30 million (estimates still being compiled) as part of supplemental package being pulled together for Hurricane Mitch

Work with the MDBs to define a more active and constructive role

- While MDBs (e.g. World Bank, IDB) have publicly committed to assisting the development of microenterprise finance, they have yet to emerge as meaningful participants in that arena.
 - Administration will instruct Treasury to begin work with MDBs to develop more meaningful role for those institutions in microenterprise finance, both funding and technical assistance

Include microfinance development as part of social safety net and financial system reform efforts

- Now as many developing countries have been dealt severe setbacks by the world financial crisis, microfinance development more than ever should be among the tools the US and others employ in providing a social safety net to the poorest. Moreover, as the world focuses on financial sector reform, the role of microfinance in allowing for a more broad-based and robust financial sector should be considered and incorporated into reform initiatives.
 - Administration will instruct Secretaries of Treasury and State (and USAID) to create process for systematically evaluating appropriate role for

microenterprise finance in social safety net and financial sector reforms and for overseeing programming and implementation of recommendations

Coordinated strategy for supporting microfinance internationally

- Just as the CDFI Fund has been charged with coordinating USG microfinance efforts domestically, a similar effort will be undertaken between the White House, USAID, the State Department, Treasury and others (e.g., OPIC) to ensure a coordinated, comprehensive and strategic understanding of and approach to support of microfinance as a tool of US foreign policy