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**DPC [Domestic Policy Council] -  
Weekly Reports [5]**

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THE PRESIDENT'S OFFICE  
7-31-97

DPC Weekly Report

THE WHITE HOUSE  
WASHINGTON

July 25, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan *EK*

SUBJECT: DPC Weekly Report

**1. Tobacco Update:** As part of our outreach effort, we met with research scientists, state public health officials, and experts in "counter-advertising" this week. We also briefed the Democratic House tobacco task force, chaired by Vic Fazio. At this meeting, Rep. Baesler (D-KY) urged us to convene Democratic members from tobacco-growing states to discuss growers' issues; we plan to host such a meeting at the White House next week with Secretary Glickman. We will also meet next week with Republican and Democratic members of the Senate Labor Committee and with the Senate Republican leadership.

On Thursday, you are scheduled to sign an executive order assuring a smoke-free federal workplace. The order requires agencies to prohibit smoking inside federal buildings, except in designated areas separately ventilated to the outside. Over 10 federal agencies are already smoke-free, but many agencies, including the Department of Defense, will have to change current policies substantially to comply with the order.

We hope to meet with you late this week or early next to review some of the important issues that the settlement raises and to discuss how best to proceed.

**2. Crime -- Juvenile Justice Bill:** The Senate Judiciary Committee reported out the juvenile justice bill by a vote of 12-6 on Thursday. Senators Feinstein and Torricelli joined the Committee's Republicans in supporting the legislation. The Committee improved the bill during mark-up by adding a provision to separate juveniles and adults incarcerated in the federal system, providing some guaranteed funds for crime prevention programs, and allowing states to use the funds set aside for prosecutors to support court-based programs like Boston's Operation Night Light. But the bill still does not contain some of our key priorities: guaranteed funding for after-school programs, additional funding for prosecutors and court-based programs, a gun ban for violent juveniles, and a child safety lock provision. The legislation is not expected to go to the Senate floor before October.

**3. Crime -- Brady Law:** The Arkansas Attorney General issued a statement on Thursday making clear that state law permits law enforcement officers to do Brady background checks. Arkansas' about-face leaves Ohio as the only state in the country to have accepted the NRA's argument that state law prohibits law enforcement officers from doing Brady checks. Justice and

Treasury officials are attempting to persuade the Ohio Attorney General's office to reverse this policy.

**4. Drugs -- Household Survey:** The HHS 1996 Household Survey on drug abuse, which HHS will issue with the next couple of weeks, offers mixed news about drug use. The survey shows:

- Overall drug use neither increased nor decreased significantly. About 13 million people, or 6.1% of the population, currently use drugs. Most are marijuana users -- 10.1 million people, or 4.7% of the population.
- The steady increase in marijuana use by 12-17 year olds that has occurred since 1992 stopped this year, with a slight (though statistically insignificant) downturn. But marijuana use by 18-25 year olds increased slightly.
- Heroin use increased, particularly among people under the age of 25. There were a record number of new heroin users (141,000) last year.
- Cocaine use is showing signs of coming back, with cocaine use increasing slightly for the first time since 1992 -- including among 12-17 year olds.

Because the Household Survey measures drug use in America's households, rather than in the entire population, the survey misses some groups of people -- for example, homeless persons and prisoners -- with high rates of drug use.

**5. Drugs -- Crack Study:** The National Institute of Justice is set to release data on crack use in 24 cities. The report finds that crack use decreased substantially -- by at least 10 percent -- in 10 of the cities; that crack use decreased among juveniles in another seven of the cities, which suggests that declines in the overall rate are forthcoming; that crack use held steady at high levels in five of the cities; and that crack use held steady at low levels in the remaining two cities.

**6. Welfare -- Report on LEAP:** The Manpower Demonstration Research Corp., an organization that designs and evaluates welfare programs, just released updated findings on Ohio's LEAP program. LEAP is a mandatory program for teen parents that provides child care, transportation, and counseling to participants, and cuts cash benefits if they fail to attend school. The study found that LEAP had some success in increasing school attendance and employment and reducing AFDC receipt. But LEAP had little impact on teens who had dropped out of school before entering the program. The program neither induced these teens to return to school nor raised employment rates. One program administrator noted that the state's experience showed that "it is really important to get to teens as soon as possible after they have a child to help them avoid dropping out of school."

**7. Education -- Vocational Education Bill:** The Perkins vocational education reauthorization bill passed the House this week by a vote of 414 to 12. Democrats and

Republicans reached a compromise on an in-state funding formula and other provisions that target additional funds to low-income and urban areas, thus avoiding a partisan final vote. The most contentious issue on the floor was an amendment by Rep. Mink (defeated 214-207) that would have required each state to have a sex equity coordinator and to maintain funding levels for programs serving single parents, single pregnant women, and displaced homemakers. As passed, the bill would achieve several administration goals, including the consolidation of numerous existing set-asides into a flexible state grant. The Department of Education, however, would like even greater targeting of funds, as well as stronger accountability mechanisms. The Department hopes to address these issues in the Senate.

THE WHITE HOUSE  
WASHINGTON

July 12, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
ELENA KAGAN

SUBJECT: DPC WEEKLY REPORT

*Copied  
Bruce Reed  
Elena Kagan  
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**1. Tobacco -- Review of Settlement:** We are making good progress on our review of the tobacco settlement. We met this week with Drs. Koop and Kessler, Attorneys General Moore and Gregoire, and representatives from leading public health and tobacco control groups. In interagency meetings, we have identified the major legal and policy issues, have begun to analyze the economic effects of the settlement, and are developing options in key areas. Next week, we will meet with the tobacco industry, tobacco farmers, and additional public health experts. We will also consult with Members of Congress, beginning with a Senate Democratic Task Force chaired by Senator Conrad.

**2. Education -- NAACP Speech:** Your speech to the NAACP on Thursday will provide an opportunity to discuss education issues in the context of your race initiative. In addition to talking about the value of integration in educational institutions, you can discuss how to improve schools in those urban and rural areas with large concentrations of poor and minority students. Here, you can discuss the importance of national standards and tests, but also focus on providing students with the tools and opportunities that will help them meet those standards. Emphasizing that the quality of teaching in inner city and rural schools is much lower than in the rest of the nation, you also can announce a new initiative to recruit, prepare, and retain teachers in urban and poor rural communities. This program, which is part of the Department of Education's proposal for the reauthorization of the Higher Education Act, would provide about \$250 million over five years to strengthen teacher training programs that place large numbers of graduates in urban or poor rural communities, as well as to provide scholarships to talented and diverse students who will commit to teach in urban and poor rural areas for at least three years after graduation

**3. Crime -- Youth Handgun Tracing/Interdiction:** In next week's radio address, you will release a 1-year report by the Treasury Department on the 17-city Youth Handgun Tracing initiative. The report provides an unprecedented amount of information about the guns used to commit crimes and how juveniles obtain them. The report finds, for example, that (1) four out of 10 crime guns recovered by police are from youth (17 and under) or juveniles (18 to 24); (2) about 60 percent of crime guns recovered from juveniles and youth are semiautomatic pistols, and more than 80 percent are handguns; and (3) at least a quarter of the crime guns that police recover from juveniles and youth are firearms that were rapidly diverted from first retail sales to

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a black market. In addition to releasing the report, you will announce a \$12-15 million expansion of the initiative that will enable 5 to 10 new cities to join the tracing program and strengthen the investigation of gun crimes in these cities.

**4. Crime -- Brady Follow-up:** On Wednesday, the Attorney General and Secretary of the Treasury will host a meeting for law enforcement representatives from the 23 Brady states and a number of national organizations. The Attorney General and Secretary will: (1) brief the law enforcement officers on the Supreme Court's decision and issue guidance on how they can continue to conduct background checks; (2) get county and/or state law enforcement agencies to agree to do background checks for the handful of local jurisdictions that have stopped doing them; and (3) discuss and seek support for legislation that makes clear that states, unless expressly prohibited by state law, have the authority to conduct background checks. This legislation is necessary because the NRA is challenging the authority of 19 of the 23 Brady states to continue to conduct Brady checks, and the Attorneys General of Arkansas and Ohio are claiming that they lack this authority.

**5. Crime -- Crack Cocaine Sentencing:** We are working with the Justice Department and ONDCP to move forward on their recommendations to reform crack cocaine sentencing. At the urging of Senators Biden and Kennedy, we decided to postpone making these recommendations public until after the Senate Judiciary Committee's mark-up of the juvenile justice bill. We instead engaged in private discussions with Senator Abraham to prevent him from offering an amendment to drop the mandatory minimum threshold for powder while leaving the threshold for crack intact. (Senator Abraham would have offered, and the Committee would have passed, this amendment if we had made the DOJ/ONDCP recommendation public.) After the mark-up is over, Justice and ONDCP will take the lead in reaching out to members of the Judiciary Committees and the Congressional Black Caucus, as well as to law enforcement representatives. If we can build enough support for our approach, we will try to attach an amendment to the juvenile justice bill when it is considered on the floor of the Senate this fall.

✓ **6. Health -- Genetic Screening Event:** On Monday, you will release a new HHS report on the use of genetic screening and challenge Congress to pass legislation addressing this issue. The report shows that over one-fifth of individuals who have a family member with a genetic disorder have suffered discrimination by insurers. The report includes specific legislative recommendations to prevent health insurers from making improper use of genetic screening information. Although they cannot be at the event, two key Republican Senators (Jeffords and Frist) who sit on the primary Senate committee of jurisdiction will announce their support for legislation consistent with the recommendations outlined in the HHS report.

**7. Health -- Budget Reconciliation Developments:** Although no Medicare issues have been finally resolved, Thursday's overwhelming support (over 400 votes) for a Sense of the House Resolution rejecting the increase in eligibility age from 65 to 67 effectively has killed this proposal. The income-related premium and the home care copayment still remain potentially viable, although the latter is losing steam. We are advising Members that you support relating

the Medicare premium to income, but only if your administrative concerns (Treasury, not HHS administration) and policy design concerns (e.g., reducing maximum premium payment from 100 percent to 75 percent of Part B program costs to reduce the incidence of well-to-do elderly leaving the program) are adequately addressed. Although Senator Domenici and others have acknowledged the advantages of your approach, many Republicans are not interested in considering any premium administered through the Tax Code.

Good ( As for Medicaid, Members are now focusing most of their attention on the allocation of the disproportionate share hospital (DSH) payments. On Thursday, Senator Domenici and Congressman Spratt asked the Administration to help co-chair a DSH study group, to begin meeting early next week, to help determine alternative formulas. The Senators are concerned about placing excessive burdens on high DSH states. But because the low-DSH states do not want any of the burden shifted back to them, there may be a great deal of pressure to find some additional money to reduce the overall DSH cut.

**8. Welfare -- White House Hiring:** Thanks to Jody Torkelsen and her staff, the EOP has achieved its goal, set in April, of hiring six welfare recipients. One of them is working for the Domestic Policy Council. We are saving this announcement for an appropriate time and trying to ensure that the announcement will not jeopardize the privacy of these workers.

**9. Welfare -- Speech to the NGA:** After reading Secretary Shalala's memo on how states are using "excess" funds from the welfare block grant, you asked whether you should write a letter to governors on this subject. We suggest you send such a letter on July 28th -- the same day you speak to the National Governors' Association on welfare issues. In that speech, you can discuss the state policies and programs (both good and bad) that have emerged as a result of welfare reform. You also can expand on the challenge you issued in last week's radio address for "every state to take the money they save from lowering their caseloads and use it -- for child care, for transportation, to subsidize the training and wage help that people need to move from welfare to work."

**10. Welfare -- Children's SSI Cut-offs:** This month, SSA will begin to cut off SSI benefits for children found not to meet the new definition of childhood disability included in the welfare law. Time Magazine ran a story on the issue this week, and ABC World News Tonight is expected to cover the story soon. The law calls for SSA to complete all eligibility reviews by August 22, but Congress is likely to give the SSA another six months to finish the review process. SSA expects about 135,000 children to lose benefits as a result of the new standard. Under the budget agreement, these children would continue to receive Medicaid benefits. The Senate, however, failed to include this provision in its budget legislation, and the House made it a state option. We are working hard to get all that the budget agreement promised in this area.

**11. Welfare --California and New York Plans:** California and New York have about one-third of the nation's welfare recipients between them, but battles between Republican governors and Democratic legislators long have stymied welfare reform plans in both states.

Somewhat surprisingly, this battle appears to be coming to an end in New York. Governor Pataki recently signaled that he will drop the most onerous features of his welfare plan, such as decreasing welfare benefits over time and converting the state's general assistance program to a voucher system. Though an agreement could still fall through, passage of a welfare plan -- with a quite significant increase in child care spending -- now appears likely. Meanwhile, in California, Governor Wilson vetoed a plan sent to him by the Democratic legislature. Wilson wants to cut benefits by 15 percent after a family has been on the rolls for six months; limit any new recipient to 12 months of continuous benefits; require women to start job search when their children are 12 weeks old; and eliminate the state requirement that counties provide general assistance. The Democratic plan rejected each of these demands (though it would have limited each period of welfare receipt to 24 months). Democrats are now negotiating with the Governor, but it is not clear when or whether an agreement will emerge.

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**12. Welfare -- Teen Parents:** Last week, several newspapers reported on a study showing that the New Chance project for teen mothers does not help participants become self-sufficient. New Chance is a voluntary program, which offers extensive employment and support services, but does not sanction individuals for failing to meet program expectations. The study found that teen mothers in New Chance were no more likely than teens in a control group to gain jobs or leave welfare. The Washington Post editorialized that a "values-free program that relies exclusively on 'services' and material successes but de-emphasizes the importance of self-discipline, character, commitment, and responsible personal conduct may do little to address some of the problems that led to dependency in the first place." A related conclusion emerges from comparing the New Chance study with well-known and respected studies of Ohio's LEAP program and the Teenage Parent Demonstration project. Both of these programs require teen parents to stay in school and follow other rules, and both sanction participants for failing to do so. These programs show significantly better outcomes than New Chance, with participants leaving welfare and getting jobs at a higher rate than other teen mothers.

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**13. Service -- Girls Nation Event:** Next Friday, as part of an event with Girls Nation, you will announce that in the first year of a program you announced last year at Penn State, a total of 1,600 high school juniors and seniors across the country have received \$1,000 "National Service Scholarships." High school principals selected these students based on their outstanding service records. The federal government, through the Corporation for National Service, put up \$500 per scholarship, and civic organizations and other groups matched that amount. The matching organizations include the Kiwanis, Rotary, VFW, Junior Leagues, Chambers of Commerce, PTAs, the Miss America organization, and the American Legion. Sallie Mae provided the match for all high schools in D.C., while the Minnesota state legislature voted to provide matching funds for every high school in the state next year. Our goal is to institute this scholarship in as many of the 20,000 high schools in the country as possible. We are drafting a letter for you to send to all high school principals advising them of this opportunity. On the same day that you will make this announcement, the Rev. Tony Campolo and an organization called "Youth for Christ" are holding a rally on the Mall with 25-30,000 young people, all of

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whom have pledged to serve 3 hours a week for the next 6 months in their communities. A similar event in Los Angeles in June drew 11,000 young people.

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DPC Weekly

Can we?

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN  
6-25-97

Elena

June 20, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

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**1. Tobacco -- Review of Settlement:** As you know, State Attorneys General and representatives of individual claimants reached an historic agreement with the tobacco industry yesterday, and you called on DPC and HHS to coordinate a thorough public health review of the agreement. To accomplish this review, we have set up a number of interagency working groups to focus on discrete aspects of the agreement. The working groups, which will begin to meet on Monday, will explore questions relating to: (1) FDA jurisdiction and access, advertising, and labeling rules; (2) liability limits and disclosure of documents; (3) use of the funds, including for children's health; (4) environmental tobacco smoke; (5) public education programs; (6) smoking cessation programs and research; (7) the financial structure and capacity of the industry and the size of the agreement's payouts and penalties. We hope to get a complete recommendation to you in a matter of weeks, though working with HHS always takes more time than expected.

**2. Housing -- State of the Cities Report:** On Monday, you will announce the issuance of HUD's report, "The State of American Cities." The report describes (1) the "decades of decline" leading up to the early 1990s; (2) the significant improvements made by cities since 1993 as a result of the strong economy and your urban policies, including Empowerment Zones, CDFI, and home ownership strategies; (3) the challenges that remain, including job growth disparity between cities and suburbs, increased poverty concentration in central cities, and continued middle-class migration from central cities to suburbs; and (4) the Administration's "Urban Agenda for the Future," a comprehensive plan based on the same empowerment principles, including local control and flexibility, that undergird everything we have done so far.

Building on the report, you will announce three new policies to help America's cities: (1) You will initiate the Officer Next Door program, which will make government-owned homes available for sale at a 50% discount to police/officers who agree to live in the communities they patrol; (2) You will announce a 25 basis points reduction in mortgage insurance premiums for first-time buyers who purchase homes in central cities (from 1.75% to 1.50%), which will reduce closing costs by about \$200; and (3) You will call for Congress to act on legislation allowing low-income families to take Section 8 assistance in the form of Home Ownership Empowerment Vouchers and announce a new Freddie Mac pilot program that in the interim, will assist 1,000 to 2,000 such families to purchase their own homes.

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**3. AIDS -- Guidelines on HIV Treatment:** On Thursday, HHS released guidelines on HIV treatment procedures, which emphasize the effectiveness of early use of protease inhibitors. Both the AIDS community and the medical community praised the guidelines for helping doctors to provide appropriate treatment. As we expected, however, the AIDS community also responded to the guidelines by demanding additional federal funds to ensure that all people with HIV can obtain the recommended treatment. We should expect these demands to increase still further in the coming months. The DPC and OMB are currently reviewing whether to propose additional funding in this area and, if so, what legislative vehicle to use.

**4. Welfare -- Legal Immigrant Benefits:** Legislation on legal immigrants reported by the Senate Finance Committee this week improved on the House Ways and Means version, but still fails to comport with the budget agreement. As you know, the budget agreement would restore SSI and Medicaid benefits to any legal immigrant in the country on August 23, 1996 who is or becomes disabled. The legislation passed out of House Ways and Means would restore SSI and Medicaid benefits to both the disabled and non-disabled elderly, but only if they were already receiving benefits on that date -- essentially grandfathering those already on the rolls.

The House proposal, though protecting 50,000 more people initially than the budget agreement, would protect 75,000 fewer people in 2002. The Senate Finance Committee this week passed legislation which would grandfather all those on the rolls on August 23, 1996 *and* allow disabled legal immigrants in the country on that date to apply for SSI until September of this year. This proposal is actually the most expensive of the three, costing \$10.4 billion, as compared to the \$9.7 billion price tag of the budget agreement and the \$9.0 billion cost of the House proposal.

One way to bridge the differences between the budget agreement and the Congressional proposals is to find the money to cover both groups of immigrants -- those in the country on August 23, 1996 who are or become disabled *plus* the non-disabled elderly on the rolls as of that date. Legislation of this kind would cost \$11.4 billion. In the letter you sent to Chairman Kasich yesterday, which threatened to veto legislation that does not protect all legal immigrants covered under the budget agreement, you expressed support for this option, stating that "my clear preference would be to assist both disabled and elderly legal immigrants." We have some reason to hope that we can achieve this result, though much more work remains to be done.

**5. Welfare -- Welfare-to-Work Plan:** The welfare-to-work legislation passed out of the Senate Finance Committee this week, as compared with the House Ways and Means version, favors formula over competitive grants, governors over mayors, and rural areas over cities. Whereas Ways and Means would distribute 50% of the \$3 billion by formula and 50% by competition, the Finance Committee would distribute 75% by formula and only 25% by competition. The percentage of formula money flowing to local jurisdictions (including to cities) would be the same under both proposals (75%), but the Finance Committee would send the funds through local welfare offices controlled by the governors instead of, as in the Ways and Means proposal, private industry councils controlled by the mayors. As to competitive funds, the Finance Committee retained Ways and Means' 25% set-aside for rural areas, but completely eliminated Ways and Means' 65% set-aside for the 100 cities with the most poor people. During

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mark-up, the Finance Committee added language to strengthen the anti-displacement provisions of the program.

**6. Welfare -- Privatization:** There was a major battle in the Finance Committee regarding the chairman's provision to deem the Texas privatization proposal approved and allow up to ten other states to privatize Medicaid, food stamps, and other program operations. Senator Conrad offered a motion to strike the provision. This motion won, with votes from all Democrats and Senators D'Amato and Jeffords. Then, after some back-room wrangling, the chairman's proposal was limited only to Texas, and Senators D'Amato and Jeffords changed their votes. Thus, the Senate bill allows complete privatization of all health and human services programs in Texas, but only in Texas. In the House, the bills reported out by the Agriculture and Commerce committees allow all 50 states to privatize food stamp and Medicaid operations.

**7. Welfare -- Employment Prospects of Welfare Recipients:** Many economists are now turning their attention to the question of whether there will be enough jobs for welfare recipients who need to go to work. In a draft, not-for-quotation study, former OMB Program Associate Director Isabelle Sawhill and Daniel McMurrer conclude that the economy, if it continues to grow, should produce a sufficient number of jobs to accommodate welfare recipients required to enter the labor force under the new welfare law. This conclusion is based on their estimate that only about 150,000 additional welfare recipients each year will need to go to work under the law. Sawhill and McMurrer arrive at this estimate by showing that most states can meet this year's 25% work participation requirement by counting those already working and claiming credit for caseload reductions from the past several years. The annual 5% increases in work participation rates until 2002 then will require states to find work for 150,000 additional welfare recipients each year.

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Sawhill and McMurrer also note that welfare recipients who do find full-time employment should stay above the poverty line with the help of the EITC, the higher minimum wage, and subsidized child care. A mother with two children who earned \$10,000 a year in 1996 (slightly less than what a full-time year-round worker would make at \$5.15 an hour) also would qualify for \$3,556 from the EITC and about \$2,400 in Food Stamps. After paying \$765 in payroll taxes, the family would have a disposable income of just over \$15,000. With child care subsidies, this family's disposable income would stay above the poverty line, but in the absence of such subsidies, out-of-pocket child care expenses would push the family back below poverty.

**8. Health -- Congressional Action:** The Senate Finance Committee reported out legislation on Medicare and Medicaid this week. The Medicare provisions preserved many of the Administration's priorities including: new plan options, such as preferred provider organizations and provider sponsored organizations; preventive benefits, including mammography expansions and colorectal screening; and traditional provider and beneficiary savings, which when combined with your home health care reallocation, will extend the life of the Medicare trust fund for at least a decade. The Finance Committee legislation also reduced the size of the Medical Savings Account demonstration to 100,000 people. The committee

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included a number of reforms that expose beneficiaries to new costs, including an income-related deductible, a \$5 per visit home care co-payment, and a gradual increase in the Medicare retirement age from 65 to 67. We anticipate, however, that all three of these provisions will be dropped either on the Senate floor or in conference.

The Medicaid provisions include a Disproportionate Share Hospital (DSH) proposal that cuts payments to high DSH states much more significantly than either your original budget proposal or the House Commerce Committee legislation. Though we will try to soften the impact on these states, we are having difficulty attracting much Congressional support for this effort. The Finance Committee also failed to provide the full amount of investments specified in the budget agreement for the District of Columbia, Puerto Rico, and low-income Medicare beneficiary protections. In preliminary conversations, the Republican leadership has indicated some willingness to restore these investments.

**9. Crime -- Juvenile Crime Update:** Last week, the Senate Judiciary Committee released a new Chairman's mark of its juvenile crime legislation. This version is better than both the original Senate bill and the House-passed bill. The new mark removes provisions that we considered objectionable, such as a death penalty for minors and a mandatory 6-level sentence enhancement for gang activity. The mark, however, still falls short of our Anti-Gang and Youth Violence Act: the mark has no major gun provisions (it neither mandates child safety locks nor extends Brady to violent juveniles); no dedicated prevention funding; insufficient funds for prosecutors and courts; and inadequate protections for juveniles incarcerated in state facilities. The Senate was originally scheduled to mark up the legislation last week, but the session was postponed and no new markup date has been scheduled.

**10. Education -- Testing Initiative:** Mike Cohen met with Bob Chase last week to discuss NEA support for your national testing initiative. Chase will push for the NEA, at its convention in early July, to repeal existing policy, adopted during the Bush Administration, opposing any federal efforts to develop educational tests. Delegates to the convention almost certainly will approve this proposal, which already has the support of the NEA's Board of Directors. Chase also will introduce a motion specifically supporting our testing initiative if he believes he has the votes to pass it.

**11. Disabilities -- ADAPT Protest:** As you know, disability advocates have long pushed for Medicaid to cover personal attendant services and to put community-based services on an equal footing with nursing homes. The disability group ADAPT uses disruptive tactics to convey this message. Last November, in the midst of such a disruption, the Office of Public Liaison agreed that you would hold a meeting with ADAPT and other disability groups on this topic in the first quarter of the year. That meeting has just been scheduled for September. This week, ADAPT demonstrated outside Alexis Herman's office to protest our lack of action.

ADAPT also is putting pressure on Speaker Gingrich, who committed to ADAPT last year that he would introduce legislation on the subject. The DPC, Public Liaison, and HHS are meeting with ADAPT next Wednesday and are working together on options in advance of that meeting.

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DPC Weekly Report  
THE PRESIDENT HAS BEEN  
6-30-97

THE WHITE HOUSE  
WASHINGTON

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June 27, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

**1. Tobacco:** We have initiated an interagency process to evaluate the proposed tobacco settlement and present you with a recommendation by the end of July. Though Secretary Shalala is chafing at the timetable -- she joked to the press yesterday that "every President I know wants everything done in 30 days" -- we are off to a good start and should be able to complete our work on schedule. A memo describing the review process, including our outreach and press plans, is attached.

**2. Welfare -- Legal Immigrant Benefits:** The Senate dramatically improved the legal immigrant provisions of the reconciliation bill this week. It adopted an amendment that would provide SSI and Medicaid to all legal immigrants on the rolls as of August 23, 1996 (as the House bill would provide) and to all other legal immigrants in the country on that date who are or become disabled (as the budget agreement would provide). Covering both these populations would cost \$11.4 billion, as compared with the \$9.7 billion provided in the budget agreement, but Senator Domenici accepted the amendment, saying that taking this version to conference would help resolve remaining differences in the area. At the same time, the Senate adopted proposals to help some legal immigrants arriving in this country after August 1996 -- a Graham amendment to provide Medicaid for all legal immigrant children and a Kennedy proposal to provide SSI and Medicaid to immigrants who cannot naturalize because of severe disabilities. The conference prospects for these two provisions are uncertain.

**3. Welfare -- Privatization:** In another welcome development on the Senate side, a minority of Senators used a Byrd rule motion to strip the bill of its provision authorizing Texas to privatize food stamp and Medicaid operations. The House bill allows all 50 states to privatize these operations. We expect a big fight in conference over this issue, but we think we can hold the 40 votes in the Senate necessary to strike any provision coming out of conference.

**4. Welfare -- Minimum Wage and Worker Protections:** The House Republicans softened their proposal regarding the minimum wage and other protections for welfare recipients in workfare. (The Senate legislation has no analogous proposal.) The revised proposal requires, as we have demanded, that workfare participants receive the minimum wage, with only cash assistance and food stamps (not Medicaid, child care, etc.) counting toward that wage. It also would offer workfare participants certain protections against discrimination and health and safety

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hazards. The proposal, however, (1) weakens the welfare law's work requirements by allowing states to substitute job search and training for work if the TANF and food stamp grant is not sufficient to pay the minimum wage for the hours of work that the law requires, (2) fails to set up any enforcement mechanism to ensure that states will comply with the minimum wage requirement, (3) provides a weaker enforcement scheme for job discrimination than other workers receive, and (4) excludes workfare participants from other worker protections, such as workers' compensation. We will continue to oppose the House proposal, but we are also working with DOL, HHS, and OMB to develop a livable compromise in the event we need one. Though any proposal coming out of conference probably would be subject to the Byrd rule, the likely bipartisan support of governors for such a proposal may make keeping forty votes a challenge.

**5. Welfare -- Federal Reserve Bank Study:** An analysis published in a Federal Reserve Bank of San Francisco economic newsletter suggests a link between the welfare law and an unexpected rise in the number of single mothers entering the job market. While the percentage of single mothers entering the workforce grew by 2.4 percent between July 1995 and July 1996, the increase from August 1996 to March 1997, when annualized, would equal 6.5 percent. (A total of 500,000 single mothers entered the workforce in this seven-month period.) The Federal Reserve economists hypothesize (they have no hard data) that this increase in single mothers' labor force participation is attributable to the welfare law. A chart used in the analysis is attached to this memo.

**6. Education -- Vocational Education Bill:** On Wednesday, by a 20-18 party-line vote, the House Education and the Workforce committee reported out a bill to reauthorize the Perkins Vocational and Applied Technology Education Act. Committee Democrats opposed the bill largely because it would hurt urban areas through changes in the substate funding formula, a reduction in the minimum grant size for local school districts and postsecondary institutions, and a new option for states to create a 10% set-aside for rural areas. In addition, many Democrats, led by Rep. Mink, objected to ending gender set-asides (though the Administration proposal would do so as well). The Department of Education, in addition to objecting to the bill's funding provisions, expressed concerns about its accountability mechanisms. The bill would severely limit the Secretary's ability to make judgments about the quality of state funding applications and would give the Secretary no role in developing state program performance indicators or benchmarks. We do not believe Republicans have the votes to pass this bill in its current form and expect further negotiations over the bill before it is brought to the floor.

**7. Education -- California Teacher Testing Litigation:** The EEOC, Justice Department, and Education Department are considering whether the government should file an amicus brief in a case involving basic skills testing of teachers. A number of California-based civil rights groups challenged the California Basic Education Skills Test (CBEST) in federal district court, on the ground that the test violated Title VII of the Civil Rights Act. The court dismissed the suit, holding that the test was job-related and valid, even though it had a racially disparate impact (with higher pass rates for whites than for others). The case is now on appeal to the Ninth Circuit.

*Special memo  
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by DOJ  
attorneys  
strategic unit  
US OIG*

The EEOC believes that the government should file a brief because the district court, in analyzing the validity of the test, made analytical errors that, if upheld, could undermine Title VII enforcement in a wide range of employment testing cases. The Education Department is opposed to filing a brief, on the ground that doing so would create a perception that the Administration opposes basic skills testing for teachers and would undermine our efforts to raise standards for both children and teachers. The Civil Rights Division of the Justice Department agrees with the EEOC that the trial court made serious errors, but worries that this case (much like Piscataway) is the wrong vehicle to advance these legal arguments.

National civil rights groups, including the Leadership Conference for Civil Rights and the NAACP Legal Defense Fund, have urged the Administration in the strongest terms to file a brief in support of the plaintiffs. The groups agree with the EEOC on the danger this case poses for Title VII enforcement. They have made clear that they view this case as a test of the Administration's willingness to enforce civil rights laws in educational testing cases, and have implied that our decision in this case will affect their stance on your national testing initiative.

At a meeting this week with EEOC, Education, Justice, White House Counsel and DPC staff, Wade Henderson and others from the civil rights community suggested a possible compromise position. They proposed that we work to develop a brief that would underscore our support for educational standards and testing, limit our brief to relatively narrow issues, and oppose only earlier versions of CBEST while not challenging the test currently in use. All present at the meeting agreed that this proposal was a good faith effort to assist the Administration in honoring its commitments to both civil rights and education standards. But many (on both sides) doubted whether such a brief would be legally defensible or politically wise -- or whether it would satisfy any of the competing values at stake. We asked the agencies to outline a brief along the lines Henderson suggested, so that we could better evaluate whether such a brief should be filed. We will consult further with the civil rights groups before making any final decision.

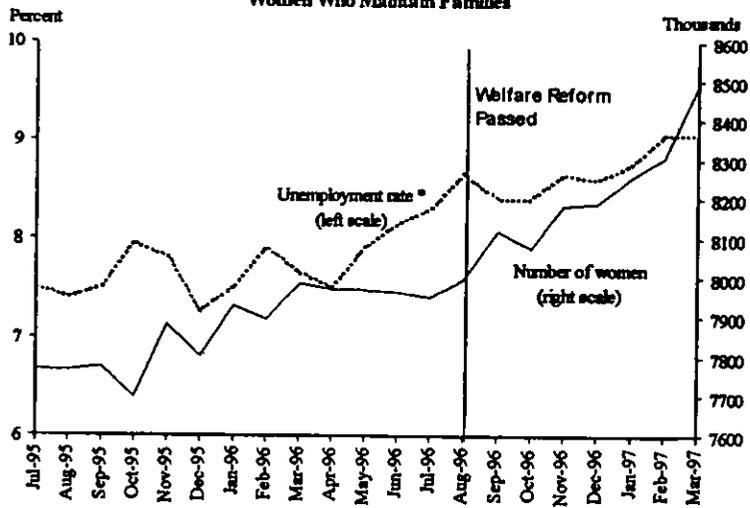
**8. Health -- Medicare:** Several Medicare provisions passed by the Senate on Thursday are very troubling. These provisions, none of which are in the House legislation, include an income-related premium, an increase of the Medicare eligibility age from 65 to 67, a new home-health copayment, and the elimination of certain balanced billing protections. The income-related premium begins at \$50,000 for a single person and \$75,000 for a couple and is fully phased in at \$100,000 for a single person and \$125,000 for a couple; when fully phased in, the income-related premium would be three times the level of the normal premium. The provision would be difficult to administer and could cause high-income people to opt out of Medicare entirely, leaving poorer beneficiaries in a weakened Medicare program. On the brighter side, the Senate limits the Medical Savings Account demonstration to 100,000 people (the House version would cover 500,000) and preserves your academic health center payment pool (the House eliminated it).

6-30-97

**9. Health -- Medicaid:** We have three major concerns with the current Medicaid provisions. First, the House and Senate have dramatically different approaches to reducing DSH spending -- both of which differ from your policy. Although this issue is very complicated, your policy best ensures that the few high-DSH states do not bear a disproportionate amount of the cuts. Second, the Senate legislation uses a Medicare block grant, rather than Medicaid, to give states the funds for premium assistance for low-income Medicare beneficiaries. Finally, neither the House nor the Senate legislation would provide the full amount of funding for the District of Columbia and the territories that is specified in the budget agreement.

**10. Health -- Children's Health:** The children's health provisions in the Senate bill meet most of our requirements. The bill's required benefits package and cost-sharing protections have received good marks from most of the children's advocacy community. The bill also includes an additional \$8 billion, raised by a \$.20 tobacco tax, for children's health coverage -- though the remaining \$6 billion raised by this tax is not dedicated, as we would prefer, to investments in adoption, child care, and other programs for children. The House bill, in contrast, does not meet our criteria for well-targeted, meaningful benefits for children. It allows states to allocate these dollars for services rather than coverage, which will result in fewer children becoming insured. Moreover, even when a state does allocate its dollars to health insurance, the bill's health benefit package is inadequate.

**Labor Force Level and Unemployment Rates  
Women Who Maintain Families**



\* Unemployment rate is calculated as a three-month moving average.

THE WHITE HOUSE  
WASHINGTON

157 JUN 28 4 21 PM '97

June 26, 1997

## MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Bruce Reed

SUBJECT: Tobacco Settlement Review Process

This memo sets forth the process we will use to evaluate the proposed tobacco settlement and to present recommendations to the President. Our goal is to prepare an analysis for the President by late July that defines our public health and public interest objectives; weighs the settlement's strengths and weaknesses against those objectives; summarizes the views of the public health community, Congress, and other affected parties; and lays out positions the President could take on the settlement proposal.

**Interagency Review**

The review will be carried out by four major workgroups which have already begun to meet:

- I. **Regulatory Issues** (convened by Elena Kagan). This group will look at: (a) FDA regulation of product content, including nicotine; (b) FDA regulation of access, advertising, and labeling; and (c) restrictions on environmental tobacco smoke in public buildings and workplace settings. Participating White House offices are DPC, OMB, OVP, NEC, and OSTP. Participating agencies are HHS, DOJ, DOL, GSA, EPA, and Treasury.
- II. **Program and Budget Issues** (convened by Chris Jennings). This group will examine proposed uses of settlement funds, including programs to reduce smoking and expand children's health care coverage. In particular, the group will consider the use of settlement funds for: (a) children's health care; (b) education efforts (including grass roots programs); (c) smoking cessation programs; and (d) investments in health research, including nicotine research. White House offices are DPC, OMB, NEC, OVP, and OSTP. Participating agencies are HHS, Treasury, DOL, USDA, Interior, VA, and DOD.
- III. **Legal Issues** (convened by Elena Kagan). This group will review the settlement's provisions on liability, damages, and document disclosure, and will consider constitutional, antitrust, and other legal issues raised by the settlement. White House offices are DPC, OVP, NEC, and Counsel. Participating agencies are DOJ, HHS, Treasury, EPA, and Interior.

**IV. Industry Performance and Accountability** (convened by Bruce Reed). This group will analyze the economic effects of a settlement. The group will assess: (a) the economics of the industry and the settlement's effects on industry performance, international markets, federal revenues, consumers, farmers, etc.; and (b) the set of incentives and penalties in the settlement to reduce tobacco use, especially by children. On a separate track, Dan Tarullo will oversee a look at Administration policy on tobacco-related trade and international issues, which the settlement does not directly address. White House offices are DPC, NEC, CEA, OVP, OMB, and OSTP; participating agencies are: HHS, Treasury, DOL, USDA, USTR, State, and DOD.

### **Public Outreach**

We will work with OPL and HHS on a tightly focused public outreach effort designed to demonstrate that the President is conducting a thoughtful, thorough review focused on public health issues. Many groups covering a wide range of interests are affected by the proposed settlement. We will emphasize the President's focus on health by hosting 6-8 highly visible White House meetings with small, select groups of health experts. Working with OPL, we will encourage other interested groups (e.g., children's advocates, women's organizations, and farmers) to share their views through written comments and, where appropriate, meetings with agency and White House staff.

Donna and I will host the White House meetings over the next three weeks. We will convene experts from national health organizations; Koop-Kessler advisory group participants; experts on tobacco products and nicotine addiction; local grass-roots advocates; state and local tobacco control officials; and children's health advocates.

We will start by bringing in members of the Koop-Kessler advisory group, including the American Cancer Society, American Medical Association, and American Heart Association, the week of July 7. Future meetings will include: Action on Smoking and Health; American Academy of Pediatrics; American Public Health Association; Americans for Nonsmokers' Rights; and National Center for Tobacco-Free Kids, Joe Califano, and leading academics.

### **Congressional Outreach**

We will need to take into account Congressional views on the settlement proposal. Multiple committees in both the House and Senate would have jurisdiction over legislation enacting an agreement. The goal of our Congressional outreach process will be to strengthen relationships on the issue with key members and to keep the debate bipartisan and balanced. We will consult with the leadership, anti-tobacco advocates, and representatives of tobacco states. Today and tomorrow HHS is making calls to key Republican and Democratic members to seek their input on how best to consult with the Hill in the coming weeks. We are working with Legislative Affairs and HHS on a detailed list of Congressional meetings to begin the week of July 7. There are many critical members, including Senators Lott, Daschle, Hatch, Kennedy, Lautenberg, Ford, and Durbin; and Congressmen Gephardt, Gingrich, Bliley, Waxman, Dingell, Hansen, Meehan, Gordon and others.

## **Press Plan**

This issue is certain to attract considerable press attention throughout our review. Major news organizations have assigned entire teams to cover the tobacco settlement. After devoting so much coverage to the negotiations, the networks are determined to keep this issue alive. We should take advantage of that heightened interest to advance our public health message.

On Friday, Donna and I are prepared to brief the White House press corps on how we will conduct this review, who will be involved from within the Administration, and what groups and outside experts we plan to consult.

During the week of July 7, while the President is away, Donna and I will conduct the public health and Congressional meetings described above. This will give the press something to write about, and show that we are running an open process. During the week of July 14, we will continue public health and Congressional meetings and bring in two groups of attorneys general - the enthusiasts and the skeptics. The Vice President is willing to hold a public hearing with us in mid-July if we need one.

## **Schedule**

We have planned the following schedule. Some do not believe the review can be completed within 30 days, as the President suggested. But we will work as quickly as possible to preserve that option and ensure a decision by early August at the latest.

- Week of June 23: DPC convenes work groups and assigns analytic tasks to members.  
Donna and Bruce brief press on process and conduct.
- Week of June 30: Groups provide preliminary assessments of key issues.  
DPC and agency staff begin meetings with public health experts.
- Week of July 7: Groups develop options for key issues.  
Bruce, Donna and others continue meetings with public health groups and begin meetings with members of Congress.
- Week of July 14: Principals review workgroup assessments and meet to discuss options.  
Bruce, Donna and staff continue meetings with public health experts and Members of Congress.  
Possible public hearing with the Vice President.
- Week of July 21: Initial meeting with the President.
- Late July/  
early August: Presidential decision and announcement.

THE WHITE HOUSE  
WASHINGTON

June 20, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

**1. Tobacco -- Review of Settlement:** As you know, State Attorneys General and representatives of individual claimants reached an historic agreement with the tobacco industry yesterday, and you called on DPC and HHS to coordinate a thorough public health review of the agreement. To accomplish this review, we have set up a number of interagency working groups to focus on discrete aspects of the agreement. The working groups, which will begin to meet on Monday, will explore questions relating to: (1) FDA jurisdiction and access, advertising, and labeling rules; (2) liability limits and disclosure of documents; (3) use of the funds, including for children's health; (4) environmental tobacco smoke; (5) public education programs; (6) smoking cessation programs and research; (7) the financial structure and capacity of the industry and the size of the agreement's payouts and penalties. We hope to get a complete recommendation to you in a matter of weeks, though working with HHS always takes more time than expected.

**2. Housing -- State of the Cities Report:** On Monday, you will announce the issuance of HUD's report, "The State of American Cities." The report describes (1) the "decades of decline" leading up to the early 1990s; (2) the significant improvements made by cities since 1993 as a result of the strong economy and your urban policies, including Empowerment Zones, CDFI, and home ownership strategies; (3) the challenges that remain, including job growth disparity between cities and suburbs, increased poverty concentration in central cities, and continued middle-class migration from central cities to suburbs; and (4) the Administration's "Urban Agenda for the Future," a comprehensive plan based on the same empowerment principles, including local control and flexibility, that undergird everything we have done so far.

Building on the report, you will announce three new policies to help America's cities: (1) You will initiate the Officer Next Door program, which will make government-owned homes available for sale at a 50% discount to police officers who agree to live in the communities they patrol; (2) You will announce a 25 basis points reduction in mortgage insurance premiums for first-time buyers who purchase homes in central cities (from 1.75% to 1.50%), which will reduce closing costs by about \$200; and (3) You will call for Congress to act on legislation allowing low-income families to take Section 8 assistance in the form of Home Ownership Empowerment Vouchers and announce a new Freddie Mac pilot program that in the interim, will assist 1,000 to 2,000 such families to purchase their own homes.

**3. AIDS -- Guidelines on HIV Treatment:** On Thursday, HHS released guidelines on HIV treatment procedures, which emphasize the effectiveness of early use of protease inhibitors. Both the AIDS community and the medical community praised the guidelines for helping doctors to provide appropriate treatment. As we expected, however, the AIDS community also responded to the guidelines by demanding additional federal funds to ensure that all people with HIV can obtain the recommended treatment. We should expect these demands to increase still further in the coming months. The DPC and OMB are currently reviewing whether to propose additional funding in this area and, if so, what legislative vehicle to use.

**4. Welfare -- Legal Immigrant Benefits:** Legislation on legal immigrants reported by the Senate Finance Committee this week improved on the House Ways and Means version, but still fails to comport with the budget agreement. As you know, the budget agreement would restore SSI and Medicaid benefits to any legal immigrant in the country on August 23, 1996 who is or becomes disabled. The legislation passed out of House Ways and Means would restore SSI and Medicaid benefits to both the disabled and non-disabled elderly, but only if they were already receiving benefits on that date -- essentially grandfathering those already on the rolls. The House proposal, though protecting 50,000 more people initially than the budget agreement, would protect 75,000 *fewer* people in 2002. The Senate Finance Committee this week passed legislation which would grandfather all those on the rolls on August 23, 1996 *and* allow disabled legal immigrants in the country on that date to apply for SSI until September of this year. This proposal is actually the most expensive of the three, costing \$10.4 billion, as compared to the \$9.7 billion price tag of the budget agreement and the \$9.0 billion cost of the House proposal.

One way to bridge the differences between the budget agreement and the Congressional proposals is to find the money to cover both groups of immigrants -- those in the country on August 23, 1996 who are or become disabled *plus* the non-disabled elderly on the rolls as of that date. Legislation of this kind would cost \$11.4 billion. In the letter you sent to Chairman Kasich yesterday, which threatened to veto legislation that does not protect all legal immigrants covered under the budget agreement, you expressed support for this option, stating that "my clear preference would be to assist both disabled and elderly legal immigrants." We have some reason to hope that we can achieve this result, though much more work remains to be done.

**5. Welfare -- Welfare-to-Work Plan:** The welfare-to-work legislation passed out of the Senate Finance Committee this week, as compared with the House Ways and Means version, favors formula over competitive grants, governors over mayors, and rural areas over cities. Whereas Ways and Means would distribute 50% of the \$3 billion by formula and 50% by competition, the Finance Committee would distribute 75% by formula and only 25% by competition. The percentage of formula money flowing to local jurisdictions (including to cities) would be the same under both proposals (75%), but the Finance Committee would send the funds through local welfare offices controlled by the governors instead of, as in the Ways and Means proposal, private industry councils controlled by the mayors. As to competitive funds, the Finance Committee retained Ways and Means' 25% set-aside for rural areas, but completely eliminated Ways and Means' 65% set-aside for the 100 cities with the most poor people. During

mark-up, the Finance Committee added language to strengthen the anti-displacement provisions of the program.

**6. Welfare -- Privatization:** There was a major battle in the Finance Committee regarding the chairman's provision to deem the Texas privatization proposal approved and allow up to ten other states to privatize Medicaid, food stamps, and other program operations. Senator Conrad offered a motion to strike the provision. This motion won, with votes from all Democrats and Senators D'Amato and Jeffords. Then, after some back-room wrangling, the chairman's proposal was limited only to Texas, and Senators D'Amato and Jeffords changed their votes. Thus, the Senate bill allows complete privatization of all health and human services programs in Texas, but only in Texas. In the House, the bills reported out by the Agriculture and Commerce committees allow all 50 states to privatize food stamp and Medicaid operations.

**7. Welfare -- Employment Prospects of Welfare Recipients:** Many economists are now turning their attention to the question of whether there will be enough jobs for welfare recipients who need to go to work. In a draft, not-for-quotation study, former OMB Program Associate Director Isabelle Sawhill and Daniel McMurrer conclude that the economy, if it continues to grow, should produce a sufficient number of jobs to accommodate welfare recipients required to enter the labor force under the new welfare law. This conclusion is based on their estimate that only about 150,000 additional welfare recipients each year will need to go to work under the law. Sawhill and McMurrer arrive at this estimate by showing that most states can meet this year's 25% work participation requirement by counting those already working and claiming credit for caseload reductions from the past several years. The annual 5% increases in work participation rates until 2002 then will require states to find work for 150,000 additional welfare recipients each year.

Sawhill and McMurrer also note that welfare recipients who do find full-time employment should stay above the poverty line with the help of the EITC, the higher minimum wage, and subsidized child care. A mother with two children who earned \$10,000 a year in 1996 (slightly less than what a full-time year-round worker would make at \$5.15 an hour) also would qualify for \$3,556 from the EITC and about \$2,400 in Food Stamps. After paying \$765 in payroll taxes, the family would have a disposable income of just over \$15,000. With child care subsidies, this family's disposable income would stay above the poverty line, but in the absence of such subsidies, out-of-pocket child care expenses would push the family back below poverty.

**8. Health -- Congressional Action:** The Senate Finance Committee reported out legislation on Medicare and Medicaid this week. The Medicare provisions preserved many of the Administration's priorities including: new plan options, such as preferred provider organizations and provider sponsored organizations; preventive benefits, including mammography expansions and colorectal screening; and traditional provider and beneficiary savings, which when combined with your home health care reallocation, will extend the life of the Medicare trust fund for at least a decade. The Finance Committee legislation also reduced the size of the Medical Savings Account demonstration to 100,000 people. The committee

included a number of reforms that expose beneficiaries to new costs, including an income-related deductible, a \$5 per visit home care co-payment, and a gradual increase in the Medicare retirement age from 65 to 67. We anticipate, however, that all three of these provisions will be dropped either on the Senate floor or in conference.

The Medicaid provisions include a Disproportionate Share Hospital (DSH) proposal that cuts payments to high DSH states much more significantly than either your original budget proposal or the House Commerce Committee legislation. Though we will try to soften the impact on these states, we are having difficulty attracting much Congressional support for this effort. The Finance Committee also failed to provide the full amount of investments specified in the budget agreement for the District of Columbia, Puerto Rico, and low-income Medicare beneficiary protections. In preliminary conversations, the Republican leadership has indicated some willingness to restore these investments.

**9. Crime -- Juvenile Crime Update:** Last week, the Senate Judiciary Committee released a new Chairman's mark of its juvenile crime legislation. This version is better than both the original Senate bill and the House-passed bill. The new mark removes provisions that we considered objectionable, such as a death penalty for minors and a mandatory 6-level sentence enhancement for gang activity. The mark, however, still falls short of our Anti-Gang and Youth Violence Act: the mark has no major gun provisions (it neither mandates child safety locks nor extends Brady to violent juveniles); no dedicated prevention funding; insufficient funds for prosecutors and courts; and inadequate protections for juveniles incarcerated in state facilities. The Senate was originally scheduled to mark up the legislation last week, but the session was postponed and no new markup date has been scheduled.

**10. Education -- Testing Initiative:** Mike Cohen met with Bob Chase last week to discuss NEA support for your national testing initiative. Chase will push for the NEA, at its convention in early July, to repeal existing policy, adopted during the Bush Administration, opposing any federal efforts to develop educational tests. Delegates to the convention almost certainly will approve this proposal, which already has the support of the NEA's Board of Directors. Chase also will introduce a motion specifically supporting our testing initiative if he believes he has the votes to pass it.

**11. Disabilities -- ADAPT Protest:** As you know, disability advocates have long pushed for Medicaid to cover personal attendant services and to put community-based services on an equal footing with nursing homes. The disability group ADAPT uses disruptive tactics to convey this message. Last November, in the midst of such a disruption, the Office of Public Liaison agreed that you would hold a meeting with ADAPT and other disability groups on this topic in the first quarter of the year. That meeting has just been scheduled for September. This week, ADAPT demonstrated outside Alexis Herman's office to protest our lack of action. ADAPT also is putting pressure on Speaker Gingrich, who committed to ADAPT last year that he would introduce legislation on the subject. The DPC, Public Liaison, and HHS are meeting with ADAPT next Wednesday and are working together on options in advance of that meeting.

DPC-Weekly report

THE PRESIDENT HAS SEEN

6-17-97

THE WHITE HOUSE

WASHINGTON

June 14, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

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Bruce Reed  
Elena Kagan  
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**1. Tobacco -- Negotiators Near Settlement:** Next week, state attorneys general and the tobacco industry are likely to near agreement on a sweeping tobacco deal. The major unresolved issues are limits on punitive damages and the overall size of the settlement fund, which will total \$300-350 billion over 25 years. Under the settlement, FDA would keep jurisdiction over nicotine regulation, but would agree not to ban cigarettes for 12 years. The tobacco companies would provide \$8 billion a year in Medicaid reimbursement, which could be dedicated to children's health coverage; \$4 billion a year to settle individual claims (awards would not be capped, but no one could receive more than \$1 million per year); and around \$3 billion a year for other public health purposes including cessation programs, enforcement, and a public counter advertising campaign. We have begun work with Bruce Lindsey, HHS, and Justice on a comprehensive review of the settlement terms and broad outreach to the public health community.

The American Cancer Society, the American Heart Association, and the American Medical Association all spoke out favorably on the deal this week, claiming that it could prevent a million children from taking up smoking. We met Friday with David Kessler, who is skeptical and trying to persuade public health groups to hold out for more changes. We will meet with Dr. Koop next week.

Our goal is to present you with options by the end of the month, if the talks proceed as planned and we can get agency cooperation. This will not be an easy decision: A deal of this magnitude has both enormous possibilities and difficult tradeoffs -- and potentially profound public health implications no matter what you decide. Our strategy over the next two weeks is to preserve your ability to make your own decision, and in the meantime, call as much attention as possible to the public health concessions that tobacco companies have been forced to make -- so the industry will have a hard time retracting them whether there's a deal or not.

**2. Education -- Charter Schools in Pennsylvania:** On Wednesday, the Pennsylvania legislature passed a bipartisan charter school bill, which Gov. Ridge is expected to sign into law next week. Press accounts suggest that the bill is consistent with our charter schools program, and that the prospect of federal charter school funds helped get it passed. We are checking to see whether we can release a Charter Schools Guide and highlight the Education Department's new Charter Schools Web Site next week in conjunction with the bill's signing.

**3. Welfare-to-Work -- Congressional Update:** Two House committees -- Ways & Means and Education & Workforce -- passed versions of the budget's welfare-to-work initiative. Both versions are targeted to long-term recipients, place substantial control over the money in local hands, can be used for public and private sector job creation and placement, and include surprisingly strong anti-displacement language. (Neither bill contains a performance bonus.) We prefer the Ways & Means bill, which reserves 50% of the money for competitive grants; the Education & Workforce bill is 95% formula. The House Republican welfare bills contain provisions that are anathema to labor -- making it easier for states to get around the Fair Labor Standards Act and allowing every state to privatize eligibility for food stamps and Medicaid. The AFL-CIO launched a \$1 million campaign on the minimum wage and welfare with a full-page ad this week in the New York Times.

In another surprising vote, Ways & Means made it somewhat easier for states to count vocational education toward the work requirements. Under the Ways & Means bill, states could meet up to 30% of the work requirements through vocational education (compared to 25% in the welfare law), and in addition could count anyone who is in school and under age 20.

Next week, the Senate Finance Committee will mark up a welfare-to-work bill that is similar to Ways & Means. It is slightly less competitive (75% formula, 25% challenge grant), but it is still well-targeted to urban areas and contains a performance bonus. Senate Finance has no provision on the minimum wage, but provides for privatization demonstrations in 11 states.

**4. Welfare/Immigrants -- Congressional Update:** We should be able to force Republicans to back down from trying to cover elderly immigrants instead of the disabled, in violation of the budget agreement. Rep. Becerra's amendment to cover both the elderly and the disabled (at a cost of \$2.4 billion above the budget agreement) lost by only one vote, 20-19, in Ways & Means, with three Republicans in support. The Senate Finance Committee mark covers the elderly as well as new applicants who were in the U.S. by last August but became disabled within a few months after that. One eventual compromise might be to cover all the disabled (as in the budget agreement) and find some extra money to cover the elderly for a limited period of time beyond August 1996.

**5. Welfare -- Child Support Enforcement:** Next week, Senators Kohl and DeWine may offer our child support felony proposal as an amendment to the juvenile justice bill. On the same day, we plan to send Congress HHS's annual child support report and a letter from you highlighting the administration's record and urging passage of the measure.

DPC weekly report

THE WHITE HOUSE  
WASHINGTON

June 14, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

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In another surprising vote, Ways & Means made it somewhat easier for states to count vocational education toward the work requirements. Under the Ways & Means bill, states could meet up to 30% of the work requirements through vocational education (compared to 25% in the welfare law), and in addition could count anyone who is in school and under age 20. | ?

Next week, the Senate Finance Committee will mark up a welfare-to-work bill that is similar to Ways & Means. It is slightly less competitive (75% formula, 25% challenge grant), but it is still well-targeted to urban areas and contains a performance bonus. Senate Finance has no provision on the minimum wage, but provides for privatization demonstrations in 11 states. 15?

**4. Welfare/Immigrants -- Congressional Update:** We should be able to force Republicans to back down from trying to cover elderly immigrants instead of the disabled, in violation of the budget agreement. Rep. Becerra's amendment to cover both the elderly and the disabled (at a cost of \$2.4 billion above the budget agreement) lost by only one vote, 20-19, in Ways & Means, with three Republicans in support. The Senate Finance Committee mark covers the elderly as well as new applicants who were in the U.S. by last August but became disabled within a few months after that. One eventual compromise might be to cover all the disabled (as in the budget agreement) and find some extra money to cover the elderly for a limited period of time beyond August 1996.

**5. Welfare -- Child Support Enforcement:** Next week, Senators Kohl and DeWine may offer our child support felony proposal as an amendment to the juvenile justice bill. On the same day, we plan to send Congress HHS's annual child support report and a letter from you highlighting the administration's record and urging passage of the measure.

DPC Weekly

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN  
6-9-97

June 7, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

1. **Education -- Release of 4th Grade TIMSS Results:** You are currently scheduled to participate on Tuesday in the Department of Education's release of the 4th grade math and science TIMSS results, which are very positive. The results show that, for the first time, U.S. students in the 4th grade score above the international average in both math and science. Compared with 25 other participating nations, U.S. 4th grade students rank behind only South Korea in science and behind seven countries (Singapore, Korea, Japan, Hong Kong, the Netherlands, the Czech Republic, and Austria) in math. These findings show significant progress in 4th grade math and science. Because previously announced results show U.S. students well below the international average in 8th grade math, the results demonstrate the need to keep American students on track in math and the value of a national 8th grade math test as a tool in that effort. We think you will be able to announce at this event that Kentucky has signed on to your national testing initiative.

2. **Education -- PSAs on Standards by Major League Baseball:** The DPC has been working with the Education Excellence Partnership (the Business Roundtable, the National Alliance of Business, the National Governors' Association, the American Federation of Teachers, and the U.S. Department of Education) and Major League Baseball on the release of a new series of PSAs featuring baseball players (including Cal Ripken) talking about the importance of raising academic standards. We are currently working with the schedulers to find an Orioles game at which you can participate in the release of these ads. The ads are likely to be played on stadium screens throughout the major leagues on that day. The materials parents can obtain by calling the 1-800 number given in the ads encourages them to ask if their school districts will be giving the national 4th and 8th grade tests in 1999.

3. **Welfare -- Reconciliation Legislation:** The Ways and Means Subcommittee on Human Resources reported out welfare legislation on Thursday, with full committee markup scheduled for next week. The legislation includes a \$3 billion welfare-to-work proposal that reflects most of our priorities. The bill's immigrant provisions, however, violate the budget agreement by failing to cover disabled legal immigrants not receiving benefits on the day the welfare law was signed. And the bill contains a provision on the minimum wage to which we have objected strongly.

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Following extensive discussions with the DPC, HHS, and DOL, the Subcommittee agreed to a welfare-to-work program that meets the Administration's priorities of giving as much money as possible to cities, awarding a substantial portion of the funds on a competitive basis, and giving communities appropriate flexibility to use the money. Half of the money would be distributed based on a formula, and half would be awarded on a competitive basis; all could be spent on a wide range of uses, including public sector job creation. A full 65% of the competitive grants could go only to the 100 cities in the nation with the greatest number of poor people. A full 85% of the formula grants would automatically pass through the states to areas of high poverty, high unemployment, and long-term welfare dependency (primarily cities), with spending to be controlled by local private industry councils appointed by mayors. The mayors are extremely pleased with this allocation of funds, while the governors strongly oppose it. We will have to work hard to hold on to this plan in the House and gain a similar one in the Senate. (We are currently leaning on Senator Daschle to change his draft legislation to target more money to mayors.) The Ways and Means Committee is still open to our proposal of a performance bonus, but adamantly opposes the addition of nondisplacement language.

We spoke with Rep. Shaw about the bill's immigrant benefit provisions, but failed to make any headway. The Subcommittee's proposal would restore SSI and Medicaid benefits to elderly and disabled immigrants receiving benefits on the day the welfare law was signed; by contrast, the budget agreement would restore SSI and Medicaid benefits to any immigrant in the country as of that date who is or becomes disabled. The Subcommittee argues that its proposal would protect the nondisabled elderly currently on the rolls. But its proposal would fail to provide for some of the most vulnerable immigrants (people who become disabled after August 1996) -- and by 2002, would cover 75,000 fewer immigrants than the budget agreement. In addition, the Subcommittee added a provision at markup to deny SSI benefits to any legal immigrant whose sponsor has income above \$40,000. Because prior to last year's immigration law, sponsors did not legally obligate themselves to provide support, this proposal would leave at least some legal immigrants without any means of subsistence.

Both the disability and the aging groups supported our position at markup. The Leadership Council of Aging Organizations (including the AARP) and the Consortium of Citizens with Disabilities sent a letter saying that while they would like to cover even more legal immigrants than the budget agreement, they will not support "any reductions in benefits to immigrants with disabilities in order to provide them to other groups of immigrants."

Finally, the Subcommittee proposal would amend the welfare law so that workfare participants would not count as employees for the purposes of the Fair Labor Standards Act or any other federal law. Although requiring the minimum wage for hours worked, the proposal would permit states to count child care, Medicaid, and housing benefits, as well as cash assistance and food stamps, in their calculation of the minimum wage. It also would allow states to count additional hours of job search, education, and training toward the welfare law's work requirements. We argued strongly that this provision is outside the scope of the budget agreement, and that it creates a subminimum wage for workfare participants and weakens the

6-9-97

welfare law's work requirements. The NGA has not yet officially weighed in on the proposal, but may do so next week. We are working hard to prevent Democratic Governors -- particularly Governor Chiles -- from coming out against us.

4. **Welfare -- AFSCME proposal:** The DPC and NEC met this week with Gerald McEntee to discuss an AFSCME plan to help cities move people from welfare to work. The plan grows out of your suggestion to McEntee and other labor leaders in an Oval Office meeting earlier this year that the labor movement should do its part to place welfare recipients in jobs. McEntee hopes to persuade Mayors Archer, Rendell, and Giuliani to create new positions for welfare recipients who would earn the minimum wage or better, become new union members, and count toward the work requirements. The recipients would be paid with funds that otherwise would go toward their welfare checks, and they would have first priority for regular jobs coming open on the city payroll. The program would focus on creating new positions in child care and home health care. We encouraged AFSCME to pursue the proposal, and asked McEntee to encourage CWA and SEIU to do the same. We also offered to provide technical assistance. If AFSCME can sign up a bipartisan group of mayors to hire people off welfare, we should consider a White House announcement as a way to show support for our \$3 billion welfare-to-work proposal.

✓ 5. **Juvenile Crime -- Gun Safety Directive:** You are scheduled to speak on Wednesday at a Justice Department Conference on combating juvenile crime. The purpose of the one-day symposium is to highlight the enforcement and prevention practices that work in reducing juvenile violence. The conference falls one day before the Senate Judiciary Committee markup of juvenile crime legislation. At the conference, you will announce a directive to the Treasury Department that seeks to keep handguns out of the reach of minors. The directive will order Treasury to require every federally-licensed gun dealer to post a sign on the wall warning gun owners to keep their handguns out of the reach of minors and/or mandate gun dealers to provide a warning card containing similar information with every handgun they sell.

✓ 6. **Health -- Pediatric Drug Labeling:** The DPC is working with the Food and Drug Administration on a regulation that would require pharmaceutical companies to do pediatric studies on certain new drugs and, in compelling circumstances, drugs that are already on the market. Most drugs are not now tested for use by children. As a result, children are given the wrong doses of drugs or are not given drugs at all because physicians are reluctant to risk giving them inappropriate and possibly dangerous amounts. For example, fewer than 10% of children with AIDS are receiving protease inhibitors, the newest and most promising AIDS drugs, because these drugs have not been tested for use by children. The regulation will be sent to OMB early next week. OMB will begin its review process, but no action will be taken until after the markup of the FDA reform bill in the Senate Labor and Human Resources Committee (which is expected to take place next week). This regulation has strong support from children's health advocates, particularly the pediatric AIDS community.

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7. **Tobacco:** As you know, the tobacco companies and state attorneys general may reach a settlement within the next few weeks. The DPC arranged a meeting last week at which Bruce Lindsey briefed representatives of HHS, Justice, and Treasury on the contours of the settlement. We asked HHS to provide an evaluation of the deal, from a public health perspective, within the next week or so. At the same time, Chris Jennings and Nancy-Ann Min are looking into how best to spend the federal government's share of the Medicaid reimbursement funds. As you know, Mike Moore proposed this week that both the state and federal shares go towards children's health coverage. Chris and Nancy-Ann are reviewing alternative ways to target this money.

8. **Drugs -- Crack Cocaine:** Generals Reno and McCaffrey are scheduled to report back to you in approximately three weeks concerning the National Sentencing Commission's recommendations on cocaine sentencing. As you know, current sentencing law imposes five-year mandatory minimum sentences for possession of five grams of crack and 500 grams of powder cocaine -- a 100:1 ratio. The Commission recommended that the mandatory minimum trigger for crack be raised to between 25 and 75 grams and the trigger for powder be lowered to between 125 and 375 grams. The Department of Justice would like to recommend that you support mandatory minimums at 25 grams of crack and 250 grams of powder -- a 10:1 ratio. General McCaffrey apparently is not convinced that any empirical data supports this ratio and therefore may press for a 1:1 ratio (or something very close to it). We think that the Justice Department has the recommendation about right and would like General McCaffrey to agree. But we think there is a strong possibility of your receiving a divided recommendation.

Strongly Recommend  
as much as possible

DPC - Weekly report

THE PRESIDENT HAS SEEN  
6-3-97

THE WHITE HOUSE  
WASHINGTON

97 MAY 31 PM 2:22

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May 31, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan *EK*

SUBJECT: DPC Weekly Report

**1. Welfare -- Balanced Budget Legislation:** The House Way and Means Committee is moving forward quickly on the welfare portion of the reconciliation bill. The Republicans hope to have draft legislation this Tuesday and to hold a subcommittee markup on Friday, with full committee markup to follow the next week. We briefed a bipartisan group of staff on our welfare-to-work plan on Friday. We emphasized the importance of providing a substantial portion of the money directly to cities and of applying identical program rules and requirements to cities and states. We also urged a competitive (rather than formula) program, a performance-based bonus set-aside, a wide range of allowable activities (including public sector job creation), and strong anti-displacement language. The Republicans seemed skeptical about giving grants directly to cities, but clearly have not reached any final decisions on this matter. They were agreeable to providing some portion (but not all) of the funds on a competitive basis and to including public sector job creation in the list of allowable uses. They were extremely negative about establishing performance-based bonuses or drafting any anti-displacement language that is stronger than the provision in the welfare law. We expect to get an early draft of the legislation Monday morning and to speak with the same group of staff that evening to register our concerns.

We have seen no paper on the immigrant provisions and have not yet discussed this issue with committee staffers. We have heard rumors, however, that trouble us greatly. One is that the Republican legislation, in contravention of the budget agreement, will offer benefits only to legal immigrants on the rolls when the welfare law was passed, rather than to any legal immigrant then in the country. Another is that the legislation will incorporate some of the provisions in last year's immigration bill that we successfully removed at the eleventh hour, such as the ban on Medicaid coverage for immigrants with AIDS.

We also expect the Republican legislation to address the privatization and FLSA issues. We have heard that the legislation will authorize states to privatize the entire eligibility process (excluding appeals) for Medicaid, Food Stamps, and WIC. In addition, the legislation will exempt workfare participants from the FLSA and all other federal laws; require, independent of the FLSA, that workfare participants be paid the minimum wage for any hours worked; but then authorize states to count not only cash assistance and food stamps, but also Medicaid, child care, and housing benefits toward the minimum wage. The Intergovernmental Affairs office is trying hard to keep Democratic Governors from attacking our position on FLSA and signing on to this

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(or some similar) Republican proposal. Governors Chiles and Carper, however, are very unhappy with our insistence that the FLSA applies to workfare participants and may well join a coalition of governors to demand legislative changes.

**2. Welfare -- Litigation:** You recently asked whether the Department of Justice must oppose suits challenging the welfare law's denial of benefits to legal aliens. The Department is currently the defendant in at least four class actions of this kind. The legal theories presented by the plaintiffs in these cases vary somewhat, but focus on alleged denial of equal protection and due process to legal aliens. The Department has argued in the cases that the challenged provisions in the welfare law have a "rational basis" and fall well within Congress's broad authority over immigration. The Department believes that these constitutional arguments are strong and that a refusal to defend would undermine the federal government's ability to regulate immigration and/or provide welfare services in the future.

**3. Welfare Study:** A new study, by Mathematica Policy Research and the Institute for Social and Economic Development, provides one of the first glimpses of what happens to families who are dropped from the welfare rolls because they reach time limits. The study looks at Iowa's Limited Benefit Plan (LBP), under which welfare recipients who do not comply with employment and training requirements -- by failing to sign employment and training contracts or to keep appointments -- receive three months of regular cash benefits, followed by three months of reduced cash benefits, and then six months of no benefits. Mathematica found that only 17% of those initially referred to the LBP ultimately lost benefits. Another 53% rectified their situation and returned to the main welfare program, while 30% chose to leave the welfare program entirely before their benefits were scheduled to end.

Among those whose benefits ended (*i.e.*, the 17%), recipients were equally divided between those who were working two to six months later and those who were not. Those who were working had an average income of \$170 per week, with 43% working only part-time. Forty percent of all the families terminated experienced an increase in monthly income, while 49% experienced a decline. According to the study, there was "little systematic evidence of extreme deprivation during the period of no cash benefits." The percentage of those living in emergency shelters remained at 1-2%. Other than food pantries, families did not tend to seek help from community organizations. Families did report a much greater reliance on friends and extended family members. The report notes, however, that Iowa limited its period of no benefits to six months, whereas a system that cuts people off benefits permanently might see family support decline over time and welfare recipients more likely to go to shelters or seek other private help.

**4. Crime -- New FBI Statistics:** The FBI will release on Sunday preliminary data on crimes reported in 1996. The data show that the number of serious crimes reported in the U.S. is down 3% since 1995 -- the fifth annual decline in a row. The data indicate that this year's decline was fueled by a 7% drop in the number of violent crimes -- including an 11% drop in the number of murders.

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5. **Education -- Vocational Education Reauthorization:** The Department of Education will transmit to Congress early next week the Perkins Career Preparation Education Act, which would restructure the Perkins Vocational and Applied Technology Education Act. The proposed legislation generally aims to promote a stronger academic component in voc-ed programs, thereby bringing vocational education into line with broad standards-based school reform. The legislation also would consolidate 23 existing voc-ed programs into three: a formula grant to states, Tech-Prep education, and a discretionary grant program allowing the Department of Education to fund a wide variety of activities. The proposed grant to states would provide them with enhanced flexibility, removing a number of set-asides that now require states to fund programs for groups such as displaced homemakers and criminal offenders. The bill also establishes new accountability provisions and a system of performance goals and indicators. We expect the House Education and Workforce Committee to adopt much of the Administration's proposal in its bill, though it may well resist our efforts (more symbolic than anything else) to make explicit links between the programs in this bill and our School-to-Work Program.

6. **Education -- Multilingual School Districts:** You have said on a number of occasions that the nation has four school districts in which students speak over 100 foreign languages as first languages. We asked the Department of Education to verify this number and identify the specific school districts. According to the Department, there are now five school districts with over 100 languages and one with just under 100 languages. The five school districts are: New York City (140 languages), Prince George's County MD (128), Montgomery County MD (119), District of Columbia (116), and Fairfax County VA (over 100). In addition, Chicago enrolls students speaking 96 different languages.

7. **Immigration Study:** A recent study released by the National Research Council and funded by the U.S. Commission on Immigration Reform found that immigration increases the nation's total economic output by about \$10 billion each year and has little negative effect on the income or job opportunities of most native-born Americans. The study finds, however, that immigration has contributed to a 5% decrease in the wages of native high school dropouts since 1980. (For the most part, African Americans have escaped the burden on low-paid native workers because they do not generally live in pockets of heavy immigration.) In addition, the study finds that in communities and states with high concentrations of low-skilled, low-paid immigrants, taxpayers incur a burden: for example, the study estimates that because the average immigrant family in California collects about \$3,000 more in public services (including education) than it pays in taxes each year, native households in the State pay an average of about \$1,000 in taxes to provide services to immigrants. The study made no policy recommendations, but its findings could support efforts to give greater preferences to more highly educated or skilled immigrants.

THE WHITE HOUSE  
WASHINGTON

File: DPC-Weekly report  
THE PRESIDENT HAS SEEN  
5-26-97

'97 MAY 24 PM 1:45

May 24, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

5-26-97  
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**1. Welfare -- Welfare-to-Work Jobs Challenge:** As you know, the budget agreement includes \$3 billion for welfare-to-work efforts, structured as a set-aside within the TANF block grant and targeted to areas of high poverty and unemployment, with an unspecified share going directly to cities. This week, we held a series of discussions with Secretaries Herman, Shalala, and Cuomo on a more detailed legislative proposal to present to the relevant Congressional committees. Our proposal would provide 50% of the money to states and 50% to cities and counties. The Department of Labor, in consultation with HHS and HUD, would award all of the money on a competitive basis -- much as the Department has done for empowerment zones. These "challenge grants" could be used for private sector wage subsidies; job placement programs (or contracts with private placement companies); job vouchers; job retention services; and job creation in high unemployment areas and on Indian reservations.

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Some mayors may not be entirely satisfied with our plan, but it is consistent with our description of the program during the campaign as a 50-50 split designed to help long-term welfare recipients in both cities and poor rural areas. (While much of the most visible welfare dependency is in the cities, two-thirds of the poor live outside urban areas.) Secretary Cuomo agrees that the proposal makes good on our promises to the mayors, and he will help to enlist their support. Republicans will push to give a larger share of the money to the states and to allot this money by formula, rather than challenge grants (probably administered through HHS). The current Blue Dog proposal also gives only 20% of the funds directly to cities, with the rest going to states in a combination of formula grants and performance bonuses.

Must do

**2. Welfare -- Fair Labor Standards Act:** The Department of Labor has completed guidance on the application of the Fair Labor Standards Act and other worker protection laws to welfare recipients in workfare programs, and we have distributed this guidance to Democratic governors and members of Congress. We included in the same package guidance from USDA assuring states that they can count food stamps toward the minimum wage. We are meeting with staff of the Democratic governors on Tuesday, in the hope that we can prevent them from signing an NGA letter criticizing our policy and calling on Congress to pass corrective legislation. Republican members of Congress apparently are considering two proposals: (1) flatly exempting welfare recipients from the FLSA and (2) retaining FLSA coverage, but allowing states to count additional benefits (Medicaid, child care, housing, etc.) toward the minimum wage.

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**3. Welfare -- Permitting States to Purchase Food Stamps for Those Losing Federal Benefits:** As part of the supplemental appropriations bill, Congress has agreed that states can purchase food stamps from the federal government to provide to people -- legal immigrants and/or unemployed childless adults -- who are ineligible for food stamps under the new welfare law. This measure will allow states to continue nutrition subsidies to these individuals without incurring the administrative costs of setting up separate state programs. The idea originated in Washington State, which asked USDA several months ago to sell the State food stamps to give to legal immigrants. USDA decided that it lacked legal authority to enter into this transaction, but DPC and the Department assisted the State in drafting the legislative proposal that the conferees have now incorporated in the supplemental bill. Maryland and Massachusetts are among the states that plan to take advantage of this new option for legal immigrants.

**4. Health -- AIDS Vaccine:** We are preparing a number of announcements and events to demonstrate your commitment to developing an AIDS vaccine within the decade. First, we are working with HHS to set up a White House meeting with key scientists, led by Nobel Laureate Dr. David Baltimore who heads the NIH AIDS Vaccine Research Committee, to discuss progress toward a vaccine. Second, we are developing an international initiative for announcement at the Denver Summit in June, as part of the Summit's Communique. Third, we are getting ready to announce a new grant program for AIDS vaccine research ("AIDS Vaccine Innovation Grants") and to issue the first set of grants. Fourth, we are asking the Vice President to meet with representatives of the biotechnology and pharmaceutical industries to engage their efforts in the campaign to develop a vaccine.

**5. Community Policing -- The Officer Next Door:** We are working with HUD to finalize a new demonstration project, called "The Officer Next Door," which is designed to encourage city law enforcement officers to live in low- and moderate-income neighborhoods. Under the one-year pilot program, HUD will make available to law enforcement officers at a 40% discount about 3,000 HUD-owned, single-family homes in designated communities. (HUD owns the homes as a result of foreclosures.) The program represents yet another way for the Administration to support community-oriented policing. The program should promote public safety by deterring crime and shortening emergency response times. At the same time, the program will increase opportunities for home ownership among law enforcement officers.

**6. Education -- School Voucher Amendment:** During the debate on the budget resolution, the Senate passed an amendment, by a vote of 51-49, allowing the Labor Committee to fund education vouchers for children who have been victims of violent crimes. The amendment provides for an additional \$2.5 billion in budget authority in FY2000, but no outlays in any year. The amendment came as a surprise to almost everyone, and a great deal of confusion surrounded it: many members (perhaps including Senator Domenici) thought it was a Sense of the Senate resolution. We do not believe the amendment will survive conference. Proponents of the amendment, however, will attempt to portray this vote as a symbolic victory -- the first time a voucher provision has passed the Senate.

5-26-97

✓ **Education -- New Charter Schools Study:** The Department of Education will release on Wednesday the first-year findings of a planned 4-year study of charter schools. Key findings include: (1) Over half of all charter schools are newly created; almost one-third were pre-existing public schools; and a little over one-tenth were pre-existing private schools. (2) In most states, charter schools are at least as economically and racially diverse as the overall population in the state's public schools. In a few states -- most notably, Arizona and Colorado -- charter schools are less diverse. (3) The three most significant obstacles cited by charter school leaders are lack of start-up funds, lack of planning time, and inadequate facilities. Only 6% said that federal regulations were a significant barrier to getting a charter school underway.

8. **Education -- Reauthorization of Idea:** You recently asked about a May 16 Wall Street Journal article which suggested that the new IDEA still prevents school authorities from dealing with disruptions caused by students with disabilities. The new bill does continue to provide strong procedural safeguards for students with disabilities, on the theory that such safeguards are integral to the legislation's guarantee of access to education. At the same time, however, the bill makes it easier than before for principals to remove children with disabilities from the classroom if they bring a gun, weapon, or drugs to school, or pose a danger to themselves, their teachers or their classmates. This compromise resulted from extensive bipartisan discussions involving representatives of the education and disabilities communities. Some in the education community may have wanted to go further, but most believe that the new bill successfully accommodates the competing interests at stake and marks a real improvement from the old IDEA.

9. **Teen Pregnancy -- National Campaign to Prevent Teen Pregnancy:** You recently asked whether we have any continued involvement with the National Campaign to Prevent Teen Pregnancy, which we helped to get started. On May 2nd -- the same day you announced the budget deal -- the First Lady marked the Campaign's first anniversary in an East Room ceremony recognizing 12 individuals working to lower teen pregnancy rates. During its first year, the Campaign has focused on building its organization, engaging the media to promote pregnancy prevention messages, establishing linkages with state and local groups, and commissioning research on the problem and promising solutions. Former Gov. Thomas Kean, the Campaign's chairman, spoke along with the First Lady at the May 2nd event.

THE PRESIDENT HAS SEEN

5-19-97

THE WHITE HOUSE

WASHINGTON

'97 MAY 17 PM 2:10

May 17, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena KaganRE: DPC Weekly Report

**1. Housing Bill:** The House passed, by a vote 293 to 132, a bill to reform the system of public housing, most notably by reducing the percentage of extremely poor tenants in public housing and making room for more of the working poor. The Administration objected to the bill, principally for its failure to target the most needy individuals. The Senate bill is far closer to our own proposal, and we will work hard there to incorporate our targeting provisions. Some Democrats in the House also objected to a provision in the bill requiring unemployed tenants to perform eight hours of community service each month, but the Administration has long supported this proposal. Perhaps the best part of the bill is a provision that prevents rent from rising automatically with income, which should remove a disincentive to getting off welfare. The bill also includes \$290 million in grant money to fight crime in public housing.

**2. Welfare -- Fair Labor Standards Act:** We announced yesterday that the Fair Labor Standards Act would apply to welfare recipients in workfare programs in the same way it applies to all other employees. To try to alleviate state concerns, we made clear that we would take administrative action to ensure that food stamps, as well as cash assistance, would count toward the minimum wage. We also indicated, consistent with the position we have taken since 1994, that we disfavor counting payments to workfare participants as wages for FICA and EITC purposes. Notwithstanding these efforts to ease state concerns, our decision immediately came under attack from Republican -- and also some Democratic -- governors. In addition, Clay Shaw sent a letter to you yesterday calling the decision "a serious setback for state efforts to move recipients into jobs" and offering his assistance "if your Administration thinks your hands are tied by the current labor laws and wants Congress to fix them." We are meeting Monday with agency representatives and also with labor union leaders to devise the best strategy for countering attacks on our decision.

**3. Welfare -- Privatization:** HHS and USDA formally notified Texas that it could not privatize any aspect of the eligibility process for Medicaid and Food Stamps. Erskine will have one meeting next week with members of the Texas delegation who oppose the decision -- and another with members who support it. Meanwhile, the Texas legislature is considering new legislation on the issue. One bill, passed by the House a week ago, allows private companies only to design and develop computer systems, in line with the Administration's policy. Another bill, supported by Governor Bush and reported out of a Senate Committee, also authorizes the

privatization of eligibility functions in the event the federal government ever allows it. In negotiating with Texas, HHS and USDA representatives raised the possibility of a sub-state, time-limited demonstration project involving privatization of eligibility functions, but Texas was not interested in this approach. The Administration will soon have to decide whether to grant a request from Wisconsin for just this kind of limited, county-based privatization project.

**4. Welfare -- GAO Report on Benefit Terminations:** A new GAO study, requested by Sen. Moynihan, examines waivers that permitted 33 states to sanction AFDC recipients by terminating benefits, usually for refusing to comply with work requirements. The GAO found that 14 of the 33 states did not terminate any benefits, while another 7 terminated benefits in fewer than 100 cases. The report studied in depth the three states with the most terminations: Iowa, Massachusetts, and Wisconsin, which had 13,000 of the 18,000 terminations nationwide. All three have had above-average caseload reductions (23% in Iowa, 37% in Massachusetts, and 49% in Wisconsin since 1993). The terminations do not directly account for these caseload reductions: each of the three states terminated less than one percent of its caseload. The termination policy, however, may well contribute to caseload reduction in a more indirect fashion; each of these states reported anecdotal evidence that the policy encourages people to move toward work or discourages them from applying for benefits in the first place.

The GAO report did not make many findings about what happens to recipients once they lose benefits. The report did note, however, that approximately one-third of those losing benefits later regained them after agreeing to comply with state requirements. In addition, the report found that although the waivers permitted those losing AFDC to keep food stamps and Medicaid, the actual receipt of these benefits fell significantly, presumably because families did not take the necessary steps to keep these benefits after losing AFDC.

**5. Children's Health:** We are working with HHS to complete a report that you will release at a radio address on children's health, currently planned for May 24. The report discusses the reasons that children lack coverage and underscores the health and developmental problems that uninsured children suffer. The report concludes that we can build on the success of Medicaid and state programs to expand health insurance coverage to millions more children. We are also looking for dates for either you or the First Lady to participate in an announcement by Kaiser Permanente that it will spend \$100 million over the next five years to insure approximately 50,000 children.

**6. Cloning:** The National Bioethics Advisory Commission (NBAC) will hold its final public meeting on human cloning today and will present you with its report the week of June 9. The report will find that human cloning violates ethical standards (focusing on the risks it poses to developing embryos) and that a ban on human cloning will not impede scientific progress. At the least, NBAC will call for a continued voluntary moratorium on human cloning. In all probability, the Commission will go further and call for legislation prohibiting human cloning. The legislative recommendation has proved controversial because some commissioners fear that Congress will draft overbroad legislation and/or refuse to amend the legislation in any way as

*should check others to follow suit*

science evolves. We expect NBAC to resolve this issue sometime next week, perhaps by recommending a specific, narrowly tailored prohibition with a sunset provision.

*Must try to work out*

**7. Education Standards and Testing:** Rep. Goodling offered an amendment to the flood relief bill that would have prohibited the Education Department from spending any funds to develop national tests, but the House ruled the amendment out of order. In the course of discussing this amendment with Goodling and others, we refused to commit the Administration to seeking specific congressional authorization before implementing the tests. We believe, however, that we should try to reach an accommodation with Congress on this issue in the near future. Although we are still discussing options, we think the best idea may be to propose as part of the reauthorization of NAEP that the National Assessment Governing Board assume responsibility for the individual tests, much as the Board now oversees the statewide NAEP examinations.

**8. Secret Service Uniformed Division Unionization:** You recently asked about the response of other agencies to the Treasury Department's argument that allowing Secret Service Uniformed Division employees to unionize would place the government on a slippery slope to eliminating Executive Order 12171. We are attaching a copy of that E.O., which lists the units in the Departments of Treasury, Defense, Justice, Transportation, and Energy currently prevented from unionizing for security reasons. When we asked the other departments about exempting Uniformed Division employees, (1) DOE said it had no objections, even though it is facing a similar request from its Nuclear Materials Couriers, because it can distinguish these employees from Uniformed Division personnel; (2) DOJ expressed no view, stating that employees of its covered units (the DEA and Marshal's Service) probably would not seek unionization; (3) DOD also expressed no view, stating that its covered units are different enough from the Uniformed Division to prevent them from "being pulled in;" and (4) DOT, which some years ago faced a unionization request from its Federal Air Marshals, expressed a "mild concern" of a "ripple effect," but stressed that this concern was indeed "mild."

### Codification of Presidential Proclamations and Executive Orders

Authority delegated under this Order to the Director of the Office of Personnel Management.

#### Executive Order 12154—Levels IV and V of the Executive Schedule

Source: The provisions of Executive Order 12154 of Sept. 4, 1979, appear at 44 FR 31943, 3 CFR, 1979 Comp., 424, unless otherwise noted.

By the authority vested in me as President by Section 5317 of Title 5 of the United States Code it is hereby ordered as follows:

##### 1-1. Executive Schedule Positions.

1-101. The following positions are placed in level IV of the Executive Schedule:

- (a) Counselor to the Secretary, Department of the Treasury.
- (b) Deputy Under Secretary for International Labor Affairs, Department of Labor.
- (c) Administrator, Alcohol, Drug Abuse and Mental Health Administration, Department of Health and Human Services.
- (d) [Deleted]
- (e) Executive Director, White House Conference on Aging, Department of Health and Human Services.
- (f) Deputy Adviser for Congressional Affairs, Council on Wage and Price Stability.<sup>1</sup>
- (g) Deputy Adviser for Government Operations, Council on Wage and Price Stability.
- (h) Deputy Adviser for Regulatory Policies, Council on Wage and Price Stability.
- (i) Executive Secretary of the National Security Council.
- (j) Administrator, Office of Juvenile Justice and Delinquency Prevention, Department of Justice.

[Sec. 1-101 amended by EO 12199 of Mar. 12, 1980, 45 FR 16441, 3 CFR, 1980 Comp., p. 227; EO 12236 of Sept. 3, 1980, 45 FR 58805, 3 CFR, 1980 Comp., p. 279; EO 12422 of May 20, 1983, 48 FR 23137, 3 CFR, 1983 Comp., p. 191; EO 12431 of July 8, 1981, 48 FR 31949, 3 CFR, 1983 Comp., p. 198; EO 12608 of Sept. 9, 1987, 52 FR 34617, 3 CFR, 1987 Comp., p. 243]

1-102. The following positions are placed in level V of the Executive Schedule:

- (a) Deputy Assistant Secretary of Defense for Reserve Affairs, Department of Defense.
- (b) Executive Director, Pension Benefit Guaranty Corporation, Department of Labor.
- (c) Executive Assistant and Counselor to the Secretary of Labor, Department of Labor.
- (d) Commissioner on Aging, Department of Health and Human Services.
- (e) Deputy Under Secretary for Education, Department of Education.
- (f) Deputy Under Secretary for Education, Department of Education.

<sup>1</sup> ERRATA: NOTE: The Council on Wage and Price Stability was abolished by Executive Order 12288 of Jan. 29, 1981, 46 FR 10133, 3 CFR, 1981 Comp., p. 125.

### Chapter 5—Federal Civilian Personnel

[Sec. 1-102 amended by EO 12237 of Sept. 3, 1980, 45 FR 58807, 3 CFR, 1980 Comp., p. 280; EO 12608 of Sept. 9, 1987, 52 FR 34617, 3 CFR, 1987 Comp., p. 243]

#### 1-2. General Provisions.

1-201. Nothing in this Order shall be deemed to terminate or otherwise affect the appointment, or to require the reappointment, of any occupant of any position listed in Section 1-1 of this Order who was the occupant of that position immediately prior to the issuance of this Order.

1-202. Executive Order No. 12076, as amended, is hereby revoked.

#### Executive Order 12171—Exclusions from the Federal Labor-Management Relations Program

Source: The provisions of Executive Order 12171 of Nov. 19, 1979, appear at 44 FR 66563, 3 CFR, 1979 Comp., p. 438, unless otherwise noted.

By the authority vested in me as President by the Constitution and statutes of the United States of America, including Section 7103(b) of Title 5 of the United States Code, and in order to exempt certain agencies or subdivisions thereof from coverage of the Federal Labor-Management Relations Program, it is hereby ordered as follows:

##### 1-1. Determinations.

1-101. The agencies or subdivisions thereof set forth in Section 1-2 of this Order are hereby determined to have as a primary function intelligence, counterintelligence, investigative, or national security work. It is also hereby determined that Chapter 71 of Title 5 of the United States Code cannot be applied to those agencies or subdivisions in a manner consistent with national security requirements and considerations. The agencies or subdivisions thereof set forth in Section 1-2 of this Order are hereby excluded from coverage under Chapter 71 of Title 5 of the United States Code.

1-102. Having determined that it is necessary in the interest of national security, the provisions of Chapter 71 of Title 5 of the United States Code are suspended with respect to any agency, installation, or activity listed in Section 1-3 of this Order. However, such suspension shall be applicable only to that portion of the agency, installation, or activity which is located outside the 50 States and the District of Columbia.

##### 1-2. Exclusions.

1-201. The Information Security Oversight Office, General Services Administration.

1-202. The Federal Research Division, Research Services, the Library of Congress.

1-203. Agencies or subdivisions of the Department of the Treasury:

- (a) The U.S. Secret Service.
- (b) The U.S. Secret Service Uniformed Division.
- (c) The Office of Special Assistant to the Secretary (National Security).
- (d) The Office of Intelligence Support (OIS).
- (e) The Office of the Assistant Secretary (Enforcement and Operations) (OEO).

THE PRESIDENT HAS SEEN

**Codification of Presidential Proclamations and Executive Orders**

- (f) The Office of Criminal Enforcement, Bureau of Alcohol, Tobacco, and Firearms.
- (g) The Office of Investigations, U.S. Customs Service.
- (h) The Criminal Investigation Division, Internal Revenue Service.
- 1-204. Agencies or subdivisions of the Department of the Army, Department of Defense:
- (a) Office of Assistant Chief of Staff for Intelligence.
  - (b) U.S. Army Intelligence and Security Command.
  - (c) U.S. Army Foreign Science and Technology Center.
  - (d) U.S. Army Intelligence Center and School.
  - (e) U.S. Army Missile Intelligence Agency.
  - (f) Foreign Intelligence Office, U.S. Army Missile Research and Development Command.
- 1-205. Agencies or subdivisions of the Department of the Navy, Department of Defense:
- (a) Office of Naval Intelligence.
  - (b) Naval Intelligence Command Headquarters and Subordinate Commands.
  - (c) Headquarters, Naval Security Group Command.
  - (d) Naval Security Group Activities and Detachments.
  - (e) Fleet Intelligence Center, Europe and Atlantic (FICEURLANT).
  - (f) Fleet Intelligence Center, Pacific (FICPAC).
  - (g) Units composed primarily of employees engaged in the operation, repair, and/or maintenance of "off line" or "on line" cryptographic equipment.
  - (h) Units composed primarily of employees of naval telecommunications activities in positions which require a cryptographic authorization.
- 1-206. Agencies or subdivisions of the Department of the Air Force, Department of Defense:
- (a) Office of Space Systems, Office of the Secretary of the Air Force.
  - (b) Office of Special Projects, Office of the Secretary of the Air Force.
  - (c) Engineering Office, Space and Missile Systems Organization (Air Force Systems Command).
  - (d) Program Control Office, Space and Missile Systems Organization (Air Force Systems Command).
  - (e) Detachment 3, Space and Missile Systems Organization (Air Force Systems Command).
  - (f) Defense Dissemination Systems Program Office, Space and Missile Systems Organization (Air Force Systems Command).
  - (g) Satellite Data System Program Office, Space and Missile Systems Organization (Air Force Systems Command).
  - (h) Project Office at El Segundo, California, Office of the Secretary of the Air Force.
  - (i) Project Office at Patrick Air Force Base, Florida, Office of the Secretary of the Air Force.
  - (j) Project Office at Fort Myer, Virginia, Office of the Secretary of the Air Force.
  - (k) Air Force Office of Special Investigations.
  - (l) U.S. Air Force Security Service.
  - (m) Foreign Technology Division, Air Force Systems Command, Wright-Patterson Air Force Base.

**Chapter 5—Federal Civilian Personnel**

- (n) 1035 Technical Operations Group (Air Force Technical Applications Center), Air Force Systems Command, and subordinate units.
- (o) 3480 Technical Training Wing, Air Training Command, Goodfellow Air Force Base, Texas.
- (p) Office of the Assistant Chief of Staff, Intelligence.
- (q) Air Force Intelligence Service.
- [Sec. 1-206 amended by EO 12338 of Jan. 11, 1982, 47 FR 1369, 3 CFR, 1982 Comp., p. 120]
- 1-207. The Defense Intelligence Agency, Department of Defense.
- 1-208. The Defense Investigative Service, Department of Defense.
- SEC. 1-209. Agencies or subdivisions of the Department of Justice: (a) The Office of Enforcement and the Office of Intelligence, including all domestic field offices and intelligence units, of the Drug Enforcement Administration.
- (b) The Office of Special Operations, the Threat Analysis Group, the Enforcement Operations Division, the Witness Security Division and the Court Security Division in the Office of the Director and the Enforcement Division in Offices of the United States Marshals in the United States Marshals Service.
- [Sec. 1-209 amended by EO 12632 of Mar. 23, 1984, 53 FR 9852, 3 CFR, 1984 Comp., p. 360]
- 1-210. Agencies or subdivisions of the Department of Energy:
- (a) The Albuquerque, Nevada and Savannah River operations offices under the Under Secretary of Energy.
  - (b) Offices of the Assistant Secretary for Defense Programs.
- [Sec. 1-210 amended by EO 12338 of Jan. 11, 1982, 47 FR 1369, 3 CFR, 1982 Comp., p. 120]
- 1-211. Offices within the Agency for International Development:
- (a) The Immediate Office of the Auditor General.
  - (b) The Office of Inspections and Investigations.
  - (c) The Office of Security.
  - (d) The Office of the Area Auditor General/Washington.
- 1-212. Agencies or subdivisions under the operational jurisdiction of the Joint Chiefs of Staff (JCS):
- (a) Intelligence Division (J-2), Headquarters Atlantic Command (LANTCOM).
  - (b) Atlantic Command Electronic Intelligence Center.
  - (c) Intelligence Directorate (J-2), Headquarters U.S. European Command (USEUCOM).
  - (d) Special Security Office (SSO), Headquarters U.S. European Command (USEUCOM).
  - (e) European Defense Analysis Center (EUDAC).
  - (f) Intelligence Directorate (J-2), Headquarters Pacific Command (PACOM).
  - (g) Intelligence Center Pacific (IPAC).
  - (h) Intelligence Directorate (J-2), Headquarters U.S. Southern Command (USSOUTHCOM).
  - (i) Intelligence Directorate (J-2), Headquarters U.S. Readiness Command (USREDCOM)/Joint Deployment Agency.
  - (j) Deputy Chief of Staff/Intelligence, Headquarters Strategic Air Command (SAC).

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THE PRESIDENT HAS SEEN

**Codification of Presidential Proclamations and Executive Orders**

- (k) 344th Strategic Intelligence Wing, Strategic Air Command (SAC).
- (l) Deputy Chief of Staff/Intelligence, Headquarters 15th Air Force, Strategic Air Command (SAC).
- (m) Deputy Chief of Staff/Intelligence, Headquarters 8th Air Force, Strategic Air Command (SAC).
- (n) Strategic Reconnaissance Center, Headquarters Strategic Air Command (SAC).
- (o) 6th Strategic Wing, Strategic Air Command (SAC).
- (p) 9th Strategic Reconnaissance Wing, Strategic Air Command (SAC).
- (q) 35th Strategic Reconnaissance Wing, Strategic Air Command (SAC).
- (r) 306th Strategic Wing, Strategic Air Command (SAC).
- (s) 376th Strategic Wing, Strategic Air Command (SAC).
- (t) Deputy Chief of Staff/Operations Plans, Headquarters Strategic Air Command (SAC).
- (u) The Joint Strategic Target Planning Staff (JSTPS).
- (v) The Joint Special Operations Command (JSOC).

[Sec. 1-212 added by EO 12338 of Jan. 11, 1982, 47 FR 1369, 3 CFR, 1982 Comp., p. 120; amended by EO 12410 of Mar. 28, 1983, 48 FR 13143, 3 CFR, 1983 Comp., p. 125]

**1-213. The subdivisions of the Federal Aviation Administration, Department of Transportation:**

- (a) Federal Air Marshal Branch, International Civil Aviation Security Division, Office of Civil Aviation Security.
- (b) Units composed of Civil Aviation Security Inspectors in Civil Aviation Security divisions whose responsibilities require Federal air marshal functions.

[Sec. 1-211 added by EO 12666 of Jan. 12, 1989, 54 FR 1921]

**1-3. Units outside the 50 States and the District of Columbia.**

- 1-301. The Drug Enforcement Administration, Department of Justice.

**Executive Order 12177—Federal Government pension plans**

SOURCE: The provisions of Executive Order 12177 of Dec. 10, 1979, appear at 44 FR 71805, 3 CFR, 1979 Comp., p. 464, unless otherwise noted.

By the authority vested in me as President of the United States of America by Section 121(a)(1) of the Budget and Accounting Procedures Act of 1950, as amended (92 Stat. 2541, Public Law 95-595, 31 U.S.C. 68a), and Section 301 of Title 3 of the United States Code, and in order to provide consistency among the financial and actuarial statements of Federal Government pension plans, it is hereby ordered as follows:

1-101. All the functions vested in the President by Section 121(a) of the Budget and Accounting Procedures Act of 1950, as amended (31 U.S.C. 68a), are delegated to the Director of the Office of Management and Budget. The Director may, from time to time, designate other officers or agencies of the Federal Government to perform any or all of the functions hereby delegated to the Director, subject to such instructions, limitations, and directions as the Director deems appropriate.

**Chapter 5—Federal Civilian Personnel**

1-102. The head of an Executive agency responsible for the administration of any Federal Government pension plan within the meaning of Section 123(a) of the Budget and Accounting Procedures Act of 1950, as amended (31 U.S.C. 68c), except subsection (a)(9) and (b), shall ensure that the administrators of those plans comply with the form, manner, and time of filing as required by the Director of the Office of Management and Budget.

1-103. Subject to the provisions of Section 1-101 of this Order, and in the absence of any contrary delegation or direction by the Director, the Secretary of the Treasury, with respect to the development of the form and content of the annual reports, shall perform the functions set forth in Section 121(a) of the Budget and Accounting Procedures Act of 1950, as amended (31 U.S.C. 68a). In performing this function, the Secretary shall also be responsible for consulting with the Comptroller General.

**Executive Order 12196—Occupational safety and health programs for Federal employees**

SOURCE: The provisions of Executive Order 12196 of Feb. 26, 1980, appear at 45 FR 12769, 3 CFR, 1980 Comp., p. 145, unless otherwise noted.

By the authority vested in me as President by the Constitution and statutes of the United States of America, including Section 7902(c) of Title 5 of the United States Code and in accord with Section 19 of the Occupational Safety and Health Act of 1970, as amended (29 U.S.C. 668), it is ordered:

**1-1. Scope of this Order.**

1-101. This order applies to all agencies of the Executive Branch except military personnel and uniquely military equipment, systems, and operations.

1-102. For the purposes of this order, the term "agency" means an Executive department, as defined in 5 U.S.C. 101, or any employing unit or authority of the Federal government, other than those of the judicial and legislative branches. Since section 19 of the Occupational Safety and Health Act ("the Act") covers all Federal employees, however, the Secretary of Labor ("the Secretary") shall cooperate and consult with the heads of agencies in the legislative and judicial branches of the government to help them adopt safety and health programs.

**1-2. Heads of Agencies.**

1-201. The head of each agency shall:

(a) Furnish to employees places and conditions of employment that are free from recognized hazards that are causing or are likely to cause death or serious physical harm.

(b) Operate an occupational safety and health program in accordance with the requirements of this order and basic program elements promulgated by the Secretary.

(c) Designate an agency official with sufficient authority to represent the interest and support of the agency head to be responsible for the management and administration of the agency occupational safety and health program.

THE PRESIDENT HAS SEEN  
5-19-97

THE WHITE HOUSE  
WASHINGTON

May 17, 1997

## MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena KaganRE: DPC Weekly Report

**1. Housing Bill:** The House passed, by a vote 293 to 132, a bill to reform the system of public housing, most notably by reducing the percentage of extremely poor tenants in public housing and making room for more of the working poor. The Administration objected to the bill, principally for its failure to target the most needy individuals. The Senate bill is far closer to our own proposal, and we will work hard there to incorporate our targeting provisions. Some Democrats in the House also objected to a provision in the bill requiring unemployed tenants to perform eight hours of community service each month, but the Administration has long supported this proposal. Perhaps the best part of the bill is a provision that prevents rent from rising automatically with income, which should remove a disincentive to getting off welfare. The bill also includes \$290 million in grant money to fight crime in public housing.

**2. Welfare -- Fair Labor Standards Act:** We announced yesterday that the Fair Labor Standards Act would apply to welfare recipients in workfare programs in the same way it applies to all other employees. To try to alleviate state concerns, we made clear that we would take administrative action to ensure that food stamps, as well as cash assistance, would count toward the minimum wage. We also indicated, consistent with the position we have taken since 1994, that we disfavor counting payments to workfare participants as wages for FICA and EITC purposes. Notwithstanding these efforts to ease state concerns, our decision immediately came under attack from Republican -- and also some Democratic -- governors. In addition, Clay Shaw sent a letter to you yesterday calling the decision "a serious setback for state efforts to move recipients into jobs" and offering his assistance "if your Administration thinks your hands are tied by the current labor laws and wants Congress to fix them." We are meeting Monday with agency representatives and also with labor union leaders to devise the best strategy for countering attacks on our decision.

**3. Welfare -- Privatization:** HHS and USDA formally notified Texas that it could not privatize any aspect of the eligibility process for Medicaid and Food Stamps. Erskine will have one meeting next week with members of the Texas delegation who oppose the decision -- and another with members who support it. Meanwhile, the Texas legislature is considering new legislation on the issue. One bill, passed by the House a week ago, allows private companies only to design and develop computer systems, in line with the Administration's policy. Another bill, supported by Governor Bush and reported out of a Senate Committee, also authorizes the

privatization of eligibility functions in the event the federal government ever allows it. In negotiating with Texas, HHS and USDA representatives raised the possibility of a sub-state, time-limited demonstration project involving privatization of eligibility functions, but Texas was not interested in this approach. The Administration will soon have to decide whether to grant a request from Wisconsin for just this kind of limited, county-based privatization project.

**4. Welfare -- GAO Report on Benefit Terminations:** A new GAO study, requested by Sen. Moynihan, examines waivers that permitted 33 states to sanction AFDC recipients by terminating benefits, usually for refusing to comply with work requirements. The GAO found that 14 of the 33 states did not terminate any benefits, while another 7 terminated benefits in fewer than 100 cases. The report studied in depth the three states with the most terminations: Iowa, Massachusetts, and Wisconsin, which had 13,000 of the 18,000 terminations nationwide. All three have had above-average caseload reductions (23% in Iowa, 37% in Massachusetts, and 49% in Wisconsin since 1993). The terminations do not directly account for these caseload reductions: each of the three states terminated less than one percent of its caseload. The termination policy, however, may well contribute to caseload reduction in a more indirect fashion; each of these states reported anecdotal evidence that the policy encourages people to move toward work or discourages them from applying for benefits in the first place.

The GAO report did not make many findings about what happens to recipients once they lose benefits. The report did note, however, that approximately one-third of those losing benefits later regained them after agreeing to comply with state requirements. In addition, the report found that although the waivers permitted those losing AFDC to keep food stamps and Medicaid, the actual receipt of these benefits fell significantly, presumably because families did not take the necessary steps to keep these benefits after losing AFDC.

**5. Children's Health:** We are working with HHS to complete a report that you will release at a radio address on children's health, currently planned for May 24. The report discusses the reasons that children lack coverage and underscores the health and developmental problems that uninsured children suffer. The report concludes that we can build on the success of Medicaid and state programs to expand health insurance coverage to millions more children. We are also looking for dates for either you or the First Lady to participate in an announcement by Kaiser Permanente that it will spend \$100 million over the next five years to insure approximately 50,000 children.

**6. Cloning:** The National Bioethics Advisory Commission (NBAC) will hold its final public meeting on human cloning today and will present you with its report the week of June 9. The report will find that human cloning violates ethical standards (focusing on the risks it poses to developing embryos) and that a ban on human cloning will not impede scientific progress. At the least, NBAC will call for a continued voluntary moratorium on human cloning. In all probability, the Commission will go further and call for legislation prohibiting human cloning. The legislative recommendation has proved controversial because some commissioners fear that Congress will draft overbroad legislation and/or refuse to amend the legislation in any way as

science evolves. We expect NBAC to resolve this issue sometime next week, perhaps by recommending a specific, narrowly tailored prohibition with a sunset provision.

**7. Education Standards and Testing:** Rep. Goodling offered an amendment to the flood relief bill that would have prohibited the Education Department from spending any funds to develop national tests, but the House ruled the amendment out of order. In the course of discussing this amendment with Goodling and others, we refused to commit the Administration to seeking specific congressional authorization before implementing the tests. We believe, however, that we should try to reach an accommodation with Congress on this issue in the near future. Although we are still discussing options, we think the best idea may be to propose as part of the reauthorization of NAEP that the National Assessment Governing Board assume responsibility for the individual tests, much as the Board now oversees the statewide NAEP examinations.

**8. Secret Service Uniformed Division Unionization:** You recently asked about the response of other agencies to the Treasury Department's argument that allowing Secret Service Uniformed Division employees to unionize would place the government on a slippery slope to eliminating Executive Order 12171. We are attaching a copy of that E.O., which lists the units in the Departments of Treasury, Defense, Justice, Transportation, and Energy currently prevented from unionizing for security reasons. When we asked the other departments about exempting Uniformed Division employees, (1) DOE said it had no objections, even though it is facing a similar request from its Nuclear Materials Couriers, because it can distinguish these employees from Uniformed Division personnel; (2) DOJ expressed no view, stating that employees of its covered units (the DEA and Marshal's Service) probably would not seek unionization; (3) DOD also expressed no view, stating that its covered units are different enough from the Uniformed Division to prevent them from "being pulled in;" and (4) DOT, which some years ago faced a unionization request from its Federal Air Marshals, expressed a "mild concern" of a "ripple effect," but stressed that this concern was indeed "mild."

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DPC - Weekly report

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THE WHITE HOUSE  
WASHINGTON

May 9, 1997

THE PRESIDENT HAS SEEN  
5/13/97

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
SUBJECT: DPC Weekly Report

**1. EDUCATION -- Bipartisan Agreement on IDEA:** After a two-year stalemate, House and Senate committees reached bipartisan agreement this week on nearly identical bills to reauthorize the Individuals with Disabilities Education Act (IDEA). The compromise was hammered out between key House and Senate leaders in both parties, the Administration, and education and disability groups. The legislation protects the rights of disabled students and their families while also expanding the authority of teachers and principals to protect the safety of all children in the classroom. In particular, the legislation will make it easier to remove a student from the classroom for bringing a weapon or drugs to school, but requires that disabled students continue to receive services even if they have been suspended or expelled (overturning a 4th Circuit decision allowing services to be cut off).

As in the Administration's original plan, the bill requires that Individualized Education Plans (IEP's) be focused on enabling the child to participate in the general curriculum, and reaffirms that disabled students must be included in state and district assessments, with appropriate accommodations where necessary. The legislation will also change the IDEA funding formula, using census and poverty counts in order to reduce incentives to wrongly identify children as having a disability (although formula changes would only take effect at substantially increased appropriations levels).

Although some issues still could threaten final passage -- particularly related to the provision of services to imprisoned youth identified as disabled (a concern in California) -- both houses are on track to approve the legislation next week. If all goes well, the final bill could arrive here for your signature before Memorial Day.

**2. EDUCATION -- Possible Goodling Amendment to Block Testing Plan:** Rep. Goodling, who until recently supported our testing initiative, is now threatening to offer an amendment to the flood relief bill that would prohibit the Education Department from spending

5/13/97

any funds to develop the tests. Secretary Riley has made clear to him that you would almost certainly veto the bill over such a provision. We have been working with the business community and others to persuade Goodling to back down. He and Riggs are apparently considering some kind of compromise that might involve Congressional authorization or oversight of the tests. Goodling's argument against the initiative is that it won't do any good to measure schools' failure unless we're taking steps to make sure students pass the tests. We have told him that is precisely why we want America Reads.

*we want  
to see  
Bill  
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**3. WELFARE REFORM -- Texas Waiver:** HHS is about to send Texas a letter formally denying their request to privatize any aspect of the eligibility process for Medicaid and Food Stamps. Earlier this week, Senator Hutchison tried to amend the flood relief bill to deem the waiver approved, but her amendment was denied as non-germane. Several members of the Texas delegation have asked for a meeting with Erskine next week, and may try to attach the Hutchison amendment to future legislation.

**4. CRIME -- Fewest Police Slain Since 1960:** Next Friday, when you speak to the annual Peace Officers Memorial, you will be able to highlight what may be the most impressive crime statistic yet: In 1996, only 117 police officers were slain in the line of duty -- a 30% drop from the previous year (162), and the lowest number of police fatalities since 1960. Police and victims groups credit this reduction to an increase in the number of officers, better training, a drop in firearms-related deaths (from 71 to 55), and increased use of bullet-resistant vests.

**5. HEALTH CARE -- First Meeting of Quality Commission:** The Quality Commission will hold its first meeting on Tuesday. Secretaries Herman and Shalala will release a letter from you to Commission members calling on them to develop a patients' bill of rights. The Commission will hear testimony from a broad range of consumer and business representatives. We expect the first meeting to receive a great deal of media interest.

**6. EXECUTIVE ACTION -- Morgan State Commencement Address on Science and Technology:** When you speak next Sunday at Morgan State, you will be able to make two important and newsworthy announcements -- one on the perils of modern science, another on the wonders. First, you can announce that you will be supporting new legislation to prohibit health insurance companies from using genetic screening information to deny coverage. Second, we have finally persuaded HHS and NIH to develop a series of concrete proposals to accelerate development of an AIDS vaccine.

*(\*)*

*can we say by X date?*

The proposed actions include announcement of a new NIH AIDS vaccine laboratory, \$6 million in new innovation grants for AIDS vaccine research, and an international commitment to AIDS vaccine research as part of the Denver Summit Communique. These steps, along with promising developments in recent research, put you in a credible position to issue the challenge to the scientific community you have long wanted to make -- to develop an AIDS vaccine over the next decade.

*Hurray!*

THE WHITE HOUSE  
WASHINGTON

May 9, 1997

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any funds to develop the tests. Secretary Riley has made clear to him that you would almost certainly veto the bill over such a provision. We have been working with the business community and others to persuade Goodling to back down. He and Riggs are apparently considering some kind of compromise that might involve Congressional authorization or oversight of the tests. Goodling's argument against the initiative is that it won't do any good to measure schools' failure unless we're taking steps to make sure students pass the tests. We have told him that is precisely why we want America Reads.

**3. WELFARE REFORM -- Texas Waiver:** HHS is about to send Texas a letter formally denying their request to privatize any aspect of the eligibility process for Medicaid and Food Stamps. Earlier this week, Senator Hutchison tried to amend the flood relief bill to deem the waiver approved, but her amendment was denied as non-germane. Several members of the Texas delegation have asked for a meeting with Erskine next week, and may try to attach the Hutchison amendment to future legislation.

**4. CRIME -- Fewest Police Slain Since 1960:** Next Friday, when you speak to the annual Peace Officers Memorial, you will be able to highlight what may be the most impressive crime statistic yet: In 1996, only 117 police officers were slain in the line of duty -- a 30% drop from the previous year (162), and the lowest number of police fatalities since 1960. Police and victims groups credit this reduction to an increase in the number of officers, better training, a drop in firearms-related deaths (from 71 to 55), and increased use of bullet-resistant vests.

**5. HEALTH CARE -- First Meeting of Quality Commission:** The Quality Commission will hold its first meeting on Tuesday. Secretaries Herman and Shalala will release a letter from you to Commission members calling on them to develop a patients' bill of rights. The Commission will hear testimony from a broad range of consumer and business representatives. We expect the first meeting to receive a great deal of media interest.

**6. EXECUTIVE ACTION -- Morgan State Commencement Address on Science and Technology:** When you speak next Sunday at Morgan State, you will be able to make two important and newsworthy announcements -- one on the perils of modern science, another on the wonders. First, you can announce that you will be supporting new legislation to prohibit health insurance companies from using genetic screening information to deny coverage. Second, we have finally persuaded HHS and NIH to develop a series of concrete proposals to accelerate development of an AIDS vaccine.

The proposed actions include announcement of a new NIH AIDS vaccine laboratory, \$6 million in new innovation grants for AIDS vaccine research, and an international commitment to AIDS vaccine research as part of the Denver Summit Communique. These steps, along with promising developments in recent research, put you in a credible position to issue the challenge to the scientific community you have long wanted to make -- to develop an AIDS vaccine over the next decade.



transportation services in making welfare reform work and will promote your proposal (in the NEXTEA bill) to provide \$600 million in grant funds to improve these services. We may be able to announce that some of the businesses represented at the White House event have committed to providing matching funds for such welfare-to-work transportation efforts.

Handwritten notes on the left margin: "I would like to see some of the business on this & discuss with you."

5. **Welfare Reform and College Attendance:** You recently asked about reports that states are telling welfare recipients to drop out of college so that states can meet the welfare law's work requirements. The welfare law, of course, does not require states to take such action, and right now we do not know how many states are doing so. But because there is no broad exemption from the work requirements for college students, states may well insist that these students engage in work activities for the requisite number of hours (now 20 hours per week).

To alleviate this problem, we are working with DoEd and HHS on ways for the Administration to inform colleges of how they can use work study to help students on welfare meet the work requirements and still complete their degrees. Many Americans work their way through college: in 1993, 38% of undergraduates worked at least 35 hours a week, while 16% worked between 21 and 34 hours a week. Colleges can make it easier for welfare recipients to combine work and college by providing work study opportunities that meet the work requirements. Although most colleges limit work study to 10 to 15 hours a week, there is no limit in federal law: colleges can provide as many hours as necessary to meet the student's financial need. Secretaries Riley and Shalala should write a letter to colleges clarifying what colleges can do and encouraging them to take such action.

Handwritten note on the right margin: "Good"

6. **Volunteer Liability Bill:** The Senate passed 99-1 last week a bill to protect volunteers of nonprofit organizations or governmental entities from liability. The Administration issued a SAP opposing a prior version of the bill, which offered immunity not only to volunteers, but also to the organizations for which they work. The SAP stated: "The overbroad definitions used in the bill -- which might apply to hate groups, street gangs, or violent militias -- make this takeover of state law very troubling." After Senator Leahy dubbed this bill the "Ku Klux Klan Protection Act" and every Democrat voted against it, the Senate narrowed the bill to protect only volunteers themselves. We will continue work on the bill, which because of hasty amendment and passage is now sloppily drafted, to ensure that it is fully consistent with the views you have stated on tort reform generally.

Handwritten note: "Also -> could encourage cos to hire welfare/college students (not from at 5/26/97)"

Handwritten note: "good article on welfare on the low quality of strict requirements of no displacement for st. substitute -> should consider strengthening language in federal law -> congress might consider since federal"

THE WHITE HOUSE  
WASHINGTON

May 3, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
ELENA KAGAN

SUBJECT: DPC WEEKLY REPORT

**1. Education Town Hall Meeting:** We are working to arrange an "Education Town Hall Meeting" focused on your national testing initiative. This meeting, currently scheduled for May 22, will provide you with an opportunity to explain what high standards are really all about -- perhaps by actually working through a couple of sample questions from the NAEP test. You will take questions from an audience of educators, parents, and students. We are exploring a number of possible locations for this event, with Kentucky the leading contender at the moment.

**2. National Testing Initiative:** Secretary Riley testified last week on your testing initiative before the House Subcommittee on Early Childhood, Youth and Families; in addition, DPC and DoEd representatives met with Frank Riggs and Dale Kildee, the Chair and Ranking Member of the Subcommittee, on the initiative. The meetings and testimony made clear that we have strong support among Democrats on the Subcommittee for your initiative -- particularly from Kildee, George Miller, and Patsy Mink. On the Republican side, Riggs and Mike Castle are also supporters, though Riggs believes that the Administration should seek Congressional authorization before taking steps toward national testing. Unfortunately, Rep. Goodling is now expressing serious concerns about the initiative, mostly on the ground that the tests will lead to ranking individual schools. We will attempt to allay Goodling's concerns, while working closely with Congressional supporters on both sides of the aisle to support our effort to sign up states for the initiative.

**3. Follow-up to Service Summit:** We are preparing for your signature a letter to major nonprofit organizations and religious groups that will explain your new proposal, announced at the Service Summit, to partner with them to expand AmeriCorps. The letter will highlight the success of non-profits, such as the National Council of Churches and the Boys and Girls Clubs of America, in using AmeriCorps scholarships and will urge other non-profits and religious groups to put AmeriCorps members to work in their programs.

**4. Welfare-to-Work:** As you know, you will help launch Eli Segal's Welfare-to-Work Partnership at an event at the White House on May 20. We think that you also will be able to announce at this event Department of Transportation pilot grants to 25 states to develop welfare-to-work transportation plans. This announcement will underscore the importance of

transportation services in making welfare reform work and will promote your proposal (in the NEXTEA bill) to provide \$600 million in grant funds to improve these services. We may be able to announce that some of the businesses represented at the White House event have committed to providing matching funds for such welfare-to-work transportation efforts.

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DPC Weekly Report

THE PRESIDENT HAS SEEN  
5-1-97

THE WHITE HOUSE  
WASHINGTON

'97 APR 26 PM12:55

April 26, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: DPC WEEKLY REPORT

1. **Crack Cocaine Sentencing:** The Sentencing Commission is scheduled to announce on Tuesday a unanimous recommendation to Congress to amend federal law to reduce the disparity between sentences for crack cocaine and powder cocaine. The proposal is to reduce crack cocaine penalties while increasing powder cocaine penalties, thus "pinching" (but not eliminating) the disparity. Specifically, the Commission will recommend that the trigger for a five-year mandatory minimum sentence for crack distribution be raised from 5 grams to between 25 and 75 grams (with Congress to pick some number in between) and that the trigger for a mandatory minimum for cocaine distribution be lowered from 500 grams to between 125 and 375 grams. Depending on what number within these ranges is chosen, congressional action according with this recommendation would reduce the current 100:1 ratio between crack and powder sentencing to a ratio of between 5:1 and 15:1. Also next week, the Commission will change its own sentencing guidelines to increase penalties on methamphetamine.

As you will recall, the Attorney General and General McCaffrey strongly favor reducing the disparity between crack and powder sentencing. And you stated that "some adjustment is warranted" when you signed legislation disapproving the Sentencing Commission's prior action in this area (a simple reduction in crack sentences to the level of powder sentences). At that time, you called on the Commission to undertake additional review and report back with new recommendations.

Rahm and I both agree that you should respond in a generally positive way to the Commission's new and much better recommendation -- not on grounds of race, but on grounds of criminal justice policy. You should stress that a rational sentencing structure targets mid- and high-level dealers of the most dangerous emerging drugs, rather than low-level dealers of drugs posing less present danger. The Commission's action on methamphetamine will help you to make this argument. We think you should ask the Attorney General and General McCaffrey to review the Commission's report and make a specific recommendation on appropriate sentencing changes in 30 or 45 days.

2. **Tobacco:** In light of Friday's decision on tobacco, we will work with HHS and DOJ to evaluate other actions you might take to limit or otherwise respond to the advertising of tobacco products to children. Alternative approaches may seem smaller than the advertising restrictions in our rule, but we should attempt to advance our goal in any way possible while we

seek to reinstate those restrictions. In addition, we will work with Bruce Lindsey, as you requested, to ensure that as settlement talks proceed, you are in a good position to evaluate the effects of any possible settlement on public health.

**3. Food Safety Report:** Secretaries Glickman and Shalala and Administrator Browner will forward to you next week the report on food safety that you requested 90 days ago in a radio address. The report announces, among other things, that the agencies will: (1) develop ways to test for hepatitis A and other hard-to-detect contaminants; (2) issue new regulations for fruit juice and egg products; and (3) establish a new public-private partnership with industry and consumer groups (funded by a \$1 million contribution from industry) to develop and publicize simple food-safety messages. We currently plan to release the report at an event attended by Glickman, Shalala, and Browner on May 4.

**4. Teen Pregnancy:** The National Campaign to Prevent Teen Pregnancy will hold a conference on May 2 to mark its first anniversary. At a White House reception that day, the First Lady will give awards to 10 pioneers in the effort to reduce pregnancy, including Elaine Bennett. Concurrently, HHS will release a report showing that teen sexual activity has decreased 10% since 1990 (from 55% of girls ages 15-19 in 1990 to 50% today). The report also shows that condom use has tripled among teenagers since 1972. The combination of decreased sexual activity and increased condom use among teenagers appears to be primarily responsible for the 8% drop in the teen pregnancy rate over the last four years.

**5. Narcotics Money Laundering:** Last summer, the Treasury Department issued a Geographic Targeting Order (GTO) -- an order to financial institutions within a particular area to comply with special reporting or recordkeeping obligations -- that required 22 licensed money transmitters in New York to report information on any cash transmission to Columbia of more than \$750. The GTO has caused a dramatic reduction in the flow of narcotics proceeds through New York. The Treasury Department is almost ready to release a proposed rule to apply these reporting requirements to money transmitters across the nation. We recommend that you announce, within the next few weeks, this important effort to crack down on narcotics money laundering.

**6. Peace Officers Memorial Event:** On May 15, you will attend the Annual Peace Officers' Memorial Event organized by the Fraternal Order of Police. We recommend that your main policy announcement focus on the Deegan law, which provides educational scholarships to the children of federal officers killed in the line of duty. You can announce \$1.2 million in new money for these scholarships and new legislation to make these scholarships available to the children of slain state and local officers. You also can announce the completion by the National Institute of Justice of a prototype "smart gun" which will help protect police officers from death and injury.

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DPC Weekly Report  
THE PRESIDENT HAS SEEN  
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- Volunteer liability

Follow up to summit -  
letter from Pres to mention unimp. lib  
+ ml. cr vs explaining because of  
Am. cybers

①

DOT add-on to Eli

Pathfinder announcement next day

③

Turn hall - ED - (make)

②

Cynthia -  
ask her -  
college stuff

803-722-0725

Cynthia Diana -

Could one of you get from DOT

(1) a complete list of all the suits brought **THE PRESIDENT HAS SEEN** challenging the alien provisions of the welfare 5-1-97 act, and (2) a short statement of why DOT believes it has to defend

\*\*\*  
We have to defend

**Legal Aliens and Welfare Reform:** On March 26, a nationwide class action suit alleging that the welfare reform act violates the Equal Protection Clause of the Constitution was filed. Sutich v. Callahan (N.D. CA). The act, among other things, denies SSI benefits to legal aliens. Plaintiffs claim that it was irrational for Congress to deny these benefits to legal aliens, and, accordingly, that plaintiffs' equal protection rights have been violated. On April 17, the plaintiffs moved for a preliminary injunction. DOI's opposition is due on May 13.

I'd like to see this in next week's weekly. If you just give me

**GA Political Candidates Drug-Testing:** Chandler v. Miller. The Supreme Court held, 8-1, that drug testing of candidates under this statute violates the Fourth Amendment. In striking down the statute, the Court noted that while the drug testing is relatively noninvasive, the state had not made a showing of "special need" sufficient to support its program. The Court concluded that GA's drug testing program was based on mere symbolism and, since public safety was not in jeopardy, the Fourth Amendment prevents this suspicionless search.

that will be sufficient. Thanks. Elena

**Child Support:** Linda J. Blessing v. Freestone. This class action suit challenged whether AZ is fulfilling its obligations under the Child Support Enforcement Act. The Act requires, as a condition of federal funding, that states be in "substantial compliance" with a variety of federal requirements, including establishment of paternity, location of absent parents, establishment and enforcement of child support orders, and collection of child support arrears. The courts of appeals are in conflict as to whether the Act creates judicially enforceable rights within the meaning of federal statutes. The Supreme Court agreed with DOJ's *amicus* argument that enforceable rights may exist and accepted the invitation to remand to decide what specific provisions are enforceable.

**CA Proposition 209:** On April 22, in Coalition for Economic Equity v. Wilson, DOJ filed an *amicus* supporting the plaintiffs' request that the Ninth Circuit Court of Appeals review a ruling by a panel of that court earlier this month that upheld California's Proposition 209. DOJ contends that, under the Supreme Court's 1982 decision in Washington v. Seattle School District No. 2, Proposition 209 is unconstitutional because it alters the normal political process in California along racial and gender lines by imposing unique obstacles to the ability of minorities and women to press for laws and programs that benefit them.

**LA Police Beatings:** On April 17, a federal grand jury returned a four count indictment in United States v. Chandler and Gailey, charging two officers with the police department in Adelanto, CA, a suburb of Los Angeles, with violating federal civil rights laws in connection with two beating incidents: a May 1994 beating of an Hispanic suspect at the Adelanto police station, allegedly in an effort to coerce a confession, and an October 1994 beating of a handcuffed, arrested African-American suspect allegedly in retaliation for an altercation at the time of arrest in which the suspect spat on another officer. The two indicted officers previously were acquitted on state charges.

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DPC - weekly report

THE PRESIDENT HAS SEEN  
4-21-97

THE WHITE HOUSE  
WASHINGTON

April 19, 1997

'97 APR 19 PM 1:15

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed *BRkk*

RE: DPC Weekly Report

*Good*

**1. National Standards and Testing Initiative:** We are continuing to identify states to sign up for the 4th and 8th grade testing initiative. Governor Weld announced, at a recent education meeting with Governor Hunt in North Carolina, that Massachusetts will participate in the testing initiative. Last week, the West Virginia State Board of Education voted to participate; the State Board is now working to secure Governor Underwood's support as well. Secretary Riley recently met with Governor Carnahan in Missouri and Governor Dean in Vermont, and believes that both states will sign up shortly. New York State Commissioner of Education Rick Mills is working hard to secure the support of the State Board of Regents and Governor Pataki. We expect to get a number of firm commitments within the next few weeks and at that time will schedule a White House event to highlight the participation of this new group of states.

*Priority on well-need?*

**2. Service Summit:** We are working on a number of proposals for you to announce at the Service Summit. First, you can announce \$20 million in new Police Corps grants. Second, you may be able to announce new proposals for a teacher corps and child care corps. We are working to reach agreement with the Department of Education and OMB on the teacher corps proposal, which could take the form of giving scholarships to young people who will commit to teaching for a certain period of time in inner city and possibly rural schools. Our current thought is to submit the legislation creating this program as part of the reauthorization of the Higher Education Act, with questions of financing deferred to FY 99. We also are talking with HHS and the Corporation for National Service about a child corps program that would help meet the demand for high-quality child care, but these discussions are less far along.

*UP - Underwood & OMB*

Third, we are exploring Tony Campolo's idea of deferring, or even forgiving, interest payments on student loans while an individual is engaged in service. As you know, our income contingent repayment plan already allows people with low incomes to keep their loan payments affordable. (One question about Campolo's proposal is whether the small amount of additional relief it provides would induce more young people to serve. Fourth, we are reviewing proposals from federal agencies with the hope that you could announce that military and civilian employees (mostly military) will mentor or tutor a million children by the year 2000.

To build momentum toward the summit, we recommend that you announce at next week's Reading Is Fundamental event a commitment by federal agencies to adopt thousands of schools across the nation. We are also trying to ensure that in next week's radio address, when

*Wiederhold  
Lit. + school  
get for  
Wiederhold  
Niederhold*

you announce the transmittal of the America Reads legislation, you can say that several more colleges have agreed to use work-study slots to provide reading tutors.

3. **Medicare Trust Fund:** On April 24th, the Medicare Trustees (Secretaries Rubin and Shalala and Acting Secretary Metzler) will release the annual Medicare Trust Fund Report. Its findings and recommendations will not differ significantly from last year's report. Although the White House cannot review the actual document, we do know that the report projects that the Medicare Trust Fund will become exhausted in 2001 unless legislative action is taken and that the Fund will face much greater financing problems starting in 2010, when the baby-boomers start to retire.

It is unclear how the Republicans will react to release of the Report. They may attempt to use the Report to chastise us for not reforming the Medicare program. But because we have the only budget proposal on the table and it extends the life of the Trust Fund to 2007, they may hesitate to be overly critical. They also may worry about the effects of such criticism on budget negotiations. We may want to preempt any potential attacks by using the release of the Report to challenge the Republicans to move more promptly on the budget. But this response also poses a risk of impeding negotiations. We will keep close watch on the situation over the next few days and advise you accordingly.

4. **Child Care:** As follow-up to the Conference on Early Childhood Development and Learning, the DPC would like to launch an intensive policy process to examine ways to meet the demand for high-quality affordable child care. We will meet with experts across the nation and around the world, and we will examine a wide range of regulatory, investment, and tax proposals. We then will use next fall's Conference on Child Care, which you announced last week, as a forcing mechanism to develop a significant legislative proposal in this area.

5. **Washington State Request for Food Stamp Waiver:** You recently asked why the Department of Agriculture denied Washington State's request to waive the food stamp work requirements for people pursuing graduate equivalency diplomas. The Department concluded that it had no legal authority to grant this waiver, because the law allows waivers only on the basis of geographic criteria -- i.e., in areas (counties or cities) where unemployment rates exceed 10% or where there are insufficient jobs -- and not on the basis of any educational criteria. Using the legally authorized geographic standard, the Department so far has given waivers to Washington for all or part of 24 counties and 7 Indian reservations.

6. **Study on Crime Prevention:** This week the Justice Department released a study, requested by Congress, on federal crime prevention funding. The study received a fair amount of press because it asserts that many prevention programs, including DARE and midnight basketball, have little impact. In many respects, however, the study supports the direction the Administration has taken. Most notably, the study endorses programs for community policing and for prison drug testing and treatment. The study also says that formula and block grants are

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Let me  
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THE PRESIDENT HAS SEEN

41-21-97

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\* less effective than discretionary grants; it calls for targeting funding to urban neighborhoods where youth violence is highly concentrated. In light of the questions this study raises, you should know that your Anti-Gang and Youth Violence Bill would reserve 10% of juvenile justice grants for research on program effectiveness -- exactly the percentage the study says is appropriate.

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Bruce  
Clearly no number  
had lots of ideas here. ✓  
Assure you as follows ✓  
will report ✓  
The J ✓

THE PRESIDENT HAS SEEN  
4-21-97

File - DPC weekly  
report

COPY

April 19, 1997

'97 APR 19 PM 1:15

MEMORANDUM FOR THE PRESIDENT

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Priority on  
Weld's request?

Use  
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Newman

THE WHITE HOUSE  
WASHINGTON

April 19, 1997

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**1. National Standards and Testing Initiative:** We are continuing to identify states to sign up for the 4th and 8th grade testing initiative. Governor Weld announced, at a recent education meeting with Governor Hunt in North Carolina, that Massachusetts will participate in the testing initiative. Last week, the West Virginia State Board of Education voted to participate; the State Board is now working to secure Governor Underwood's support as well. Secretary Riley recently met with Governor Carnahan in Missouri and Governor Dean in Vermont, and believes that both states will sign up shortly. New York State Commissioner of Education Rick Mills is working hard to secure the support of the State Board of Regents and Governor Pataki. We expect to get a number of firm commitments within the next few weeks and at that time will schedule a White House event to highlight the participation of this new group of states.

**2. Service Summit:** We are working on a number of proposals for you to announce at the Service Summit. First, you can announce \$20 million in new Police Corps grants. Second, you may be able to announce new proposals for a teacher corps and child care corps. We are working to reach agreement with the Department of Education and OMB on the teacher corps proposal, which could take the form of giving scholarships to young people who will commit to teaching for a certain period of time in inner city and possibly rural schools. Our current thought is to submit the legislation creating this program as part of the reauthorization of the Higher Education Act, with questions of financing deferred to FY 99. We also are talking with HHS and the Corporation for National Service about a child corps program that would help meet the demand for high-quality child care, but these discussions are less far along.

Third, we are exploring Tony Campolo's idea of deferring, or even forgiving, interest payments on student loans while an individual is engaged in service. As you know, our income contingent repayment plan already allows people with low incomes to keep their loan payments affordable. One question about Campolo's proposal is whether the small amount of additional relief it provides would induce more young people to serve. Fourth, we are reviewing proposals from federal agencies with the hope that you could announce that military and civilian employees (mostly military) will mentor or tutor a million children by the year 2000.

To build momentum toward the summit, we recommend that you announce at next week's Reading Is Fundamental event a commitment by federal agencies to adopt thousands of schools across the nation. We are also trying to ensure that in next week's radio address, when

you announce the transmittal of the America Reads legislation, you can say that several more colleges have agreed to use work-study slots to provide reading tutors.

**3. Medicare Trust Fund:** On April 24th, the Medicare Trustees (Secretaries Rubin and Shalala and Acting Secretary Metzler) will release the annual Medicare Trust Fund Report. Its findings and recommendations will not differ significantly from last year's report. Although the White House cannot review the actual document, we do know that the report projects that the Medicare Trust Fund will become exhausted in 2001 unless legislative action is taken and that the Fund will face much greater financing problems starting in 2010, when the baby-boomers start to retire.

It is unclear how the Republicans will react to release of the Report. They may attempt to use the Report to chastise us for not reforming the Medicare program. But because we have the only budget proposal on the table and it extends the life of the Trust Fund to 2007, they may hesitate to be overly critical. They also may worry about the effects of such criticism on budget negotiations. We may want to preempt any potential attacks by using the release of the Report to challenge the Republicans to move more promptly on the budget. But this response also poses a risk of impeding negotiations. We will keep close watch on the situation over the next few days and advise you accordingly.

**4. Child Care:** As follow-up to the Conference on Early Childhood Development and Learning, the DPC would like to launch an intensive policy process to examine ways to meet the demand for high-quality affordable child care. We will meet with experts across the nation and around the world, and we will examine a wide range of regulatory, investment, and tax proposals. We then will use next fall's Conference on Child Care, which you announced last week, as a forcing mechanism to develop a significant legislative proposal in this area.

**5. Washington State Request for Food Stamp Waiver:** You recently asked why the Department of Agriculture denied Washington State's request to waive the food stamp work requirements for people pursuing graduate equivalency diplomas. The Department concluded that it had no legal authority to grant this waiver, because the law allows waivers only on the basis of geographic criteria -- *i.e.*, in areas (counties or cities) where unemployment rates exceed 10% or where there are insufficient jobs -- and not on the basis of any educational criteria. Using the legally authorized geographic standard, the Department so far has given waivers to Washington for all or part of 24 counties and 7 Indian reservations.

**6. Study on Crime Prevention:** This week the Justice Department released a study, requested by Congress, on federal crime prevention funding. The study received a fair amount of press because it asserts that many prevention programs, including DARE and midnight basketball, have little impact. In many respects, however, the study supports the direction the Administration has taken. Most notably, the study endorses programs for community policing and for prison drug testing and treatment. The study also says that formula and block grants are

less effective than discretionary grants; it calls for targeting funding to urban neighborhoods where youth violence is highly concentrated. In light of the questions this study raises, you should know that your Anti-Gang and Youth Violence Bill would reserve 10% of juvenile justice grants for research on program effectiveness -- exactly the percentage the study says is appropriate.

THE PRESIDENT HAS SEEN

4-7-97

DPC - Weekly report

THE WHITE HOUSE  
WASHINGTON

April 5, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: DPC Weekly Report

1. **Welfare Caseload Dropped 20% in First Term:** We haven't released them yet, but the final caseload reductions are in for the first term. Welfare caseloads dropped a record 2.8 million from January 1993 to January 1997 -- a 20% decline. There were 860,000 fewer families on welfare at the end of your first term than when you took office. Caseloads dropped in 47 states (Hawaii, Alaska, California, and D.C. are the exceptions). The greatest declines were in Wisconsin (49%), Oregon (43%), West Virginia (43%), Indiana (42%), and Oklahoma (40%); a total of 18 states had caseload declines of 30% or more. To put this in perspective, the caseload decreased as much in the last four years as it increased in the first 25 years of the AFDC program. (The welfare rolls did not reach 3 million until 1960.)

We can release these numbers in conjunction with Thursday's Cabinet meeting, when agencies and the White House will present their plans to hire people off welfare. We will follow up shortly with a Council of Economic Advisers white paper that attributes 42% of the caseload decline to economic growth, 32% to our welfare waivers, and 26% to other unexplained factors (e.g., increased child support collections, expansion of the EITC, heightened awareness of pending welfare reforms, and any unknown variables).

2. **Welfare-to-Work Foundation:** Eli Segal is ready to incorporate and announce his foundation, which will be headed by United Airlines CEO Gerald Greenwald. The CEOs of UPS, Burger King, Sprint, Monsanto, and probably Marriott will also be founding board members. Eli hopes to line up 15-25 other companies for a White House announcement in late April. His long-term goal is to sign up at least 2,500 businesses, and to help establish a national network of intermediaries like America Works to provide the job-readiness, job placement, and support many recipients need and most employers don't know how to provide. He plans to launch challenges in several major cities, and would like to kick off that effort with a major Presidential event with a few hundred businesses in Milwaukee in May or June.

3. **AIDS Developments:** Your idea to pick Sandy Thurman as AIDS Director is going over well in the community, and should be well-received at Monday's announcement. I have

Should the  
letter to Nelson  
the best?  
~~the best?~~

4-7-97

met with her several times, and think she's terrific. Your Presidential Advisory Council on HIV/AIDS will meet in Washington this week and make two major recommendations: 1) that you should call for increased investment in research to enable the development of an AIDS vaccine by a date certain (probably within a decade); and 2) that Secretary Shalala should certify that needle exchange programs reduce the spread of HIV and do not increase drug use. The first recommendation is good news, and may help us overcome NIH's steadfast resistance to letting us earmark more resources for vaccine research or specify a target date. On needle exchange, we'll have to proceed more carefully.

**4. Seat Belts and NEXTEA:** The Transportation Department has completed a report on measures to increase seat belt use toward a new national goal of 85% by the year 2000, but we need your sign-off on a key proposal. In most states, seat belt laws are enforced only when a driver is stopped for some other reason. But 11 states and D.C. have adopted primary seat belt laws, which allow for ticketing solely for failure to use a seat belt. Belt use in these states is 15% higher than in states with secondary enforcement laws. NHTSA estimates that enactment of primary belt laws by the remaining 39 states would save 1,800 lives a year.

The NEXTEA bill you announced March 12 includes financial incentives (grants) for states to adopt primary belt laws. Secretary Slater would like to send Congress a new safety title for NEXTEA to strengthen states' incentive by adding a "soft sanction": States that do not pass primary laws or achieve 85% belt use by October 2002 would have to transfer 1.5% of their federal highway funds into their highway safety programs.

The NGA opposes this proposal, as do the National Motorists Association, individual liberties groups, and some conservative and western members of Congress. A broad coalition of automakers, insurance companies, safety advocates, and law enforcement will support it. DOT believes the proposal has a good chance of congressional approval, in the wake of increased public outcry over airbags and attention to the importance of seat belts. Gene and I both recommend that you support Secretary Slater's proposal.

**5. Tobacco:** Federal Judge William Osteen in North Carolina has indicated he will not issue a decision on FDA's tobacco rule before April 14; but we expect him to issue his decision that day or shortly thereafter. Three general outcomes are possible: 1) the court upholds the rule; 2) the court rules that FDA has jurisdiction, but that portions or all of the rule are invalid; or 3) the court rules against FDA jurisdiction and the rule. We have worked with HHS, Justice, and other White House offices to prepare statements for each of these scenarios so you and others will be able to respond quickly to the decision. The Justice Department will review the decision immediately. If the decision is not completely favorable, we expect to be prepared to announce later that same day the Administration's intent to appeal. We are also working with the departments to prepare new policies you could announce within days or weeks after the decision to ensure further progress on tobacco as the FDA rule moves through the appeals process.

**6. California Testing Feud:** A few days after Delaine Eastin and 240 business leaders endorsed our testing initiative, the head of the California Board of Education (a Wilson appointee) wrote Secretary Riley contending that the state legislature would have to pass a new

4-7-97

law before the Board could consider proceeding with our tests. Eastin strongly disagrees, and has fired back publicly at the Board, pointing out that California already administers the NAEP test on a sample basis and that the Board has long sought a national means of assessment to compare California's performance with other states. It's too early to tell whether this is a short-term political feud or will heat up into a long-term problem.

**7. COPS Program:** The Justice Department has informed us that large-city demand for additional COPS grants is seriously lagging this year. Joe Brann wants our sign-off on administrative changes that will help avoid unspent COPS funding.

The Crime Bill requires half the grants to go to jurisdictions with populations of 150,000 or more. Currently, the program requires a 25% local match, three-year grants, and a cap of \$75,000 per officer over the life of the grant. Because large cities have much higher costs per officer, the cap forces them to pay a match of up to 40%. To generate further demand in large cities, Brann wants to use his discretionary authority to eliminate the cap, extend the grant period to 4 years, extend current grants for 1 year if they agree to add new officers (so that existing grants do not have less favorable terms), and require these cities to deploy the new officers to targeted "hot spot" crime areas. These changes could mean that it will take another year to reach 100,000 officers (2001 instead of 2000), but we don't have much choice if we're going to stimulate the necessary demand for large city applications.

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Let's see  
why?*

**8. Voting Rights and Education Reform:** This week, the Justice Department decided not to invoke the Voting Rights Act to block New York's school reorganization and reform efforts. The Department had caused a panic in New York City last month by threatening to delay reorganization on the grounds that it might disenfranchise school board voters, even though only 5% of people currently vote in those elections and the city's school boards have been notoriously unresponsive to public outcry for reform. This week's decision is a good precedent if the issue comes up in other states.

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coming up?*

THE WHITE HOUSE  
WASHINGTON

March 29, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED *BR/ek*

SUBJECT: DPC WEEKLY REPORT

*Dear*

1. **“California in the White House” Education Event.** We are preparing for a major endorsement of your national testing initiative on Wednesday, April 2. At a roundtable discussion, Delaine Eastin, California Superintendent of Schools, will announce that California will participate in the initiative. This commitment, when added to those from Maryland, Michigan, and North Carolina, means that about 20 percent of the nation’s 4th and 8th grade students will take our tests. In addition, John Doerr, managing partner of the venture capital firm Kleiner, Perkins, Caulfield & Byers, will announce that more than 100 high-tech CEOs are endorsing your testing initiative and will urge every governor and state education official to sign on to the tests.

2. **Smart Guns.** The National Institute of Justice is about three weeks away from announcing that it has chosen a prototype “smart gun” for testing in the field. The gun will have an “Action Radio Frequency Tag” that permits the gun to be fired only when it is within three feet of a wristband that the police officer will wear. The gun will also have a “laser-aiming element” that makes a red dot appear on the person at whom the gun is pointing. This feature apparently serves as an effective warning to the culprit that he should surrender. NIJ will provide a \$500,000 grant to a consortium of companies to demonstrate the gun and train police officers in its use.

*They  
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3. **Medicaid Coverage for Legal Immigrants Losing SSI.** DPC, OMB, and HHS have devised a plan to protect some legal immigrants losing SSI under the welfare law from automatically losing Medicaid as well. The problem arises because about 200,000 legal immigrants, concentrated in Florida and Texas, qualify for Medicaid solely because they receive SSI benefits; when these people stop receiving SSI, under the terms of the new law, they will no longer qualify for the Medicaid program. States can remedy this problem by amending their Medicaid programs so that these individuals will qualify for Medicaid through some other route, such as a “medically needy” category. (Most, though not quite all, legal immigrants losing SSI fall within the “medically needy” category.) But even states that generally want to continue to provide Medicaid to legal immigrants (as most do) may be reluctant to take the affirmative step of changing their Medicaid programs in order to do so.

Our partial solution would (1) widen the definition of “medically needy,” so that an additional 31,000 legal immigrants in states with a “medically needy” program will fall within

the definition and thereby qualify for Medicaid benefits, and (2) delay for one year the date when the remaining 160,000 people who now qualify for Medicaid solely by virtue of SSI will lose their Medicaid coverage. This solution does not go as far as the advocacy groups would have liked, but HHS attorneys think that it is the most that is legally permissible. The cost of the solution is \$1.4 billion over five years. Virtually all of this cost is already in our budget, as part of our proposal to preserve SSI and Medicaid for disabled legal immigrants.

OK

We would like to announce this policy in mid-April. OMB argues that our announcement should be low-profile so as not to provoke congressional criticism. The one downside of the proposed policy is that it could dilute some of the momentum for our legal immigrant "fix" package because we will have solved (for one year) one of the most sensational situations -- the eviction of legal immigrants from nursing homes. But Secretary Shalala, Frank Raines, and I all believe that we should go ahead with this plan to protect legal immigrants in danger of losing their Medicaid coverage.

OK

**4. Texas Privatization Plan.** You should have a memorandum from me summarizing a compromise approach to the Texas privatization question (agreed to by HHS, USDA, OMB, and NEC), giving the state far less than it wants, but allowing it to proceed with some administrative reforms. One fact not included in the memo is that Lieutenant Governor Bob Bullock and Comptroller John Sharp will both be members of the state panel choosing the bid and so will have some opportunity to protect union interests. If you are leaning toward directing the secretaries to reject the Texas request entirely, Secretary Shalala, Representative Stenholm, and Texas Land Commissioner Gary Mauro all would wish to talk with you to express their strong views on the question.

Use of law to waive by UPT best too

**5. Food Stamp Waivers.** You recently asked for a status report on waivers of the food stamp work requirements. As you know, the law allows USDA to waive these requirements in areas (counties or cities) where unemployment rates are over 10 percent or where there are "insufficient jobs." So far, USDA has used this authority to grant requests from 35 states to waive work requirements in areas satisfying this standard; 20 of these states have submitted new requests, now pending at USDA, to cover additional areas. USDA also is considering initial requests from five states to waive the work requirements in particular areas. The remaining ten states have not applied for a waiver. USDA estimates that without waivers, approximately 860,000 people would lose food stamp benefits as a result of the work requirements. Waivers approved to date have preserved benefits for about 30 percent (or 260,000) of these people. USDA expects that waivers ultimately will help 40-45 percent of this group.

Use Med for med state to waive work reqs

One notable waiver application is a recent request from California that the entire state get a six-month delay in the work requirements to give the State more time for administrative preparations. USDA can find no basis in the law for approving this request and plans to advise the State accordingly. In denying the statewide request, however, USDA will point out cities and counties in California that appear to be eligible for a waiver.

you must work with them

6. **Tribes and Food Stamp Waivers.** You also recently asked whether tribes can ask USDA directly for waivers of the food stamp work requirements. USDA believes that tribes cannot do so, essentially because the welfare law stipulates that "states" must apply for these waivers. USDA thinks it could treat a tribe as a "state" only if the tribe were to take over the food stamp program, including administrative costs and liability for penalties. Because this alternative is not practical, Secretary Glickman has taken steps to encourage states to work with tribes in preparing waiver applications; he also has made sure that data from the Bureau of Indian Affairs is available to states to establish waiver eligibility.

Stacy  
PUSH  
Clear

7. **April 1st Immigration Changes.** April 1st is the effective date of significant changes in the immigration law applying to illegal aliens. The new law affects a wide range of immigration matters, but most attention has focused on new removal procedures that facilitate deportations and restrict waivers of deportation due to hardship. The Administration is taking steps to allay widespread fears that mass deportations will occur when the law goes into effect. I will get you a more detailed memorandum early next week on the new provisions of the immigration law and Administration plans to implement them.

8. **Immigrants' Access to Justice.** The DPC and Department of Justice have been working with the American Bar Association on an initiative to encourage and train lawyers to provide pro bono representation to immigrants during this time of fundamental change to our immigration and welfare laws. The initiative will focus on representation of detainees applying for asylum and of legal immigrants seeking health and welfare benefits. We should be ready to make a joint announcement by the time of the ABA Conference in early May.

9. **Missing Children Update.** In January 1996, you signed an executive memorandum requiring the heads of departments and agencies to post missing children notices in federal facilities. Under GSA's coordination, missing children notices have gone up in about 900 federally owned or leased buildings since issuance of the memorandum. In addition, GSA has developed a web page that posts ten missing child or person notices on the internet each month. Of the children featured in GSA's various postings during 1996, eight were found and are now with their families.

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File:  
Weekly report

CM -

cc: Kagan, Jennings, Burke, Dye, Rice  
+ return

BA

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN  
3/31/97

March 1, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED *BR/el*

SUBJECT: DPC WEEKLY REPORT

**Handgun Safety Lock Directive:** A key provision in your Anti-Gang and Youth Violence Bill requires all Federally-licensed gun dealers to sell a safety locking device with every handgun. (A 1991 GAO study found that such devices could prevent one-third of all deaths resulting from accidental shootings.) To focus attention on this issue, we are preparing a directive that would require agencies to provide safety locks to all federal law enforcement officers, so that the officers can protect their children against accidental shootings. This directive would make the Federal government a model for the nation in promoting use of safety locks.

*good*

**Seat Belt Study:** The Department of Transportation will give you a report on March 10 on ways to increase seat belt use. Increasing belt use by only 15 percentage points -- from 68% to 83% -- would save over 2000 lives each year. DOT's report is likely to urge you to: offer financial incentives to states, consistent with our budget proposal, to improve and enforce seat belt laws; set an ambitious national goal for seatbelt use; and challenge the private sector to fund passenger safety education. DOT is working to get some private sector commitments now, so that you can announce them when you accept the recommendations contained in the report.

*good*

**Patients' Bill of Rights/Quality Commission:** We will be ready soon -- probably around March 10 -- to announce the members of the Advisory Commission on Quality and Consumer Protection in the Health Care Industry, which you will charge with developing a Patients' Bill of Rights. We can combine announcement of the Commission with the release of an HHS regulation that would guarantee an expedited appeal whenever a plan proposes to deny care that a Medicare patient believes is urgently needed.

*OK*

**Medicare Fraud Legislation:** HHS and DOJ jointly announced on February 25 a settlement agreement requiring a laboratory operation that had committed massive medicare fraud to pay \$300 million to the government. The settlement brought to over \$800 million the total amount recovered by Operation Labscam, a joint investigation of Medicare fraud undertaken by the two departments. These aggressive enforcement efforts prepare the way for a legislative proposal on medicare fraud that we could unveil as early as the week of March 10. This proposal, which we are currently working with HHS to finalize, would give the government new tools to go after Medicare fraud by requiring certain suppliers of health care services to provide identification numbers and to post bonds. We could announce this initiative in a radio address when you travel to Florida in the middle of March; alternatively, we could focus then on our children's initiative,

*good*

which would greatly assist Florida's efforts to expand coverage for children.

*2/20* ✓ **Child Support Enforcement:** HHS will soon be ready to submit to Congress a report required under the new welfare law recommending an incentive funding system, based on program performance, for state child support enforcement programs. The report recommends that incentive payments hinge on state performance in five areas: establishment of paternity, establishment of child support orders, collections on current child support due, collections on past child support due, and cost effectiveness. We can couple submission of this report with the release of new state-by-state data showing that child support collections have increased by more than 50% over the last four years.

THE WHITE HOUSE  
WASHINGTON

March 22, 1997

## MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES

FROM: BRUCE REED *BR/ek*

SUBJECT: DPC WEEKLY REPORT

**1. Mammography screenings.** The American Cancer Society will recommend on Sunday that women receive annual mammography screenings starting at age 40. The National Cancer Institute's National Cancer Advisory Board (NCAB) voted secretly today to issue the same recommendation on Thursday. This recommendation comes as something of a surprise given that the NCAB previously had advised that women between the ages of 40 and 50 get mammography screenings only in consultation with their physicians.

As currently planned, NCAB will make its announcement without any Administration representative present, so as to emphasize the scientific (*i.e.*, non-political) nature of the recommendation. Secretary Shalala, however, plans to release a concurrent written statement that the Administration has modified the Medicare language in its balanced budget proposal to reflect the NCAB's recommendation. (This modification will cost very little because Medicare covers only a few women between 40 and 50.) She also plans to release a letter to Medicaid directors advising them that the federal government will match any Medicaid expansion of coverage in this area. If the scheduling works out, I recommend that you bring Secretary Shalala to the White House and participate in making these announcements.

**2. FCC Liquor Letter.** Working with other White House offices, the DPC has prepared a letter for your signature calling on the FCC to consider appropriate responses to the decision of distilled spirits manufacturers to begin advertising on television and radio stations. You previously have approved the idea of sending such a letter. We learned last week that two Cabinet members have strong feelings about this proposal. The Attorney General very much supports asking the FCC to investigate and would be glad to send such a letter herself if you decline to do so. Secretary Shalala, however, is opposed to the action. She points out that "liquor is liquor," so that your action will immediately raise questions about beer and wine advertisements. She also argues that there is no good scientific data (as exists, for example, with respect to tobacco) connecting liquor advertising with children's consumption.

I recommend proceeding with the letter. You can explain limiting the letter to distilled liquor advertisements by referring to the fifty-year agreement that kept these ads off the air and urging that we not go backwards when it comes to liquor advertising. As for the comparative

dearth of scientific evidence, you will be asking the FCC to undertake an investigation, which presumably will include the collection and analysis of data on the link between liquor advertising and children's consumption. Especially given strong intuitive reasons for believing that such a link exists, it is appropriate for the FCC to explore this matter further and take whatever action is justifiable in light of the information it acquires.

**3. Assault Weapons Ammunition Clips.** We are continuing to explore the possibility of endorsing Senator Feinstein's bill to prohibit the importation of large-capacity ammunition clips manufactured prior to the enactment of the 1994 Crime Act. A grandfather clause in that Act, which the Administration specifically negotiated with Representative Dingell, currently has the effect of allowing the importation of these clips, thus ensuring a fairly constant supply of assault weapon ammunition. Since passage of the Act, the Department of Treasury has approved 83 permits seeking importation of 2,112,441 large-capacity magazines; importers actually have brought into this country a much smaller number of clips -- 157,236 -- under this permit authority. The clips originate in a variety of countries, but contrary to Senator Feinstein's assertions, none come directly from China: an order you issued in the Spring of 1994 barring China from importing any guns or clips into the United States prevents such shipments. We are now discussing this matter on the Hill (particularly with Senator Biden and Representative Dingell); we also are working with Treasury to consider alternative ways of addressing this issue.

**4. Brady Law Litigation.** The Supreme Court will decide on the constitutionality of the Brady Law within the next few months, and most experts believe that the Court will hold that the Federal government cannot require state and local law enforcement officials to conduct criminal background checks. (These officials, of course, can continue to do checks voluntarily.) We are developing a multi-pronged strategy to respond to such a decision. First, we expect to propose an alternative legislative scheme, less subject to constitutional attack, to ensure that background checks are performed. The Departments of Treasury and Justice are now in the process of considering such proposals and will report back to us shortly. Second, the Attorney General and Secretary Rubin will send a letter to every police chief and sheriff in the nation urging them to continue to enforce the Brady Law voluntarily. Third, the Attorney General and Secretary Rubin will announce a large number of pledges they already have received from police officers and sheriffs, vowing to continue doing background checks in their jurisdictions.

**5. Naturalization of individuals with disabilities:** The Administration issued regulations this week implementing legislation that exempts some people with disabilities from certain naturalization requirements. The regulations and supporting guidelines clarify the responsibility of the INS to accommodate an individual's disabilities during the naturalization process: they will enable many people with disabilities to become citizens who could not previously do so. On the most controversial issue, however, the Department of Justice concluded that the INS must continue to require all applicants to demonstrate some understanding of the nature of the oath in order to become a citizen. This interpretation will prevent a few severely disabled individuals from obtaining citizenship.

March 22, 1997

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SUBJECT: DPC WEEKLY REPORT

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*copies sent  
to Reed  
Bowles*

*File: DPC Weekly*

*E/K*

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN  
3-17-97

March 15, 1997

MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES  
FROM: BRUCE REED *BR/ek*  
SUBJECT: DPC WEEKLY REPORT

97 MAR 14 PM 6:41

1. **ABC Radio Town Hall.** During the March 12 ABC Radio Town Hall on drugs, a student named Mikisha Bonner told you that an open-air drug market operates across the street from her school. You told her that you would look into what could be done. In response to your request, General McCaffrey's staff contacted the DEA. Working with the Metropolitan Police Department, the DEA now has expanded an ongoing investigation in the vicinity of the open-air drug market. The DEA will keep General McCaffrey informed of the status of this investigation.

2. **Education Standards.** On Monday, the organization of Chief State School Officers - as well as a number of individual members -- will endorse your testing proposal. (You are currently scheduled to meet with the School Officers on Monday, along with the Vice President and Secretary Riley.) The following Monday (March 24), during your trip to California, California Superintendent Delaine Eastin and a group of Silicon Valley high-tech executives also will endorse your proposal. California's endorsement is very important because the State has 11% of the country's schoolchildren. We are currently considering whether you should give a speech in California on standards that takes on both the Ebonics movement and English-Only initiatives.

3. **Service Scholars.** You are currently scheduled to do an event on March 27 to launch the National Service Scholars Program, which you called for last year at Penn State. The program will provide \$1,000 scholarships for high school students who have performed outstanding service, with the federal government putting up \$500 out of existing Americorps funds and a community or service organization (e.g., Lions, Elks, Kiwanis, Moose) putting up the rest. You will issue an invitation to school principals to nominate students for the scholarship and probably announce some commitments from national organizations for matching grants as well.

4. **National Anti-Drug Media Campaign:** Your FY 98 budget includes \$175 million for a national anti-drug media campaign directed towards our youth. ONDCP can start this campaign right now by using discretionary funds in its FY 97 budget. We would like you to kick off the campaign next month at a Rose Garden event with one of the celebrities who has agreed to appear in an ad. ONDCP is currently reaching out to celebrities and sports figures such as

3-17-97

Michael Jordan, Grant Hill, and Tiger Woods; if Michael Jordan agrees, we should aim to have the event when the Chicago Bulls visit the White House on April 3. At the same time, you should release a letter to every network challenging them to match the federal government's contribution and begin dedicating more air time to anti-drug ads.

5. **Welfare business group announcement.** Eli Segal is planning a formal announcement of his organization in early April. He thinks he should make this announcement in Milwaukee, where he can line up the support of a few hundred businesses, Mayor Norquist, Governor Thompson, and the head of Manpower (Mitch Fromstein). This event is tentatively scheduled for April 7. I am attaching to this memo a recent editorial from the New Republic making specific reference to Milwaukee and concluding generally that "the process of transforming the underclass into a culture of working, two-parent families who are full participants in society is underway."

6. **Victims Constitutional Amendment:** In June 1996, you announced your support for a constitutional amendment to guarantee victims the right to be notified, to receive restitution and reasonable protection measures, and to be heard at sentencing and parole hearings. We are working on an event at which you would: (1) urge Congress to pass the Amendment quickly; (2) receive a report from the Attorney General, in response to your June 1996 directive, outlining measures taken by the Justice Department to increase and improve Federal services and protections for victims of crime; (3) announce the creation of a Federal victim notification system; and (4) announce that additional funding from the Victims' Crime Fund will be provided to victims' services and shelters throughout the country. The event could be held on April 19, which is the third anniversary of the Oklahoma City bombing, or the week of April 14 - 18, which is National Crime Victims' Week.

7. **Medical Records Privacy.** We are working with HHS to develop legislation that will protect the confidentiality of medical records and guard against inappropriate use of genetic screening information, while not frustrating legitimate medical research. The subject is complex, but we have this initiative on a fast track and should be ready to announce legislation in early May.

8. **Ban on Importation of Gun Clips.** We are looking into the possibility of endorsing Sen. Feinstein's bill to prohibit the importation of large-capacity ammunition clips manufactured prior to the enactment of the 1994 Crime Act. We have learned that Sen. Feinstein's bill would amend a provision of the Crime Act on which Rep. Dingell insisted as a condition of his support. We will have a recommendation later this week after discussions on the Hill with Rep. Dingell and Sen. Biden.

MARCH 24, 1997

# IT'S WORKING

Welfare reform is barely six months old, yet the verdict of the American left is in: it's a disaster. The bleak diagnosis is laid out in the cover story of the latest *Atlantic Monthly*, in which Peter Edelman, the Clinton appointee who quit in protest over the bill, chews over its fatal flaws. His complaints, echoed by Anthony Lewis in a March 4 *New York Times* op-ed piece, are familiar: 1 million more children in poverty, 11 million low-income families worse off, a race to the bottom by governors determined to drive their poor across the border. "How bad, then, is it?" Edelman wonders, rhetorically. "Very bad."

Edelman wrote his article this winter. But he could have written it a year ago. His predictions of a doomed future are just that—predictions, based on models done before the bill passed. In fact, the real evidence about the effects of welfare reform is in, and much of the news is good. While it's too early for euphoria, it's not too early for guarded hope. Preliminary reports show that, in every state but Hawaii, welfare caseloads have dropped. So far it seems the logic behind welfare reform was right: now that the incentives have changed, welfare recipients are making better decisions.

Edelman mentions, in passing, that the welfare rolls have decreased "somewhat." In fact, they've plummeted dramatically since the bill took effect. The decline in caseloads began three years ago and has spiraled since August. In the last year, caseloads have dropped 18 percent nationwide. A healthy economy accounts for only part of the decline. It does not explain why the steepest drop in caseloads—650,000—happened in the four months after the bill was signed. It also does not explain why the states with the most comprehensive reforms are showing the most improvement. Wisconsin, for example, lost about a third of its welfare recipients in the last year. In Milwaukee, the city with the nation's highest out-of-wedlock birthrate, caseloads dropped 23 percent.

Edelman's not-so-minor omission colors the rest of his analysis. In 2002, he grimly predicts, states will have less federal money than they would have had under AFDC, because bloc grants are fixed for six years. And they will chafe under the requirement to place 50 percent of recipients in jobs. But it's not at all clear that states will have less money. Bloc grants were set at 1994 levels, when caseloads were at a record high. Because of

the dramatic decline in caseloads, states actually have more money for the families left behind in the program.

The real 2002 may look more like this: barring a recession, close to half of welfare recipients are off the rolls. (After all, states are only 5 percent away from meeting the 1996 goal of 25 percent working.) That leaves a glut of money to pour on the hardest cases, who will need more training and hand-holding. States that cannot meet the requirement will be fined a small amount; if most states fail, the requirement will surely be relaxed. Some people will fall through the cracks—lose income, or even end up in homeless shelters. This is the inevitable price of positive cultural upheaval. What's important is that the process of transforming the underclass into a culture of working, two-parent families who are full participants in society is underway.

We agree with Edelman that denying benefits to legal immigrants and cutting adults off Food Stamps is gratuitous. Clinton should work to correct these failings, and many have already begun to correct themselves. Thirty-six out of the forty states that have submitted welfare reform plans are paying legal immigrants out of state funds. And the government has begun to quietly ease requirements for citizenship. Once these two problems are eliminated, much of Edelman's tragedy disappears.

Our faith in the future of reform, we realize, depends on the governors. And, thankfully, first reports show they are not as sinister as expected. In his latest budget, Wisconsin Governor Tommy Thompson increased welfare spending on each new family by 20 percent. This suggests middle-class stinginess is counterbalanced by another dynamic: once Americans see welfare as an effective work program, rather than a sponge, they can be convinced to pay for it.

Our faith also depends on something else: a belief in the human capacity for change. Edelman and other liberals who oppose reform speak of the poor as if they are irrevocably crippled, lost forever: "much of what we do in the name of welfare is more appropriately a subject for disability policy," Edelman writes. But, as we've learned over the last six months, the problem is much simpler. A small core of people need tremendous help. But the large majority seem to need only a small shove. That's the best news we could have hoped for. •



THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN  
3/31/97

March 1, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED *BR/eh*

SUBJECT: DPC WEEKLY REPORT

*good* **Handgun Safety Lock Directive:** A key provision in your Anti-Gang and Youth Violence Bill requires all Federally-licensed gun dealers to sell a safety locking device with every handgun. (A 1991 GAO study found that such devices could prevent one-third of all deaths resulting from accidental shootings.) To focus attention on this issue, we are preparing a directive that would require agencies to provide safety locks to all federal law enforcement officers, so that the officers can protect their children against accidental shootings. This directive would make the Federal government a model for the nation in promoting use of safety locks.

*good* **Seat Belt Study:** The Department of Transportation will give you a report on March 10 on ways to increase seat belt use. Increasing belt use by only 15 percentage points -- from 68% to 83% -- would save over 2000 lives each year. DOT's report is likely to urge you to: offer financial incentives to states, consistent with our budget proposal, to improve and enforce seat belt laws; set an ambitious national goal for seatbelt use; and challenge the private sector to fund passenger safety education. DOT is working to get some private sector commitments now, so that you can announce them when you accept the recommendations contained in the report.

*OK* **Patients' Bill of Rights/Quality Commission:** We will be ready soon -- probably around March 10 -- to announce the members of the Advisory Commission on Quality and Consumer Protection in the Health Care Industry, which you will charge with developing a Patients' Bill of Rights. We can combine announcement of the Commission with the release of an HHS regulation that would guarantee an expedited appeal whenever a plan proposes to deny care that a Medicare patient believes is urgently needed.

*good* **Medicare Fraud Legislation:** HHS and DOJ jointly announced on February 25 a settlement agreement requiring a laboratory operation that had committed massive medicare fraud to pay \$300 million to the government. The settlement brought to over \$800 million the total amount recovered by Operation Labscam, a joint investigation of Medicare fraud undertaken by the two departments. These aggressive enforcement efforts prepare the way for a legislative proposal on medicare fraud that we could unveil as early as the week of March 10. This proposal, which we are currently working with HHS to finalize, would give the government new tools to go after Medicare fraud by requiring certain suppliers of health care services to provide identification numbers and to post bonds. We could announce this initiative in a radio address when you travel to Florida in the middle of March; alternatively, we could focus then on our children's initiative,

which would greatly assist Florida's efforts to expand coverage for children.

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**Child Support Enforcement:** HHS will soon be ready to submit to Congress a report required under the new welfare law recommending an incentive funding system, based on program performance, for state child support enforcement programs. The report recommends that incentive payments hinge on state performance in five areas: establishment of paternity, establishment of child support orders, collections on current child support due, collections on past child support due, and cost effectiveness. We can couple submission of this report with the release of new state-by-state data showing that child support collections have increased by more than 50% over the last four years.

2-24-97  
THE PRESIDENT HAS SEEN

THE WHITE HOUSE  
WASHINGTON

February 22, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED BR/ek

SUBJECT: DPC WEEKLY REPORT

*X* 1. **Welfare caseload decline accelerates:** New HHS data show that the national caseload dropped 2% (230,000 people) in a single month, from October to November 1996. A separate USA Today survey through December shows the year-end caseload at 11.5 million, a 2.6 million drop since January 1993. The January 1997 figures should bring the total caseload decline in your first term to nearly 2.8 million, which would represent a 20% drop. In the memo we sent you earlier this week, we estimated that 1 million jobs would be needed to meet the welfare law's work requirements in the year 2000. This new decline could reduce that estimate to around 900,000.

2. **Mammography screening recommendation:** On February 25, the National Council Advisory Board is scheduled to make its final recommendations on mammography screening for women in their 40's. The Board is likely to give greater weight than before to evidence on the advantages of early screening. The Board, however, probably will not go so far as to recommend that women in their 40's have annual mammograms. It is our strong belief that we should defer to the Board's recommendations in this regard: we should not, and should not appear to, pressure the Board (or HHS) to modify its views. We should make certain, however, that communication of the Board's recommendation is handled sensitively and in a way that promotes consultations between women and their doctors on the advisability of mammography screenings. We also should consider taking the position that all insurers, whether public or private, should pay for mammography screenings that doctors, in consultation with their patients, determine to be medically necessary.

*Need need earlier*  
3. **Children's health executive order:** The DPC, NEC, CEQ, and OSTP are making good progress on an executive order designed to ensure that the federal government considers the special needs of children when taking regulatory action. The executive order, as currently drafted, requires every agency to determine whether a regulation may impose disproportionate risks on children and, if so, to evaluate the specific effects of the regulation on children. The executive order will highlight the importance of recognizing the unique needs of children in the context of federal policy making. We may wish to announce the action at or around the time of the White House Conference on Early Learning and the Brain.

4. **Naturalization of individuals with disabilities:** The INS expects to publish a final rule as early as next week implementing legislation that exempts some people with disabilities from

naturalization requirements. The regulations and supporting guidelines address INS's responsibilities to accommodate an individual's disabilities during the naturalization process. The regulations are widely anticipated and generally should be welcomed by the immigrant and disability communities. One issue, however, will remain controversial: the Department of Justice's conclusion that Congress did not authorize waiver of the oath. The INS will continue to require all applicants to demonstrate some understanding of the nature of the oath in order to become a citizen. This interpretation will prevent some severely disabled individuals from obtaining citizenship and could result in a loss of benefits.

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→ Web Cong. could do -  
5. **Service summit:** We are continuing to address your concerns about the service summit. Erskine and I recently met with Harris Wofford on the Corporation's activities in preparation for the summit. I also met with Rick Little, who will run the non-profit that will follow up on the summit; he is the founder and director of the International Youth Federation, a worldwide service organization, and is thoroughly non-political. My deputy, Elena Kagan, and a DPC staff member, Diana Fortuna, met with Stuart Schapiro, the CEO of the summit, who is a former aide to Mayor Rendell. Steve Silverman from Cabinet Affairs will join Harris in attending the summit's regular planning meetings to ensure a prominent role for Americorps and the Administration. We also will run an interagency group to consider proposals for the federal government's commitment to the summit: one proposed approach is to focus on the District of Columbia. Two of the most impressive private commitments to the summit have focused on Administration initiatives: Scholastic Inc. is donating 1 million books to America Reads and the California university system is donating 200,000 hours of work study each year to tutoring.

\*  
... is sound great but only about 800 studies with it?  
6. **Medicare trust fund figures:** On Monday, the Treasury Department will release its monthly report on the status of the Medicare Trust Fund. It will show a seemingly significant \$9 billion drop in reserves. This finding is not unexpected, and the current status of the Trust Fund is still almost exactly in line with projections from the June 1996 Trustees Report. But when a bad monthly report is released, some House Republicans use it as ammunition against us, suggesting that we continue to ignore the Medicare "crisis." Our response, as usual, should be that this finding is not out-of-line with the projections of last year's Trustees report, that fluctuations are normal and expected, and that the Trust Fund still has more than \$125 billion left in reserves. We then should point out that we still must take prompt action to strengthen the Trust Fund, as we have advocated in three successive balanced budget proposals.

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7. **Policy meetings on education, welfare reform:** The substantive meetings you requested on education and welfare are now on your schedule for March 6th and 7th. For the March 6th meeting on educational standards, we would like to bring in a handful of experts from across the political spectrum who support what you're trying to accomplish and have ideas for how to advance this effort: Marc Tucker, Diane Ravitch, High Price (a big supporter of standards), and E.D. Hirsch (who has his own network of support for high standards and "cultural literacy"). For the March 7th welfare meeting, we would like to bring in a few experts from the field who are actually moving people from welfare to work: Gary Stangler (who designed the Kansas City program), Peter Cove (who runs America Works), and Toby Herr (who runs Project Match in Chicago). Let me know if this sounds like what you had in mind.

*Elena*

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN  
2-18-97

February 14, 1997

100-2155

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED *BR/eh*  
SUBJECT: WEEKLY REPORT

1. **Needle exchange:** As you know, a panel of outside experts convened by the National Institutes of Health has completed a report indicating that clean needle exchange reduces both HIV transmission and drug use. On Tuesday, HHS will issue a congressionally mandated report summarizing scientific research on the effects of clean needle exchange. The HHS report also finds that needle exchange reduces HIV transmission, but reaches no conclusion on the question of drug use. The AIDS community will respond to the NIH report by urging Secretary Shalala to certify that needle exchange reduces HIV transmission and drug use, which would free up federal funding for needle exchange programs. Conservatives will respond to both reports by accusing the Administration of endorsing needle exchange. I will provide you with a more detailed summary of the scientific research next week. For right now, we should continue to say that it is up to local communities to decide which kinds of HIV prevention programs are appropriate.

2. **AIDS Director:** Friday was Patsy Fleming's last day as AIDS Director. We are still looking for a strong candidate to fill this position. On Thursday, we announced that Dr. Eric Goosby, a leading AIDS researcher from HHS, would serve as Acting Director.

3. **3-1-1 National Community Policing Number:** In response to a Justice Department petition, the FCC is expected to rule on Wednesday in favor of setting aside 3-1-1 as a non-emergency community policing number. In a speech last summer, you asked the Attorney General to work with the FCC, law enforcement leaders, and the telecommunications industry to develop a national community policing number for non-emergency calls. The Baltimore City pilot of 3-1-1 has been a big success, and many other cities are interested.

4. **Welfare reform and minimum wage:** I spoke with Gerry Shea, John Sweeney's right-hand man, about the Administration's views on applying the minimum wage law to welfare recipients participating in work activities. You recently approved a recommendation from me and Ken Apfel on this subject (which was in a memo from Gene on labor issues). In line with your comments, I told Shea that the Administration would come out his way on the key issue of whether workfare participants count as "employees" for purposes of the minimum wage law. I also told Shea that we would make our position public within the next few weeks. In a week or so, after we get some last details worked out, Ken and I will give you a fuller recommendation on how to apply the minimum wage law to workfare participants.

*Use need to make sure of this - I'll do it with you*

*Use need to make sure of this - I'll do it with you*

*Good*

THE WHITE HOUSE  
WASHINGTON

February 7, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed *BR/ck*

SUBJECT: Domestic Policy Council Weekly Report

**1. Reaction to Education Plan:** The education agenda you laid out in the State of the Union is getting high praise from across the political spectrum. In the latest USA Today poll, 83% supported your proposal for national tests in 4th-grade reading and 8th-grade math. All the major education groups have been supportive; the NEA said your overall plan was "extraordinary." Checker Finn and Diane Ravitch have spoken out publicly in favor of the tests, and Engler will as well. The only grumbling has come from some conservatives who don't understand the proposal or think it's a stalking horse for something else. Ralph Reed said he opposes "mandatory national standards"; Tommy Thompson complained about federal involvement in education. Mike Cohen is briefing the NGA staff next week, and expects most of the governors to come around once they hear the details.

**2. NEA and Teacher Standards:** In a National Press Club speech on Wednesday, Bob Chase pledged to transform the NEA into a force for school reform instead of an obstacle. For the first time, he endorsed the policy you spelled out at last year's NGA Education summit on getting teachers who don't measure up out of the classroom. "The fact is that in some instances, we have used our power to block uncomfortable changes -- to protect the narrow interest of our members, and not to advance the interests of students and schools. There are indeed some bad teachers in America's schools, and it is our job as a union to improve those teachers or -- that failing -- to get them out of the classroom." Al Shanker has supported our policy on this all along.

**3. Service Summit:** We're keeping close tabs on the summit. We meet regularly with Wofford, and check in weekly with Cisneros. They continue to line up impressive commitments; this week, Newsweek began a weekly feature called Commitment Watch, patterned after the Conventional Wisdom box. To make sure that the summit remains identified as your deal, we would like to plan one more White House event between now and April 28 in which you would announce another round of commitments, and perhaps launch AmeriCorps' high school scholarship matching program, which you called for at Penn State last year. We'll have some other proposals ready for your speech to the summit as well.

**4. Sex Offenders:** On February 23, 1997, the National Sex Offender Registry, which you

directed the Attorney General to establish in your July 21, 1996 Radio Address, will go on-line, allowing states to exchange information on sex offenders released from prison. But a sex offender released from a Federal or military prison is currently not required to be registered. We recommend that you send a directive to the Attorney General and the Secretary of Defense requesting that they close this loophole in conjunction with your announcement on the National Registry.

**5. Florida adopts welfare-to-work subsidy:** Florida is embracing the Kansas City model: Governor Chiles announced last week that an employer hiring a welfare recipient will receive that person's paycheck for six months. The employer also may qualify for a sales tax reduction.

**6. Welfare law implementation:** You recently asked, in response to a Washington Post report, about the extent to which states can give counties or other local governments responsibility for implementing welfare reform. The law allows states great freedom to devolve responsibility to local governments. States can permit or require local governments to design their own benefit systems and also can impose federal penalties on local governments for failure to meet the welfare law's requirements. As the Post article notes, local variations in benefit packages could be a positive development, as counties use their funds to meet needs unique to their area. But there is some concern that states will not distribute funds equitably, leaving some areas with the responsibility to implement welfare reform but inadequate funds to do this job successfully.

**7. Poultry Inspection:** You also recently asked about a Wall Street Journal article suggesting that USDA's new rule on poultry inspections does not adequately protect consumer safety. The article appears to be highly misleading. The new rule adds still further checks to a system that already requires visual checks of every poultry carcass. Consumer advocates are pleased with the Administration's progress on poultry (and meat) safety and are not attacking the recent rule. (The advocate quoted in the story as criticizing the rule has quietly let USDA know that the reporter caught her off guard and that she does not in fact object to the regulation.)

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THE WHITE HOUSE  
WASHINGTON

PRESIDENT HAS SEEN

2-10-97

February 7, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed *BR/ela*

SUBJECT: Domestic Policy Council Weekly Report

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OK

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*may not be long enough*

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THE WHITE HOUSE  
WASHINGTON

February 7, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed *BR/ck*

SUBJECT: Domestic Policy Council Weekly Report

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✓ 3. **Teen Pregnancy:** After the radio address earlier this month, you asked for an update on the National Campaign Against Teen Pregnancy. The group's progress is still slow and bureaucratic (lots of task forces), but they are preparing to launch a national media campaign in May. Done right, it could be a good opportunity. We will meet with Belle Sawhill to make sure it's a serious effort.

✓ 4. **Disability Work Incentives:** We have reached agreement with OMB, HHS, and SSA to extend health insurance to people on SSDI and SSI who go to work. Under a new Medicaid state option, states could offer a Medicaid buy-in for people with disabilities whose earnings increase. For Medicare, we will do a 5-year demonstration project.

✓ 5. **Human Radiation Experiments:** The Advisory Committee on Human Radiation Experiments is ready to announce its action plan, and we have prepared a Presidential memorandum directing agencies to issue new protections for subjects of classified research and annually disclose the number of classified research projects and participants. There is a great deal of press interest in this issue. We can plan event for February.

THE WHITE HOUSE  
WASHINGTON

January 10, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: Domestic Policy Council Weekly Report

**1. National Service Summit:** Harris Wofford is extremely eager for you to announce the upcoming National Service summit April 27-29 in Philadelphia. The summit is jointly sponsored by the Corporation for National Service and the Points of Light Foundation, and should produce new commitments from the major service organizations (Big Brothers/Big Sisters, the Red Cross, etc.) to expand their efforts in mentoring, public safety, and other forms of service. Harris believes the summit is critical to securing lasting bipartisan support for national service, and needs a strong Presidential launch as soon as possible. He wants you to know that this is your summit, and you should announce it. Bush and others will issue supportive statements at the same time. Ideally, you could announce the summit in a radio address right before or just after the Inaugural.

The summit would be an ideal opportunity to unveil some of the initiatives Harris outlined in his recent memo to you, if we haven't done so already. We are working with him to follow through on the ideas you highlighted.

**2. Role for Bill Bratton:** We should consider finding a role in the Administration for former NYPD Commissioner William Bratton. Now that he has decided not to run against Giuliani, Bratton is looking for a way to get back into public service, and would join the Administration if we asked. He would be an electrifying addition to the team as you set out to secure community policing as a lasting part of your legacy. Nothing would do more to keep the crime rate going down than to persuade the 30 largest cities where most of the crime takes place to adopt the New York model -- and Bratton might be the only man in America who could make it happen. He would also give us a media-savvy anti-crime spokesman who commands respect from the police, the press, and the public -- and he could be especially helpful in our efforts to transform D.C., which needs to overhaul its police department. We could hire him as a special adviser to Reno (the head of the COPS program, Joe Brann, has no plans to leave), or as your senior adviser for public safety here at the White House. You could announce it in the State of the Union, and have him sit in the First Lady's box. I know Bratton is interested. If you're interested, I will explore the idea with Reno and others here at the White House.

**3. Teen Pregnancy:** After the radio address earlier this month, you asked for an update on the National Campaign Against Teen Pregnancy. The group's progress is still slow and bureaucratic (lots of task forces), but they are preparing to launch a national media campaign in May. Done right, it could be a good opportunity. We will meet with Belle Sawhill to make sure it's a serious effort.

**4. Disability Work Incentives:** We have reached agreement with OMB, HHS, and SSA to extend health insurance to people on SSDI and SSI who go to work. Under a new Medicaid state option, states could offer a Medicaid buy-in for people with disabilities whose earnings increase. For Medicare, we will do a 5-year demonstration project.

**5. Human Radiation Experiments:** The Advisory Committee on Human Radiation Experiments is ready to announce its action plan, and we have prepared a Presidential memorandum directing agencies to issue new protections for subjects of classified research and annually disclose the number of classified research projects and participants. There is a great deal of press interest in this issue. We can plan event for February.

Rahm -

See page 3. We should talk about this. Elena

THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN  
10-7-97

October 3, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

**1. Education -- National Testing Initiative:** You will receive a memo this weekend on our continuing efforts to ensure that the Labor-HHS-Education appropriations bill permits our testing initiative to go forward. The memo explains that we will have to accept some changes to the current Senate provision (which allows the tests to proceed under NAGB's auspices) to have any hope of getting House Republican conferees to support it. Since writing the memo, we have learned more about possible compromise proposals. Bill Bennett and Checker Finn are floating an idea that would allow development of the tests to proceed under NAGB's control, require NAGB to make test specifications public by a fixed deadline, and enable implementation of the tests to proceed in Fiscal Year 1999 through either a specific congressional authorization or a simple appropriation of the necessary funds. We think that we would not give anything up by accepting this proposal. Rep. Porter is floating a far less attractive proposal that would allow development of the tests to proceed under NAGB's control, but condition their implementation on a specified percentage of states signing up to give them. It is not yet clear what the conferees think about either of these proposals.

**2. Education -- Charter Schools:** Reps. Riggs and Romer are developing a bill, to be marked up next week, that would amend the existing charter schools statute. The intent of the bill is to provide incentives for states to enact stronger charter schools laws -- laws that place few or no limits on the number of charter schools in a state, give charter schools broad freedom from state and local rules, require strong student performance for renewal of charters, and treat charter schools as separate local school districts. The legislation also would enable charter schools to receive start-up funds for five years, instead of the current three. The Department of Education has expressed support for the bill's general purposes, but reservations about specific provisions. The Department is especially concerned that the provision for treating charter schools as entire school districts could both distort distribution of Title 1 funds (giving relatively well-off charter schools more money than they otherwise would receive) and increase the administrative burdens on charter schools generally. The Department also thinks that the legislation would reduce the funds available for new charter schools by allowing those already in existence to keep their start-up funding for five years. We believe that we can work with Riggs and Romer to address these concerns, so that the Administration can strongly support the legislation.

Want to do this

Just to do [Signature]

✓ **3. Health -- New York Provider Tax:** HHS plans to announce our position on provider taxes next week and to begin discussions with New York and the other 35 potentially affected states on their potential liability. As part of this announcement, HHS will state its intent to issue a regulation clarifying the legality of regional provider taxes (which only New York has). This regulation -- which gives New York exactly what we offered during negotiations on the balanced budget bill -- effectively will wipe out two-thirds (over \$1 billion) of New York's expected provider tax liability. We nonetheless expect New York to react negatively. Chris Jennings will submit a memorandum to you early this week detailing our substantive position and our roll-out strategy.

✓ **4. Health -- Satcher Confirmation Hearing:** The Senate Labor and Human Resources Committee will hold Dr. Satcher's confirmation hearing on Wednesday. A coalition of medical groups will hold a press conference the day before to highlight the wide-ranging support that Dr. Satcher enjoys. Committee members will question Dr. Satcher closely about needle exchange, the ethics of the AIDS trials in Africa, and our proposal to combine the Office of the Surgeon General with the Assistant Secretary of Health. We feel confident, however, that Dr. Satcher will perform well and that the Committee will confirm him by a strong vote.

✓ **5. Welfare -- New Caseload Numbers:** Welfare caseloads dropped another 250,000 in June 1997, the month for which statistics just became available. This drop brings the welfare caseload to just below 10.5 million -- a 1.7 million (or 14 percent) decline since August 1996 and a 3.6 million (or 26 percent) decline since January 1993. We will release these numbers early next week.

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**6. Welfare -- September 30/October 1:** September 30 marked the end of the first quarter for which most states must submit work participation data to HHS under the welfare law. (States that began TANF in April or later need not submit data for this quarter.) HHS will not actually receive this data until mid-November. Preliminary reports suggest that most states will meet the 25 percent overall work rate, but that about 20 states will fail the 75 percent rate for two-parent families. HHS may issue fines against non-complying states of up to 5 percent of their block grants, or allow these states to enter into correction action plans. The DPC is now working with OMB to review HHS's proposed regulation on the work rates, which makes important decisions respecting how to calculate work participation and how to penalize noncompliance.

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• October 1 was the first day of operation of the National Directory of New Hires. HHS estimates that the directory will increase child support collections by \$6 billion over the next ten years by enabling states to locate parents owing money who live in other states. As you know, October 1 also marked the deadline for states to put in place comprehensive statewide child support computer systems. States need not tell HHS until December 31 whether they have met the deadline, but we believe that seventeen states, including California, will report that they have failed to do so. The DPC has started work with the House Ways and Means Committee to

develop legislation that will enable HHS to penalize noncomplying states without withholding all federal child support funds.

**7. Welfare -- Arizona Privatization Waiver:** The Department of Agriculture yesterday requested more information from Arizona on its request for a waiver to privatize food stamp and Medicaid operations in 13% of the State. This action allowed USDA to meet the welfare law's requirement that federal agencies approve, deny, or request more information on waiver requests within 60 days. USDA expects to take final action on the request sometime after Congress adjourns. The DPC will continue to work with USDA closely on this matter.

**8. Immigration -- Commission's "Americanization" Proposal:** As you know, the U.S. Commission on Immigration Reform released its final report to Congress on Tuesday. In addition to recommending fundamental structural reform (which we wrote about in our last weekly), the Commission calls for a new "Americanization Movement" -- a process to help immigrants integrate and become full participants in our national community. The Commission defines "Americanization" as the cultivation of a shared commitment to the American values of liberty, democracy, and equal opportunity. The Americanization proposal has three elements: education, orientation, and naturalization. First, the Commission calls for renewed commitment to the education of immigrant children, with a focus on English language acquisition. Second, it recommends that the federal government provide orientation materials to legal immigrants when they arrive, as well as modest grants to states to provide information on local resources available to immigrants. Third, the Commission proposes changes to the naturalization process (e.g., enhancing automation, improving civics and English tests, revising the naturalization oath) to enhance its credibility while maintaining an appropriate level of formality and ceremony. The DPC will review these proposals in conjunction with the staff of the race initiative.

*Blue  
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do it - this works  
pretty good -*

THE WHITE HOUSE  
WASHINGTON

November 21, 1997

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'97 NOV 25 AM 11

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

**1. Health -- Quality Commission Bill of Rights:** Your endorsement of the Quality Commission's bill of rights was well received. Many groups representing consumers, providers, and labor stated strong support for these consumer protections. In addition, Congressional Democrats are pleased with your position; Sen. Daschle and Rep. Gephardt both indicated strong interest in working with the Administration on this issue. The business community's response was relatively muted; only the National Federation of Independent Business came out strongly against the proposals, on the ground that they would raise health care costs and impose an intolerable burden on small businesses. As Chris mentioned in his memo to you, a recent analysis by Lewin and Associates concluded that the cost of these consumer protections would be modest --about 1/2 percent to 1 percent of premiums. We will continue our work with moderate Republicans and Democrats in Congress to develop legislation that you can endorse early next year.

**2. Health -- Mental Health Parity Regulation:** As you know, the Administration is currently considering how to implement the provision in last year's mental health parity legislation that exempts health plans from complying with the parity requirement if they can show that the cost of doing so would increase premiums by more than 1 percent. Two options are under discussion. The first would allow health plans to claim an exemption only after they have complied with the parity requirement for at least six months. The second would allow health plans to claim an exemption even before complying with the parity requirement, based on projections from their most recent cost data. Some of the lawyers believe that the second option represents the more natural reading of the legislative language, although all agree that both options are legally defensible. DPC, HHS, and the mental health community favor the first approach; OMB, Treasury, and the business community favor the second. The involved agencies plan to meet with Erskine this week to review the options and try to arrive at a consensus; we will give you a recommendation after the Thanksgiving holiday.

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**3. Crime -- Police-Public Contact Survey:** The Justice Department released a survey on Saturday showing that an estimated 45 million Americans -- roughly 1 in 5 -- have face-to-face contact with police officers each year. The survey shows that police initiate a bit less than a third of these contacts; most of the others occur when citizens report a crime, seek other assistance, or offer information to police officers. About 1 percent of those who came in contact with police reported that the police threatened or used force against them. Half of these individuals were black

or Hispanic; almost two-thirds reported that their own actions -- such as threatening the police or resisting arrest -- may have provoked the police action. According to the survey, persons in their twenties are most likely to have contacts with police, while the elderly (aged 60 and older) are least likely. Males are slightly more likely than females to have police contacts (23 percent of males vs. 19 percent of females), and whites are somewhat more likely than blacks or Hispanics (22 percent of whites vs. 16 percent of blacks and 15 percent of Hispanics). Only teenagers and Hispanics reported that police officers initiated the contacts more often than they did.

**4. Welfare -- U.S. Conference of Mayors Report:** The U.S. Conference of Mayors released a 34-city survey on Friday regarding implementation of the welfare law. The survey found that states have failed to consult appropriately with cities about welfare reform. The survey also concluded that although local private sector employers are willing to hire welfare recipients, many cities do not have enough low-skill jobs to meet the welfare law's work requirements. This finding rests on cities' unsubstantiated estimates of the number of low-skill jobs available and the number of city residents applying for them; it also conflicts with several other recent studies, including one by former OMB Program Associate Director Isabelle Sawhill. In any event, our new \$3 billion welfare-to-work program will give cities additional resources to hire or place welfare recipients.

**5. Race -- Attached Materials:** We are attaching to this memo a recent article by William Julius Wilson on strategies for achieving racial equality. In a recent memo, we quoted this article's thesis that the best way to make racial progress today is to focus on "issues and programs that concern families of all racial and ethnic groups, so that individuals in these groups can honestly perceive mutual interests and join in a multiracial coalition to move America forward." As you know, we believe that you should make this insight central to the Race Initiative and the President's Report that will conclude it. We thought you would like to read the entire article. We are also attaching a recent article by Harvard professor Orlando Patterson, who largely agrees with Wilson's views.

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THE WHITE HOUSE  
WASHINGTON

December 19, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

Don -  
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how whether we're on  
schedule for 100,000 cops  
and (it so) whether we're  
your baseline in schedule.  
12-29-97  
Could you give him a  
summary for next week's  
weekly in ~~the~~ how we're  
doing generally - including  
a response to recent reports

**1. Welfare -- Welfare-to-Work Competitive Grants:** The Department of Labor will release a notice in early January seeking welfare-to-work competitive grant applications. DOL will award a total of \$711 million in five rounds of competition, two in FY 1998 and three in FY 1999. Projects will be funded for up to three years. Both public and private entities may apply, including state and local governments and community and faith-based organizations. We worked with DOL to ensure that the notice seeks projects designed to place welfare recipients into jobs quickly and to provide the support services and skills training they will need to succeed in the work force. Like the activities supported by formula funds (the rest of the \$3 billion welfare-to-work program), these projects must serve long-term welfare recipients with multiple barriers to employment. DOL intends to award about 70 percent of competitive funds to projects in cities with high concentrations of poverty and about 30 percent to projects in rural areas. The first round of applications will be due in March.

**2. Crime -- COPS:** The Justice Department last week announced \$47 million in grants to fund an additional 800 police officers under the COPS Program. The grants went to law enforcement agencies in 32 states, and included a grant to New York City to fund 300 officers. The announcement brings the total number of officers funded under the COPS Program to 66,000.

**3. Crime -- 3-1-1 Community Policing Number:** Dallas launched a new citywide 3-1-1 non-emergency response system last week. Dallas residents will be able to call 3-1-1 and request any city service 24-hours a day, seven days a week. Baltimore celebrated its one-year anniversary as the nation's first 3-1-1 project on October 1. The 3-1-1 initiative in Baltimore has helped to reduce the volume of calls to 9-1-1 by 25 percent and to cut the average response time to emergency calls by two-thirds.

**4. Crime -- Brady Handgun Checks:** Ohio signed an agreement with the Justice and Treasury Departments last week to conduct background checks for all handgun sales. Arkansas is now the only state not conducting background checks. Despite an opinion issued by Arkansas Attorney General Winston Bryant that the state has the necessary authority, the Governor continues to refuse to allow the checks. As a result, Attorney General Bryant has asked the Treasury and Justice Departments to name him the designated chief law enforcement officer authorized to conduct background checks statewide. The proposal is currently under consideration by both Departments.

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This many jurisdictions will let this police  
officers go after the grant expires. Thanks  
much  
Elena

12-29-97

**5. Tobacco -- Document Disclosure:** Chairman Bliley released last week 834 tobacco industry documents that his committee had subpoenaed. The documents do not seem to contain any smoking guns, but reveal the industry's persistent efforts to conduct and support "scientific" research to support its litigation positions. More documents may come to light over the next month, as a result of either judicial rulings or additional congressional subpoenas. Chairman Bliley worked very closely with Rep. Dingell in demanding and releasing the documents; this cooperation may bode well for the progress of tobacco legislation in the House when Congress returns in January.

**6. Tobacco -- Smoking Cessation:** You recently asked about the possibility of funding smoking cessation efforts through national tobacco legislation. As the CEA informed you, a recent study in the *Journal of the American Medical Association* found that intensive smoking cessation programs can be among the most cost-effective of preventive intervention programs -- more cost-effective, for example, than mammography screening. Because of the proven success of these programs, you have stated that expansion of smoking cessation activities is a critical element of comprehensive tobacco legislation. The settlement itself proposed that \$1 billion annually for the first 4 years and \$1.5 billion annually thereafter would go to smoking cessation efforts. We have protected this level of funding in the budget process, rejecting proposals to use this projected revenue for non-smoking-related programs. This level of funding would be insufficient to allow the exact method of providing cessation services studied by *JAMA*, but neither HHS nor OMB thinks this method the most efficient. HHS is now preparing options for allocating smoking cessation funds, with estimates of how many quitters each option will produce. One potentially effective approach is to provide incentives to managed-care plans to encourage participation in smoking cessation programs.

