

NLWJC - KAGAN

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ARMS - BOX 067 - FOLDER -005

[10/10/1997-10/14/1997]

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October 10, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

RE: DPC Weekly Report

1. Welfare: California Caseload Numbers -- New data from California show that caseloads are finally starting to decline there. While nationally caseloads have declined every month since March of 1994, the welfare rolls were rising in California through early 1995 due most likely to state's slow economic recovery. After falling 2 percent in 1995 and 7 percent in 1996, the rate of decline has nearly doubled this year, falling 7 percent in the first seven months of the year. The LA Times gave this drop some prominent coverage on Thursday. Twenty two percent of the nation's welfare recipients live in California.

2. Welfare: Recipients Leaving the Rolls -- Two preliminary studies have been released tracking welfare recipients leaving the welfare rolls in Maryland and Massachusetts. Both studies found similar results.

The Maryland study found that 54 percent of former recipients were working within three months of leaving the rolls and four-fifths were still off the rolls after six months. The study's author, Professor Catherine Born of the University of Maryland, did not account for the remaining recipients, but plans to do so in a follow-up report to be released next year. The study found, not surprisingly, that welfare recipients with recent work experience were more likely to be working once they left the rolls (66 percent vs. 54 percent), and those with younger children were more likely to return to the rolls. Notably, the study found no increase in foster care caseloads as a result of welfare reform. This research project will track this sample of recipients for two years.

The Massachusetts study found that 50 percent of former recipients were working after exiting the rolls. Of the remaining, nearly a third had other means of support or had left the state, 9 percent had children who had grown too old to qualify, and 6 percent were in the process of reapplying for welfare. The average wage of former recipients was \$6.72 per hour. As found in Maryland, the majority of those who went to work were employed in clerical, sales,

health care, and service industries. The state Department of Transitional Assistance plans to release a follow-up study by late next year.

3. Welfare: Exempting Workfare from FICA Taxes -- We have indicated our support for Rep. Shaw's new legislative proposal to exempt workfare participants from FICA and unemployment taxes. This proposal is a significant improvement over earlier proposals that would have endangered labor protections and weakened the work requirements. Our only concern is that this exemption should be limited to traditional workfare, so that states are not permitted to reclassify subsidized private sector jobs as workfare in order to avoid FICA taxes. But we believe we can accomplish this through regulation. On Thursday, Rep. Shaw tried to add his amendment to a tax technicals bill in Ways and Means, but since it was non-germane to the underlying bill, he withdrew it before a vote could be taken.

4. Welfare: Senator Murray's Proposal -- As you may know, Senator Murray has long advocated a proposal which would exclude individuals with a history of domestic violence from the welfare work requirements and time limits. Currently, states can exempt such individuals, so long as they put 30 percent of their overall caseload to work and enforce the federal five year time limit for 80 percent of the caseload. Under Senator Murray's approach, if 10 percent of the caseload were granted domestic violence waivers then only 20 percent of the total caseload would have to work. Our concern is two-fold: 1) this proposal would allow welfare programs to ignore particularly needy individuals who need intensive assistance to become self-sufficient; and 2) this proposal would allow states to "game" the work rates and time limits by handing out waivers to people who don't need them.

We instead have been planning, through regulations, to provide states with reasonable cause exceptions to penalties if they fail to meet the work rates or time limit rules because they granted domestic violence waivers, so long as these waivers were temporary and included services to help individuals become self-sufficient. We believe this approach has several advantages: 1) it only provides exceptions from penalties if a state provides services to these individuals; and 2) it significantly limits the "gaming" possibilities by providing some review by HHS during the reasonable cause process.

Senator Murray's proposal has passed the Senate several times -- most recently as part of the Labor-HHS appropriations bill -- it has always been dropped in conference (a pattern started by former Majority Leader Dole when he accepted this and many other amendments to help move the welfare legislation off the Senate floor, and then dropped most of them in conference.) Now that the Labor-HHS bill is in conference, Senator Murray has been lobbying us to support her proposal and has spoken to both Erskine and Frank Raines. We have shared with Senator Murray information to help her revise her proposal along the lines described above, while making clear that the details of the Administration's proposal are still being finalized. She seems to prefer the absolute, upfront exemption from work rates and time limits created by her proposal.

5. Welfare: Social Security Administration's 30-day Review of Children's SSI

Process -- In a meeting with you last month, disability advocates expressed concern about SSA's process for redetermining the eligibility of 288,000 children for SSI benefits under the new childhood disability standard. At that meeting, you stated that you had asked SSA to send you a report on its process in 30 days. While that meeting was going on, Ken Apfel was testifying at his confirmation that he would begin a "top-to-bottom" 30-day review of the process as soon as he was confirmed. He was confirmed a few weeks later. SSA has requested that, instead of having two overlapping 30-day reviews, we have a single 30-day one beginning from the date of Apfel's confirmation. Advocates appear to be comfortable with this revised timetable.

6. Adoption: Senate Legislation -- A bipartisan group of Senators led by Senators Rockefeller and Chafee and including Craig, Jeffords, Dewine, Bond, Coats, Levin and Landrieu -- have announced agreement on child welfare legislation called the Promotion of Adoption, Safety and Support for Abused and Neglected Children Act (PASS). As you know, the House passed a child welfare bill similar to your Adoption 2002 proposal last spring, but Senate action had been stalled. Mrs. Clinton spoke with Senator Rockefeller just before the agreement was reached to urge Congressional action and assure the Senator that the Administration would review the bill quickly.

PASS incorporates many provisions of Adoption 2002. It also includes other measures that we support, including judicial reforms and reauthorization of the Family Preservation and Support Act. However, the Senate bill requires the federal government to pay adoption assistance for all children in foster care, regardless of income. This provision costs \$2.4 billion and is paid for with an offset that the Administration had hoped to use for other priorities (such as child care). Because we do not believe that this provision would increase the number of adoptions, we are working with HHS and OMB to develop an alternative offset and a less expensive proposal that would guarantee Medicaid coverage to children with special needs. We and plan to discuss these options with Senators Rockefeller and Chafee as soon as possible. Our goal is to have an adoption bill on your desk before Congress leaves for recess.

7. Education: Charter Schools Bill Approved by House Education Committee on 24-8 Bipartisan Vote - On Thursday ten Democrats and fourteen Republicans voted to approve amendments to the ESEA Public Charter Schools Program. The bill would give priority for new grants to states which give charter schools a high degree of autonomy over expenditures, allow the number of charter schools to increase, and periodically review each school to ensure academic performance requirements are met. The bill also incorporates the President's goal of increasing the number of charter schools to 3,000 by the year 2000. Prior to committee action the bill was substantially improved in response to concerns raised by the Department of Education, and Rep. Roemer joined Rep. Riggs as a co-sponsor. One outstanding issue is that the bill would allow sub-grants to existing charter schools to be lengthened by two years, potentially reducing start-up funds available to new schools and risking long-term dependence on federal funding. Administration staff will continue to work with the sponsors to strengthen the legislation.

8. Education: National Tests -- As the Labor/HHS conference proceeds, Obey, Porter and a number of others have begun to float possible compromises on the national tests. Each of the proposals presumes that we receive the funds and authority to develop the tests under NAB's control. They differ primarily with respect to the circumstances under which test implementation would be permitted to proceed. Specific proposals include (1) requiring specific Congressional authorization before implementation; (2) requiring a majority of states to sign up before implementation could begin; and, (3) making test implementation an allowable state and local use of Chapter II funds, but providing no specific funding for initial implementation. An option reflecting a different approach would require that we undertake the R&D to statistically link tests already used by states and local school districts to the NAEP performance standards so that states could continue to administer the same tests and provide students with a statistically-derived score on the national test as well. Most of these alternatives have some clear advantages as well as clear down sides, with none emerging as a clear favorite for us. We are working to identify modifications that could strengthen each of them, and to identify additional possibilities as well. As of yet, none of these has gained any significant backing among conferees, or support from Goodling.

Goodling and Ashcroft publicly are hardening their opposition to the tests. Ashcroft has announced that he now has 35 Senators lined up in opposition to the tests (though he has not produced a list of them), up from the 27 he named a week ago. Both Goodling and Ashcroft have sent Secretary Riley a series of letters continuing to criticize steps the Education Department had taken prior to its temporary halt on test development.

In addition, Goodling announced at Thursday's scheduled mark-up on America Reads that he was postponing action on the bill until we reversed our position on national testing. In reality, Goodling is under strong pressure from the right wing on his committee not to advance a reading bill that reflects our priorities. Consequently, Goodling is now in the position of blocking two key steps to improve early reading--higher standards and tests and a reading program that helps families, schools and volunteers help kids learn to read.

On Wednesday, John Doerr, Jim Barksdale and 4 additional high-tech CEO's met with Gingrich, Lott, Goodling, and a number of other Republicans in both houses to urge them to support the tests. Feedback from their meetings as well meetings Leg. Affairs has had suggest that both Lott and Goodling are urging that a compromise be found.

9. Education: D.C. Vouchers -- The House passed a voucher amendment to the DC appropriations bill by a one vote margin (203-202).

10. Health Care: Surgeon General Confirmation -- The Senate Labor and Human Resources Committee held its confirmation hearing for Dr. David Satcher this Wednesday. The hearing went extremely well, and Senators on both sides of the aisle praised Dr. Satcher. Few controversial issues were raised. He was not questioned on many of the high profile issues we

were expecting, including needle exchange and AIDS research in Africa. It appears likely that the final full Senate vote on Dr. Satcher's confirmation will take place as early as the week of October 20th.

11. Health Care: New York Provider Tax -- On Thursday HHS met with Governor Pataki and members of the New York delegation as it released its announcement of how the Administration will work towards ensuring that all states' provider taxes are in compliance with the law. Clearly Governor Pataki chose to portray our response as being completely unsatisfactory. This is the case despite the fact that our position on provider taxes is the most favorable position we could have taken for New York (and all other states with potentially impermissible provider taxes) within the constraints of the law. If this wasn't the case, we would not be having to ask for legislation to give the Secretary authority she does not now have to waive up to all past liability for currently impermissible taxes. It is further validated by those staff members of the House Committee of Jurisdiction (who hate provider taxes) who are criticizing us for being too favorable to New York and resentful that we are pushing a legislative strategy. All things considered, however, we believe that our positioning on this issue is as well as could be hoped for and most realistically positions us to eventually and most expeditiously ensure that all states come into compliance.

12. Health Care: FDA Reform -- FDA reform passed the House this week and is now moving into conference. We are hopeful that the outstanding issues will be resolved in conference and that you will be sent a bill that we would recommend signing.

13. Health Care: Kassebaum-Kennedy Implementation -- As you know, there was a story in *The New York Times* last Sunday that reported that some insurers are giving agents incentives to not enroll high-risk populations. Such actions are completely inconsistent with the spirit of the Kassebaum-Kennedy law. We are meeting with HCFA, the agency responsible for administering this provision of the new law, to review all of the Federal and State statutory authority to stop such practices. We will keep you apprised as we move forward.

14. Health Care: Confirmation of Nancy-Ann Min DeParle as HCFA Administrator -- Nancy-Ann Min DeParle, your new appointment for HCFA Administrator, has had two Senate holds placed on her confirmation. Senator Harkin (D-IA) has placed a hold because of his frustration with the Administration's lack of enforcement of his fraud and abuse priority initiatives. Senator Kyl (R-AZ) has just placed a hold apparently because of his concern about the Administration's opposition to his amendment to reopen up the balanced budget act to allow physicians negotiate private contracts with Medicare beneficiaries.

On Wednesday Nancy-Ann met with Senator Harkin's staff and made a commitment to address many of the Senator's priorities. The Senator and his staff seemed quite pleased and it appears likely that Harkin will soon release his hold. Since Senator Kyl's hold was placed on Thursday of this week, we have not had the opportunity to arrange an acceptable arrangement to remove his hold. We are still conducting a thorough policy review on the Kyl Amendment, but

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are concerned that it could lead to more fraud and abuse in Medicare and dramatically increase beneficiary out-of-pocket costs.

We believe that the fact that Nancy-Ann has not been confirmed undermines her ability to be as effective as possible in administering one of the most complex and complicated agencies in the Federal government. We have and will continue to make her confirmation one of our highest priorities this fall.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: June G. Turner (CN=June G. Turner/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:10-OCT-1997 14:45:50.00

SUBJECT: Prep for Education Mtg. CANCELLED

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

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

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

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

TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

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

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

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

TO: Rahm I. Emanuel (CN=Rahm I. Emanuel/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

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

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

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

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

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

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

CC: Eleanor S. Parker (CN=Eleanor S. Parker/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

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

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

READ:UNKNOWN

CC: Melissa Green (CN=Melissa Green/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Andrew J. Mayock (CN=Andrew J. Mayock/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:

The Prep for Education meeting scheduled for today at 3:30 has been cancelled. The meeting needs to be rescheduled as soon as possible. Please let me know your availability for Monday. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: June G. Turner (CN=June G. Turner/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:10-OCT-1997 15:05:05.00

SUBJECT: Prep for Education Week Mtg. CANCELLED

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

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

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

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

TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

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

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

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

TO: Rahm I. Emanuel (CN=Rahm I. Emanuel/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

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

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

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

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

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

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

CC: Eleanor S. Parker (CN=Eleanor S. Parker/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

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

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

READ:UNKNOWN

CC: Melissa Green (CN=Melissa Green/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

CC: Andrew J. Mayock (CN=Andrew J. Mayock/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TEXT:

The time tentatively set for the Prep for Education Week Mtg. is Monday at 1pm. Please let me know if you can attend. Thanks.

Draft
2:00 pm

DPC/NEC Short-Term Education Announcement Possibilities

POTUS Radio Address on Education (10/18). Attack extremists on Republican side who are blocking all of our efforts to help young kids learn to read, including America Reads and national reading tests (possibly coupled with an endorsement of bipartisan charter schools bill passed by House committee)

POTUS Reading Announcement (10/21 or other). POTUS announces that nearly 800 colleges (up from 165 in April), in all 50 States, have pledged to use work-study participants for tutoring as part of America Reads. Event could take place at an elementary school that is using work-study (and possibly also AmeriCorps) tutoring help. Release report with examples of activities going on *today* in every State (including AmeriCorps projects).

POTUS Meeting with Business Leaders (hi-tech and/or broader cross-section). President meets with 8-10 CEO's on national tests; pool spray at top of meeting, CEO's do stakeout after meeting, announcing the committment they made to POTUS to tell Congress to support the test.

Tips on Tax Cuts for Education. POTUS or VPOTUS releases guidance from the IRS on how to take advantage of the new HOPE Scholarship, Lifetime Learning Credit, and other tax cuts for college. *[We will not know until Wednesday, October 15, whether the guidance will be ready in time to be released the following week].*

Comprehensive School Reform and Dropout Prevention. Announce support for a bipartisan effort to adopt promising whole-school reforms (Obey-Porter have \$150 million in the appropriations bill). Also announce an "Action Plan" on Dropouts, particularly focusing on Hispanic Americans. Event could include school reformers from the New American Schools Development Corporation and other school reform assistance projects, as well as Hispanic Caucus members and others from the Hill.

Child Care Conference (10/23). Some emphasis on after-school programs

National Board for Professional Teaching Standards (10/24). Reception in Tent on South Lawn; POTUS/FLOTUS make brief remarks; we set up regional press for teachers from around the country.

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Other possible announcements

1. Announcement of ED report on the importance of kids taking 8th grade algebra and advanced math classes to prepare for college. Link findings to importance of 8th grade math test.
 - leak to USA Today or NYTimes
 - VP event week of 10/13
2. New program for recycling surplus federal computers to schools
 - announce with business leaders
 - VP event week of 10/13
3. School Construction
 - POTUS endorsement of Daschle/Gephardt at Florida school 10/31
4. VP meeting with Learning Alliance

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Phillip Caplan (CN=Phillip Caplan/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:10-OCT-1997 16:37:30.00

SUBJECT:

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

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

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

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

TEXT:

POTUS went with short version of veto statement - Caplan

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Phillip Caplan (CN=Phillip Caplan/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:10-OCT-1997 16:44:10.00

SUBJECT:

TO: JOHN D. (SKY) (Pager) #PODESTA (JOHN D. (SKY) (Pager) #PODESTA [UNKNOWN])
READ:UNKNOWN

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

TEXT:
POTUS went with short version -phil

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:13-OCT-1997 15:44:27.00

SUBJECT: Welfare to Work Planning Guidance

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

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

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

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

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

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

TEXT:

Planning Guidance

We reviewed the revised planning guidance on Friday; it will go out on Tuesday. Since DOL made all our changes and since we agreed to allow up to one-half of the match be in-kind, the mayors should be quite happy. (We also clarified that private sector match is treated like government provided match -- i.e., no limits on cash, in-kind capped at half the match.)

The guidance clarifies the role of the PICs through statements such as the following:

"PICs shall determine on which individuals and activities listed in the statute to expend the WtW funds they receive."

"Consistent with statutory provisions, the State may not restrict PICs from exercising their authority to expend funds on the statutorily eligible populations. PICs, therefore, have authority to determine the individuals to be served in the service delivery areas."

"Consistent with statutory provisions, the State may not restrict PICs from exercising their authority to expend funds on the statutorily prescribed activities. PICs, therefore, have authority to determine the services to be provided in the service delivery area."

"The PIC for an SDA [service delivery area] has sole authority, in coordination with the CEO of the area [the chief elected official, i.e., the mayor], to expend the 85 percent formula funds passed through to the local level, in accordance with the requirements of the statute."

Next Steps

On Wednesday, DOL will send us their proposed regs. By statute, we must publish them by Nov. 4th. We are shooting for Oct. 31st.

Although we won the battle re: the guidance, the regulations will be the true war. DOL plans to spell out in the draft regulation something glossed over in the guidance: what it means for the statute to say the governors shall assure that these funds are coordinated with TANF and what sort of fiduciary oversight states have. As you can tell from the quotes above, the guidance laid out two things the governors cannot do (tell the PICs which individuals to serve and which activities to provide) but it did not define what they can do.

I will examine the draft regs when they arrive. If we have something to fight about, I will talk to Elena about what counter-arguments we can make and we will probably need to bring the Dept. of Labor lawyers over here to discuss. I'll keep you posted.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lawrence J. Haas (CN=Lawrence J. Haas/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:13-OCT-1997 18:03:15.00

SUBJECT: IMPORTANT -- Heads up on line-item veto

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

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

TO: FOLEY_M@A1@CD@LNGTWY (FOLEY_M@A1@CD@LNGTWY [UNKNOWN]) (WHO)
READ:UNKNOWN

TO: Doris O. Matsui (CN=Doris O. Matsui/OU=WHO/O=EOP@EOP [WHO])
READ:UNKNOWN

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

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

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

TO: Ron Klain (CN=Ron Klain/O=OVP@OVP [UNKNOWN])
READ:UNKNOWN

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

TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Rahm I. Emanuel (CN=Rahm I. Emanuel/OU=WHO/O=EOP@EOP [WHO])
READ:UNKNOWN

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

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

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

READ:UNKNOWN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Franklin D. Raines (CN=Franklin D. Raines/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

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

Gordon Adams (CN=Gordon Adams/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

Jill M. Blickstein (CN=Jill M. Blickstein/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TEXT:

Although this is NOT yet public information, the White House plans to announce on Tuesday, October 14, that the President has used his line-item veto authority on the Defense appropriations bill.

To help you explain the President's decision to your constituencies, OMB's Jack Lew and Gordon Adams will hold a briefing on Tuesday morning, 9 a.m., in the Roosevelt Room, to outline the particulars.

We hope you find the briefing useful. We are trying to respond to the concerns that many of you raised about having a sufficient heads-up and understanding beforehand, so you can better do your own thing.

Please let me know whether you think we've left anyone off this list.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lawrence J. Haas (CN=Lawrence J. Haas/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:14-OCT-1997 09:27:52.00

SUBJECT: IMPORTANT -- Heads up on line-item veto

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

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

CC: Jason S. Goldberg (CN=Jason S. Goldberg/OU=WHO/O=EOP@EOP [WHO])
READ:UNKNOWN

TEXT:

Apologies. In case you don't already know, the meeting has been moved to 9:30 a.m.

----- Forwarded by Lawrence J. Haas/OMB/EOP on 10/14/97
09:18 AM -----

Lawrence J. Haas
10/13/97 06:03:08 PM
Record Type: Record

To: See the distribution list at the bottom of this message

cc: See the distribution list at the bottom of this message
Subject: IMPORTANT -- Heads up on line-item veto

Although this is NOT yet public information, the White House plans to announce on Tuesday, October 14, that the President has used his line-item veto authority on the Defense appropriations bill.

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We hope you find the briefing useful. We are trying to respond to the concerns that many of you raised about having a sufficient heads-up and understanding beforehand, so you can better do your own thing.

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Message Sent

To:

John Podesta/WHO/EOP@EOP
Sylvia M. Mathews/WHO/EOP@EOP
Robert S. Bell/OMB/EOP@EOP
Rahm I. Emanuel/WHO/EOP@EOP
Paul E. Begala/WHO/EOP@EOP
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Elena Kagan/OPD/EOP@EOP
Craig T. Smith/WHO/EOP@EOP
Minyon Moore/WHO/EOP@EOP
Karen E. Skelton/WHO/EOP@EOP

Message Copied

To:

Jason S. Goldberg/WHO/EOP@EOP
Carole A. Parmelee/WHO/EOP@EOP
Sara M. Latham/WHO/EOP@EOP
June G. Turner/WHO/EOP@EOP

Michelle Crisci/WHO/EOP@EOP
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David S. Beaubaire/WHO/EOP@EOP
Angelique Pirozzi/WHO/EOP@EOP
Marjorie Tarmey/WHO/EOP@EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lawrence J. Haas (CN=Lawrence J. Haas/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:14-OCT-1997 12:25:15.00

SUBJECT: URGENT -- update on line-item veto

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

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

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READ:UNKNOWN

CC: Jason S. Goldberg (CN=Jason S. Goldberg/OU=WHO/O=EOP@EOP [WHO])
READ:UNKNOWN

TEXT:

Due to last-minute changes, the specific line-item veto details have changed a bit since Jack Lew briefed the senior White House staff this morning. The attached is the actual press paper that will go out later today. You can educate yourselves about where we are by referring to it. PLEASE DO NOT DISTRIBUTE this paper outside of the White House, however, until at least Raines, et. al., brief the press at 1:30 p.m.

Thank you.

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

TEXT:

Unable to convert ARMS_EXT: [ATTACH.D12]MAIL46707468M.216 to ASCII,

**PRESIDENT CLINTON USES LINE-ITEM VETO
ON DEFENSE APPROPRIATIONS ACT OF 1998**

October 14, 1997

- President Clinton used the line-item veto today to cancel 13 projects in the Defense Appropriations Act of 1998.
- The President's action will save \$144 million in budget authority in 1998.
- The Defense Appropriations Act included funding for over 750 projects, costing about \$11 billion, that the President did not request in his 1998 budget.
 - The Administration carefully reviewed those unrequested projects and found that while most of them have merit, some do not.
- The Administration has chosen criteria that are appropriate to each appropriations bill under review.
- For the Defense Appropriations Act, the President considered such factors as:
 - **whether he requested the projects in his 1998 budget,**
 - **whether they contribute to our national security, and**
 - **whether they fit with our long-range defense plans.**
- The President's action will in no way adversely affect our military capability, the readiness of our forces, or their operations in defense of our Nation.
 - The Defense Department has determined there is no national security requirement for these projects.
- The President left thousands of projects in the bill, including the vast majority that Congress added, reflecting his commitment to the military readiness of American forces and Congress' role in shaping appropriations bills.
 - In fact, his actions mean that he has agreed to a net addition of about \$1 billion in Defense Department funding above the level in the Bipartisan Budget Agreement.

THE LINE ITEM VETO ACT

- o **Scope of Authority.** President may cancel any item of discretionary or direct spending or any limited tax benefit, if he sends a special message to Congress identifying the item within 5 days (excluding Sundays) of signing the bill containing the item.
- o Cancellations transmitted to Congress are effective upon receipt by Congress, and remain effective unless overturned by a disapproval law.
- o The item veto may only be used on items in bills the President signs --he may not veto items that become law without his signature.
- o **Definition of Item.** The President may cancel (not reduce) whole individual "items" of discretionary spending --defined as any dollar amount in an appropriations bill or report, or any amount required to be allocated by a specific proviso in a bill or represented separately in explanatory text in a report.
- o President may cancel only the amount of spending --not conditions or restrictions on spending.
- o The President may also cancel any "item of new direct spending" --defined as a specific provision of law estimated to result in an increase in direct spending, relative to the baseline.
- o **Limited Tax Benefits.** "Limited tax benefits" that may be canceled include only revenue-losing provisions applying to 100 or fewer beneficiaries in a fiscal year (where the beneficiaries are not similarly treated), or transitional relief to 10 or fewer beneficiaries. Congress may specify in tax legislation whether the bill contains any provisions subject to cancellation authority.
- o **Lockbox.** Includes a "lockbox" mechanism: discretionary cancellations trigger automatic cap reductions, and paygo savings from cancellations are not put on paygo scorecard.
- o **Congressional procedure.** The Congress has 30 session days following a cancellation message to consider disapproval legislation, under expedited procedures.
- o Disapproval bills introduced in the House must disapprove all cancellations made with respect to a particular law. Bills introduced in the Senate may select particular cancellations. However, the bills may be amended in both chambers to alter the list of cancellations.

- o **Effective dates.** Item veto authority became effective on January 1, 1997 and will sunset on January 1, 2005.

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$30,000 thousand for Operation and Maintenance, Air Force project "SR-71" on page 75 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project would provide manning, operations and support to sustain SR-71 training requirements during fiscal year 1998 and provide for a 30-day operational deployment capability. The SR-71 is a high-speed, high-altitude, long-range, multi-sensor, all-weather, wide-area surveillance aircraft. **There is no military requirement to continue to operate the SR-71. The project is being canceled because it was not requested in the President's FY 1998 Budget and the Department of Defense has determined that it would not make a significant contribution to US military capability.**

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

| <u>Outlay Changes (in thousands of dollars)</u> | | | | | |
|---|-----------------|----------------|----------------|----------------|-----------------|
| <u>FY 1998</u> | <u>FY 1999</u> | <u>FY 2000</u> | <u>FY 2001</u> | <u>FY 2002</u> | <u>Total</u> |
| -\$21,870 | -\$6,480 | -\$900 | -\$270 | -\$120 | \$30,000 |

1(F). Adjustments to Defense Discretionary Spending Limits
Budget Authority: **-\$30,000 thousand in FY 1998**
Outlays: **The estimated outlay effect for each year is shown above.**

Evaluation of Effects of These Adjustments upon Sequestration Procedures:
If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

Automated Records Management System
Hex-Dump Conversion

2(A). Agency: Department of Defense

2(A). Bureau: Operation and Maintenance

2(A). Governmental Function/Project (Account): SR-71 (Operation and Maintenance, Air Force)

2(B). States and Congressional Districts Affected: California, 21st Congressional District

2(C). Total Number of Cancellations (inclusive) in Current Session in each State and District identified above: California: five; 21st District: one

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$9,000 thousand for Aircraft Procurement, Air Force, project "SR-71 Mods" on page 103 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project would modify cameras, enhance radar processing, install a Global Positioning System navigation system, and improve electronic intelligence for the SR-71 reconnaissance aircraft. The SR-71 is a high-speed, high-altitude, long-range, multi-sensor, all-weather, wide-area surveillance aircraft. There is no military requirement to continue to operate the SR-71. The project is being canceled because it was not requested in the President's FY 1998 Budget and the Department of Defense has determined that it would not make a significant contribution to US military capability.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

| <u>Outlay Changes (in thousands of dollars)</u> | | | | | |
|---|----------------|----------------|----------------|----------------|--------------|
| <u>FY 1998</u> | <u>FY 1999</u> | <u>FY 2000</u> | <u>FY 2001</u> | <u>FY 2002</u> | <u>Total</u> |
| -\$711 | -\$2,169 | -\$2,961 | -\$1,782 | -\$765 | -\$9,000 |

1(F). Adjustments to Defense Discretionary Spending Limits
Budget Authority: -\$9,000 thousand in FY 1998
Outlays: The estimated outlay effect for each year is shown above.

Evaluation of Effects of These Adjustments upon Sequestration Procedures:
If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

**Automated Records Management System
Hex-Dump Conversion**

2(A). Agency: Department of Defense

2(A). Bureau: Aircraft Procurement

2(A). Governmental Function/Project (Account): SR-71 Modifications (Aircraft Procurement, Air Force)

2(B). States and Congressional Districts Affected: California, 25th Congressional District.

2(C). Total Number of Cancellations (inclusive) in Current Session in each State and District identified above: California: six; 25th District: one

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$4,000 thousand for the Research, Development Test and Evaluation, Army project titled "Gallo Center" on page 112 of House Report 105-265 dated September 23, 1997, and page 166 of House Report 105-206 dated July 25, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: The President's FY 1998 Budget supports ongoing work to demonstrate and export new environmentally acceptable technology to the industrial base and to train the industrial base on the use of new technology. The appropriated increase would support life-cycle environmental and manufacturing technologies research specifically related to weapons systems and munitions technology assessment and analysis. The Army does not believe this additional research merits funding at this time.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

Outlay Changes (in thousands of dollars)

| FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | Total |
|-----------------|-----------------|----------------|----------------|----------------|-----------------|
| -\$2,320 | -\$1,320 | -\$212 | -\$72 | -\$32 | -\$4,000 |

1(F). Adjustments to Defense Discretionary Spending Limits

Budget Authority: -\$4,000 thousand in FY 1998

Outlays: The estimated outlay effect for each year is shown above.

Evaluation of Effects of These Adjustments upon Sequestration Procedures: If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

2(A). Agency: Department of Defense

2(A). Bureau: Research, Development, Test and Evaluation

Automated Records Management System

Hex-Dump Conversion

Automated Records Management System
Hex-Dump Conversion

2(A). Governmental Function/Project (Account): Gallo Center (Research, Development, Test and Evaluation, Army)

2(B). States and Congressional Districts Affected: New Jersey, 11th Congressional District

2(C). Total Number of Cancellations (inclusive) in Current Session in each State and District identified above: New Jersey: one; 11th District: one

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$6,000 thousand for the Research, Development Test and Evaluation, Army project "Molten Carbonate Fuel Cells Technology" on page 113 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project would research and develop alternative fuel cell technology that converts chemical energy to electricity. It has primary applications for the Department of Energy which has responsibility for alternative energy research. The project is being canceled because it was not requested in the President's FY 1998 Budget and the Department of Defense has determined that it would not make a significant contribution to US military capability.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

Outlay Changes (in thousands of dollars)

| FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | Total |
|-----------------|-----------------|----------------|----------------|----------------|-----------------|
| -\$3,480 | -\$1,980 | -\$318 | -\$108 | -\$48 | -\$6,000 |

1(F). Adjustments to Defense Discretionary Spending Limits

Budget Authority: -\$6,000 thousand in FY 1998

Outlays: The estimated outlay effect for each year is shown above.

Evaluation of Effects of These Adjustments upon Sequestration Procedures: If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

2(A). Agency: Department of Defense

Automated Records Management System
Hex-Dump Conversion

2(A). Bureau: Research, Development, Test and Evaluation

**2(A). Governmental Function/Project (Account): Molten Carbonate Fuel Cells
Technology (Research, Development, Test and Evaluation, Army)**

2(B). States and Congressional Districts Affected: Unknown

**2(C). Total Number of Cancellations (inclusive) in Current Session in each State
and District identified above: Unknown**

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$3,000 thousand for the Research, Development Test and Evaluation, Army project "Periscopic Minimally-Invasive Surgery" on page 113 and 116 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project would research less-invasive surgery techniques that could potentially result in faster healing, less hospital time, and reduced costs. However, the Department already funds microsurgery programs with specific military applications. The project is being canceled because it was not requested in the President's FY 1998 Budget and the Department of Defense has determined that it would not make a significant contribution to US military capability.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

Outlay Changes (in thousands of dollars)

| FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | Total |
|-----------------|----------------|----------------|----------------|----------------|-----------------|
| -\$1,740 | -\$990 | -\$159 | -\$54 | -\$24 | -\$3,000 |

1(F). Adjustments to Defense Discretionary Spending Limits

Budget Authority: -\$3,000 thousand in FY 1998

Outlays: The estimated outlay effect for each year is shown above.

Evaluation of Effects of These Adjustments upon Sequestration Procedures: If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

**Automated Records Management System
Hex-Dump Conversion**

2(A). Agency: Department of Defense

2(A). Bureau: Research, Development, Test and Evaluation

2(A). Governmental Function/Project (Account): Periscopic Minimally-Invasive Surgery (Research, Development, Test and Evaluation, Army)

2(B). States and Congressional Districts Affected: Unknown

2(C). Total Number of Cancellations (inclusive) in Current Session in each State and District identified above: Unknown

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$4,000 thousand for the Research, Development Test and Evaluation, Army project "Proton Beam" on page 113 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project would research a new machine that delivers radiation therapy for cancer treatment. The appropriated funds constitute a grant to a private organization for medical research that should be funded through a peer review process. The project is being canceled because it was not requested in the President's FY 1998 Budget and the Department of Defense has determined that it would not make a significant contribution to US military capability.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

Outlay Changes (in thousands of dollars)

| FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | Total |
|----------------|----------------|----------------|----------------|----------------|--------------|
| -\$2,320 | -\$1,320 | -\$212 | -\$72 | -\$32 | -\$4,000 |

1(F). Adjustments to Defense Discretionary Spending Limits

Budget Authority: -\$4,000 thousand in FY 1998

Outlays: The estimated outlay effect for each year is shown above.

Evaluation of Effects of These Adjustments upon Sequestration Procedures: If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

2(A). Agency: Department of Defense

Automated Records Management System
Hex-Dump Conversion

2(A). Bureau: Research, Development, Test and Evaluation

2(A). Governmental Function/Project (Account): Proton Beam (Research, Development, Test and Evaluation, Army)

2(B). States and Congressional Districts Affected: California, 40th Congressional District

2(C). Total Number of Cancellations (inclusive) in Current Session in each State and District identified above: California: seven; 40th District: three

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$3,000 thousand for a Research, Development, Test, and Evaluation, Navy project "Terfenol-D" on pages 119 and 122 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project is intended to enable the Navy to achieve further cost reductions in the application of a magnetorestrictive, iron/terbium/dysprosium alloy for new high performance sonar systems. This effort is to be undertaken through a partnership between any entity which has made a financial commitment and has experience in the production of the alloy and the National Center of Excellence in Metal Working Technology. The Navy has no military requirement for this technology. This project is being canceled because it was not requested in the President's FY 1998 Budget and the Department of Defense has determined that it would not make a significant contribution to US military capability.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

| | Outlay Changes (in thousands of dollars) | | | | | |
|----------|--|----------|---------|---------|---------|-------|
| | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | Total |
| -\$3,000 | -\$1,603 | -\$1,008 | -\$253 | -\$60 | -\$33 | |

1(F). Adjustments to Defense Discretionary Spending Limits

Budget Authority: -\$3,000 thousand in FY 1998

Outlays: The estimated outlay effect for each year is shown above.

Evaluation of Effects of These Adjustments upon Sequestration Procedures: If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

Automated Records Management System
Hex-Dump Conversion

2(A). Agency: Department of Defense

2(A). Bureau: Research, Development, Test, and Evaluation

2(A). Governmental Function/Project (Account): Terfenol-D (Research, Development, Test, and Evaluation, Navy)

2(B). States and Congressional Districts Affected: Pennsylvania, 12th Congressional District

2(C). Total Number of Cancellations (inclusive) in Current Session in each State and District identified above: Pennsylvania: three; 12th District: two

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$3,000 thousand for a Research, Development, Test, and Evaluation, Navy project for "COTS airgun as an acoustic source" on page 120 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project would continue development, testing, and calibration of components for a mobile, high power broadband acoustic surveillance source that is based upon the adaptation of commercial air-gun technology. Technical review in the Department of Defense has concluded that this technology will not be effective, except in shallow water regions where there are no current requirements. The project is being canceled because it was not requested in the President's FY 1998 Budget and the Department of Defense has determined that it would not make a significant contribution to US military capability.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

| <u>Outlay Changes (in thousands of dollars)</u> | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|--------------|
| | <u>FY 1998</u> | <u>FY 1999</u> | <u>FY 2000</u> | <u>FY 2001</u> | <u>FY 2002</u> | <u>Total</u> |
| | | -\$1,603 | -\$1,008 | -\$253 | -\$60 | |
| -\$33 | -\$3,000 | | | | | |

1(F). Adjustments to Defense Discretionary Spending Limits

Budget Authority: -\$3,000 thousand in FY 1998

Outlays: The estimated outlay effect for each year is shown above.

Evaluation of Effects of These Adjustments upon Sequestration Procedures: If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

Automated Records Management System

Hex-Dump Conversion

2(A). Agency: Department of Defense

2(A). Bureau: Research, Development, Test, and Evaluation

2(A). Governmental Function/Project (Account): COTS airgun as an acoustic source
(Research, Development, Test, and Evaluation, Navy)

2(B). States and Congressional Districts Affected: Unknown

**2(C). Total Number of Cancellations (inclusive) in Current Session in each State
and District identified above:** Unknown

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$10,000 thousand for Research, Development, Test and Evaluation, Air Force project "Military Spaceplane" on page 125 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project would fund research into hypersonic technologies and is intended to complement NASA's reusable launch vehicle program. However, NASA, not the Department of Defense, is responsible for the development of reusable launch vehicles. The project is being canceled because it was not requested in the President's FY 1998 Budget, and because the Department of Defense has determined that it would not make a significant contribution to US military capability.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

Outlay Changes (in thousands of dollars)

| | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | Total |
|--|-----------|----------|---------|---------|---------|-------|
| | -\$4,272 | -\$4,272 | -\$887 | -\$357 | | |
| | -\$116 | | | | | |
| | -\$10,000 | | | | | |

1(F). Adjustments to Defense Discretionary Spending Limits

Budget Authority: -\$10,000 thousand in FY 1998

Outlays: The estimated outlay effect for each year is shown above.

Evaluation of Effects of These Adjustments upon Sequestration Procedures: If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

Automated Records Management System

Hex-Dump Conversion

2(A). Agency: Department of Defense

2(A). Bureau: Research, Development, Testing and Evaluation

2(A). Governmental Function/Project (Account): Military Spaceplane (Research, Development, Testing and Evaluation, Air Force)

2(B). States and Congressional Districts Affected: New Mexico, 1st Congressional District.

2(C). Total Number of Cancellations (inclusive) in Current Session in each State and District identified above: New Mexico: three; 1st District: two

Automated Records Management System
Hex-Dump Conversion

reduced by the amounts above.

2(A). Agency: Department of Defense

2(A). Bureau: Research, Development, Testing and Evaluation

2(A). Governmental Function/Project (Account): Clementine (Research, Development, Testing and Evaluation, Air Force)

2(B). States and Congressional Districts Affected: New Mexico, 1st Congressional District.

2(C). Total Number of Cancellations (inclusive) in Current Session in each State and District identified above: New Mexico: four; 1st District: three

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$1,500 thousand for Research, Development, Test and Evaluation, Air Force project "Optical Correlator Technology" on page 125 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project would conduct research and development to attempt to improve optical correlator technology. The project is being canceled because it was not requested in the President's FY 1998 Budget, and because the Department of Defense has determined that it would not make a significant contribution to US military capability.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

Outlay Changes (in thousands of dollars)

| | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | Total |
|--|---------|---------|---------|---------|---------|-------|
| | -\$641 | -\$641 | -\$133 | -\$54 | | -\$17 |

1(F). Adjustments to Defense Discretionary Spending Limits

Budget Authority: -\$1,500 thousand in FY 1998

Outlays: The estimated outlay effect for each year is shown above.

Evaluation of Effects of These Adjustments upon Sequestration Procedures: If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

2(A). Agency: Department of Defense

2(A). Bureau: Research, Development, Testing and Evaluation

2(A). Governmental Function/Project (Account): Optical Correlator Technology

(Research, Development, Testing and Evaluation, Air Force)

Automated Records Management System

Hex-Dump Conversion

2(B). States and Congressional Districts Affected: Unknown

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$37,500 thousand for Research, Development, Test and Evaluation, Defense-wide project "ASAT" on page 130 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project would fund a technology demonstration experiment to prove the feasibility of launching a seeker that would smash into an enemy's satellite, thereby disabling it. However, alternative means exist for addressing a satellite threat, such as destroying ground stations or disrupting satellite communications links. This item is being canceled because it was not requested in the President's FY 1998 Budget; it was not in the Department of Defense Future Years Defense Plan; and there are alternative ways to disrupt enemy satellite capabilities.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

Outlay Changes (in thousands of dollars)

| <u>FY 1998</u> | <u>FY 1999</u> | <u>FY 2000</u> | <u>FY 2001</u> | <u>FY 2002</u> | <u>Total</u> |
|----------------|----------------|----------------|----------------|----------------|--------------|
| -\$16,313 | -\$15,000 | -\$4,500 | | -\$563 | -\$563 |
| -\$37,500 | | | | | |

1(F). Adjustments to Defense Discretionary Spending Limits

Budget Authority: -\$37,500 thousand in FY 1998

Outlays: The estimated outlay effect for each year is shown above.

Evaluation of Effects of These Adjustments upon Sequestration Procedures:
If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

**Automated Records Management System
Hex-Dump Conversion**

2(A). Agency: Department of Defense

2(A). Bureau: Research, Development, Testing and Evaluation

Automated Records Management System

Hex-Dump Conversion

2(A). Governmental Function/Project (Account): ASAT (Research, Development, Testing and Evaluation, Defense-wide)

2(B). States and Congressional Districts Affected: California, 23rd and/or 24th Congressional Districts.

2(C). Total Number of Cancellations (inclusive) in Current Session in each State and District identified above: California: eight; 23rd District: one; 24th District: one

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$2,000 thousand for Research, Development, Test and Evaluation, Defense-wide project "Risk-based toxic chemicals research" on page 133 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project would address questions relating to establishment of cleanup criteria for toxic chemicals associated with base operations and for remediation of waste sites. It would duplicate ongoing research being conducted by the Department of Defense. The project is being canceled because it was not requested in the President's FY 1998 Budget and the Department of Defense has determined that it would not make a significant contribution to US military capability.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

Outlay Changes (in thousands of dollars)

| | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | Total |
|--|---------|----------|---------|---------|---------|-------|
| | -\$870 | | -\$800 | -\$240 | -\$30 | |
| | -\$30 | -\$2,000 | | | | |

**1(F). Adjustments to Defense Discretionary Spending Limits
Budget Authority: -\$2,000 thousand in FY 1998
Outlays: The estimated outlay effect for each year is shown above.**

**Evaluation of Effects of These Adjustments upon Sequestration Procedures:
If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.**

**Automated Records Management System
Hex-Dump Conversion**

2(A). Agency: Department of Defense

2(A). Bureau: Research, Development, Testing and Evaluation

2(A). Governmental Function/Project (Account): Risk-based toxic chemicals research (Research, Development, Testing and Evaluation, Defense-wide)

2(B). States and Congressional Districts Affected: Unknown.

2(C). Total Number of Cancellations (inclusive) in Current Session in each State and District identified above: Unknown

**CANCELLATION OF
DOLLAR AMOUNT OF DISCRETIONARY BUDGET AUTHORITY
Report Pursuant to the Line Item Veto Act, P.L. 104-130**

Bill Citation: "Department of Defense Appropriations Act, 1998" (H.R. 2266)

1(A). Dollar Amount of Discretionary Budget Authority: \$1,000 thousand for Research, Development, Test and Evaluation, Defense-wide project "Defense Techlink rural technology transfer" on page 133 of House Report 105-265 dated September 23, 1997.

1(B). Determinations: This cancellation will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

1(C),(E). Reasons for Cancellation; Facts, Circumstances, and Considerations Relating to or Bearing upon the Cancellation; and Estimated Effect of Cancellation on Objects, Purposes, and Programs: This project would develop a rural technology model of a five state rural region of Montana, North Dakota, South Dakota, Wyoming and Idaho. The project is being canceled because it was not requested in the President's FY 1998 Budget and the Department of Defense has determined that it would not make a significant contribution to US military capability.

1(D). Estimated Fiscal, Economic, and Budgetary Effect of Cancellation: As a result of the cancellation, Federal outlays will not increase, as specified below. This will have a commensurate effect on the Federal budget deficit and, to that extent, will have a beneficial effect on the economy.

Outlay Changes (in thousands of dollars)

| | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | Total |
|-----------|---------|---------|---------|---------|---------|-------|
| - \$15 | - | -\$435 | -\$400 | -\$120 | -\$15 | |
| - \$1,000 | - | | | | | |

1(F). Adjustments to Defense Discretionary Spending Limits

Budget Authority: -\$1,000 thousand in FY 1998

Outlays: The estimated outlay effect for each year is shown above.

Evaluation of Effects of These Adjustments upon Sequestration Procedures: If a sequestration were required, such sequestration would occur at levels that are reduced by the amounts above.

**Automated Records Management System
Hex-Dump Conversion**

2(A). Agency: Department of Defense

2(A). Bureau: Research, Development, Testing and Evaluation

**2(A). Governmental Function/Project (Account): Defense Techlink rural
technology transfer (Research, Development, Testing and Evaluation, Defense-wide)**

**2(B). States and Congressional Districts Affected: Idaho, Montana, North Dakota,
South Dakota, Wyoming; Congressional Districts unknown.**

**2(C). Total Number of Cancellations (inclusive) in Current Session in each State
and District identified above: Idaho: three; Montana: two; North Dakota: one; South
Dakota: two; Wyoming: one**