

NLWJC - KAGAN

EMAILS RECEIVED

ARMS - BOX 043 - FOLDER -005

[01/26/1999 - 01/27/1999]

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	Bruce Reed to Cynthia Rice and Elena Kagan re: Outperform [partial] (1 page)	01/26/1999	P6/b(6)
002. email	Phone No. (Partial) (1 page)	01/27/1999	P6/b(6)

COLLECTION:

Clinton Presidential Records
Automated Records Management System [Email]
OPD ([Kagan])
OA/Box Number: 250000

FOLDER TITLE:

[01/26/1999-01/27/1999]

2009-1006-F

bm86

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: James T. Heimbach (CN=James T. Heimbach/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:26-JAN-1999 08:29:00.00

SUBJECT: Follow Up Meeting

TO: Lawrence J. Stein (CN=Lawrence J. Stein/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Thurgood Marshall Jr (CN=Thurgood Marshall Jr/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Sylvia M. Mathews (CN=Sylvia M. Mathews/OU=OMB/O=EOP @ EOP [OMB])

READ:UNKNOWN

CC: Jessica L. Gibson (CN=Jessica L. Gibson/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

CC: Maya Seiden (CN=Maya Seiden/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

CC: Janet L. Graves (CN=Janet L. Graves/OU=OMB/O=EOP @ EOP [OMB])

READ:UNKNOWN

TEXT:

Steve Ricchetti would like to do a one-on-one meeting with each of you later this afternoon as a follow up to yesterday's strategy meeting. He anticipates each lasting about 30 minutes. Could you let me know what times work for you, and e-mail me your priority lists? Thank you.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jennifer M. Luray (CN=Jennifer M. Luray/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:26-JAN-1999 10:38:56.00

SUBJECT: FMLA and other budget events

TO: Nicole R. Rabner (CN=Nicole R. Rabner/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Shirley S. Sagawa (CN=Shirley S. Sagawa/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Neera Tanden (CN=Neera Tanden/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

Where are we regarding an FMLA anniversary event on Friday, 2/5 and a fair pay event highlighting our enforcement initiative? Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cathy R. Mays (CN=Cathy R. Mays/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:26-JAN-1999 10:46:07.00

SUBJECT: Tobacco Meeting--2:30 TODAY

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Joshua Gotbaum (CN=Joshua Gotbaum/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Caroline R. Fredrickson (CN=Caroline R. Fredrickson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: David W. Beier (CN=David W. Beier/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Daniel N. Mendelson (CN=Daniel N. Mendelson/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: J. Eric Gould (CN=J. Eric Gould/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Lisa M. Kountoupes (CN=Lisa M. Kountoupes/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Christopher C. Jennings (CN=Christopher C. Jennings/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Sylvia M. Mathews (CN=Sylvia M. Mathews/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Dawn V. Woollen (CN=Dawn V. Woollen/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Gina C. Mooers (CN=Gina C. Mooers/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Devorah R. Adler (CN=Devorah R. Adler/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Janet L. Graves (CN=Janet L. Graves/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Sandra L. Via (CN=Sandra L. Via/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Teresa M. Jones (CN=Teresa M. Jones/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Rhonda Melton (CN=Rhonda Melton/O=OVP @ OVP [UNKNOWN])

READ:UNKNOWN

TEXT:

Reminder -- Tobacco Meeting this afternoon. THE LOCATION IS CHANGED TO ROOM 211, OEOB. HHS, Treasury, and Justice will also attend.

----- Forwarded by Cathy R. Mays/OPD/EOP on 01/26/99
10:37 AM -----

Cathy R. Mays

01/22/99 10:25:52 AM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: Rhonda Melton/OVP @ OVP, Laura Emmett/WHO/EOP, Devorah R. Adler/OPD/EOP, Teresa M. Jones/OPD/EOP
Subject: Tobacco Strategy Meeting

You are invited to a meeting to discuss tobacco legislative strategy on Tuesday, January 26, at 2:30 p.m. in Bruce Reed's office. HHS and Treasury are also invited to this meeting.

Message Sent

To: _____
Elena Kagan/OPD/EOP
Christopher C. Jennings/OPD/EOP
David W. Beier/OVP @ OVP
Lisa M. Kountoupes/WHO/EOP
Caroline R. Fredrickson/WHO/EOP
J. Eric Gould/OPD/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: James T. Heimbach (CN=James T. Heimbach/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:26-JAN-1999 11:39:38.00

SUBJECT: Ricchetti Meeting

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jessica L. Gibson (CN=Jessica L. Gibson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Lawrence J. Stein (CN=Lawrence J. Stein/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Maya Seiden (CN=Maya Seiden/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Janet L. Graves (CN=Janet L. Graves/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Thurgood Marshall Jr (CN=Thurgood Marshall Jr/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Sylvia M. Mathews (CN=Sylvia M. Mathews/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:

Steve's follow up meeting will be at 3:30pm today in his office. Please call me if you have any questions at 6-2812. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ron Klain (CN=Ron Klain/O=OVP [UNKNOWN])

CREATION DATE/TIME:26-JAN-1999 13:22:35.00

SUBJECT: Welfare Debate, Redux

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

In the immortal words of one of our previous Democratic Presidential nominees, "This isn't just my fight, it's your fight, too:"

Bradley warming up for big game

By RON FOURNIER=

AP Political Writer=

CONCORD, N.H. (AP) Democrat Bill Bradley offered a glimpse of his battle plan against Vice President Al Gore by charging today that the 1996 welfare reform signed by President Clinton "cut the bond between the mother and the child."

"I think we clearly have a difference on welfare," Bradley said when pressed during a morning radio interview to distinguish himself from Gore, the presumed front-runner for the Democratic presidential nomination in 2000.

The law that Clinton signed in 1996 over objections from liberals transformed welfare from a federal entitlement to a block grant that enabled states to craft their own plans to help the needy.

"I thought there was a federal obligation to individual children who are poor," Bradley said, "not simply an obligation to take a pot of money and send it from one group of politicians to another group of politicians in a state."

Gore is not responding to Bradley's remarks, but spokesman Chris Lehane said: "Yesterday, President Clinton announced that America's welfare rolls were at their lowest in 30 years. Under the leadership of the Clinton-Gore administration, millions of Americans, including many in New Hampshire, have moved from welfare to work. Vice President Gore believes that this is the best help we can give to children, mothers and families."

Making his first campaign swing through New Hampshire, site of the nation's first presidential primary, the former New Jersey senator and Hall of Fame basketball player is trying to answer the most critical question of his Democratic presidential campaign: Why should primary voters side with him, not the vice president?

"Because they think I would be a better president and would have a better chance of winning," Bradley said at a Monday news conference in Manchester, N.H., to open the three-day trip.

But Gore has the power of the White House behind him; he jets across the country aboard Air Force Two and enjoys the support of a popular president. In New Hampshire, he stuffed mail boxes full of Christmas cards and White House invitations, and raised thousands

of dollars for Democrats who now owe him big.

So why does Bradley think he would have a better chance than Gore of winning the presidency?

``I think in part because I'd be better able to attract independents and Republicans in a general election,'' he said. Bradley says he proved during 18 years in the Senate that he can draw votes from both parties.

Gore might argue that he also can court GOP and independent voters, having served a president who forged the party's centrist ``third way.''

No matter; Bradley has other rationale for his candidacy.

``I have not been a part of the partisanship that has shaped the debate the last couple of years,'' Bradley said. Without saying so, Bradley was clearly trying to cast himself as the anti-Washington Democrat in a race against the son of a Tennessee senator who has never wandered too long from Washington.

He and Gore have ``different personal histories,'' the former senator said.

Bradley was raised in a small Missouri town, earned a Rhodes Scholarship, played in the National Basketball Association for 10 years, served a diverse state in the Senate and left to lecture and teach.

``I've been on the road 30 years in America as senator, a basketball player and writer, a lecturer and a businessman. I had a life before I got into politics and a life after I left the Senate,'' he said.

It all seemed designed to make Gore pale in comparison, but Bradley denied any such motive.

``I'm not really running against Al Gore, I'm running because of what I want to do ... for the country,'' he said.

Bradley says he wants to restore integrity to public office, ``bring out the best in people,'' help troubled children and ease economic woes of working families in what he calls this ``age of insecurity.''

He has to win first. And most Democratic operatives say his is a long-shot bid.

``This is something Bradley should have done six years ago,'' said consultant Harold Hodes of New Jersey, a longtime Bradley backer now in Gore's camp.

Still, the vice president has not locked anything up. Bradley senses an undercurrent of insecurity among voters and a general disgust with anything or anybody related to Washington.

``A lot of people see (Bradley) as a good way to change, to clean the slate,'' said Jim Gilmour, a Democratic voter interviewed over a bagel in nearby Keene, N.H.

Another Democratic voter, Frank Shlauer of Keene, said Bradley's chances ``will depend on how much heat Gore takes.''

Bradley plans to turn up the heat, especially if no other Democrat enters the race.

During a brief shoot-around with New Hampshire youths Monday, the old pro bent his knees and flicked his Hall of Fame wrist to send a basketball arcing toward the hoop. He missed his first few shots, watching the ball spin off the rim, before finding his range.

The ball ripped through the net with a whisper.

Swish!

Swish! Swish!

``It takes a while to warm up,'' Bradley said afterward, a warning to competitors in basketball and politics alike.

SCHEDULING PROPOSAL

TODAY'S DATE: 1/26/99

_____ ACCEPT

_____ PENDING

_____ REGRET

TO: Stephanie Street
Assistant to the President
Director of Presidential Scheduling

FROM: Bruce Reed
Assistant to the President for Domestic Policy
Director of the Domestic Policy Council

REQUEST: Event to Receive Gun Shows Report from the Department of Treasury and the Department of Justice

PURPOSE: To respond to a directive issued by the President to the Treasury Secretary and Attorney General to recommend actions to close the gun show loophole.

BACKGROUND: On November 7, 1998 the President directed Sec. Rubin and Attorney General Reno to recommend actions to close the gun show loophole that allows certain firearms sold at gun shows to be exempt from Brady background checks. Treasury and Justice are now prepared to report back with their findings and recommendations, which include:
-proposed legislation to provide for background checks at gun shows; and
-additional resources for enforcement at gun shows.

DATE & TIME: February 3, 1999

DURATION: 30 minute brief
45 minute event

LOCATION: The White House

PARTICIPANTS: The President
Secretary Rubin
Attorney General Reno
Members of Congress
Gun Control Advocates, possibly including Jim & Sarah Brady

Law enforcement officials

REMARKS REQUIRED:

Yes.

MEDIA COVERAGE:

Open Press.

RECOMMENDED BY:

Bruce Reed
Jose Cerda

CONTACT:

Karin Kullman
Domestic Policy Council
X61732

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	Bruce Reed to Cynthia Rice and Elena Kagan re: Outperform [partial] (1 page)	01/26/1999	P6/b(6)

COLLECTION:

Clinton Presidential Records
Automated Records Management System [Email]
OPD ([Kagan])
OA/Box Number: 250000

FOLDER TITLE:

[01/26/1999-01/27/1999]

2009-1006-F

bm86

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:26-JAN-1999 14:34:29.00

SUBJECT: Outperform

TO: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

Gary Black has it all figured out. All we have to do is give the industry an offset for liability judgments, and we can settle.

P6/(b)(6)

[001]

P6/(b)(6)

As Litigation Ills Mount, Industry Split On Whether To Embrace Settlement With Feds..

Gary Black (212) 756-4197
Jon Rooney (212) 756-4504
January 22, 1999

HIGHLIGHTS

1. We sense a split in the industry over whether to embrace the concept of a new settlement with the federal government as a vehicle by which to bring closure to this litigation wave. Over the next few weeks, we expect industry CEOs and their lawyers to open discussions with plaintiff counsel Richard Scruggs and DOJ lawyers, to assess the pros and cons of a new federal settlement.
2. Given explicit language in the 1962 Medical Cost Recovery Act (MCRA) that the federal government has the statutory authority to "institute legal proceedings against third person[s] who [are] liable for injury or disease[](.either alone or in conjunction with the injured or diseased person[])." we see little chance that a court would dismiss or rule in summary judgment against a fed claim.
3. There is confusion about the nature of the fed's lawsuit, which will seek recovery of federal spending on smoking-related diseases under Medicare, Veterans, and other federal programs. DOJ's lawsuit will not seek recovery for the fed's share of state Medicaid spending, which was the basis for the AG settlement. Some analysts have misinterpreted Janet Reno's 1997 quote that the federal government does not have authority to seek recovery as applying to Medicare, when, in fact, she was referring to Medicaid.
4. Conceptually, the federal settlement vehicle pitched by Scruggs, combined with the AG settlement, would get the industry close to the legal certainty envisioned by the June 20 accord. The industry would demand offsets (i.e. credits) for personal injury judgments

(individual, consolidated, classes), international judgments, third party recovery judgments not in the AG settlement, and excise tax hikes for a finite number of years. New settlements might be granted only a partial offset, to encourage a defense.

5. We expect the industry to cede limited FDA jurisdiction -- which could be the hook that convinces the health community to get behind a new settlement. Last year, the 4th Circuit rejected the Administration's en banc request to review the three-judge panel's ruling that the FDA had no authority to assert jurisdiction. The U.S. Supreme Court has been asked to review the matter.
6. The biggest obstacle to a new deal remains renegade pricing. The AG settlement gave the renegades a \$.45/pack cost advantage as long as their share didn't exceed the higher of 125% x 1997 share, or 1998 share. A \$150-\$200 billion federal settlement (\$7-\$8 billion/year) would give the renegades an additional \$.35/pack cost advantage. Because share caps would remain fixed, the practical volume upside for the renegades with an \$.80/pack cost advantage is not that different than with a \$.45/pack advantage.
7. A DOJ settlement would not require Congressional approval, and would likely be welcomed by Republicans who oppose both raising excise taxes and efforts by the Administration to take its average 60% share of the state AG settlements. Yesterday, Senators Gramm (R-FL) and Hutchison (R-TX) announced they would introduce legislation to block the Administration from taking any of the state Medicaid settlement proceeds. Risk: This could become a "Christmas tree" for other tobacco initiatives.

INVESTMENT CONCLUSIONS

We rate Philip Morris, RJR, and UST outperform. We expect tobacco stocks to remain weak near-term, given the odds of losing at least one of the four trials ongoing in February (Henley in California; Engle Phase I in Florida; Newcombe/Karney in Memphis; Ohio Iron Workers). Over the next few months, however, we expect stocks to rally as investors start to discount that the industry will again attempt to bring closure to this seemingly endless spiral of litigation, by constructing a federal settlement vehicle that essentially caps the legal risks not covered in the new AG settlement. Our simple premise: Once the industry has decided to settle, it cannot suddenly change course and decide to fight. We also perceive that investors are overlooking two fundamental issues that could trigger positive revisions: One, the 1999 consumption declines associated with the \$.45/pack price hike taken at the end of 1998 are likely to be about half the 10-12% declines predicted by management and other analysts. Second, BAT's purchase of Rothmans, which we expect will trigger a global consolidation wave, will improve global pricing, leverage distribution, and be accretive if funded with debt.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jeffrey L. Farrow (CN=Jeffrey L. Farrow/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:26-JAN-1999 15:06:55.00

SUBJECT: Territories & Pres' Initiatives

TO: William H. White Jr. (CN=William H. White Jr./OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: James J. Jukes (CN=James J. Jukes/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Brian A. Barreto (CN=Brian A. Barreto/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Joseph J. Minarik (CN=Joseph J. Minarik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Maria Echaveste (CN=Maria Echaveste/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Mindy E. Myers (CN=Mindy E. Myers/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Mickey Ibarra (CN=Mickey Ibarra/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: James B. Kazel (CN=James B. Kazel/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Anna M. Briatico (CN=Anna M. Briatico/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Sylvia M. Mathews (CN=Sylvia M. Mathews/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Marjorie Tarmey (CN=Marjorie Tarmey/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Maria E. Soto (CN=Maria E. Soto/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Janet Murguia (CN=Janet Murguia/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Fred DuVal (CN=Fred DuVal/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:

Many of the initiatives the President has recently announced raise Puerto Rico issues and some raise issues concerning the smaller territorial areas. Many of the benefits would not apply to Puerto Rico because they are tax credits, but the initiatives raise other issues as well relating to the underlying programs not applying to the areas or only applying to a limited extent.

Welfare to Work Tax Credit

- Would not apply in Puerto Rico

Medicare Reforms

- Puerto Rico in-patient hospital services payments are not equal**

Elementary and Secondary Education Act Reauthorization

- Puerto Rico is not treated equally**

Minimum Wage Increase

- Need to phase-in Northern Mariana Islands**
- Cong. Faleomavaega wants accelerated American Samoa phase-in**

Expanded Child and Dependent Care Tax Credit

- Credit does not apply to Puerto Rico

Business Child Care Tax Credit

- Would not apply in Puerto Rico

Stay at Home Tax Credit

- Would not apply in Puerto Rico

Long-Term Care Tax Credit

- Would not apply in Puerto Rico

Small Business Health Insurance Tax Credit

- Would not apply in Puerto Rico

Disabled Workers Medicaid Buy In

- Medicaid is capped in the territories**

Disabled Workers Tax Credit

- Would not apply in Puerto Rico

Cigarette Tax

- Need language on application to territories**

Workplace Education Tax Credit

- Would not apply in Puerto Rico

New Markets Tax Credit

- Would not apply in Puerto Rico

Specialized Small Business Investment Company Tax Credit

- Would not apply in Puerto Rico

Empowerment Zones Funding

- Territories not included

Trade Negotiating Authority

- Territories want to be consulted in negotiations that substantially affect them

International Labor Rights

- May need language on applicability to the Northern Marianas

Hurricane Mitch Aid

- Need to fund unmet Puerto Rico Hurricane Georges needs

Energy Efficiency Tax Credit

- Would not apply to Puerto Rico

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:26-JAN-1999 17:30:50.00

SUBJECT: this is how they're propping up their stock price...

TO: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

EARLY WORD: Facing the threat of federal lawsuits, executives at Philip Morris (MO) soon will float the idea of a food business spinoff, investment professionals say. The tobacco company's spinoff could create one of the world's largest publicly traded food companies. The U.S. Justice Department says it intends to file a multibillion suit against U.S. tobacco companies to cover health-care costs. The tobacco and food company's board of directors will meet this week.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Fred DuVal (CN=Fred DuVal/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:26-JAN-1999 17:48:47.00

SUBJECT:

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

pls check back with Justice on Tom Millers memo when you can. I appreciate it. Many thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:26-JAN-1999 18:24:15.00

SUBJECT: I'll go tomorrow, can you go Thursday?

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

Anything to report? I was going to discuss ed-flex

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:26-JAN-1999 18:51:01.00

SUBJECT: Injunction today in NYC Food Stamp/Medicaid case

TO: Devorah R. Adler (CN=Devorah R. Adler/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Christopher C. Jennings (CN=Christopher C. Jennings/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jeanne Lambrew (CN=Jeanne Lambrew/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

----- Forwarded by Cynthia A. Rice/OPD/EOP on 01/26/99
06:47 PM -----

J. Eric Gould

01/26/99 06:34:24 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc:
Subject: NY welfare injunction

Ruling that the Giuliani administration had overlooked the "urgent needs" of the poor in its zeal to implement welfare reform efforts, Judge William H. Pauley III of Federal District Court in lower Manhattan issued an injunction barring city officials from expanding their efforts to expand new welfare policies and requiring a corrective action plan by February 10. The judge ordered the city to revise its training and procedures to insure that workers are following federal law. "The city defendants, practices continue to endanger numerous individuals in need of public assistance, including children, expectant mothers and the disabled," Judge Pauley wrote in a 49-page decision issued this morning. The ruling acknowledged that welfare workers had repeatedly violated Federal laws that require them to allow people to apply for food stamps and Medicaid without delay.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:26-JAN-1999 20:05:19.00

SUBJECT: Social Security and the House Dem Retreat

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

looks cool that you got invited. go for it
----- Forwarded by Melissa G. Green/OPD/EOP on 01/26/99
08:04 PM -----

Charles M. Brain

01/26/99 07:20:29 PM
Record Type: Record

To: Gene B. Sperling/OPD/EOP, Lawrence J. Stein/WHO/EOP, Thurgood Marshall Jr/WHO/EOP
cc: See the distribution list at the bottom of this message
Subject: Social Security and the House Dem Retreat

This is an attempt to begin to reach some closure on the Issues Retreat coming up at Wintergreen on Monday Feb 8th.

A panel discussion entitled "Understanding the Numbers and Discussing the politics of Saving Social Security" is scheduled from 8:30 to 10:00. This will be attended by all members (approx. 130). The Caucus has invited Sec Rubin to appear on this panel. My understanding is that the Sec. is considering this request. Goode: What is Rubin's status? I have not determined who else will appear on this panel. I will do so and let everyone know. Larry, Gene: If Rubin does not attend, who do we want to suggest?

After this session five breakout sessions will be conducted from 10:00 to 11:00. Possible Admin participants at these sessions include:

Sperling
Apfel
Summers
Stein
Lew
Rubin.

It is my understanding that Apfel has already accepted. Larry and Gene: Does this look right to you? Gene: Do you want to attend? Given the 3 hour drive, it probably involves going down on Sunday. I'll talk to Linda Roberston about Summers. Larry: Do you want to talk to Jack?

The Caucus is looking for us to start finalizing things; they're willing to allow us to bring the folks we want at the sessions.

The Caucus will pay for food and lodging for any participants. However, they will not finance travel other than the buses going down on Sunday (late morning) and returning Tuesday noon, after the President's address. The Vice President addresses the caucus at dinner on Sunday night at 8:00.

Message Copied

To: _____

Melissa G. Green/OPD/EOP
Jonathan A. Kaplan/OPD/EOP
Jessica L. Gibson/WHO/EOP
Mindy E. Myers/WHO/EOP
Janet Murguia/WHO/EOP
Dario J. Gomez/WHO/EOP
Kris M Balderston/WHO/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jennifer M. Palmieri (CN=Jennifer M. Palmieri/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:26-JAN-1999 20:48:47.00

SUBJECT: Latest Coordinated Press Plan for this week is attached

TO: Julie E. Mason (CN=Julie E. Mason/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Patricia M. Ewing (CN=Patricia M. Ewing/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Marjorie Tarmey (CN=Marjorie Tarmey/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Victoria L. Valentine (CN=Victoria L. Valentine/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Amy Weiss (CN=Amy Weiss/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Sarah E. Gegenheimer (CN=Sarah E. Gegenheimer/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Julie B. Goldberg (CN=Julie B. Goldberg/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jennifer M. Palmieri (CN=Jennifer M. Palmieri/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jason H. Schechter (CN=Jason H. Schechter/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Beverly J. Barnes (CN=Beverly J. Barnes/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Nanda Chitre (CN=Nanda Chitre/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: CROWLEY_P (CROWLEY_P @ A1@CD@LNGTWY [UNKNOWN]) (NSC)
READ:UNKNOWN

TO: Julia M. Payne (CN=Julia M. Payne/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: WOZNIAK_N (WOZNIAK_N @ A1@CD@LNGTWY [UNKNOWN]) (NSC)
READ:UNKNOWN

TO: Brenda M. Anders (CN=Brenda M. Anders/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Dag Vega (CN=Dag Vega/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Marsha E. Berry (CN=Marsha E. Berry/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Christopher S. Lehane (CN=Christopher S. Lehane/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Dominique L. Cano (CN=Dominique L. Cano/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Sara M. Latham (CN=Sara M. Latham/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jake Siewert (CN=Jake Siewert/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Susanna B. McGuire (CN=Susanna B. McGuire/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Heather M. Riley (CN=Heather M. Riley/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Roger V. Salazar (CN=Roger V. Salazar/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: David C. Leavy (CN=David C. Leavy/OU=NSC/O=EOP @ EOP [NSC])
READ:UNKNOWN

TO: Dorinda A. Salcido (CN=Dorinda A. Salcido/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Mark A. Kitchens (CN=Mark A. Kitchens/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: James M. Teague (CN=James M. Teague/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Mark D. Neschis (CN=Mark D. Neschis/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Julianne B. Corbett (CN=Julianne B. Corbett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elizabeth R. Newman (CN=Elizabeth R. Newman/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Megan C. Moloney (CN=Megan C. Moloney/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Anne M. Edwards (CN=Anne M. Edwards/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Barry J. Toiv (CN=Barry J. Toiv/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT: [ATTACH.D37]MAIL40340672N.036 to ASCII,
The following is a HEX DUMP:

PRESS WEEK AHEAD JANUARY 23-29

Wednesday, January 26

- POTUS Social Security/Medciare Event (no advance)
- POTUS/VP Salmon Restoration Conference Call (no advance)

Thursday, January 27

- Advance Workforce Development Initiative (Adult Literacy?) (Siewert) (T)
- Advance HRC Asthma announcement to USA Today (Kagan) (T)

Friday, January 28

- Advance Urban Agenda to Knight-Ridder, NY Daily News (Siewert) (T)

Saturday, January 29

- EEOC Radio Address
- DPC budget options TBD

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:26-JAN-1999 22:19:54.00

SUBJECT: CBO Score of Tobacco Recoupment

TO: kburkel (kburkel @ os.dhhs.gov [UNKNOWN])
READ:UNKNOWN

TO: Lisa M. Kountoupes (CN=Lisa M. Kountoupes/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Daniel N. Mendelson (CN=Daniel N. Mendelson/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: J. Eric Gould (CN=J. Eric Gould/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: johara (johara @ osophs.dhhs.gov [UNKNOWN])
READ:UNKNOWN

TO: Caroline R. Fredrickson (CN=Caroline R. Fredrickson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Joshua Gotbaum (CN=Joshua Gotbaum/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

I was told tonight that CBO released its score today, estimating that the federal government will recoup \$2.9 billion over 5 years and \$6.8 billion over 10 years from the state tobacco settlements. CBO estimates states will collect \$48 million over 5 and \$97 million over 10 from the settlements and that 1) about half that is Medicaid; 2) the federal Medicaid share is 57%; 3) the feds recoup about 25% of what they're owed.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:26-JAN-1999 22:22:59.00

SUBJECT: Bruce you asked for the budget language on the Medicare lawsuit \$\$

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

The budget says:

"In addition to these Medicaid costs, tobacco-related health problems have cost the Medicare program billions of dollars each year. To recover these losses, the U.S. Department of Justice intends to bring suit against the tobacco industry, and the 2000 budget contains \$20 million to pay for necessary legal costs. The Administration will propose that all recoveries will be used to preserve and protect Medicare for future generations."

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: James T. Heimbach (CN=James T. Heimbach/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 27-JAN-1999 07:53:34.00

SUBJECT: Follow Up Meeting

TO: Lawrence J. Stein (CN=Lawrence J. Stein/OU=WHO/O=EOP @ EOP [WHO])
READ: UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ: UNKNOWN

TO: Thurgood Marshall Jr (CN=Thurgood Marshall Jr/OU=WHO/O=EOP @ EOP [WHO])
READ: UNKNOWN

TO: Sylvia M. Mathews (CN=Sylvia M. Mathews/OU=OMB/O=EOP @ EOP [OMB])
READ: UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ: UNKNOWN

CC: Jessica L. Gibson (CN=Jessica L. Gibson/OU=WHO/O=EOP @ EOP [WHO])
READ: UNKNOWN

CC: Maya Seiden (CN=Maya Seiden/OU=WHO/O=EOP @ EOP [WHO])
READ: UNKNOWN

CC: Janet L. Graves (CN=Janet L. Graves/OU=OMB/O=EOP @ EOP [OMB])
READ: UNKNOWN

TEXT:

Steve Ricchetti would like to reschedule yesterday's cancelled meeting for 5:00pm today. Please let me know if this works with your schedules.

Thanks

Guidance on Senate Mark-Up of Ed-Flex Partnership Act

- Q. Does the Administration support the Ed-Flex bill marked-up by the Senate Health, Education, Labor and Pensions Committee today?
- A. The President strongly supports the principle of greater flexibility in federal education programs, tied to greater accountability for results. Last year the President proposed an expansion of the Ed-Flex demonstration program -- part of his Goals 2000 program — that allows states to waive certain federal education requirements if they interfere with state or local approaches to improving student achievement. States would be eligible for this additional flexibility if they had in place high academic standards, tests that measure students and schools against these standards, school report cards telling parents and the public how well each school is doing, and a system for identifying and helping turn around the lowest performing schools. This is a responsible way to provide more flexibility, in exchange for greater accountability.

Unfortunately, Congress was unable to pass this proposal last year, and so is taking it up again now. The Administration would prefer to address this issue as part of the overall reauthorization of the Elementary and Secondary Education Act, to best ensure that we design Ed-Flex to fit the programs as they are designed for the next five years, not the last five years. The Administration's bill, to be transmitted in March, will contain such a proposal.

The bill under consideration by the Senate committee today is consistent with our proposal from last year. It passed with bipartisan support. We support it. And we will work with the Congress on this bill and through the ESEA reauthorization to ensure that we have both strong accountability and appropriate flexibility in federal education programs.

- Q. Under the Senate bill, would states be able to waive the accountability requirements the President proposed in his State of the Union Address?
- A. This bill, based on last year's proposal, actually contains many of the provisions in the President's proposal — higher standards, student testing, school report cards, and a procedure for intervening in failing schools. The underlying principle is consistent with the President's proposals and long-standing views — more flexibility in exchange for greater accountability. Because the President's State of the Union proposals have not been enacted, this bill does not address them. We will work with the Congress, on this bill and again in the ESEA reauthorization process, to ensure that a final Ed-Flex bill ensures that states meet all of their accountability obligations.

Guidance on Senate Mark-Up of Ed-Flex Partnership Act

- Q. Does the Administration support the Ed-Flex bill marked-up by the Senate Health, Education, Labor and Pensions Committee today?
- A. The President strongly supports the principle of greater flexibility in federal education programs, tied to greater accountability for results. Last year the President proposed an expansion of the Ed-Flex demonstration program -- part of his Goals 2000 program — that allows states to waive certain federal education requirements if they interfere with state or local approaches to improving student achievement. States would be eligible for this additional flexibility if they had in place high academic standards, tests that measure students and schools against these standards, school report cards telling parents and the public how well each school is doing, and a system for identifying and helping turn around the lowest performing schools. This is a responsible way to provide more flexibility, in exchange for greater accountability.

Unfortunately, Congress was unable to pass this proposal last year, and so is taking it up again now. The Administration would prefer to address this issue as part of the overall reauthorization of the Elementary and Secondary Education Act, to best ensure that we design Ed-Flex to fit the programs as they are designed for the next five years, not the last five years. The Administration's bill, to be transmitted in March, will contain such a proposal.

The bill under consideration by the Senate committee today is consistent with our proposal from last year. It passed with bipartisan support. We support it. And we will work with the Congress on this bill and through the ESEA reauthorization to ensure that we have both strong accountability and appropriate flexibility in federal education programs.

- Q. Under the Senate bill, would states be able to waive the accountability requirements the President proposed in his State of the Union Address?
- A. This bill, based on last year's proposal, actually contains many of the provisions in the President's proposal — higher standards, student testing, school report cards, and a procedure for intervening in failing schools. The underlying principle is consistent with the President's proposals and long-standing views — more flexibility in exchange for greater accountability. Because the President's State of the Union proposals have not been enacted, this bill does not address them. We will work with the Congress, on this bill and again in the ESEA reauthorization process, to ensure that a final Ed-Flex bill ensures that states meet all of their accountability obligations.

Guidance on Senate Mark-Up of Ed-Flex Partnership Act

Q. Does the Administration support the Ed-Flex bill marked-up by the Senate Health, Education, Labor and Pensions Committee today?

A. The President strongly supports the principle of greater flexibility in federal education programs, tied to greater accountability for results. Last year the President proposed an expansion of the Ed-Flex demonstration program -- part of his Goals 2000 program — that allows states to waive certain federal education requirements if they interfere with state or local approaches to improving student achievement. States would be eligible for this additional flexibility if they had in place high academic standards, tests that measure students and schools against these standards, school report cards telling parents and the public how well each school is doing, and a system for identifying and helping turn around the lowest performing schools. This is a responsible way to provide more flexibility, in exchange for greater accountability.

Unfortunately, Congress was unable to pass this proposal last year, and so is taking it up again now. The Administration would prefer to address this issue as part of the overall reauthorization of the Elementary and Secondary Education Act, to best ensure that we design Ed-Flex to fit the programs as they are designed for the next five years, not the last five years. The Administration's bill, to be transmitted in March, will contain such a proposal.

The bill under consideration by the Senate committee today is consistent with our proposal from last year. It passed with bipartisan support. We support it. And we will work with the Congress on this bill and through the ESEA reauthorization to ensure that we have both strong accountability and appropriate flexibility in federal education programs.

Q. Under the Senate bill, would states be able to waive the accountability requirements the President proposed in his State of the Union Address?

A. This bill, based on last year's proposal, actually contains many of the provisions in the President's proposal — higher standards, student testing, school report cards, and a procedure for intervening in failing schools. The underlying principle is consistent with the President's proposals and long-standing views — more flexibility in exchange for greater accountability. Because the President's State of the Union proposals have not been enacted, this bill does not address them. We will work with the Congress, on this bill and again in the ESEA reauthorization process, to ensure that a final Ed-Flex bill ensures that states meet all of their accountability obligations.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:27-JAN-1999 09:57:54.00

SUBJECT: editorial

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Michael Cohen (CN=Michael Cohen/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
It may not run anywhere, but this is one of the most supportive DLC op-eds I've ever seen.

----- Forwarded by Bruce N. Reed/OPD/EOP on 01/27/99
09:55 AM -----

Andy Rotherham <ARotherham @ dlcppi.org>
01/27/99 09:37:54 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP
cc:
Subject: editorial

This editorial is at the Post now, we are trying to get it in ASAP, but aren't optimistic. Apparently, DLC hasn't had one in five years. So, either we are due or out of luck.

If they don't take it, we will remove the pegs to the Broder column and try to place it elsewhere.

Andy

Andrew Rotherham
Director, 21st Century Schools Project
Progressive Policy Institute
600 Pennsylvania Ave., SE, Suite 400
Washington, DC 20003
(202)547-0001
(202)544-5014 FAX

- Broder--taking exception.wpd

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D83]MAIL412930822.036 to ASCII,
The following is a HEX DUMP:

Accountability not Accounting

David Broder rightly lauds the role the nation's governors play in education reform, but his criticism of President Clinton's school accountability plan misses the point and the magnitude of the proposal (Two Bill Clintons, Jan 21). By conditioning federal school aid on specific outcomes, with real consequences for those who fail to perform, Clinton is boldly recasting Washington's role in public education for the next century.

In his State of the Union address, Clinton proposed using the federal government's almost \$20 billion contribution to public elementary and secondary education as leverage to spur measurable improvements in student performance and teacher quality.

Specifically, he called on the states to stop promoting students based on seat time rather than subject mastery, enforce discipline, inform the public about how schools are doing through report cards, and turn around chronically failing schools.

Congress has a vehicle for adopting such an approach: the Elementary and Secondary Education Act (ESEA) which is up for reauthorization this year. First passed in 1965, ESEA programs come with extensive requirements for accounting, but little in the way of actual accountability for results. If coupled with a long overdue consolidation of programs and increased flexibility for local authorities, Clinton's "pay for performance" strategy could be the catalyst the states and localities need to get serious about raising school quality.

As Broder points out, many states are already pursuing reforms similar to those Clinton has outlined. They are doing so because these are proven reform strategies. So why, Broder asks, should Washington play a major role in education? For the following reasons:

First, federal support for elementary and secondary education is not trivial. Broder cites the common statistic that federal aid constitutes only 8 percent of public school spending. This is true on average, but averages often mislead. Most federal aid to schools is targeted; some districts get a lot and others receive little or none at all. School districts receiving substantial amounts of federal aid tend to have the highest concentrations of impoverished students and often the lowest test scores; it is here that Clinton's call for real accountability is most likely to stimulate improvement. In fact, a strong case can be made that federal dollars should be even more concentrated on the most impoverished areas; nonetheless, the current arrangements do provide Washington with real leverage.

Second, Washington has a special responsibility for low-income school districts. In fact, Title I, the largest federal education program, is focused on students in these districts. Unfortunately, two recent U.S. Department of Education evaluations confirm that Title I has failed to significantly close the achievement gap between poor students and their more affluent peers. This is despite \$118 billion in federal spending since 1965. If simply spending money were the key to equity, Title I would have produced more encouraging results than this. It seems that the unintended effect of this

spending made the federal government an accomplice in dysfunction by substituting federal dollars for real reform and keeping afloat failing systems. As a result, many districts seem to be simply not capable achieving higher standards without an external jolt. A pay for performance system means that Washington starts rewarding success rather than failure.

Third, despite the commendable efforts of reform-minded governors, the states cannot do the job alone. America's students still do not achieve at the levels required by increasing globalization and the emerging information based economy. Specifically, the abysmal state of many urban school districts demands more action. Moreover, state education bureaucracies are often notoriously change-averse themselves. We need to break down bureaucratic barriers to school reform, not simply transfer control over public dollars from one set of bureaucrats in Washington to 50 around the country.

Last, a world-class school system is a vital national interest. It's time for Washington and the states need to hammer out a new deal on education that plays to each sides' unique strengths and responsibilities. Washington should play a more active role in bench marking quality and measuring performance. It should play a less active role in operating top-down programs and micro managing how local school officials raise their students and teachers to higher levels of performance. The federal government should get out of the business of accounting for programmatic inputs and instead focus more strategically on empowering citizens with information, setting broad standards and goals, measuring and comparing results, and researching effective strategies for school improvement.

In practical terms, this means consolidating the myriad federal education programs into broad, performance-based funding that defines desired purposes and outcomes without prescribing how state and local authorities get there. Critics will characterize consolidation as a call for spending cuts, this is wrong. It is a call for more effective use of public funds. Block grants, the GOP's preferred instrument of devolution, are the wrong approach because they grant flexibility without demanding accountability.

The formula for better public schools is not complicated. Adequate resources, coupled with high standards and real accountability, add up to a quality education. President Clinton has been tireless on the first two issues and now is taking on the hardest of the three. The interest groups that cheered while he worked to increase federal funding for education will not greet his accountability proposals with the same enthusiasm. For their part, Republicans who claim to support reform are already deriding the proposal as violating the sacred principle of local control. In truth, Clinton and Riley are trying to strike a new and better balance between national goals and standards, and local control of public schools.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:27-JAN-1999 10:40:30.00

SUBJECT: FINAL press paper

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jonathan E. Smith (CN=Jonathan E. Smith/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jocelyn A. Bucaro (CN=Jocelyn A. Bucaro/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jennifer M. Luray (CN=Jennifer M. Luray/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Stacie Spector (CN=Stacie Spector/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Robin J. Bachman (CN=Robin J. Bachman/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Joseph C. Fanaroff (CN=Joseph C. Fanaroff/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Robert L. Nabors (CN=Robert L. Nabors/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Brian A. Barreto (CN=Brian A. Barreto/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Barry J. Toiv (CN=Barry J. Toiv/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Barbara Chow (CN=Barbara Chow/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Joshua Gotbaum (CN=Joshua Gotbaum/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: William A. Halter (CN=William A. Halter/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: jgreen@pfaw.org (jgreen@pfaw.org [UNKNOWN])
READ:UNKNOWN

TO: Paul E. Begala (CN=Paul E. Begala/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Glen M. Weiner (CN=Glen M. Weiner/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Ruby Shamir (CN=Ruby Shamir/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elizabeth R. Newman (CN=Elizabeth R. Newman/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Mickey Ibarra (CN=Mickey Ibarra/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jeffrey A. Forbes (CN=Jeffrey A. Forbes/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Christopher J. Lavery (CN=Christopher J. Lavery/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Lisa J. Levin (CN=Lisa J. Levin/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Aviva Steinberg (CN=Aviva Steinberg/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Robert B. Johnson (CN=Robert B. Johnson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Beverly J. Barnes (CN=Beverly J. Barnes/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Thomas D. Janenda (CN=Thomas D. Janenda/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Paul J. Weinstein Jr. (CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Douglas B. Sosnik (CN=Douglas B. Sosnik/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Laura D. Schwartz (CN=Laura D. Schwartz/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Bob J. Nash (CN=Bob J. Nash/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Janet Murguia (CN=Janet Murguia/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Linda L. Moore (CN=Linda L. Moore/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Anne E. McGuire (CN=Anne E. McGuire/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Julie E. Mason (CN=Julie E. Mason/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jacob J. Lew (CN=Jacob J. Lew/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Jeanne Lambrew (CN=Jeanne Lambrew/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Charles Konigsberg (CN=Charles Konigsberg/OU=OMB/O=EOP @ EOP [OMB])

READ:UNKNOWN

TO: Thomas A. Kalil (CN=Thomas A. Kalil/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Christopher C. Jennings (CN=Christopher C. Jennings/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Daniel D. Heath (CN=Daniel D. Heath/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Betty W. Currie (CN=Betty W. Currie/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Brenda B. Costello (CN=Brenda B. Costello/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Cheryl M. Carter (CN=Cheryl M. Carter/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Marsha E. Berry (CN=Marsha E. Berry/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Kris M Balderston (CN=Kris M Balderston/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Marjorie Tarmey (CN=Marjorie Tarmey/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jonathan M. Young (CN=Jonathan M. Young/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Carolyn T. Wu (CN=Carolyn T. Wu/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Adrienne C. Erbach (CN=Adrienne C. Erbach/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Chandler G. Spaulding (CN=Chandler G. Spaulding/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Andrea Kane (CN=Andrea Kane/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Linda Ricci (CN=Linda Ricci/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Karen Tramontano (CN=Karen Tramontano/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Sidney Blumenthal (CN=Sidney Blumenthal/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Mark D. Neschis (CN=Mark D. Neschis/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Noa A. Meyer (CN=Noa A. Meyer/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Andrei H. Cherny (CN=Andrei H. Cherny/O=OVP @ OVP [UNKNOWN])

READ:UNKNOWN

TO: Neera Tanden (CN=Neera Tanden/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Michael V. Terrell (CN=Michael V. Terrell/OU=CEQ/O=EOP @ EOP [CEQ])
READ:UNKNOWN

TO: Leanne A. Shimabukuro (CN=Leanne A. Shimabukuro/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Virginia N. Rustique (CN=Virginia N. Rustique/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Virginia M. Terzano (CN=Virginia M. Terzano/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Minyon Moore (CN=Minyon Moore/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Lynn G. Cutler (CN=Lynn G. Cutler/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: William H. White Jr. (CN=William H. White Jr./OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Barbara D. Woolley (CN=Barbara D. Woolley/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Charles R. Marr (CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Sara M. Latham (CN=Sara M. Latham/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Michael Waldman (CN=Michael Waldman/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jordan Tamagni (CN=Jordan Tamagni/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jake Siewert (CN=Jake Siewert/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Dorothy Robyn (CN=Dorothy Robyn/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: John Podesta (CN=John Podesta/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Alison Muscatine (CN=Alison Muscatine/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Kevin S. Moran (CN=Kevin S. Moran/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Joseph J. Minarik (CN=Joseph J. Minarik/OU=OMB/O=EOP @ EOP [OMB])

READ:UNKNOWN

TO: Cathy R. Mays (CN=Cathy R. Mays/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Bruce R. Lindsey (CN=Bruce R. Lindsey/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Ann F. Lewis (CN=Ann F. Lewis/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Karin Kullman (CN=Karin Kullman/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Nancy V. Hernreich (CN=Nancy V. Hernreich/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Michael Deich (CN=Michael Deich/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: MCrisci@arnellgroup.com (MCrisci@arnellgroup.com [UNKNOWN])
READ:UNKNOWN

TO: Michael Cohen (CN=Michael Cohen/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Phillip Caplan (CN=Phillip Caplan/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: David S. Beaubaire (CN=David S. Beaubaire/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Brenda M. Anders (CN=Brenda M. Anders/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:

there are also 2 Actuary letters: 1) from Office of the Actuary at SSA and the other from the Office of the Actuary at HICFA. If you need/want copies of these pls come by Sperling's office (2nd Floor west wing).

Thanks

----- Forwarded by Melissa G. Green/OPD/EOP on 01/27/99
10:34 AM -----

Sharon H. Yuan
01/27/99 10:20:00 AM
Record Type: Record

To: Melissa G. Green/OPD/EOP
cc:
Subject: press paper

**PRESIDENT CLINTON AND VICE PRESIDENT GORE:
Saving Social Security and Strengthening Medicare
January 27, 1999**

In His State of the Union Address, President Clinton Put Forward His Framework To Save Social Security And Strengthen Medicare. A week ago, President Clinton proposed his framework to allocate the projected budget surpluses over the next 15 years to meet America's challenges.

- **Save Social Security Now.** The President's framework includes transferring 62 percent of the projected budget surpluses over the next 15 years -- more than \$2.7 trillion -- to the Social Security system and investing a portion of the transferred surpluses in the private sector to achieve higher returns for Social Security -- just as any state or local government, or private pension does. This will keep Social Security solvent until 2055. The President believes we must work on a bipartisan basis to make the hard-headed but sensible and achievable choices to save Social Security until at least 2075, while reducing poverty among single elderly women and eliminating the limit on what older Americans on Social Security can earn.
- **Letter from Social Security Actuary Shows President's Proposal Saves Social Security Until 2055.** Today, a memo from Stephen Goss, Deputy Chief Actuary of the Social Security Administration, was released and it stated that the President's "proposal would extend the estimated year in which the combined OASDI trust funds would become exhausted by 23 years, from 2032 to 2055. It would reduce the size of the estimated long-range OASDI actuarial deficit by over one half, from 2.19 to 0.76 percent of taxable payroll." [Memorandum from Stephen Goss, Deputy Chief Actuary of the Social Security Administration, January 26, 1999]

Strengthening Medicare for the 21st Century. Today, President Clinton emphasized the importance of his proposal to dedicate 15 percent of the projected budget surpluses to the Medicare program, as part of his broad framework to save Social Security and Medicare for the 21st century. These resources alone would extend the life of the Medicare Trust Fund to 2020, as confirmed by the Medicare actuary in a letter released today. However, the President stressed that the dedicated surplus dollars should be used in the context of broader Medicare reforms that modernize and improve the program.

President Clinton Emphasized That Dedicating Revenues is Essential to Preserving and Strengthening Medicare.

- **Letter from Medicare Actuary Shows President's Proposal Keeps Medicare Solvent Until 2020.** Today, a memo from Richard Foster, Chief Actuary of the Health Care Financing Administration (HCFA), was released and it stated that "the assets of the HI trust fund would be depleted in calendar year 2020 under [the President's] proposal, as compared to 2008 under present law." [Memorandum from Richard Foster, Chief Actuary of the Health Care Financing Administration, January 27, 1999]

- **Medicare, like Social Security, Faces Challenge of the “Senior Boom.”** Medicare’s enrollment is expected to double by 2030. Moreover, by 2030, the ratio of workers (who help finance Medicare through payroll taxes) to beneficiaries is expected to decline by over 40 percent.
- **Without New Surplus Revenue, Medicare Spending Would Have to Be Reduced Significantly.** For the Hospital Insurance (HI) Trust Fund to be solvent only through 2017, it would take a 10 percent reduction in baseline spending in each year (all else held constant). For example, in 2000, this would amount to about \$15 billion -- more than Medicare pays for all of home health care.
- **Growth Would Have to Be Slowed to below General Inflation.** Even if Medicare per capita cost growth were constrained to general inflation in every year -- virtually unprecedented in health care and less than half projected private spending growth rate -- the Trust Fund would only be extended to 2016.
- **Experts Validate That Additional Revenues Are Critical to Preserving and Strengthening Medicare.** Health economists and experts agree: not only are new revenues needed but the surplus is a good source. Experts supporting this proposal include: Robert Reischauer, Henry Aaron, Judy Feder, Marilyn Moon, and Uwe Reinhardt and other respected economists.

The President Underscored His Strong Belief That Surplus Dollars Should Be Utilized In the Context of Broader Reforms to the Program. The President emphasized that it would be ill-advised to expand Medicare in the absence of broader reforms. He stressed that the additional dedicated dollars should be used in conjunction with important reforms which would modernize the program by providing market-oriented purchasing tools, additional savings, and a long- overdue prescription drug benefit.

The President’s Framework Would Also Allocate Projected Surpluses To Provide Tax Relief for Retirement Security and To Prepare America for the Challenges of the Future:

- **Create New Universal Savings Accounts -- USA Accounts.** After we save Social Security, the President would allocate 12 percent of the projected surpluses to create new Universal Savings Accounts (USAs). USA Accounts would be a \$536 billion tax cut over the next 15 years to help Americans save for their futures, providing Americans a flat tax credit to make contributions into their USA Account and additional tax credits to match a portion of an individual’s savings -- with more help for lower-income workers.
- **Prepare America for the Challenges of the Future.** And after Social Security reform is secured, the President’s framework would allocate 11 percent of the projected surpluses for military readiness and other pressing domestic priorities.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Karin Kullman (CN=Karin Kullman/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:27-JAN-1999 10:43:32.00

SUBJECT: Message Meeting

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TEXT:

I understand that there is a message meeting today at 4pm in the Roosevelt Room. As of right now the only message day open in next Wednesday, Feb. 3rd. I believe that we are pushing for the Gun Shows Report. However, I have also heard that Doug and Gene are pushing for POTUS to address the AARP Legislative Conference on that day.

The other thing out there is the drug strategy release, that ONDCP has requested happen on Feb. 8. Since we can't do it on the 8th due to the Central America event, I think we wanted to try to make it a secondary event the week before... maybe Friday, Feb. 5th in the afternoon.

I will make sure you both have info. on both the Gun Shows and Drug Strategy event. Please let me know if you need more info. from me.

Thanks!

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Amy Weiss (CN=Amy Weiss/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:27-JAN-1999 10:49:13.00

SUBJECT: Lott promises busy schedule once trial ends

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Janet Murguia (CN=Janet Murguia/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Charles M. Brain (CN=Charles M. Brain/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: SUNTUM_M@A1@CD@VAXGTWY (SUNTUM_M@A1@CD@VAXGTWY @ VAXGTWY [UNKNOWN]) (WHO)
READ:UNKNOWN

TO: Sheyda Jahanbani (CN=Sheyda Jahanbani/OU=NSC/O=EOP @ EOP [NSC])
READ:UNKNOWN

TO: Roger V. Salazar (CN=Roger V. Salazar/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jennifer M. Palmieri (CN=Jennifer M. Palmieri/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Dorinda A. Salcido (CN=Dorinda A. Salcido/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Sara M. Latham (CN=Sara M. Latham/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Mark A. Kitchens (CN=Mark A. Kitchens/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Amy Weiss (CN=Amy Weiss/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Mark D. Neschis (CN=Mark D. Neschis/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Julianne B. Corbett (CN=Julianne B. Corbett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elizabeth R. Newman (CN=Elizabeth R. Newman/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Megan C. Moloney (CN=Megan C. Moloney/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Brenda M. Anders (CN=Brenda M. Anders/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Dag Vega (CN=Dag Vega/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Julie B. Goldberg (CN=Julie B. Goldberg/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Barry J. Toiv (CN=Barry J. Toiv/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Michael A. Hammer (CN=Michael A. Hammer/OU=NSC/O=EOP @ EOP [NSC])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jessica L. Gibson (CN=Jessica L. Gibson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Joseph P. Lockhart (CN=Joseph P. Lockhart/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Ellen E. Olcott (CN=Ellen E. Olcott/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: David C. Leavy (CN=David C. Leavy/OU=NSC/O=EOP @ EOP [NSC])
READ:UNKNOWN

TO: Sarah E. Gegenheimer (CN=Sarah E. Gegenheimer/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Julie E. Mason (CN=Julie E. Mason/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Beverly J. Barnes (CN=Beverly J. Barnes/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jason H. Schechter (CN=Jason H. Schechter/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: James M. Teague (CN=James M. Teague/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Nanda Chitre (CN=Nanda Chitre/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: CROWLEY_P (CROWLEY_P @ A1@CD@LNGTWY [UNKNOWN]) (NSC)
READ:UNKNOWN

TO: Julia M. Payne (CN=Julia M. Payne/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: WOZNIAK_N (WOZNIAK_N @ A1@CD@LNGTWY [UNKNOWN]) (NSC)
READ:UNKNOWN

TO: Heather M. Riley (CN=Heather M. Riley/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Anne M. Edwards (CN=Anne M. Edwards/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Susanna B. McGuire (CN=Susanna B. McGuire/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Victoria L. Valentine (CN=Victoria L. Valentine/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TEXT:

Lott promises busy schedule once trial ends

WASHINGTON (AP) - Senate Majority Leader Trent Lott today promised a ``burst of activity'' after the impeachment trial to impress on

Americans that Congress is working on their behalf.

Lott, in a breakfast speech to the U.S. Chamber of Commerce, listed education, military pay and the year 2000 computer problem as among the first areas the Senate will address when the trial is over.

The Mississippi Republican said he thought the trial would be over in ``two weeks at the most, and then we have work to do. We need to get a burst of activity to show that we are attending to the people's business.''

One of the first bills on the Senate floor, he said, would be ``education flexibility'' legislation sponsored by Sens. Bill Frist, R-Tenn., and Ron Wyden, D-Ore., to extend a program giving state and local governments more freedom to try innovative approaches to teaching.

He said that before the end of February the Senate also hopes to pass legislation raising the pay of military personnel. ``We've got to pay attention to the fact that morale is down, we are losing ground in readiness and on pay and pensions we are shortchanging them and they are getting out.''

Within 10 days after the trial ``we're are going to make the senators all come to the Senate chamber and sit down and we are going to get a report'' about the status of efforts to correct computer glitches that could cause serious disruptions in basic services with the arrival of the year 2000.

He said legislation is being prepared that will help the private sector deal with the problem without facing a rash of lawsuits.

The Senate also will take up bills on the Federal Aviation Administration, juvenile crime, bankruptcy reform, financial services reform, a second

round of changes in welfare programs and fast-track trade authority for the president, Lott said.

He predicted that much time and debate will be spent working out differences with the administration on such major issues as Social Security reform, saving Medicare and protecting consumer rights from health care abuses.

Lott said Republicans would press for an across-the-board tax rate cut and would oppose administration plans to raise tobacco taxes or spend the budget surplus on Medicare and other programs.

Lott said it was unlikely that electricity deregulation will pass this year and added that ``the idea of this global warming treaty is going nowhere.''

Copyright 1999 Associated Press. All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:27-JAN-1999 10:54:19.00

SUBJECT: Re: Higher Ed Craziness

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

Imagine what kind of notes they would send if they hated each other

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Diane Ikemiyashiro (CN=Diane Ikemiyashiro/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:27-JAN-1999 11:18:24.00

SUBJECT: immigration

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TEXT:

Elena --

Leanne Shimabukuro referred me to you. I understand that you are handling immigration issues. Can you please review my draft and let me know if the language is okay? The language will be used as the form letter responding to constituents' letters regarding the Admin's position on legal immigration.

Thanks very much.

-- Diane

Thank you for sharing your views about immigration.

Our nation was built on the dreams and deeds of immigrants. The life of our country has been continually renewed and enriched by the many different people who choose to come here and become our fellow citizens. Each immigrant brings a part of his or her own heritage, which over time becomes part of our common heritage. It is of great importance for the future of our country that we expand that common ground, focusing more on what unites us than on what divides us.

Our new immigrants are revitalizing our cities, energizing our culture, and building up our economy. We have a responsibility to make them welcome here and they also have a responsibility to enter the mainstream of American life and contribute toward making our country a better place to live for all of its people. That includes learning English and learning about our democratic system of government. We must continue to recognize anew that working together in a spirit of community is not a hope but a necessity, that our individual dreams can only be realized by our shared efforts.

The abundant gifts of America's immigrants have helped make our country strong, and I encourage each of you to maintain and advance this important legacy.

Sincerely,

BC

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. email	Phone No. (Partial) (1 page)	01/27/1999	P6/b(6)

COLLECTION:

Clinton Presidential Records
Automated Records Management System [Email]
OPD ([Kagan])
OA/Box Number: 250000

FOLDER TITLE:

[01/26/1999-01/27/1999]

2009-1006-F

bm86

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Julie A. Fernandes (CN=Julie A. Fernandes/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:27-JAN-1999 11:58:48.00

SUBJECT: closeout

TO: Caroline R. Fredrickson (CN=Caroline R. Fredrickson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Dan Marcus (CN=Dan Marcus/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Steven M. Mertens (CN=Steven M. Mertens/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Scott Busby (CN=Scott Busby/OU=NSC/O=EOP @ EOP [NSC])
READ:UNKNOWN

TO: Cathy R. Mays (CN=Cathy R. Mays/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Andrea Kane (CN=Andrea Kane/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Paul J. Weinstein Jr. (CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

Attached is an outline of various immigration issues w/contact numbers. All of my files have been archived. Please contact Essence Washington (6-7732) if you need to retrieve anything (she has an inventory list of all that is included). If any questions arise, etc. please feel free to call me at my new digs: P6/(b)(6) [002]

julie

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D28]MAIL48181382K.036 to ASCII,
The following is a HEX DUMP:

FF5750435A040000010A020100000002050000004728000000200008ABF1FBA3405850E784AE9
4B2FF3789226CAE62C6BB53802C704E43E163FOC5FB8BA46AF0BF3E46D6BB0C759475EF6BFF3A8
AE224C76068DC3D359C9A1EE1B0C2BF708DF0EE1512A47E6EBD51AB4E8D81725585F41B1F66C4A

Immigration Issues -- as of January 27, 1999

1. Public Charge

Status: Need to finalize guidance, including the interim final rule on deportation.

Contacts: Cynthia Rice (DPC)
Dan Marcus (WH Counsel)
James Castello (DOJ) -- 514-3392
Bob Bach (INS) -- 514-3242 or 616-7767
Barbara Strack (INS) -- 514-3242 or 514-8860

2. NACARA regulations

Status: Comment period on the rule ends January 26, 1999. OLC has been asked to look at whether we could presume hardship for Salvadorans and Guatemalans covered by the legislation.

Contacts: Scott Busby (NSC)
James Castello (DOJ) -- 514-3392
John Morton (DOJ) -- 514-9343

3. Parity for Salvadorans and Guatemalans

Status: We are exploring legislation that would provide parity for Salvadorans and Guatemalans (equal to what the Nicaraguans got in NACARA). Leg. Affairs in consulting with the Hill re: what this bill would look like. There appears to be bi-partisan interest in some kind of legislative package, though many members are pushing for us to do the presumption of extreme hardship first.

Contacts: Scott Busby (NSC)
Caroline Fredrickson (WH Leg.)
James Castello (DOJ) -- 514-3392
John Morton (DOJ) -- 514-9343
Patty First (DOJ -- Leg. Affairs) -- 514-4810

4. H2A

Status: The Department of Labor has been approached by Senator Coverdell to begin again a bi-partisan process on H2A reform. We have been approached by grower lobbyists re: heading a process to do the same (though not necessarily a bi-partisan process). We have not yet decided whether we want to go down that road.

Contacts: Debra Bond (OMB)
Bob Schoeni (CEA) -- 495-4597
Elise Golan (CEA) -- 495-5040
John Fraser (Dept. of Labor) -- 693-0051
Earl Gohl (Dept. of Labor) -- 219-6141
Barbara Strack (INS) -- 514-3242 or 514-8860

5. Section 377

Status: OLC is looking at the question of whether the group that is considered "front-desked" can be expanded beyond the current group defined by the DOJ. We are also pursuing whether we could do a legislative fix to the registry date (to, perhaps, January 1984) that would relieve all bona fide members of the late amnesty class (all of whom had to be in the U.S. prior to January 1, 1982).

Contacts: Dan Marcus (WH Counsel)
Caroline Fredrickson (WH Leg.)
James Castello (DOJ) -- 514-3392
John Morton (DOJ) -- 514-9343

6. HIV+ Refugees

Status: We need to determine where the INS is in developing their comprehensive regulation. Scott is leading an inter-agency group on this.

Contacts: Scott Busby (NSC)
Todd Summers (WH Aids Policy Office)
Bob Bach (INS) -- 514-3242 or 616-7767

7. Visas for exploited workers/victims of trafficking

Status: *DOJ is working on draft legislation that would create a separate temporary visa category for aliens who cooperate in law enforcement actions and are victims of exploitation (including trafficking and smuggling).*

Contacts: **Scott Bubsy (NSC)**
Patty First (DOJ Leg.) -- 514-4810
John Fraser (DOL) -- 693-0051
Bob Bach (INS) -- 514-3242 or 616-7767
Wendy Patton (DOJ -- Office of Policy Development) -- ?

8. ESL/Civics

Status: *Our \$70 million initiative is in the FY 2000 budget. This is part of NEC's Adult Literacy initiative.*

Contacts: **Andrea Kane (DPC)**
Trish McNeil (Dept. of Education)
Ron Pugsley (Dept. of Education)

9. Naturalization

Status: *Steve Mertens at OMB is monitoring INS's progress at meeting their productivity goals (set last August). INS is preparing a briefing for Michael Deich that will explain their progress to date.*

Contacts: David Haun (OMB)
Steve Mertens (OMB) -- 495-4935
James Castello (DOJ) -- 514-3392
Steve Colgate (DOJ)

10. INS Reform

Status: *We introduced reform legislation during the last session of Congress. This is being monitored by Caroline Fredrickson and Steve Mertens.*

Contacts: **Steve Mertens (OMB)**
Caroline Fredrickson (WH Leg.)
Allen Ehrenbaum (INS) -- 514-8102
Patty First (DOJ Leg.) -- 514-4810

Albany, NY Times-Union

January

26, 1999

Welfare-to-work agenda gets boost

President calls for additional funding and help from corporations

SONYA ROSS, Associated Press

WASHINGTON -- Acknowledging it is getting tougher to clear public assistance rolls, President Clinton appealed Monday for corporations to help "deal with the remaining people on welfare" by hiring and training with their needs in mind.

Clinton spoke at a welfare-to-work ceremony as a few states released new figures showing that their dramatic declines in welfare recipients are starting to slow. He proposed expanding or extending programs that have proven successful to address those mired in the most persistent poverty.

Among his proposals were spending \$150 million in fiscal 2000 to provide job training and other support for fathers, \$430 million for housing vouchers and another \$150 million for transporting potential workers from inner cities to suburbs, where jobs tend to be more abundant.

"We don't have any excuse not to do it," Clinton said. "With a continually growing economy, businesses have to reach wider to get new talent."

House Ways and Means Committee Chairman Bill Archer, R-Texas, said Clinton's proposal runs counter to the trend indicated by the dropping caseloads and the existing \$7 billion in block grants at states' disposal to help those remaining on welfare.

"The lives of the poor and needy have been improved greatly," Archer said. "Now is not the time to abandon what has worked to go back to the failed system of throwing money

at a problem."

Nationally, just under 8 million people remained on welfare at the end of September, down 44 percent from 14.3 million in 1994. At the same time, some states saw welfare reductions slow during July, August and September.

Clinton said the figures mean reform efforts have reached a point where the problem has become most stubborn, and special, targeted action must be taken to get these people into the workplace.

"This is not charity," Clinton said. "It is good for America to do this, and it will work because most people are good people and they want to do the right thing."

Carlos Rosas, of St. Paul, Minn., said through a program targeting fathers he was able to find a better job and begin computer technology training, as well as resume support payments that keep his 12-year-old son Ricardo off welfare. He told Clinton fewer children would be on welfare if more of this type of help were available to their fathers.

"I've met many fathers in the program, and I know there are many more out there who have situations similar to, or worse than, my own," Rosas said.

Clinton said this could be accomplished easily if businesses respond to the human needs that have become obstacles to work for many on welfare.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:27-JAN-1999 14:12:35.00

SUBJECT: Re:

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

I think they should ask Edley for event ideas.

Other stuff we have in the junk drawer: details of what the Americorps budget increase will go for; work-site schools; acceleration of the 15-cent tobacco tax (just kidding)

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:27-JAN-1999 15:13:12.00

SUBJECT: Re:

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

It's only too late if we've already gotten a story. So, for example, work-site schools will still be news (small news) because no one will really know what it means from the line in the budget. Americorps is a tougher call -- probably worth a leak if we can get one.

There's always the Prisoner Work Demonstration program, although the President will want us to save that for himself.

THE CASE FOR INVESTING PART OF THE UNIFIED SURPLUSES IN EQUITIES

In his State of the Union Address, the President proposed that 62 percent of the unified budget surpluses over the next 15 years be transferred to the Social Security Trust Fund, in order to increase the ability of that Fund to meet promised Social Security benefit obligations. The President further proposed that about a fifth of the transferred surpluses be invested in equities to achieve higher returns for Social Security, helping to extend the life of the Social Security trust fund to 2055. This action does, however, raise understandable concerns about the possible extension of political influence on investment decisions and the risks that this might pose to the economy and the Trust Fund. Any system of collective investment can and must address these concerns. That is why we will work with Congress to design a system that observes five core principles:

1. **Private Sector Managers Selected by Competitive Bidding.** Social Security beneficiaries deserve the same efficient management and market returns that people receive in their private pensions and personal savings. The actual investments should be managed by private sector money-managers selected by competitive bidding.
2. **Independently Managed and Non-Political.** There would need to be wholly independent oversight of investment that was insulated from political influence. The choice of investment managers should be done by an independent board whose sole responsibility would be to pick fund managers so as to maximize the performance of the investments. This would ensure that the investment of funds was carried out with zero government involvement.
3. **Limited.** The share of Trust Fund assets invested in equities ought to be kept at a very modest level -- both to limit risk to the Fund and to ensure that collective investments never account for more than a small fraction of the stock market as a whole.
4. **Broad-based, Neutral, and Non-Discretionary.** Assets should be invested proportionately in the broadest array of publicly listed equities, with no room for discretion in adding or deleting companies and no room for active involvement in corporate decisions. Neither the government nor the private sector managers it selects to undertake investment on its behalf should be involved in "stock picking." As a shareholder the Funds should be entirely passive; one way to accomplish this would be to mandate that proxies be voted in the same proportions as other shareholders. Alternatively, if the investments were spread among a number of managers so that no one manager had a large share of the total market, the managers could vote the shares in the interests of the share holders, just as mutual fund managers do today.
 - *No Market Timing or Stock Picking.* In essence, the managers should be on autopilot in investing the funds. They should have little or no discretion in the investment of Trust Fund assets -- so they cannot "time the market" or pick individual stocks.
5. **Lowest-Cost.** Collective investment needs to be administratively simple and achieved at the lowest available cost -- both to obtain the highest possible returns and to further enhance the system's transparency and independence.

WHY INVEST PART OF THE SURPLUSES IN EQUITIES?**1. Investing Part of the Surpluses in Equities Would Raise the Rate of Return That Workers Would Experience on Their Contributions into the Social Security System.**

- Historically, the Trust Fund has been invested exclusively in government bonds. While these bonds have the upside that they are essentially risk-free, they have the downside that they pay a relatively low rate of return on average. Adding equities to the Trust Fund portfolio would allow the Social Security system to enjoy a higher rate of return, on average. Between 1959 and 1996, the difference between the average annual rate of return earned on stocks and the rate earned on bonds held by the Trust Fund -- the "equity premium" -- was 3.84 percent.
- Raising the rate of return on the Trust Fund would mean that the Social Security system could be brought into long-term actuarial balance with smaller reductions in benefits, or smaller increases in revenue, or both.
- Investing part of the transferred surpluses in equities accounts for about one-third of the improvement in the actuarial balance achieved under the President's framework.

2. Investing Part of the Trust Fund in Equities Would Bring Social Security into Line with the "Best Practice" of Both Private- and Public-Sector Pension Plans.

- The overwhelming number of private-sector defined-benefit pension plans invest part of their reserves in equities. Among large private-sector defined benefit plans (those with more than 100 participants), more than 40 percent of total assets of were invested in equities.
- Similarly, 65 percent of the portfolio backing the defined-benefit pension plan of the Federal Reserve System is invested in equities.
- In aggregate, state and local pension plans hold fully 10 percent of the overall stock market.

WHY IS EQUITY INVESTMENT BETTER UNDERTAKEN THROUGH THE TRUST FUND THAN THROUGH INDIVIDUAL ACCOUNTS?**1. Administrative Costs Associated with Trust Fund Investment Would Be Much Lower.**

- For example, the equity-fund component of the Federal Thrift Savings Plan (TSP) incurs annual investment-management costs of only about one basis point (one one-hundredth of a percentage point). Thus, for every \$100 in equity assets under management, the TSP pays only about one cent per year in management fees.

- By contrast, asset management fees for individual accounts such as IRAs typically run in the neighborhood of 100 basis points or more -- or about \$1 per year for every \$100 under management.
 - *The asset management fees associated with IRAs are thus typically at least 100 times larger than the fees associated with centralized investment.*
- Management fees are extremely important in determining the buildup of assets. A fee of one basis point paid every year for 40 years would reduce the accumulated balance by only about 0.2 percent. By contrast, a fee of 100 basis points would reduce the accumulated balance by about 20 percent.

2. Financial Risk Can Be Spread Much More Effectively If Equity Investment Is Undertaken Through the Trust Fund than Through Individual Accounts.

- Financial risk that arises through equity-investment of the Trust Fund can be spread both across the entire population participating in the system at any given point in time, and over time. Indeed, provided equity investment is undertaken through the Trust Fund, the consequences of market fluctuations can potentially be spread over many generations.
- By contrast, in a system of individual accounts, the consequences of market fluctuations must -- by definition -- be borne by each individual. If the market happens to do well during a certain individual's lifetime, that individual can enjoy a relatively prosperous retirement. If the market does poorly, that individual's financial security in retirement may be jeopardized.

<p>WHY CAN WE BE CONFIDENT THAT TRUST FUND INVESTMENT IN EQUITIES WON'T DISRUPT THE MARKET?</p>
--

- 1. This Is Not Direct Government Investment -- It Is Investment Undertaken by Private-Sector Managers Selected by Competitive Bidding.**
 - A bedrock principle of the President's program is that the government itself should not be a participant in the market. All transactions will be executed by private-sector managers.
 - The Thrift Savings Plan selects managers in a similar way, placing its portfolio with managers that bid the lowest cost. These managers also vote the shares of stock they control.
- 2. Institutional Rules Can Be Established to Create Very Strong "Fire Walls" Against**

Political Interference.

- The experience of state and local pension funds points to several elements of institutional design that have been essential in that context in helping prevent political interference.
- Investments can be made in a broad-based, neutral, and non-discretionary way. Through passive investing in an index, private-sector managers will not be involved in “stock picking.”
- History shows that political influence can be avoided. The overwhelming bulk of assets in state and local plans are invested wisely -- not in politically motivated ways.
- For example, the Federal Thrift Savings Plan (TSP) invests \$77 billion in stocks and bonds, with more than half in stocks. Francis Cavanaugh, the first executive director of the Board responsible for TSP investments, says that investments have been made without political interference. Specifically, in a recent news article, Cavanaugh said, “Can it be done? It’s been done... We did it.”

3. The Equity Holdings of the Social Security System under the President’s Program Would Be Modest Relative to the Holdings of Other Major Players in the Market.

- Under the President’s program, the Social Security system would hold an average of about 4 percent of the aggregate U.S. stock market.
- The top 10 largest private-sector portfolio managers all have more than one percent of the market under management. Fidelity, the largest such private-sector manager, has about 4 percent of the market under its management.
- By contrast, state and local governments in aggregate already hold about 10 percent of the market.

SAVING SOCIAL SECURITY NOW, WHILE MEETING AMERICA'S CHALLENGES FOR THE 21st CENTURY

In His State of the Union Address, President Clinton Put Forward His Framework To Save Social Security Now, While Meeting America's Challenges for the 21st Century. The President and Vice President's framework strengthens Social Security by:

- **Using The Budget Surplus To Help Save Social Security And Invest A Portion In the Stock Market To Seek Higher Returns.** The President proposes to transfer 62 percent of the projected budget surpluses over the next 15 years -- \$2.8 trillion -- to the Social Security system. The President proposes to invest less than one-quarter of the transferred surpluses in the private sector to achieve higher returns for Social Security -- just as any state or local government, or private pension does -- after working with Congress to devise a mechanism to ensure that the investments are made independently and without political interference by private sector managers with minimum administrative costs.
- **This Framework Will Save Social Security Until 2055 – And the President Will Work With Congress To Save It Until At Least 2075.** Transferring over 60 percent of the surpluses to Social Security and investing a portion in the market will keep Social Security solvent until 2055. The President believes we must work on a bipartisan basis to make the hard-headed but sensible and achievable choices to save Social Security until at least 2075. As part of this effort, President Clinton believes that we must:
 - (1) **Reduce Poverty Among Single Women.** Reduce poverty among elderly women -- particularly widows, who have a poverty rate nearly twice the overall poverty rate for older Americans; and
 - (2) **Eliminate The Earnings Test.** Eliminate the confusing and out-dated earnings test so that we stop discouraging work and earnings among older Americans.

After Social Security Reform Is Secured -- Consistent With the President's "Save Social Security First" Commitment -- the President Proposes To:

- **Strengthen Medicare for the 21st Century.** The President's framework will reserve 15 percent of the projected surpluses for Medicare, securing Medicare until 2020. The President further called for bipartisan reforms that would allow Medicare to be secure until 2020 while also providing prescription drug benefits.
- **Reserves \$536 Billion for Tax Credits to Create New Universal Savings Accounts -- USA Accounts.** The President's framework will reserve 12 percent of the projected surpluses to create new Universal Savings Accounts (USAs) so all working Americans can build wealth to meet their retirement needs. To help Americans save and to strengthen our current pension system, we would provide Americans a flat tax credit to make contributions into their USA Account. In addition, we would provide additional tax credits to match a portion of an individual's savings -- with more help for lower-income workers.
- **Prepare America for the Challenges of the Future.** The President's framework will reserve 11 percent of the projected surpluses for military readiness and other pressing domestic priorities.

A FISCALLY RESPONSIBLE PROPOSAL: PUBLICLY HELD DEBT FALLS TO LOWEST LEVEL SINCE 1917

- **Debt-to-GDP Ratio Will Fall to Lowest Level Since 1917.** As a share of the economy, the publicly held debt increased from 26% in 1981 to 50% in 1993. Since President Clinton took office, the publicly held debt as a share of GDP has dropped to 44 percent. And under the President's framework, current projections suggest that the publicly held debt, as a share of GDP, will fall from 44% today to less than 10% in 2014 -- its lowest level since 1917.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Karin Kullman (CN=Karin Kullman/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:27-JAN-1999 18:12:55.00

SUBJECT: Event Options

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

In my effort to become knowledgable about the different issues in our office and what announcements/events we have as options in the near future, I wanted to verify the list you gave at today's message meeting. I am trying to work with the team leaders to hear their ideas of what is coming up, and will work with them to understand the specifics of each one. Here is the list I have of what you named in the meeting.

Nursing Homes

Over-the-Counter Prescription Labeling

Child Seats

Social Promotions Guide

Parental Discrimination

Do you have any others?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Todd A. Summers (CN=Todd A. Summers/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:27-JAN-1999 18:17:54.00

SUBJECT: Baltimore Sun editorial on needle exchange/minority initiative

TO: mmartin@os.dhhs.gov (mmartin@os.dhhs.gov @ inet [UNKNOWN])
READ:UNKNOWN

TO: Devorah R. Adler (CN=Devorah R. Adler/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Daniel N. Mendelson (CN=Daniel N. Mendelson/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: mdonahue@os.dhhs.gov (mdonahue@os.dhhs.gov [UNKNOWN])
READ:UNKNOWN

TO: Sarah A. Bianchi (CN=Sarah A. Bianchi/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

Thought you might find this interesting. It's an editorial from last Sunday's Baltimore Sun (1/24/99).

AIDS initiative lacking

Needle exchange: Missing component will make it more difficult to reach national objectives.

AN INGREDIENT is missing in the Clinton administration's \$156 million campaign to reduce AIDS cases in African-American and Hispanic communities. The plan does not fund needle exchange programs such as the one that has operated successfully in Baltimore since 1994.

That's despite the Department of Health and Human Services' acknowledging the effectiveness of such programs in slowing the spread of HIV without increasing illegal drug use.

The White House initiative directs money to HIV prevention programs, more drug treatment slots and local health departments that treat the medical needs of their AIDS populations.

The president's campaign responds to data showing that the percentage of African Americans among new AIDS cases has jumped from 25 percent to 45 percent since 1986. Among Hispanics, the percentage has increased from 14 percent to 22 percent.

AIDS is the leading killer of black men ages 25 to 44. The grim statistic is in part a result of intravenous drug use and of illicit sex in prisons, where the population is disproportionately African American.

The White House initiative could free up local funding for communities to pay for their own needle exchange programs. But local efforts aren't likely to have the same support or impact as a national program to provide clean needles to addicts.

The Baltimore program has distributed nearly 2 million syringes to more than 7,000 addicts in five years. Dr. Peter Beilenson, the city's health commissioner, says studies show the AIDS transmission rate among needle-exchange participants is 40 percent lower than among the general addict population.

Baltimore's success should not be ignored by a federal government

searching for new ways to fight AIDS. Mr. Clinton deserves commendation for expanding the fight against AIDS, but for maximum impact he needs to add needle exchange to the public health arsenal.<P
Originally published on Jan 24 1999

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Karin Kullman (CN=Karin Kullman/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:27-JAN-1999 18:18:17.00

SUBJECT: Re: Event Options

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

Great, thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Rebecca L. Walldorff (CN=Rebecca L. Walldorff/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:27-JAN-1999 18:20:40.00

SUBJECT: Legislative Rollout meeting with Ricchetti tomorrow

TO: Carolyn T. Wu (CN=Carolyn T. Wu/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Karen Tramontano (CN=Karen Tramontano/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Peter A. Weissman (CN=Peter A. Weissman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Dominique L. Cano (CN=Dominique L. Cano/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Cathy R. Mays (CN=Cathy R. Mays/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Thurgood Marshall Jr (CN=Thurgood Marshall Jr/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Sylvia M. Mathews (CN=Sylvia M. Mathews/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Charles R. Marr (CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Ruby Shamir (CN=Ruby Shamir/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Maya Seiden (CN=Maya Seiden/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jessica L. Gibson (CN=Jessica L. Gibson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Janet L. Graves (CN=Janet L. Graves/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:

Steve would like to have the larger group meet for a Legislative Rollout meeting tomorrow (Thursday Jan 28th) at 1PM in the Roosevelt Room. Email me with questions and conflicts..

Thanks!

Rebecca

67288

S. 18, the SAFER Meat and Poultry Act (Safe and Fair Enforcement and Recall)

Senator Harkin has again introduced the food safety bill we supported last year that gives USDA much-needed leverage in regulating food processors and handlers. The SAFER Meat and Poultry Act, one of the Democratic Leadership's Initiatives, would: (1) require processors and handlers to notify the USDA about contaminated meat and poultry products; (2) authorize USDA to conduct mandatory recalls of unsafe products; (3) clarify and reinforce the USDA's authority to refuse or withdraw inspection of plants that violate safety standards or procedures; and (4) give the USDA the power to assess civil fines for violations. Currently, the USDA can respond to food safety violations only by bringing criminal actions or withdrawing inspections; and all recalls are done on a voluntary basis and no civil penalties are available.

S. 74, Paycheck Fairness Act

The Paycheck Fairness Act, an equal pay measure the Administration supported last year, is also included in the Democratic Leadership Initiative. The legislation, introduced by Senator Daschle, includes three major provisions:

Increased Penalties for the Equal Pay Act (EPA). The legislation adds full compensatory and punitive damages as remedies, in addition to the liquidated damages and back pay awards currently available under the EPA. The proposal would put gender-based wage discrimination on equal footing with wage discrimination based on race or ethnicity, for which uncapped compensatory and punitive damages are already available.

Non-retaliation provision. The bill would prohibit employers from punishing employees for sharing salary information with their co-workers. Currently, many employers are free to take action against employees who share wage information

Training, Research, and Pay Equity Award. The bill provides for increased training for EEOC employees on wage discrimination; more field research on equal pay; and the establishment of a national award to recognize model employers.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Maria Echaveste (CN=Maria Echaveste/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:27-JAN-1999 19:21:36.00

SUBJECT: Budget Roll-Out

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

Do you think you might be able to help out with the budget briefing?
Thanks/

----- Forwarded by Maria Echaveste/WHO/EOP on 01/27/99
07:19 PM -----

Clara J. Shin
01/27/99 05:54:13 PM
Record Type: Record

To: Maria Echaveste/WHO/EOP
cc:
Subject: Budget Roll-Out

Would you put Bruce and Elena on call that we may need them to serve as surrogates during the budget roll-out activities? As of now, their names are not next to anything but we may need them -- particularly next week. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Karin Kullman (CN=Karin Kullman/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:27-JAN-1999 19:36:49.00

SUBJECT: Boston Education Event

TO: Tanya E. Martin (CN=Tanya E. Martin/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Michael Cohen (CN=Michael Cohen/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

We had a preliminary meeting on next Tuesday's Accountability event in Boston. Here's what we have so far:

Location: The advance team will look at the four elementary schools we have given them as options tomorrow. Our options came as suggestions from the Supertintendant of Boston City Schools/Mayor's Office. All schools were recommended because they were identified as having made the most progress in terms of test scores, etc. recently.

Timing: Due to the lengthy luncheon POTUS will attend right before the event, the time being held is currently approximately 2:30-3:45pm.

Program: We are still trying to confirm whether or not Sec. Riley will go to Boston for the event. Hopefully we'll know that tomorrow. Otherwise, the people who are currently possibilities on the program would include:

Sec. Riley

Mayor Menino

Other Elected or Member of Congress, if they attend

Someone from the school we choose

Real Person

- From my conversations with Mike, it sounds like the real person we would want is a teacher or parent that can talk about their recent improvements and the difference their new programs have made for the students and the school.

Audience: Small portion would be students from the school, hopefully from older grades. The rest would be parents, teachers, community education leaders.

Please let me know if you have any questions or suggestions. Thanks!

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. (CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:27-JAN-1999 19:49:24.00

SUBJECT: Something new to leak for Mayor's Conference

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP [OPD])

READ:UNKNOWN

CC: Karin Kullman (CN=Karin Kullman/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

CC: Jonathan Orszag (CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

John and I talked, and new news we could leak to the paper for the Mayor's Conference are the numbers on HUD's budget for FY2000, are reintroduction of the Low -Income Housing Tax Credit (LIHTC) expansion, and the \$50 million abandoned buildings initiative. I sent a LIHTC paragraph to Laura to add into the document for the Mayors and John is drafting one on abandoned buildings.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. (CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:27-JAN-1999 19:55:58.00

SUBJECT: Previewing Friday's Speech

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP [OPD])

READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])

READ:UNKNOWN

TEXT:

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on
01/27/99 07:55 PM -----

Jonathan Orszag

01/27/99 07:49:00 PM

Record Type: Record

To: Paul J. Weinstein Jr.

cc:

Subject: Previewing Friday's Speech

Message Creation Date was at 27-JAN-1999 19:49:00

FYI

----- Forwarded by Jonathan Orszag/OPD/EOP on 01/27/99
08:51 PM -----

Jake Siewert

01/27/99 07:28:42 PM

Record Type: Record

To: Jennifer M. Palmieri/WHO/EOP, Jonathan Orszag/OPD/EOP, Melissa G.
Green/OPD/EOP

cc: Jonathan A. Kaplan/OPD/EOP

Subject: Previewing Friday's Speech

According to HUD (Ginny Terzano), Jack Lew and Secretary Cuomo agreed today to let HUD leak its entire budget tomorrow for Friday's paper -- apparently to make up for a mistake that OMB made on the HUD budget in the actual budget paper.

Anyway, HUD suggests that we leak the budget (along with the rest of the President community empowerment agenda) to a wide array of papers -- NY Times, Post, USA Today, LA Times, WSJ, NY Daily News, and Knight Ridder. This would certainly make Sec. Cuomo happy and probably get us a little lift going

.
into
the speech. If we agreed to do this (and someone should check with jack
to
make sure that we did), we would coordinate with HUD to make sure that
stories
did not simply reflect HUD budget but also broader agenda for America's
cities.

Sugget we work out at Joe's 8:15 a.m. mtg but Gene may need to vet with a
couple of people beforehand at senior staff (Lew, Goody, Podesta.)

Tobacco Policies in the FY 2000 Budget

Every day, 3,000 children become smokers -- 1,000 have their lives shortened because of it. Almost 90 percent of adult smokers began smoking by age 18 and today, 4.5 million children aged 12 to 17 -- 37 percent of all high school students -- smoke cigarettes. Tobacco is linked to over 400,000 deaths a year from cancer, respiratory illness, heart disease and other problems.

The 1998 State tobacco settlement was an important step in the right direction, but more must be done to protect our children and hold the tobacco industry accountable. The Budget therefore mentions the following tobacco policies: 1) price increase; 2) FDA authority; 3) public health investments; 4) tobacco-related Federal health cost litigation; 5) farmers; and 6) recoupment negotiations, as discussed below:

(1) Raising the Price of Cigarettes to Discourage Youth Tobacco Use

Last year, the President called for an increase of \$1.10 per pack to help cut youth smoking in half. This year, we can build on price increases already agreed to between the tobacco companies and the States and those already legislated by the Congress.

The FY 2000 Budget contains three revenue components:

- A 55 cents per-pack increase to be collected through tobacco excise taxes.
- Acceleration of the BBA's 15 cents excise tax. The 1997 Balanced Budget Agreement (BBA) raised the excise tax 10 cents per-pack effective January 1, 2000 and another 5 cents effective January 1, 2002, for a cumulative 15 cent increase. The FY 2000 Budget accelerates the effective date of this entire tax by one year, effective October 1, 1999.
- The BATF excise shift. Treasury assumes that revenues will be lower than we estimated in 2000 because smokers will stock up in FY 1999, before the 70 cent total price increase takes effect. The stocking up effect reduces 2000 revenues, but increases 1999 revenues by \$304 million. To capture the 1999 revenues for use in 2000, Treasury came up with an excise tax shift. The shift loses money in 1999 and gains in 2000, more or less canceling out the stocking up effect. Note that the shift applies to all excise taxes collected by BATF, not just tobacco.

Federal Receipts Raised from Tobacco Excise Taxes (in billions)

Year	1999	2000	2001	2002	2003
2004	00-04				
55 cents	.165	6.525	6.426	6.418	6.400
	32.195				
BBA 15 cent	.139	1.081	0.679	0.163	-----
	1.923				
Shift BATF	<u>-.381</u>	<u>.381</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>

-----	.381					
Net Receipts	-.077	7.987	7.105	6.589	6.418	6.400
34.499						

In FY 2000, these revenues are attributable to tobacco-related health care costs in the following Federal programs (as displayed in Table S-___).

<u>Federal Program</u>	<u>Tobacco-Related Costs</u> (in billions)
Veterans' Affairs	4.0
OPM FEHB ¹	2.2
Department of Defense	1.6
Indian Health Service	<u>0.3</u>
TOTAL	\$8.0

The programs above are funded in the Budget and funding is not contingent upon tobacco receipts.

(2) Re-Affirm Full FDA Authority to Regulate Tobacco Products

The Administration will again support legislation that confirms the FDA's authority to regulate tobacco products in order to halt advertising targeted at children and to curb minors' access to tobacco products.

(3) Support Public Health Initiatives To Curb Tobacco Use

The Budget includes \$122.2 million **additional** funds for tobacco-related activities in CDC, FDA, VA, and ATF:

- \$27 million for expanding CDC's existing State-based tobacco prevention activities. The FY 2000 increase brings CDC's tobacco budget to \$101 million, \$73 million (+37%) above FY 1999.
- \$34 million for FDA's outreach and enforcement activities. FDA's increase doubles its tobacco budget to \$68 million.
- \$56 million for a smoking cessation program in VA for any honorably discharged veteran who began smoking in the military.
- \$5.2 million for enhanced enforcement at ATF to prevent evasion of tobacco taxes.

1/ OPM Federal Employee Health Benefits Program figure includes the total premium costs, and is not broken down by enrollee share (28%) and Federal share (72%), which is consistent with the state Medicaid suit method.

(4) Lawsuits to Recover Tobacco-Related Federal Health Care Costs

The FY 2000 Budget proposes \$20 million for the Department of Justice to finance the Federal government's litigation costs that will be incurred from preparing a suit to sue tobacco companies for tobacco-related Federal health costs. The Justice Department has concluded that there are viable legal grounds to recover tobacco-related health care costs and is forming a task force to make decisions on the lawsuit. The Justice Department has noted two possible theories on which to proceed: The Medical Care Recovery Act and the Medicare Secondary Payer Act.

(5) Protecting Farmers and Farming Communities [Note: the FY 2000 budget does not include additional funds for tobacco farmers].

The Administration remains committed to protecting tobacco farmers and their communities, and is monitoring closely on-going efforts by State, farmer, and industry representatives to provide funding and purchase commitments to tobacco farmers. The Administration will work with all parties, as needed, to ensure the financial well-being of tobacco farmers, their families, and their communities.

(6) Claiming the Federal Share of State Tobacco Settlements

Since U.S. taxpayers paid a substantial portion of the Medicaid costs that were the basis for much of the State settlement with the tobacco companies, Federal law requires that the Federal Government recoup its share. However, the Administration will work with the States and the Congress to enact tobacco legislation that, among other things, resolves these Federal claims in exchange for a commitment by the States to use tobacco money to support shared national and State priorities which reduce youth smoking, promote public health and children's programs, and assist affected rural communities.

For illustrative purposes, Federal grants to States that could be reduced and could be part of the legislation include:

	FY 2000 (BA in millions)
• Safe and Drug Free Schools - EDUC	439
• Substance Abuse Block Grant - SAMHSA	1,615
• Reducing Class Size - EDUC	1,400
• Child Care Block Grant - ACF	1,183
• State Tobacco Control - CDC	78
• Preventive Health & Health Services Block Grant - CDC	165
• Maternal and Child Health Block Grant - HRSA	695
• Immunization State Grants - CDC	139
• Breast/Cervical Cancer Screening Grants - CDC	159

- Residential Drug Treatment State Grants - DOJ 65
\$5,938

The amounts below represent the estimated Federal share (roughly 57 percent) of tobacco industry payments under the State Attorneys General Settlement Agreement.

Year-by-Year Forgone Recoupment (in billions)

Year	2000	2001	2002	2003	2004	2001-04
Non-Recoupment	0.0	4.6	4.7	4.8	4.8	18.9

Stopping Youth Smoking: Every day, 3,000 children become smokers -- 1,000 have their lives shortened because of it. Almost 90 percent of adult smokers began smoking by age 18 and today, 4.5 million children aged 12 to 17 -- 37 percent of all high school students -- smoke cigarettes. Tobacco is linked to over 400,000 deaths a year from cancer, respiratory illness, heart disease and other problems. To end this public health crisis, we must have a focused public health effort to reduce youth smoking. The 1998 State tobacco settlement was an important step in the right direction, but more must be done to protect our children and hold the tobacco industry accountable. The Administration believes additional steps must be taken at the national level to reduce youth smoking:

- ***Raise the price of cigarettes so fewer young people start to smoke:*** Public health experts agree that the single most effective way to cut youth smoking is to raise the price of cigarettes. Last year, the President called for an increase of \$1.10 per pack (in constant dollars) to help cut youth smoking in half within five years. This year, we build on increases already agreed to between the tobacco companies and the States and those already legislated by the Congress. As a result, we can reach the target with a legislated increase of half this amount.

The funds that result from this policy will offset tobacco-related Federal health care costs. Each year, the Federal Government spends billions of dollars treating tobacco-related diseases for our Armed Forces, veterans, and Federal employees. It is fitting that the tobacco industry reimburse U.S. taxpayers for these costs, just as it has already agreed to do for the states.

- ***Reaffirm the Food and Drug Administration (FDA) full authority to keep cigarettes out of the hands of children:*** The Administration will again support legislation that confirms the FDA's authority to regulate tobacco products in order to halt advertising targeted at children, and to curb minors access to tobacco products. While the State settlement limits tobacco advertising, it still allows certain marketing practices targeted at children, including newspaper and magazine advertising and retail signs near schools. Moreover, only by affirming FDA's authority can Congress ensure that America's children are protected from the next generation of tobacco industry marketing. We should take this matter out of the courts and ensure that the FDA -- the nation's leading health consumer protection agency, providing oversight for food, drugs, and medical devices -- has full authority to protect our children from tobacco.
- ***Support critical public health efforts to prevent youth smoking:*** To help support tobacco prevention programs in States and local communities, the Administration's budget will double the funding for FDA's tobacco budget to \$68 million and increase funding for the Centers for Disease Control's tobacco control efforts by one-third, from \$74 to \$101 million. In addition, the Administration will continue to support measures that hold the tobacco industry accountable for reducing youth smoking.

- ***Protect farmers and farming communities:*** The Administration remains committed to protecting farmers and their communities, and is monitoring closely on-going efforts by State, farmer, and industry representatives to provide funding and purchase commitments to tobacco farmers. The Administration will work with all parties, as needed, to ensure the financial well-being of tobacco farmers, their families, and communities.

Since U.S. taxpayers paid a substantial portion of the Medicaid costs that were the basis for much of the State settlement with the tobacco companies, Federal law requires that the Federal Government recoup its share. However, the Administration will work with the States and the Congress to enact tobacco legislation that, among other things, resolves these Federal claims in exchange for a commitment by the States to use tobacco money to support shared national and state priorities which reduce youth smoking, promote public health and children's program, and assist affected rural communities.

In addition to these Medicaid costs, tobacco-related health problems have cost Medicare and other Federal programs billions of dollars each year. To recover these losses, the U.S. Department of Justice intends to bring suit against the tobacco industry, and the Budget contains \$20 million to pay for necessary legal costs. The Administration will propose that recoveries will be used to enhance the security of Medicare for future generations.

COSTS OF SMOKING TO MEDICARE AND MEDICAID

Question: What are the Administration's estimates of the costs of smoking to the Medicare and Medicaid programs?

Answer: The Administration has yet to conduct a formal analysis of the costs of smoking to these programs. However, we will be carefully analyzing these questions as part of the Justice Department's upcoming suit against the tobacco industry.

Background: There is no firm conclusion on the net costs or savings of smoking to these programs. Depending on the methodology used -- either **prevalence-based** or **life-cycle** methods -- researchers can reach radically different conclusions on these questions.

Studies using **prevalence-based** studies are more likely to conclude that smoking costs these programs money. **Life-cycle** method studies are more likely to conclude that smoking saves Medicare money because the average smoker receives Medicare benefits for fewer years than does the average nonsmoker.

Prevalence-based studies estimate the costs of smoking that are incurred in a given year by calculating the average difference in medical costs between smokers and non-smokers. In contrast, **life-cycle** methods compare the net costs of smoking over the lifetimes of smokers and non-smokers. The two methods tend to reach different conclusions about the net costs of smoking because smokers, on average, have shorter life spans than nonsmokers and also pay more in tobacco taxes.

Plaintiffs in the state suits against tobacco manufacturers used the prevalence-based method to estimate the cost of smoking for Medicaid. They estimated that the total cost of smoking for Medicaid was about \$13 billion on 1993. The federal share of the cost would be about \$7 billion per year.

According to another study, the federal cost of smoking in 1993 also included about \$10 billion per year for Medicare and \$5 billion for other federal health care programs.

Prepared by: Greg White (x 57791)

MEDICAID TOBACCO RECOUPMENT POLICY

Questions: What is the Administration's Medicaid tobacco recoupment policy in the Budget? Why wait until FY 2001 to begin claiming the Federal share of the state tobacco settlements?

Answer: Current law requires HCFA to recoup the Federal share (on average 57%) of all state third-party liability collections, including the recent state tobacco settlements. Since U.S. taxpayers paid a substantial portion of the Medicaid costs that were the primary basis for the state settlements, the Budget assumes the Federal government will follow the law and claim its share of the proceeds. However, the Administration again proposes to work with the States and the Congress to enact tobacco legislation that, among other things, resolves these Federal claims in exchange for a commitment by the States to use the Federal share to support programs that are currently shared state and national priorities, ***which reduce youth smoking, promote public health and children's programs and assist affected rural communities.***

The Administration has delayed action on claiming the Federal share of the state tobacco settlements until FY 2001 so that we can work with the States and Congress over the next year on mutually agreeable legislation.

Background: If HCFA were to enforce current law recoupment requirements (which in the past the Administration has been reluctant to do), it would do so administratively by reducing future Medicaid grant awards to States. Savings achieved through such an administrative action can not be used as legislative spending offsets.

The budget does not say how recoupment money would be spent. Since the budget does not begin to recoup until 2001, there is no immediate need to designate this money to a particular purpose.

~~The Budget envisions the Administration supporting legislation that would waive HCFA's ability to recoup the Federal share in exchange for States assuming the Federal costs of a number of discretionary grant programs beginning in FY 2001. Savings assumed in the Budget under this tobacco recoupment "allowance" sum to \$4.6 billion (BA) in FY 2001 and \$18.9 billion (BA) over FY 2001-2004. Note that CBO will also likely score a PAYGO cost (roughly \$3 billion over five years) to the provision in the legislation~~

that would waive HCFA's recoupment authority, which would thus reduce available savings. However, OMB would not score a PAYGO cost to this legislation given that it includes no tobacco recoupment collections in the Medicaid current law baseline.

Prepared by: Greg White (x 57791)

USES OF ADDITIONAL TOBACCO REVENUES

Question: The President's FY 2000 budget assumes that \$8 billion will be received in additional tobacco revenues. What programs included in the Budget will be funded by these additional revenues?

Answer: Tobacco-related health problems cost the Federal government billions of dollars each year. In the case of tobacco, the Administration is seeking reimbursement to the taxpayer for costs directly attributable to the tobacco companies.

Exclusive of Medicare, we have calculated the tobacco-related health care costs in FY 2000 for four major Federal programs listed below:

	<u>\$ in Billions</u>	
Veterans Affairs	--	4.0
FEHB	--	2.2
Defense	--	1.6
Indian Health Service	--	<u>0.3</u>
		8.0

~~These programs are funded in the President's budget and funding is not contingent upon tobacco receipts.~~

Background: The House Veterans Affairs Committee has informally indicated that they may seek legislation to fence off a share of any tobacco-related litigation proceeds for veterans programs given the level of tobacco-related costs attributable to veterans. To our knowledge, the Committee has not yet contemplated language to earmark tax revenues. The Committee is still upset that \$17 billion in PAYGO savings from clarifying eligibility for service-related disability compensation for veteran tobacco-related illnesses contained in last year's Transportation Equity Act (TEA-21) did not go to veterans programs. The 2000 Budget includes a new \$56 million smoking cessation program available to any honorably discharged veteran to reduce tobacco-related disease within the veteran population.

Prepared by: Frank Seidl (5-5146)

CIGARETTE PRICE INCREASES

Question: The State Attorneys General Agreement with the tobacco companies is expected to result in an increase of about 40 cents per pack by FY 2000. The President's budget assumes a 55 cent per pack excise tax increase, plus the acceleration of a previously enacted 15 cent per pack increase under the 1997 Balanced Budget Amendment (BBA). Aren't these increases just a bigger version of the tobacco tax increase that was defeated in the Senate last year, which only started at 62 cents per pack and then ramped up to \$1.10 per pack after five years?

Answer: Every day 3,000 children become smokers -- 1,000 have their lives shortened because of it. Almost 90 percent of adult smokers began smoking by age 18.

Public health experts agree that the single most effective way to cut youth smoking is to raise the price of cigarettes.

Last year, the President called for an increase of \$1.10 per pack (in constant dollars) to help cut youth smoking in half within five years.

This year, we can build on increases already agreed to between the tobacco companies and the States and those already legislated by the Congress. As a result, we can reach our targets to reduce underage smoking with a legislated increase of half the \$1.10 per pack amount.

In addition, the President believes that taxpayers should not pay the costs imposed on the federal government by the tobacco industry -- the tobacco industry should. The 55-cent price increase proposed by the President will pay for this year's tobacco-related costs in the Department of Defense, the Veteran's Administration, the Federal Employees Health Benefits Program, and the Indian Health Service but it will not cover any program costs for these programs or any costs in the Medicare program.

Background: The acceleration of the 15 cent excise tax would make the entire tax effective October 1, 1999, instead of the current law framework which would raise the excise tax 10 cents effective January 1, 2000 and another 5 cents effective January 1, 2002.

Prepared by: Frank Seidl (5-5146)

PROTECTION FOR TOBACCO FARMERS

Question: The combined effect of the State Attorneys General Settlement Agreement and the President's proposed per pack price increases will certainly have an effect on tobacco volumes and crop requirements. What assistance does the President's budget include for tobacco farmers?

Answer: States, farmer, and industry representatives are negotiating the means by which to ensure the financial well-being of tobacco farmers and their communities. The Administration supports these discussions, *which have recently produced a \$5 billion agreement*, and remains committed to protecting tobacco farmers and their communities. The Administration will work with all parties, as needed, to ensure the financial well-being of tobacco farmers, their families, and their communities.

Background: During the Senate's consideration of the McCain tobacco legislation in the spring of 1998, a number of Congressional proposals were offered to compensate farmers and tobacco-dependent communities for the effects of the expected decrease in consumer demand for tobacco, and tobacco farmer's income, as the result of higher tobacco taxes. Much of the benefit from these farm compensation proposals actually would not have gone to farmers; instead the money would have been received by those who own the production quotas to grow tobacco that USDA made available in the 1930's and that have provided a continued income to the quota owners from quota leasing or rentals.

Additional: The Administration made supportive statements about some of the Congressional tobacco farmer proposals that surfaced last spring, but that support was conditioned on gaining agreement on comprehensive tobacco legislation. At this point, however, the Administration wishes to avoid any premature commitments on

particular forms of tobacco farmer assistance, and therefore has not included proposals in the FY 2000 Budget.

Prepared by: Frank Seidl (5-5146) and Daniel Heath (5-3645)

FDA AUTHORITY TO REGULATE TOBACCO PRODUCTS

Question: The Administration has indicated it will support providing the FDA full authority to regulate tobacco products. Will the Administration support legislation that includes changes proposed in last year's Senate Commerce Committee bill or are other alternatives acceptable?

Answer: The Administration will support legislation that confirms the FDA's authority to regulate tobacco products in order to halt advertising targeted at children, and to curb minors' access to tobacco products. This goal can be achieved by legislation similar to that contained in last year's Senate Commerce Committee bill or could be accomplished through **other legislation reaffirming FDA's full authority over tobacco products** ~~codifying FDA's 1996~~ regulations. The State Attorneys General settlement limits tobacco advertising, but certain marketing practices targeted at children, including newspaper and magazine advertising and retail sign near schools, are still permitted.

Background: During consideration of the McCain tobacco legislation last spring, the DPC negotiated a compromise version of the FDA tobacco authority language. The McCain bill language created a separate chapter in the Food, Drug, and Cosmetic Act giving the FDA explicit authority over access to and advertising of tobacco products, in order to ensure that FDA regulation of tobacco did not impinge on the regulation of other products. The objective this year would be to either ~~simply codify the regulation or~~ gain agreement on language similar to that included in McCain, **or on language that confirms FDA's full authority without creating a separate chapter of the Act.**

Prepared by: Frank Seidl (5-5146)

TOBACCO - PUBLIC HEALTH SPENDING

Question: Is the Administration proposing increases for tobacco-related public health (cessation, advertising, education and enforcement)?

Answer: Yes, the FY 2000 Budget includes a \$122.2 million increase for tobacco-related public health:

- +\$34 million for FDA for a total of \$68 million
- +\$27 million for CDC for a total of \$101 million
- +\$56 million for a VA smoking cessation program
- +\$5.2 million for ATF enforcement

Total: \$122.2 million

Background: Increases will specifically be used for the following:

- FDA's funding will be used to continue the commissioning of state/local officials to enforce access restrictions of the FDA tobacco regulation to conduct unannounced visits to retailers using adolescents younger than 18 who attempt to purchase cigarettes or smokeless tobacco. FDA will also expand outreach efforts.
- CDC will enhance existing State-based tobacco control activities (e.g., ASSIST).
- VA's Smoking Cessation program can be utilized by *any* veteran who began smoking during military service to the extent that resources are available. Private service providers will be used to implement this program on a per capita basis to ensure wider access throughout the Nation.
- ATF's initiative provides additional staff to enable this agency to accommodate the increased number of controlled entities, the increased monitoring, and the investigative efforts needed to deter, identify and suppress illegal diversion activities.

Prepared by: Melany Nakagiri (x 54926)

CHILD CARE AND TOBACCO FUNDING

Question: Is the Administration again going to propose to fund child care and other activities unrelated to tobacco by raising taxes on smokers?

Answer: No. The President remains committed to a comprehensive child care initiative that assists parents in their search for affordable, quality child care and he is proposing to increase child care funding by \$3.6 billion over 1999. However, none of this increase is paid for with tobacco funds.

Background: A central component of both the 1999 and 2000 child care initiative is a \$7.5 billion (over five years) increase in funding for the Child Care and Development Fund to assist low-income families with their child care costs. Last year, this piece of the proposal was funded with receipts from proposed tobacco legislation.

Prepared by: Jennifer Friedman (x 57763)

TOBACCO - MEDICAID RECOUPMENT AND STATE GRANTS

Question: The Budget shows a negative \$4.6 billion allowance in FY 2001 growing to negative \$4.8 billion in FY 2004. What is this allowance for? Specifically, what discretionary spending will be reduced?

Answer: The Administration again will work with Congress to design tobacco legislation that will resolve Federal claims to Medicaid payments in exchange for the States' commitment to help support shared state and national priorities.

Background: Since U.S. taxpayers paid a substantial portion of the Medicaid costs that were the basis for much of the State settlement with the tobacco companies, Federal law requires that the Federal Government recoup its share. However, the Administration will work with the States and the Congress to enact tobacco legislation that, among other things, resolves these Federal claims in exchange for a commitment by the States to use tobacco money to support shared national and State priorities which reduce youth smoking, promote public health and children's programs, and assist affected rural communities.

Prepared by: Melany Nakagiri (x 54926)

USDA TOBACCO USER FEE

Question: Explain the new tobacco "tax", and what does the Budget do for tobacco farmers?

Answer: The FY 2000 Budget proposes to cover the taxpayers' costs incurred by USDA for activities related to the growing and marketing of tobacco by expanding the expiring assessment on marketings of tobacco. This "user fee" would increase from 1 percent of tobacco marketings (including imports) to two percent. The portion levied on farmers (0.5 percent) would remain the same as at present, while the charge to cigarette manufacturers would increase from 0.5 percent to 1.5 percent. The fee would raise about \$60 million in FY 2000.

The Budget does not propose direct assistance for tobacco growers, pending other proposals such as the recent industry agreement to provide a \$5 billion fund for tobacco growers. The Administration remains committed to protecting tobacco farmers and those communities dependant on tobacco.

Background: USDA incurs about \$60 million in costs for programs that assist tobacco growers, including administering price support loans to tobacco grower cooperatives, crop insurance, and marketing oversight. The 1993 OBRA imposed a marketing assessment for deficit reduction on the tobacco program, which is required to operate at "no net cost" to the taxpayer anyway (ensured through a different assessment on cooperatives to cover any losses on their price-support loans). The deficit reduction fee is set to expire with the 1998 crop (with the final collection in FY 1999). The Budget proposal would extend and expand the fee, on a fiscal year basis, and provide discretionary savings. These savings helped to offset higher funding for USDA count-based office staff.

Prepared by: Daniel Heath (x53645)