10/22/98

Bruce,

Attached is the current edition of the health care budget ideas. As you know, these will be altered as new policy and budget information becomes available. However, they do represent the most likely priorities for the budget deliberations.

The tax incentive provisions and the spending initiatives from last years budget are in fairly good shape in terms of scoring. It will take more time to develop sound cost estimates for the new initiatives, but we have done our best to estimate expenditures where possible. Having reviewed the initial HHS budget submission and talked with OMB, we believe that the vast majority of these initiatives are viable.

We do expect there to be additional public health initiatives that we'd like to talk to you about. In addition, we are still working with Labor on a number of their health care initiatives.

We are also reviewing funding included in the omnibus bill that we may be able to highlight later this fall. As we discussed, we are looking to explore initiatives at CDC related to the superbug and other public health challenges.

If you need to talk with me about these initiatives prior to your meeting tomorrow, don't hesitate to contact me via SkyPage. Hope the information is helpful.

Chris

HEALTH BUDGET IDEAS (October 22, 1998)

1. Long-Term Care

- **Long-term care tax credit.** (new policy) Along with the lack of coverage of prescription drugs, the poor coverage of long-term care represents a major cost burden for the elderly and their families. Long-term care costs account for nearly half of all out-of-pocket health expenditures for Medicare beneficiaries. This proposal would give people with three or more limitations in activities of daily living (ADL) or their caregivers a tax credit of up to $1,000 to help pay for formal or informal long-term care. (Cost: About $4.6 billion over 5 years, offset by closing some tax loopholes; helps about 2.3 million people).

- **Offering private long-term care insurance to Federal employees.** (new policy) Since expanding Federal programs alone cannot address the next century's long-term care needs, the Federal government --as the nation's largest employer --could illustrate that a model employer should promote high-quality private long-term care insurance policies to its employees. Under this proposal, OPM would offer its employees the choice of buying differing types of high quality policies and use its market leverage to extract better prices for these policies. There would be no Federal contribution for this coverage. (Cost: Small administrative costs; OPM estimates about 300,000 participants).

- **Family Caregiver Support Program.** (new policy) About 50 million people provide some type of long-term care to family and friends. Families who have a relative who develops long-term care needs often do not know how to provide such care and where to turn for help. This proposal would give grants from the Administration on Aging to states to provide for a "one-stop-shop" access point to assist families who care for elderly relatives with 2 or more ADL limitations and/or severe cognitive impairment. This assistance would include providing information, counseling, training and arranging for respite services for caregivers. (Cost: About $500 -750 million over 5 years).

- **Nursing home quality initiative.** Last July, the President announced an initiative to dramatically improve the quality of nursing homes, by strengthening nursing home enforcement tools and improving Federal oversight. This past week, the Justice Department and HCFA held a conference to begin to develop other nursing home quality/anti-fraud and abuse initiatives with enforcement agencies across the nation. To respond to the critical need to improve quality of nursing homes, implementing the initiatives the President outlined in July or other new efforts could be included in the budget or as a freestanding initiative. These initiatives will no doubt include new enforcement provisions (e.g., increased penalties, etc.), as well as new funds to conduct more frequent surveys of repeat offenders and improve surveyor training. We are also working with the Department to explore the possibility of establishing a Nursing Home Commission to oversee HCFA's efforts. (Costs:$750 million over 5 years).

- **Tax credit for work-related impairment expenses for people with disabilities**. (new policy) Almost 75 percent of people with significant disabilities are unemployed; many of those within the population cite the cost of employment support services/devices, as well as the potential to lose Medicaid or Medicare coverage, as the primary barriers to seeking and keeping employment. This proposal would give a 50 percent tax credit, up to $5,000, for impairment-related work expenses. This policy overlaps to some degree with the Jeffords-Kennedy Work Incentive proposal, described later, but has the advantage of helping people in all states irrespective of whether states take up optional coverage. (Cost: About $500 million over 5 years, offset by closing tax loopholes, and would help about 300,000 people).

2. Modernizing Medicare

- **Adopting private sector, competitive pricing strategies**. (FY 1998 budget) The President has consistently supported making Medicare more competitive by giving the Health Care Financing Administration the same tools to manage health care costs as are used by private sector plans. This includes competitive pricing for services like durable medical equipment and other supplies; expanding the competitive pricing demonstration for managed care; and adopting new payment methodologies like Centers of Excellence, among others. Although these ideas are being considered by the Medicare Commission, the President could take the lead on improving competition within Medicare since he has supported this approach in the past. (Savings: $0.1 to $0.5 billion, depending on the policies).

- **Prescription drug coverage for Medicare beneficiaries** (new policy). The lack of coverage for prescription drugs in Medicare is widely believed to be its most glaring shortcoming. Virtually every private health plan for the under-65 population has a drug benefit, in recognition of the medical community's reliance on prescriptions for the provision of much of the care provided to Americans. Lack of Medicare coverage of drugs results in high out-of-pocket beneficiary costs --which will only increase in the next century as most advances in health care interventions will be pharmacologically-based. Responding to this fact, Republicans and Democrats on the Medicare Commission, as well as almost every health care policy expert, are consistently stating that reforming Medicare without addressing the prescription drug coverage issue would be a mistake. We are developing a wide variety of options, including a means-tested Medicaid option, a managed care benefit only approach, 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. (Cost: Varies significantly depending on proposal, but could be $1 to 20 billion a year; assumed offset would be Medicare savings, which might more easily be achieved in context of a broader reform proposal).

- **Protecting beneficiaries from HMO withdrawals from Medicare**. This year, a number of HMOs have pulled out of Medicare with only a few months notice, leaving 50,000 beneficiaries with no plan options in their areas. These withdrawals are causing beneficiaries unnecessary hardships as they rush to find alternative sources of coverage. The President has stated his determination to work with the Secretary of HHS and Congress to develop legislation to prevent this behavior in the future (e.g., limit the time between when a plan files to participate in Medicare and when enrollment begins, making it less necessary for plans to pull out at the last minute). (Cost: not clear that there will be costs).

- **Medigap reform for people with disabilities.** In 1997, the President endorsed bipartisan legislation from Rockefeller, Chafee and Nancy Johnson that makes Medigap supplemental insurance more accessible to beneficiaries. The Balanced Budget Act did include some of its important protections for seniors on Medicare, but essentially excluded beneficiaries with disabilities from this reform. This proposal would make all Medigap insurers provide Medigap to people with disabilities when they sign up for Medicare. It would also ensure that they get a guaranteed issue Medigap option when transitioning out of a Medicare managed care plan --including in the event that their HMO withdraws from Medicare. (Cost: not clear that there will be costs).

- **Cancer clinical trials demonstration** (FY 1999 budget; not passed). Less than three percent of cancer patients participate in clinical trials. Moreover, Americans over the age of 65 make up half of all cancer patients, and are 10 times more likely to get cancer than younger Americans. This proposed three-year demonstration, extremely popular with the cancer patient advocacy community, would cover the patient care costs associated with certain high-quality clinical trials. (Cost: $750 million over 3 years).

- **Redesigning and increasing enrollment in Medicare's premium assistance program** (extension of July executive action and new policy). 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 the new BBA provision that is supposed to help higher income beneficiaries. We are developing a range of proposals that build on the President's actions in this area to better utilize Social Security Offices to educate beneficiaries about this program, to reduce administrative complexity for states and to give them incentives to engage in more aggressive outreach efforts. (Costs vary depending on policies; up to $500 million over 5 years).

- **Reducing Medicare fraud and overpayment**. (Some FY 1999 policies; some new policies) Medicare fraud costs the program billions of dollars each year and many seniors believe it is the largest threat to the program. In every budget for the last 5 years, the President has proposed new initiatives to help combat excessive payments and provider fraud in Medicare. Last year alone, Medicare saved over $1 billion through these efforts. The President announced last January a 10-point plan for reducing fraud and overpayment, including provisions like reducing overpayments for drugs and ensuring Medicare does not pay for claims that ought to be paid by private insurers. HHS and the Department of Justice continue their efforts to enforce current policies, reintroduce those that did not pass, and develop new ones. (Savings: From $1 to 3 billion over 5 years, depending on the policies).

3. **Health Insurance Coverage Expansions.**

- **Providing new coverage options for people ages 55 to 65** (FY 1999 budget; not passed). Americans ages 55 to 65 have a greater risk of becoming sick; have a weakened connection to work-based health insurance, and face high premiums in the individual insurance market. This three-part initiative would: (1) allow Americans ages 62 to 65 to buy into Medicare, through a premium designed so that this policy is self-financed; (2) offer a similar Medicare buy-in to displaced workers ages 55 and over who have involuntarily lost their jobs and health care coverage; and (3) give retirees 55 and over whose retiree health benefits have been ended access to their former employers' health insurance. A proposal such as this would be minimally necessary for any serious consideration of proposals to raise Medicare's eligibility age. (Cost: $1.5 billion over 5 years, which would assist about 300,000 people).

- **Jeffords-Kennedy Work Incentives Improvement Act.** (Congressional proposal; not passed). In the final budget negotiations, the Administration put the Jeffords-Kennedy bill on its list of top priorities for passage this year. This bill would enable people with disabilities to go back to work by providing an option to buy into Medicaid and Medicare, as well as other pro-work initiatives. Although it was rejected by Republicans, we received a great deal of credit from the disability community for advocating this policy and for sending a message that we will continue to fight to give people with disabilities the opportunity to work --including the critical health insurance that makes work possible. (Cost: About $1.2 billion over 5 years)

- **Health coverage for workers between jobs** (FY 1997 and 1998 budgets; not passed). Because most health insurance is employment based, job changes put families at risk of losing their health care coverage. Many families do not have access to affordable health insurance when they are between jobs because they work for firms that do not offer continuation coverage or cannot afford individual insurance. The proposal would provide temporary premium assistance for up to six months for workers between jobs who previously had health insurance through their employer, are in between jobs, and may not be able to pay the full cost of coverage on their own. (Costs depend on whether it is done as a demo (about $2.5 billion over 5 years, which would help about 600,000 people) or nationwide (about $10 billion over 5 years, which would cover about 1.4 million persons).

- **Children's health insurance outreach** (FY 1999 budget; not passed and new policy). Only shortly after the first anniversary of CHIP, about 45 states have CHIP plans approved. These new expansions have great potential to help uninsured children, but not if families do not know or understand the need for insurance. Moreover, over 4 million uninsured children are eligible for Medicaid today but are not enrolled. Last year's budget included several policies to promote outreach, including allowing states to temporarily enroll uninsured children in Medicaid through cites such as child care referral centers, schools; and allowing States to access extra Federal funds for children's outreach campaigns. An additional proposal is to pay for a nationwide toll-free number that connects families with state eligibility workers. Such a line is essential for the nationwide media campaign that we are planning to launch in January with the NGA. However, NGA is sponsoring this line for one year only. (Cost: Between $400 and $1 billion over 5 years; could be funded through tobacco recoupment)

- **Medicaid options for older children/young adults** (new policy). Nearly one in three people ages 18 to 24 lack health insurance. Additionally, the parents of low-income children covered through Medicaid and CHIP are often left uninsured. One proposals would give states the flexibility to continue covering children who lose eligibility only because they turn 18 years old. This extension would be administratively simple, targeted, and help young people whose first jobs often lack health insurance. (Cost: Unknown at this point).

- **Voluntary purchasing cooperatives** (FY 1997, 1998, and 1999 budgets; not passed). Workers in small firms are most likely to be uninsured; over a quarter of workers in firms with fewer than 10 employees lack health insurance —almost twice the nationwide average. This results in large part because administrative costs are higher and that small businesses pay more for the same benefits as larger firms. This proposal would provide seed money for states to establish voluntary purchasing cooperatives. These cooperatives would allow small employers to pool their purchasing power to try to negotiate better rates for their employees. The Office of Personnel Management would provide technical assistance, so that this coops are modeled on the Federal Employees Health Benefits Program (FEHBP) (Cost: about $100 million over 5 years).

4. Paying for Health Education and Uncompensated Care

- **Providing needed education funds to children's hospitals.** Medicare has invested billions of dollars in graduate medical education to hospitals since 1966. However, because of its current formula, free-standing children's hospitals are forced to shoulder the majority of the cost of training pediatricians, placing them at a severe financial disadvantage. This proposal would modify the distribution formula to provide reimbursement for the training costs incurred by children's hospitals. Addressing children's hospitals' education financing has bipartisan support, and Senator Frist has made this a priority for the Medicare Commission (Costs: depends on the proposal).

- **Improving the targeting of tax subsidies for hospitals providing uncompensated care**. About $7 billion in preferential tax treatment is granted each year to nonprofit hospitals to help offset the costs of providing care for uninsured and underinsured people. However, this tax preference is not well targeted: hospitals with a great burden often don't get enough help, while hospitals providing little care get too much. This proposal --which is very preliminary --would replace the preferential tax treatment of non-profit hospitals with a new uncompensated care pool. This pool would, through the tax system, provide assistance to hospitals that demonstrate that they provide a lot of uncompensated care. This proposal could be considered in tandem with proposals to reform the Medicare disproportionate share payment (DSH) system, which also intends to cover these costs. (Cost: none; budget neutral).

Public Health/Underserved Populations

- **Combating Resistance to Anti-biotics (Super Bug).** Recent reports have indicated that resistance to anti-biotics is becoming a major public health crisis. Some viruses, such as pneumonia and many hospital-based infections becoming resistant to even the strongest anti-biotics, causing prolonged illnesses and even death. For example, pneumonia, which impacts over 500,000 Americans per year, is becoming resistant to the strongest antibiotics. CDC believes that this critical public health problem is on track to affect more and more viruses as it is becoming more difficult to develop new effective antibiotics. However, this problem could be reduced if we knew more about which viruses are likely to become resistant and why and if drugs were prescribed and used more appropriately. For example, there are over 50 million inappropriate outpatient antibiotic prescriptions written annually. The budget could fund a major public health campaign that would: educate consumers and health providers to help assure appropriate use of antibiotics; assure awareness about appropriate guidelines, and improve surveillance and research efforts to understand which antibiotics are at risk for becoming ineffective and why. (Cost: up to $50 million).

- **Improving Access to Health Care in Underserved Rural Areas.** The 25 million Americans that live in rural areas frequently do not have access to adequate health care services. For example, the physician-to-patient ratio is more than 80 percent lower in rural communities and more rural Americans are uninsured and lack access to health care services. The budget could include an initiative that would help maintain and improve access to health care in rural communities by: giving grants to help develop creative emergency services to enable rural health facilities to remain operational and responsive to the needs of their populations; providing assistance to states to help take advantage of a Balanced Budget Act provision that provides higher Medicare payments to hospitals that revamp services to meet the specific needs of their communities; and increasing the number of health professionals in rural communities by providing loan repayments or scholarships to train rural Americans who are likely to stay in the communities to become nurse practitioners. (Cost: Unclear. Approximately $100 million).

- **Reauthorizing the Older Americans' Act.** The Older Americans' Act has played a critical role in responding to the diverse needs of our nation's seniors. For example, it provides 240 million meals to over one million vulnerable seniors each year through its meals-on-wheels program; finances and supports an ombudsman program that helps resolve tens of thousands of problems affecting nursing homes and other vulnerable populations, including abuse and neglect; and, in many communities, it provides the type of adult day care that gives families a much needed respite from caregiving responsibilities. Many in the aging community believe the fact that the Congress has not reauthorized this program in several years undermines this program and the critical services. We could propose a reauthorization of this program to enhance emphasis on ombudsman and other programs, while proposing an increase for many of these critical programs.

- **Improving Access to Emergency Room Care for Veterans.** As part of the President's request to bring Federal health programs into compliance with the patients' bill of rights, the issue of whether the VA provides veterans adequate access to emergency room services has been widely publicized. The VA currently only reimburses for VA emergency visits at VA hospitals, which is certainly not consistent with the patient protection to assure emergency services when and where the need arises. We expect Senator Daschle to offer a proposal to extend VA access to emergency room services, and it may well be advisable for us to address this issue so we are not perceived as falling short on our commitment to apply the patients' bill of rights where we can. (Cost: VA's current proposal costs $550 million per year. However, OMB has been working to dramatically reduce the costs of this proposal).

- **Enhancing Drug Approvals, Food Safety, and other FDA priorities.** The FDA has unprecedented new challenges, including: a surge in promising technologies and drugs that need approval; increasingly challenging diseases, such as AIDS and emerging pathogens; important public health issues such as food and blood safety; as well as major new statutory responsibilities from FDA reform. However, funding for this agency has not increased in several years. This has serious implications for the agency, as food inspections, organ banks, and drug companies are rarely inspected and it is more challenging to meet drug approval needs. Since Congress has been unwilling to fund user fees for FDA, it may be necessary to make it a priority to fund FDA at higher levels (Cost: $100 to $300 million).

- **Investing in Promising DoD Breast Cancer/Prostate Cancer Programs.** We have continually highlighted DoD's innovative, popular cancer research programs (most recently the President announced grants in the DoD prostate cancer research program in his Father's Day radio address). However, we have received increasing scrutiny as to why your budget never proposes funding for this critical program by advocates who question your commitment to this program and believe that the lack of an Administration proposal makes it much more difficult to lobby for this funding on the Hill. DoD is somewhat resistant to this concept as they believe that even though they have developed a model program in response to a Congressional mandate, cancer research is not within their military mission. (Cost: it is unclear what the Congress will propose for this year's funding (the Senate bill includes $250 million). If you chose to fund this area, we would need to at least match FY1999 funding and potentially increase this amount.

- **Continuing the President's Successful Race and Health Initiative.** The race and health initiative proposed in the President's FY1999 budget was extremely well received by the minority and public health communities. As part of this initiative designed to eliminate racial health disparities in six critical health areas, we committed to investing $400 million over five years. Therefore, it is important that the President's FY2000 budget include no less than the $80 million we promised for each year, and we may want to consider additional funding for this issue. (Cost: $80 million).

- **Investing in Promising Biomedical Research.** Your FY 1999 budget includes historic increases in the NIH, and the Congress has funded the NIH at even higher levels (a historic $2 billion increase this year), regardless of how much you propose in this area. Therefore, you could either continue to fund this research at historic levels or since Congress will likely anyway, you may want to propose less to make room for other priorities. (Cost: over $300 million to $1 billion).

- **Improving Access to Promising HIV/AIDS Drugs.** Since there has been so much progress in therapies for HIV/AIDS, the AIDS community has been pushing to expand access to these drugs. Their expectations were raised last year when the Vice President asked HCFA to look into the feasibility of a demo to expand Medicaid to patients with HIV at an earlier point in their disease. We may want to consider additional options, perhaps in the context of the Jeffords-Kennedy legislation, to help people with HIV/AIDS have better access to treatment. Last year, we proposed significant funding for the AIDS Drugs Assistance Programs (ADAP), but there may be other approaches. Regardless of status of Jeffords-Kennedy, we may receive a great deal of criticism from the community if we propose no increases for treatment and also for prevention and enhancing HIV surveillance efforts at the Centers for Disease Control (Cost: approximately $100 million).

- **Improving Health for Medically Underserved Native Americans.** Native Americans have particularly poor health status (as much as five times higher diabetes rates, and three to four times the rate for SIDS). It is widely recognized that the IHS, the main resource for Indian tribes who deliver health programs to their communities, is not sufficiently funded to address the needs of this population. We could develop a number of initiatives to help improve health for Native Americans, including: domestic violence, or alcoholism; or elder care, working with HCFA, to help develop home-and-community based care options for Native Americans. This would build on the President's efforts to elevate the Director of IHS to an Assistant Secretary position and your participation in the conference on "Building Economic Self-Determination in Indian Communities" and would compliment well the President's race and health initiative. (Cost: about $100 million).

Shirley S. Sagawa
10/28/98 09:42:52 AM

Record Type: Record

To: Jennifer L. Klein/OPD/EOP, Nicole R. Rabner/WHO/EOP, Neera Tanden/WHO/EOP

cc:
Subject: AmeriCorps/Afterschool

Jen and I discussed the idea of including AmeriCorps in a package on afterschool care. Here is some information -- the dollar totals are random, but they are accurrate based on cost per AmeriCorps member.

Proposal to Engage AmeriCorps Members
To Organize AfterSchool Activities for Children

An expanded AmeriCorps could increase the availability of afterschool and summer programming for children and youth while providing additional opportunities for young adults to earn money for college through service. For example, an additional 5,000 AmeriCorps could organize constructive learning activities for 60,000 children afterschool, and another 60,000 over the summer, at a federal cost of $80 million. Ten thousand summer AmeriCorps Members could conduct a 10-week program involving up to 100,000 middle-school children at a federal cost of $35 to $40 million.

About two-thirds of the 45,000 current AmeriCorps Member positions are with children's programs, with a significant number focused on after-school activities. AmeriCorps Members serve with many of the major community-based organizations that provide afterschool care (including YMCA, Save the Children, and Boys and Girls Clubs); many others serve in public schools.

Several national nonprofit programs now use AmeriCorps Members to lead middle-school age children in service: for example, City Year's Young Heroes program deploys its teams of young adult corpsmembers from diverse backgrounds to organize twelve Saturdays of service for 800 middle-school children in ten cities; AmeriCorps Members serving with the Youth Volunteer Corps of America organize service projects for the middle-school youth who are part of the community-based corps. Programs like these leverage additional resources for the community by positioning young people as resources who can work with senior citizens, organize community gardens, be trained in conflict resolution, or tutor still younger children.

Although it has been a priority program for President Clinton, AmeriCorps' budget is the same in FY1999 as its post-recission FY1995 level. The program has been able to maintain, and in some years, increase the number of Members serving through partnerships with national nonprofit organizations that paid the living allowances and operating costs for Members. However, most AmeriCorps sponsors have had their funding capped for the last several years and the Trust Fund is at capacity unless additional funds are appropriated. A commitment of additional funds for AmeriCorps would allow these proven programs to expand to their full capacity and enable new sponsors to participate.

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE FIRST LADY

TO Janet Holtzblatt

FROM Fr. Neera Tanden

FAX # 622-0236

PHONE #

OF PAGES (including cover) 2

COMMENTS What do you think?
In the vein of keeping
these discussions going
I wanted to ~~ask you~~
write something up so
that perhaps we could
figure out some costs.

I won't be in on Mon or Tues.
So pl. send me calculations on the
expanded deduction ~~to~~ idea to Jen -
456-2878.

I'll call you Wed.

Thanks,
Happy Halloween.
Neera

To: Janet 622-0236

From: Neera

Pl. tell me where I'm totally wrong — thanks.

We need to turn something in in the next 2 hours — thanks

Stay-at-Home Options:

Expand the Child Tax Credit: The Child Tax Credit is currently $500 per child for children under 13. We propose to double the credit to $1,000 per child for those children under the age of four, which would cost roughly $4 billion over 5 years. Currently the Child Tax Credit reaches all families with income under $100,000 (see joint filers). [Janet??]

Pro: The child tax credit is stacked, so that families are allowed to take the credit agaisnt their income before they take the EITC, which allows more lower-income families to benefit from this credit.

Pro: This proposal reaches more families than a standard deduction proposal because it reaches more higher-income families.

Pro: Members of Congress from both parties have adopted this proposal as a means of helping stay-at-home families.

Pro: This proposal benefits all families equally, including those where a parent stays at home as well as those where both or the only parent work outside the home.

Con: This proposal will help all families, and is not targeted to those where one spouse stays at home (though this could also be seen as a positive attribute as well).

Con: This kind of proposal will not substantially affect behavior because it provides too little support for families.

b. Increase the Standard Deduction: Most lower-income families do not itemize their deductions, choosing to take the standard deduction (and using the simpler form) instead, while most higher income families choose to itemize. Those families with roughly less than $50,000 of income choose not to itemize. Therefore, a proposal to expand the standard deduction for children would help lower-income families, while also simplifying the tax code by creating an incentive to take the standard deduction. Currently the deduction is roughly $6,000 per child.

(1) To increase the [standard] deduction by $1,000 for each child under 3, regardless of the marital status of the parents, would cost $2.5 billion over five years and would cover roughly 3.1 million taxpayers (three quarters of whom are married couples) and 3.4 million children. The average benefit would be $168 (per child??).

(2) To expand the standard deduction for the same category of people by $2000 per child would be less than $5 billion over five years. This would be roughly $300 per family.

Pro: Could be cast in some form as limited marriage penalty relief.

Pro: Benefits both stay-at-home parents as well as those who work outside the home equally.

Pro/Con: Covers far fewer people from $50,000 to $100,000, and therefore is less likely to buy conservative support, though may well be better targeted policy.

Con: Any proposal targeted towards a specific age of the child will complicate the standard tax filing.

Con: This proposal would not help the lowest income families because they already do not pay taxes.

c. <u>Expand the DCTC</u>:
Build on the above DCTC proposal by extending its benefits to stay-at-home parents with children age three and under, by applying the same eligibility guidelines and assuming minimum child-care expenses of $150 per family per month. This proposal would also phase out the credit for families with annual income over $105,000. The rough cost of this proposal is $13 billion over 5 years.

Ex: If one parent earns $30,000, and the other parent stays at home for one year to care for the child, they would be eligible for the following credit: (50%) X ($150/month) X (12 months)=$900.

Con: This proposal raises equity concerns by benefiting some stay-at-home families more than those families where both parents work.

Supporting Family-Friendly Benefits: Currently, businesses receive tax preferential treatment for a variety of employee benefits they provide, including health care benefits (which the federal government essentially subsidizes by roughly 30%). We propose granting similar tax preferential treatment to family-friendly benefits, including flexible work hours, compressed work weeks, part-time work with benefits, job sharing, career sequencing, and extended paid parental leave, that are provided by employers. Such tax preferential treatment would be conditioned upon policies that are open to all employees, regardless of the wage of the employee. Such a tax credit would enable parents to spend more time with their children by providing companies, both small and medium sized, the ability to respond to the time crunch families are facing. In addition, it builds on our flex-time and family-leave proposals.

Families Agenda for the Fiscal Year 2000 Budget

Over the last 30 years, there have been increasing pressures on the family --more dual-earner couples, families working longer hours, all creating a squeeze that leaves parents with less and less time 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 fiscal year 2000 budget, the Clinton Administration can put forward an agenda that puts families first by helping parents as they cope with this most important of all duties --raising their children.

How to pay for it?

Expansion of the Child Care and Development Block Grant. We propose to expand the Child Care and Development Block Grant as previously proposed in the FY 1999 Budget. The block grant is the primary federal child care subsidy program, helping low-income working families struggling to pay for child care. Funds are distributed by formula to the states to operate direct child care subsidy programs, as well as to improve the quality and availability of care. Currently, over one million children are served by the program, leaving roughly nine million children who are eligible but unserved. **Cost: $7.5 billion over five years.**

$10b?

Expansion of the Child and Dependent Care Tax Credit. The Child and Dependent Care Tax Credit provides tax relief for families who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. As in the FY 1999 Budget, we propose increasing the credit for families earning under $60,000, providing an additional average tax cut of $358 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty ($35,000 for a family of four) who take the maximum allowable child care expenses under the law. **Cost: $5.1 billion over five years to expand the credit for three million working families.**

Stress state option

New Parent Paid Leave Plan. Many workers who have access to unpaid (whether through the FMLA or employer-provided leave) are unable to take it because they simply cannot afford to do so. To address this problem, the President could propose a New Parent Paid Leave Plan to provide eligible parents with partial wage replacement for up to six or twelve weeks following birth or adoption. The cost of the plan will vary considerably based on the selected eligibility criteria. One option: all new parents with median income or below (roughly $37,000/yr) who have been in the workforce for at least one year would be eligible for a $200/week partial wage replacement for up to four weeks (weekly figure based on average UI benefit). Eligible workers would be required to use the federal benefit immediately following birth or adoption and before using any employer-provided leave benefit, but could receive the benefit whether or not they ultimately returned to work. The program would be administered through the Unemployment Insurance System. **Cost of option: very roughly, $875 million for FY 2000 (including start-up and administrative expenses).** We will have more options and better costing next week.

State defines family

FMLA Expansion to Businesses with 25 Workers. Since the Family and Medical Leave Act was enacted in 1993, millions of Americans have taken FMLA-covered leave to care for a

Perm do paid leave 6 mos.

VP interested in this?

newborn or adopted child, attend to their own serious health needs, or care for a seriously ill parent, child or spouse -- without fear of losing their job or health insurance. 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. (Today, about 67 million Americans -- over half of all workers -- are covered by the FMLA. Senator Dodd proposed lowering the threshold to businesses with 25 or more employees, and Senator Kennedy champions a proposal to lower the threshold to 10. While the President has consistently referenced his support for expanding the FMLA benefit, the Administration has not formally presented a proposal in this area. **We recommend advancing a specific proposal to lower the FMLA threshold to 25 or more workers, expanding coverage for up to ten million more American workers. No budget implications.**

Give it more focus

Can we put into an existing program?

Parent Education and Support Fund. The White House Conference on Early Childhood Development and Learning spotlighted the critical importance of children's earliest years of life to their development and later success in life. Parents play the central role in providing children with developmentally appropriate stimulation and attention during these years. In addition, studies have revealed the promise of home-visitation programs to reduce child abuse and support children's development. We propose the creation of a competitive grant program administered by HHS to fund parent education and support programs, including the development or expansion of home visitation programs, efforts to educate and engage parents in child care and other efforts to improve child care quality, and the establishment of "second chance maternity homes" to support teen mothers and teach parenting skills. This fund would support programs such as HIPPY, Parents as First Teachers, home visitation, and other parenting education programs. **Cost: $500 million over five years.**

Tax Relief for Parents, Including Parents who Stay at Home. The following are a series of proposals that would benefit families in which a parent stays at home (all estimates are rough and preliminary). We are currently exploring a variety of iterations of each proposal, but will settle on only one proposal. Also note that these proposals interact differently with an expanded Child and Dependent Care Tax Credit, and therefore, the selection of one of these policies will be informed by our decision on the DCTC. Options:

Senator Roberts

1) What % to working? stay at home families?

a. Expand the Child Tax Credit. The Child Tax Credit is currently $500 per child for children under 17. We propose to double the credit to $1,000 per child for those children under the age of three. The Child Tax Credit begins to phase out for taxpayers whose adjusted gross income exceeds $110,000 each year ($75,000 if not married). **Cost: Roughly $11 to $13 billion over 5 years.** Another option is to double the credit for families with children under the age of two, which would cost roughly $4 billion over five years.

2) What income ranges do each help?

b. Increase the Standard Deduction. Most lower-income families (incomes of less than $50,000) do not itemize their deductions, choosing to take the standard deduction (and using the simpler form) instead, while most higher income families choose to itemize. Therefore, a proposal to expand the standard deduction for children would help lower-income families. In FY 2000, the standard deduction will be roughly $7,400 for married couples, and $6,500 for heads of households. We could increase the standard deduction by $1,500 for families with children for

Do these satisfy the [illegible] stay at home argument?

each child under 4, regardless of the marital status of the parents, and would cover roughly 4 million taxpayers (three quarters of whom are married couples) and 4.4 million children. The average benefit would be $223 per taxpayer. **Cost: $3.7 billion over five years.** We are currently exploring a variety of other options, including a proposal to expand the standard deduction by $2,000 per family.

c. Expand the DCTC. We could extend the benefits of our DCTC proposal to stay-at-home parents with children age three and under, by applying the same eligibility guidelines and assuming minimum child-care expenses of $150 per family per month. This proposal would also phase out the credit for families with annual income over $105,000. **Cost: A variant of this proposal was estimated at roughly $13 billion over 5 years ($8 billion above our DCTC proposal).**

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

a. 21st Century Learning Centers:. The program increases the supply of after-school care in a cost-effective manner primarily by funding programs that use public schools and their existing resources, such as computers, gymnasiums, and sports equipment. We should build on the success of our recent expansion of the program by increasing funding by $300 million this year. **Cost: $500 million for FY 2000.**

1

$1B - larger maximum grant if agree to end social promotion

~~b. Supporting community-based after-school programs. Because so many of the most effective after-school programs are community based, such as the Boys and Girls Clubs, we propose expanding the Department of Justice's At-Risk Youth Initiative. We propose expanding the program by $50 million, but targeting the funds for after-school initiatives by community-based organizations. **Cost: $250 million over five years.**~~

~~c. Expanding AmeriCorps' support for after-school. An expanded AmeriCorps could increase the availability of after school and summer programming for children and youth while providing additional opportunities for young adults to earn money for college through service. AmeriCorps Members serve with many of the major community-based organizations that provide after school care (including YMCA, Save the Children, and Boys and Girls Clubs); many others serve in public schools. We propose supporting a targeted initiative in which ten thousand AmeriCorps Members would conduct a 10-week summer program involving up to 100,000 middle-school children. **Cost: Roughly $35 to $40 million per year, or a cost of $200 million over five years.**~~

Child Welfare: Children "Aging Out" of Foster Care. Each year, nearly 20,000 18-year-olds "age out" of the public child welfare system. These young adults entered foster care due to abuse and neglect, were unable to return to their birth families, and were not adopted. Federal financial support for these young people ends just at the time they are making the critical transition to support for these young people ends just at the time they are making the critical transition to adulthood. Research shows that they face unstable housing and homelessness, low educational achievement, depression, poor health, and violence and incarceration. When they turn 18, they also very often find themselves with no health insurance, as Medicaid eligibility ends at age 18. Areas for increased investment:

a. Expand the Independent Living Program. Administered by HHS, the Independent Living Program provides services to foster care children aged 16 to 18 to help them (1) make the transition to independence by earning a high school diploma; (2) receive vocational training; and (3) learn daily living skills such as budgeting, locating housing, planning a career, and finding a job. Begun in 1986, the program assists 85,000 young people and has been funded at $70 million since 1992. **We recommend increasing the Independent Living Program by 50 percent -- to $105 million in FY 2000 and $525 over five years.**

b. Expand the Transitional Living Program. The Transitional Living Program is an HHS-administered, $15 million competitive grant program that funds community-based organizations that provide services to this population, including housing support. We recommend doubling the increasing **to $30 million in FY 2000 and $75 million over five years.**

c. Provide Medicaid Coverage. We recommend giving states the option of using Federal Medicaid dollars to provide health care coverage for this population -- **cost TBD; roughly hundreds of millions over 5 years).**

Child Welfare: Adoption Registry. In 1996, the President called for a plan to double to number of children adopted each year from the foster care system. *Adoption 2002* -- the initiative developed by HHS in response to President's charge -- included efforts to break down barriers to adoption. The Administration secured $10 million in FY 1999 for HHS discretionary Adoption Opportunities Grants for this purpose. One use of this grants will be the creation of an Internet-based adoption registry of foster care children waiting to be adopted, so that prospective adoptive parents can learn about these waiting children. **We recommend increasing the Adoption Opportunities grants by 20 percent to $12 million for FY 2000 and$60 million over five years, targeted to the upkeep of this Internet-based national adoption registry.**

Child Welfare: Court Improvement. The Adoption and Safe Families Act of 1997, aimed at moving children in foster care more quickly to adoptive and other permanent homes, shortened the timeframes in which permanency decisions must be made for children in foster care. This has put more pressure on an already over-burdened and resource-deficient family and juvenile court system. Courts particularly need additional support to improve automation and computer systems to track foster care children and to reduce the pending backlogs of abuse and neglect cases. In addition, the Court Appointed Special Advocate program, which pairs a trained volunteer with child abuse cases to serve in an advocacy role, needs to be expanded to under-served areas. We recommend the creation of a new DOJ-administered grant program to automate the data collection and tracking of proceedings in abuse and neglect courts and a one-time grant to expand CASA to under-served areas. **Cost: TBD, roughly 15 million for FY 2000 and $55 million over five years.**

[Flexible Work Hours for Families. Bruce/Elena: We are beginning to think through this proposal, and are looking for guidance as to whether we should continue to pursue it.] Options:

a. Tax credit for businesses that provide flexible work schedules for their employees. We propose to offer tax credits to companies that offer a variety of family-friendly benefits, including flexible work hours for their employees, compressed work weeks, part-time work with benefits, job sharing, career sequencing, and extended parental leave. Such a tax credit would enable parents to spend more time with their children by providing companies, both small and medium sized, the ability to respond to the time crunch families are facing. In addition, it builds on our flex-time and family-leave proposals. Awaiting estimation by Treasury.

b. Subsidies: We propose that the Commerce Department would make grants to states who would in turn provide grants to eligible businesses that provide flexible work hours for their employees, including flexible work hours for their employees, compressed work weeks, part-time work with benefits, job sharing, career sequencing, and extended parental leave. Within the grant-making process, priority would be given to small and medium sized businesses. Businesses would be required to ensure that the funds would be used to supplement and not supplant any ongoing efforts in this area. **Very rough cost estimate: $500 million over five years.**

→ Work site schools - larger businesses

→ Kohl - small to medium

STATE OF THE UNION MEMORANDA TO THE PRESIDENT

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THE WHITE HOUSE

WASHINGTON

'98 NOV 11 AM 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 (se 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 maticulation 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. Diability -- 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, pro-active 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 seking 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. **Curbcuts 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.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

'98 NOV 11 AM 10:14

November 11, 1998

MEMORANDUM FOR THE PRESIDENT

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

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 PM 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.

THE HARVARD LAW SCHOOL
CAMBRIDGE MA 02138

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.

Preliminary Revenue Estimates for Options Providing Increased Standard Deductions

($ in millions; fiscal years; effective 1/1/2000)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1999-2004	1999-2009
Options: / $1,200 + $1,500													
1. **Increase by $1,500 for joint returns 1/**	0	-713	-5,441	-5,482	-5,452	-5,387	-5,300	-5,164	-5,047	-4,944	-4,830	-22,475	-47,760
2. **Increase by $1,500 for returns with a child under age 4 2/**	0	-17	-926	-924	-920	-886	-858	-814	-751	-707	-650	-3,674	-7,453
3. **Increase by $1,500 per child under age 4 3/**	0	-139	-1,054	-1,040	-1,000	-948	-895	-826	-760	-697	-626	-4,181	-7,984
4. **Increase by $1,500 per child under age 4, for joint returns 4/** Only for married couples	0	-103	-782	-759	-717	-667	-612	-545	-486	-431	-368	-3,029	-5,471

Department of the Treasury
Office of Tax Analysis

10/30/98
03:29 PM

Note: Estimates assume behavioral response only in the form of gradual adjustment to the change in tax liability. We assume that with an enactment date of August 1, 1999, that for proposals where the effect can be reflected in the withholding forms and tables, as is the case for all of the options except option 2), the appropriate adjustments can be made in time for the effective date of 1/1/2000.

Note: Estimates are on a Post-TRA97 basis, from V.15 Individual Tax Model, extrapolated from a 1995 base year, with FY99 January Budget Assumptions.

1/ Taxpayers filing as married filing jointly would get a non-indexed, $1,500 increase in the standard deduction. No increase in the standard deduction is provided to taxpayers filing as married filing separately.

2/ Generally, taxpayers would get a non-indexed, $1,500 increase in the standard deduction if they have any children age three and under. Taxpayers filing as married filing separately would get a non-indexed $750 increase if their return claims a child age three and under.

3/ Taxpayers would get a non-indexed, $1,500 increase in the standard deduction for each child age three and under (this applies to each child claimed on a return filed as married filing separately).

4/ Taxpayers filing as married filing jointly would get a non-indexed, $1,500 increase in the standard deduction for each child age three and under (no increase in the standard deduction would be provided for taxpayers filing as married filing separately).

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PRELIMINARY: FOR INTERNAL USE ONLY

Effects of Options to Increase Standard Deduction For Taxpayers with Children Under Age Four

Calendar Year 2000

Options	Winners: Total: # of Taxpayers	Winners: Total: # of Childre Under 4	Winners: Total: Average Tax Cut	Winners: By Adjusted Gross Income: # Under $50,000	Winners: By Adjusted Gross Income: # $50,000-$100,000	Winners: By Adjusted Gross Income: # Over $100,000	Winners: # of Switchers *	Winners: # With Tax Liability Eliminated	Unaffected with Children Under Age Four: # Remain Itemizers: Total and By AGI: All	Unaffected: # Remain Itemizers: # Under $50,000	Unaffected: # Remain Itemizers: # $50,000-$100,000	Unaffected: # Remain Itemizers: # Over $100,000	Unaffected: # Without Taxable Income**
Increase by $1,500 for all returns with child dependent under 4	3.9	4.4	$223	3.0	0.9	0.1	0.6	0.1	3.6	0.7	1.9	1.0	4.4
Increase by $1,500 for returns for each child dependent under 4	4.0	4.6	$252	3.0	0.9	0.1	0.7	0.2	3.5	0.7	1.9	1.0	4.4
Increase by $1,500 for joint returns for each child dependent under 4	2.8	3.3	$264	1.9	0.8	0.1	0.5	0.1	3.3	0.5	1.8	1.0	1.3

Department of the Treasury
Office of Tax Analysis

November 2, 1998

Note: In 2000, the standard deduction is estimated to be $7,400 for married taxpayers filing joint returns, $6,500 for heads of households, and $4,450 for single filers. Increasing the standard deduction by $1,500 for all married couples filing jointly would provide an average tax cut of $248 for 22 million taxpayers. Of these, 3.3 million would switch from itemizing their deductions to claiming the standard deduction, and an income tax liability would be eliminated for .7 million.

* Taxpayers who would switch from itemizing deductions to claiming the standard deduction, if the standard deduction increased by $1,500.

** Taxpayers without any taxable income under current law. They would not benefit from an increase in the standard deduction. A small number of these taxpayers would benefit from the partially refundable child credit because they have three or more children.

PRELIMINARY: FOR INTERNAL USE ONLY

Effects of Options to Increase Standard Deduction For Taxpayers with Children Under Age Four

Calendar Year 2000

	Winners								Unaffected with Children Under Age Four				
	Total			By Adjusted Gross Income			# of	# With	# Remain Itemizers: Total and By AGI				# Without
Options	# of Taxpayers	# of Childre Under 4	Average Tax Cut	# Under $50,000	# $50,000-$100,000	# Over $100,000	Switchers *	Tax Liability Eliminated	All	# Under $50,000	# $50,000-$100,000	# Over $100,000	Taxable Income**
Increase by $1,500 for all returns with child dependent under 4	3.9	4.4	$223	3.0	0.9	0.1	0.6	0.1	3.6	0.7	1.9	1.0	4.4
Increase by $1,500 for returns for each child dependent under 4	4.0	4.6	$252	3.0	0.9	0.1	0.7	0.2	3.5	0.7	1.9	1.0	4.4
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TO: Jennifer Klein

FROM: Joan

I'm sending a few names that you might want to add to your child care discussions. In most cases, but not all, I have put numbers (attached).

On the Infant issue, here are the key points:

- o Percentage or amount set aside does not matter, probably better percent since it would grow with the program,

- o Funds for states to send to communities to improve and expand Infant toddler services (If you want to keep it simple, just say this, if you want to get more specific you could say, funds to infant toddler centers and family childhood networks to improve educational services).

- o States would be encouraged to establish benchmarks to expand and improve I/T services. Communities would have to track progress. Secretary would be required to help create model Benchmarks.

Let me know if you need anything.

People to Invite to talk about Child Care

Edna Ranck, Director of Public Policy, NACCRA 202-393-5501 (z114)
Edna is NACCRA's new policy director and could be helpful in organizing the NACCRA network.

Susan Hoechstetter, Government Relations, School Age Child Care Alliance 202-362-4164
Susan is the new person representing the school age alliance.

Barbara Willer, Director, Public Policy, NAEYC 202-232-8777

Mark Greenberg, Center for Law and Social Policy 202-328-5140 Ext 4

Tom Campbell, Senior Policy Associate YMCA 202-835-9043

Lucy Friedman, After School Corporation 212-397-9449

John Sciamanna, American Public human Services Association, 202-682-0100

Rhea Starr, YWCA 1-800-922-2871

Evelyn Moore, National Black Child Development Institute

Ellen Galinsky

Michelle Seligson

Someone from the American Academy of Pediatrics

Faith Wohl, CCAC

Claudia Wayne, National Center for the Early Childhood Workforce

DRAFT **DRAFT** **DRAFT**
11/28/97 12:50 PM

Paid-Leave Plan for the Birth or Adoption of a Newborn

Thanks to the Family Medical Leave Act, signed into law by President Clinton on February 5, 1993, millions of Americans can take unpaid leave from their jobs (up to 12 weeks per year) to care for an infant after birth or adoption -- and know that a job will be waiting for them when they return. But many of those workers are unable to take the full amount of FMLA-protected time they need, because they simply can't afford to go that long without a paycheck. And other workers who, although not protected by FMLA, have access to unpaid leave can face the same dilemma.

To address this obstacle, the Administration could propose the creation of a New Parent Paid Leave Plan, to provide eligible parents with partial wage replacement for up to six weeks. Careful consideration needs to be given as to whether this program would cause employers to cut their benefit plans, or decide not to offer new benefits. *

Design elements of a workable program would include:

- Income eligibility: Eligibility to receive funds would be tied to income. The simplest approach would be to set a family income cap -- only parents with family earnings below a set amount would be eligible to receive new-parent paid leave. An alternative but more complicated approach would be to vary the benefit amount by family income.

  Pros: - Assists the families that are most likely to face a financial barrier to taking family leave for a newborn/adopted infant.

  - Limiting eligibility to workers protected by the FMLA would exclude those most likely to benefit from such a program.

- Workforce attachment:

  1. Prior to receiving benefit: New parent paid leave would be available to those qualifying parents who are authorized to work in the U.S. and have been in the workforce --- part time or full time -- for each of the fifty-two weeks prior to giving birth/adopting.

  Pros: - Funds available to all working parents, regardless of FMLA coverage
  - Links eligibility to connection to the workplace and to the concept of wage replacement.
  - One year requirement demonstrates pre-pregnancy workforce participation.

- Minimum standard for amount of time in the workforce reflects FMLA concept and excludes from eligibility those whose workforce participation was minimal.
- If UI administers the program, they will have access to employment information for all UI-covered workers

Cons: - If UI administers the program, an alternative method of confirming eligibility would be necessary for non-UI covered workers (e.g., self-employed, independent contractors, etc.) -- for example, proof of receipt of wages during the time period. This would add cost to the proposal.

- If UI administers the program, it may be simpler if the eligibility requirement is the same as for UI - work in roughly 20 of the preceding 52 weeks. (Note, however, that states have discretion to have additional UI qualifying requirements.)

Note: If data indicates that workers most likely to need paid leave have generally worked for less than one year, we should change the one-year requirement as appropriate.

2. After receiving benefit: Workers could receive benefits regardless of whether they intend to return to their job, or whether they in fact return.

Pros: - Eligibility based on return to employment or the workforce would require a penalty/recovery scheme for those who -- for whatever reason -- fail to return to work in a timely manner.

- Commission data indicates that lower income workers, the ones most likely to need wage-replacement, are the least likely to return to work following the birth or adoption of an infant.

Cons: - Parents who voluntarily leave their jobs to care for newborn/adopted infants have presumably decided they are not financially dependent upon their wage, and therefore do not need a wage replacement benefit. (The lower any income requirement is set, the less this problem exists -- fewer eligible parents will be financially able to quit their job.)

Benefit duration and timing: Benefits would be available **only** for the **first** six weeks following birth/adoption. A worker with access to employer-paid leave who also wanted to participate in federal paid leave would have to use the federal benefit before using employer-paid leave.

Pros: - Simpler to administer
- Minimizes disincentives on employers who might otherwise provide benefits or more generous benefits.

Cons: - To the extent that an employer benefit plan limits post-pregnancy use of sick leave to a period immediately following birth, female workers with accumulated paid sick leave who give birth may not be able to use paid sick leave after six weeks.

- May not cover time at home for newborn babies/mothers who have extended hospital stays.

- Administration/Implementation: The program would be administered, and the benefits paid, through the state UI system. State participation would not be mandatory.

Pros: - State employment security agencies (SESAs) have experience in making payments as agents of the Federal government in the case of other programs, such as Trade Readjustment Allowances. In FY 98 there are about 40,000 TRA recipients collecting about $230M in benefits at an administrative cost of about $5 M per year, which would provide an order of magnitude in evaluating this proposal.

- States are able to perform these functions under agreement with a Federal agency assuming suitable arrangements can be made to meet the cost of administering this separate payment system.

Cons: - To the extent that SESAs are asked to make eligibility determinations that differ from those under the UI system, staff training and administrative costs would rise substantially.

- Since the costs of the benefits would be coming from a fund other than the State trust fund (unless Federal law is amended), it may be expensive for the States to establish the alternative procedures necessary to make the payments.

- States are currently underfunded for UI administration costs and would not be able to embark on a new program without some funding guarantees.

- Benefit amount: Simplest approach would be to set one benefit amount available to all eligible workers: $200 per week (based on UI average benefit of $190.19, which represents 35% of the average weekly wage). Alternatives could include having one or two benefit levels, keyed to income ranges.

MLA PAID LEAVE OPTION: COST ESTIMATES

	(1) all take 6 wks	(2) all take 4 wks*	(3) 89% ** take 6 wks	(4) 89% take 4 wks
ssumptions				
umber of women w/newborns	3,378,000	3,378,000	3,378,000	3,378,000
st. of women in workforce giving birth	1,834,000	1,834,000	1,834,000	1,834,000
54.3% LFPR of all women w/youngest child less 1 year old)				
ss those not meeting workforce attachment requirement				
ı. 33% ineligible	1,228,780	1,228,780	1,228,780	1,228,780
ı. 20% inelibible	1,467,200	1,467,200	1,467,200	1,467,200
ss those not taking leave (columns (3) and (4))				
ı. 33% ineligible	1,228,780	1,228,780	1,093,614	1,093,614
ı. 20% inelibible	1,467,200	1,467,200	1,305,808	1,305,808
igibility thresholds for family income and workforce attachment				
. 33% ineligible				
I. $36,626 (median income of primary families w/child < age	$737,268,000	$491,512,000	$656,168,520	$437,445,680
2. $50,000 (62.6% of families with children < age 6 earn les	$923,059,536	$615,373,024	$821,522,987	$547,681,991
3. $60,000 (71.8% of families with children < age 6 earn le	$1,058,716,848	$705,811,232	$942,257,995	$628,171,996
4. no income threshold	$1,474,536,000	$983,024,000	$1,312,337,040	$874,891,360
. 20% ineligible				
. $36,626 (median income of primary families w/child < age	$880,320,000	$586,880,000	$783,484,800	$522,323,200
2. $50,000 (62.6% of families with children < age 6 earn les	$1,102,160,640	$734,773,760	$980,922,970	$653,948,646
. $60,000 (71.8% of families with children < age 6 earn le	$1,264,139,520	$842,759,680	$1,125,084,173	$750,056,115
. no income threshold	$1,760,640,000	$1,173,760,000	$1,566,969,600	$1,044,646,400
D'L ADMINISTRATIVE COSTS				
st year (start-up + change in base yr)	$113 million	$113 million	$113 million	$113 million
nnual operating costs	$162-193 million	$162-193 million	$162-193 million	$162-193 million

ata from FMLA Commission T. 5E leave takers at non-covered worksites; care for newborn, etc.

upper bound: (.371*1 wk) + (.092 * 2 wk) + (.109 * 4 wk) + (.429 * 12 wk) = 6.139 weeks

lower bound: (.371*1 wk) + (.092 * 2 wk) + (.109 * 3 wk) + (.229* 4 wk) + (.2 * 12 wk) = 4.198 weeks

10/5/98

ata from FMLA Commission: total leave takers for care of newborn/adopted/foster as percent of leave takers + leave needers

December 2, 1997

DRAFT

COST ESTIMATE FOR FMLA OPTIONS

1. PAID LEAVE FOR 6 WEEKS OF NEWBORN/ADOPTION/FOSTER CARE

Objective: Cost for a maximum of 6 weeks maternity or child care benefit (i.e., federal income replacement) at $200 a week for mothers or fathers with workforce attachment. (See first column of attached table.)

a. Number of women[1] with newborns in a given year: 3,378,000 [from 1996 CPS] Excludes some adoptions/foster care.

   Maximum program cost for all newborn providers: 3,378,000 x $1200 = $4,053,600,000.

b. Assume that 1,834,000 mothers will return to work. [Based on 54.3% LFPR of all women with youngest child less than 1 year old.]

   This is a proxy for working women who give birth and would be eligible for this benefit. Note that this number does not include those that worked prior to giving birth but (without this new incentive) did not return to work within a year.

c. Assume maximum 33% will be <u>ineligible</u> for benefit because they did not work full-time previous year. [Per February 1996 tenure data for 16-44 year old women.]

   Lots of potential bias problems here. Younger women more likely to give birth and less likely to be attached. However, the tenure data is not just for those employed, but for those employed with their <u>current employer</u> for a year. (Work experience data does not have this problem. It could be examined at a later date.) The 1.8 million women who returned to work are more likely than most to have been previously attached to the workforce (because returned early, likely to have health benefits attached to job and wouldn't want to quit during a pregnancy, etc). Therefore, it may also be useful to assume a lower percent being ineligible -- 20% has been arbitrarily chosen for this purpose.

[1] The number of women/mothers is used to estimate costs because only one parent of a newborn would be eligible for paid leave and women/mothers are more likely to take leave than men/fathers.

Using these bounds implies there would be between **1,228,780 and 1,467,200** potential leave takers who would pass the workforce attachment requirement.

d. Without means testing, this implies a cost of between **$1,474,536,000 and $1,760,640,000** (at $200 x 6 weeks = $1200 for each mother). These costs are for benefits only, i.e., without program/administrative costs

e. How many of these women would meet an income eligibility cut? (The test would be on family income, not the income of the leave taker.)

Median income for primary families with children under 3 is $36,626. If the population was ½ below and ½ above, then the cost would be half -- between **$737,268,000 and $880,320,000**. However, the actual cost is likely higher since most of the women who would be in the workforce full-time for at least a year would be over this mean (i.e., the lower part of the distribution would be cut off by the workforce attachment criterion).

See the table for costs at family income thresholds of $50,000 and $60,000.

f. To the extent that families would choose to use their firms' paid leave over the $200 a week benefit provided by the government (they need to use the federal benefit first or forfeit it), this would reduce the number of users and, therefore, costs. However, this reduction may not be significant (and cannot be reliably estimated).

Only a very small number of employees receive paid family leave (2 to 3%), although most receive paid vacation (88 to 97%) and paid sick leave (50 to 65%) that could be used during the first six weeks after having a child. (Mothers would likely be the only ones who could use paid sick leave.) The number who choose paid company leave over federal wage replacement would be reduced by the percent that would be allowed to take off enough leave (i.e. those covered and eligible for FMLA) to use the reduced federal benefit first and then use company provided paid leave. (Note that since many low income women are disqualified by the workforce attachment test, those that are least likely to be eligible for extended leave are also eliminated.)

However, data from the 1995 survey by the Commission on Family and Medical Leave would indicate that a good portion of mothers and fathers do not receive sufficient paid leave from their companies and thus would likely take advantage of the federal leave program. About 65% of all child care "leave needers" (as defined and surveyed by the Commission) say the reason for not taking leave is that they can not afford to do so. Yet, for those covered by the FMLA, the Commission reports 46% get fully paid child care leave (23% get partially paid leave); for those not working at covered worksites, the percent getting paid leave drops to 37% (16% get partially paid leave). [2]

g. Related to the discussion above is the possibility that some eligible mothers/ fathers will not take time off to care for newborn/adopted/foster child. Based on data from the Commission (the percent "leave takers" who took leave to care for a child as a percent of "leave takers" plus "leave needers"), it was estimated 11% would not use the leave (or 89% of eligible workers would). This assumes the provision of a partial wage replacement will have no effect on the behavior of the 11%. See columns 3 and 4 of attached table.

h. Based on data from the Commission (T. 5E), weighted averages were constructed for the number of weeks "leave takers" at non-covered worksites take off to care for newborn/adopted/foster children. The upper bound is 6.1 weeks (same as maxi- mum allowable) and the lower bound is 4.2 weeks. See columns 2 and 4 of attached table for cost estimates which assume an average leave of 4 weeks.

I. For all of these variations, ETA estimates administrative costs would be about $162 to $193 million per year. In addition, there would be startup costs of approximately $113 million (to change the UI base period and to create a benefit payment system).

Bottom line: Under these assumptions, total costs (administrative and benefit) would range from around $600 million if the higher ineligibility rate is assumed and the benefits were used for four weeks by parents who met the 1 year work-force attachment and $36,626 family income tests -- to almost $2 billion if there was no income test, all eligible parents took the full 6 weeks, and the lower 20% ineligibility rate is used. These costs do not include the estimated $113 million for start-up.

Note: This estimate is very suspect. Mixed and matched data sources of various years which do not neatly correspond to the proposed groupings have been used. In total, it is unclear to the direction or size of these biases.

<u>2. EXPAND FMLA LEAVE PERIOD FROM THREE TO SIX MONTHS</u>

No benefit cost involved.

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[2] Of interest is the Commission finding that of all low-income leave takers, 21% are receiving public assistance.

This proposal extends the maximum benefit received under FMLA. All covered and eligible individuals could potentially benefit from such an expansion. The size of the group that is likely to benefit can be estimated from looking at the FMLA employee survey leave takers who took more than 12 weeks of leave. Most likely to benefit would be the 10% - 20% of leave takers who took more than 12 weeks of leave (according to data from the 1995 survey by the Commission on Family and Medical Leave). The Commission estimated that between 1 and 2 million took FMLA during their survey period -- thus the number of "long leave" takers is estimated at 100,000 to 400,000 a year.

3. LOWER FMLA'S 50-EMPLOYEE COVERAGE THRESHOLD

No benefit cost involved.

If one assumes a 83% eligibility rate and decreases the threshold to firms 25 and larger (see note below), than this would increase the number of employees covered and eligible by about 10 million. BLS has provided information to NEC on the impact of thresholds between 25 and 50.

Note the source is ES 202 data, whose estimates would not include employees covered by FMLA who work in establishments with less than 25 employees but within 75 miles of other establishments owned by the same firm that in total employ more than 25 workers.

4. USE THE UI PROGRAM TO PROVIDE PARTIAL WAGE REPLACEMENT

It is not known how many states would amend their laws under either of these two UI options. Therefore, the number of potential recipients is unknown. In any event, the maximum pool of recipients will range from 1.2 to 1.5 million. (See discussion 1a. to 1d. above.)